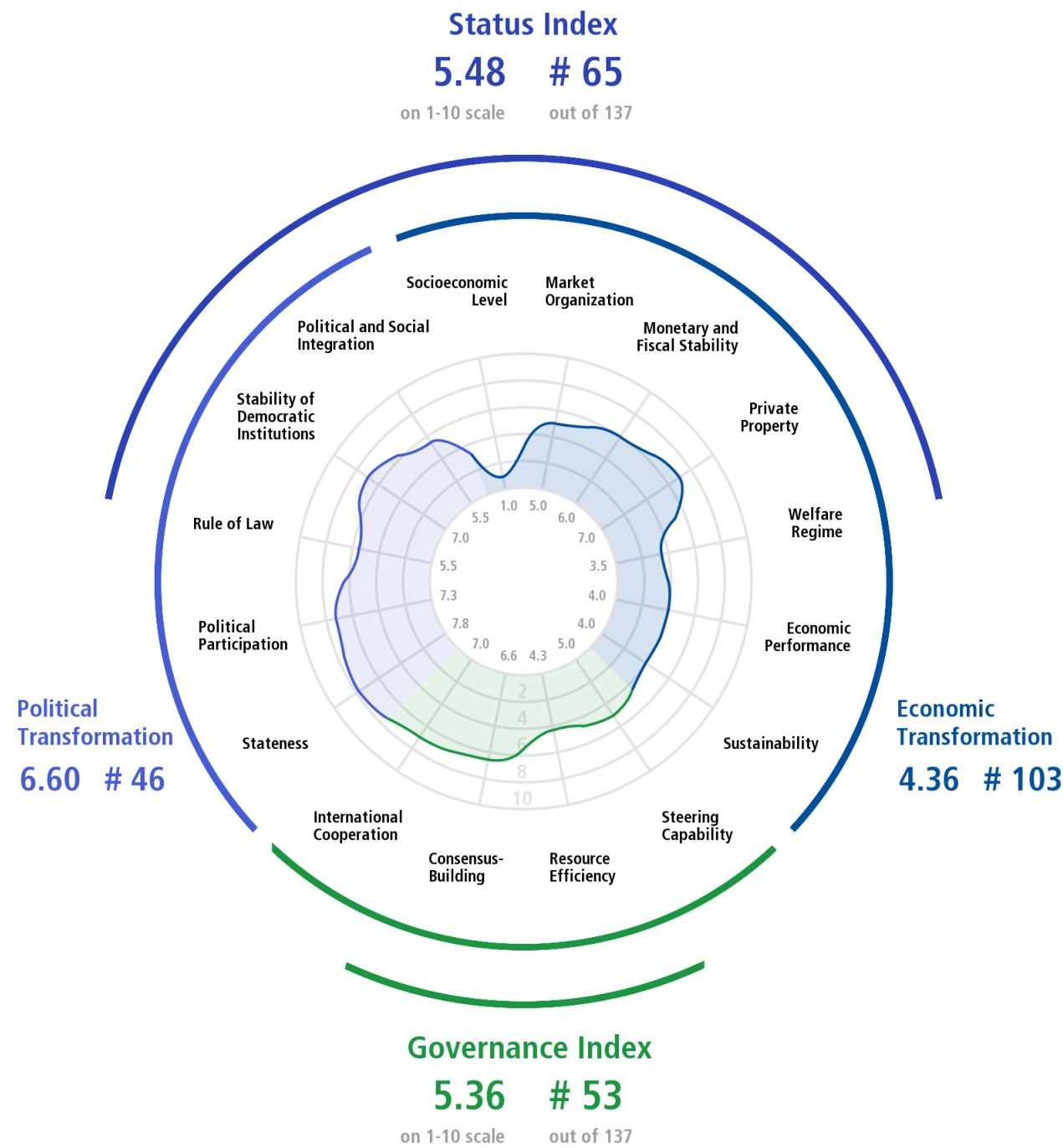


Liberia



This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	4.8	HDI	0.465	GDP p.c., PPP \$	1306
Pop. growth ¹	% p.a.	2.5	HDI rank of 189	176	Gini Index	35.3
Life expectancy	years	63.3	UN Education Index	0.422	Poverty ³	72.6
Urban population	%	51.2	Gender inequality ²	0.651	Aid per capita \$	132.2

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The review period was marked by a democratic change of government, as President Ellen Johnson Sirleaf handed over power to George Weah in January 2018. Johnson Sirleaf had governed Liberia since a transitional government composed of warring factions stepped down in January 2006 and is the architect of Liberia's post-war emergence. Her tenure was characterized by the rebuilding of state institutions and an inclusive political process which endeavored to put state government on a broader social basis. Yet patrimonial dynamics continued to be at the heart of governance and the level of corruption remained high. Although broad-based in historical perspective, her government was often accused of representing the elite settler society she had grown up in.

The new president, George Weah, represented an ambivalent development. As an "indigenous" Liberian raised in urban poverty, he symbolically represents the marginal masses and increases their identification with the state. His election further strengthened trust in the democratic process, as it convinced many that votes indeed matter.

Yet, as had been the case previously, his government features a number of Liberia's well-established elites and leaders implicated in the atrocities of the civil war. The government is not a coherent force but instead comprises two power blocs, George Weah's Congress for Democratic Change and the National Patriotic Party of vice president Jewel Howard Taylor, former wife of Charles Taylor, the former president subsequently convicted of war crimes. A large number of new officials are inexperienced in leading the public service. Worrying developments in 2018 included pronounced rivalries within the governing coalition and reports of unchecked corruption, as new office holders tried to exploit their positions. The president was also implicated in corruption allegations.

Liberia experienced a deep social and economic crisis as a result of the Ebola epidemic, and this led to depressed prices for its main export goods. The Liberian dollar lost approximately 20% of its value (against the dollar) in 2017/18. Most food and basic necessities are imported, so citizens saw their purchasing power deteriorate. The economy contracted by approximately \$100 million within a year and the government budget was revised down by 10%. The government struggled to

pay its wage bill and contract partners. With limited prospects for its natural resource exports and major structural challenges, GDP growth is likely to remain low and will be incapable of improving living standards.

These challenges are likely to reduce the popularity of the government in the medium term. Amid lower revenue, competition for state finances is bound to intensify and political rivalries increase. This may reinforce the authoritarian inclinations of some factions of the new government. Looking forward, a difficult period is predicted for Liberia, economically and politically.

History and Characteristics of Transformation

The creation of Liberia is a direct result of the system of slavery in the United States. As “free persons of color” became a discernible population segment in the United States, a private organization acquired lands on the West African coast and organized the emigration of these “free persons of color” to their purported homeland, starting in 1822. Another, more sizable, segment of the settlers was made up of so-called “Congos,” would-be slaves who never reached American shores but whose vessels were intercepted by the navies of the United States and the British. African Americans and “Congos” over time formed a coherent settler group, and “Congos” became a generic term for settler society. In 1847, Liberia declared independence. At the time, the area comprised a multitude of small traditional political entities. Already the early acquisition of lands had been marked by contention and intimidation, and the creation of the Liberian state pitted the settlers against local people. The Americo-Liberian “repatriates” conceived their state-building project as a “civilizing mission” built on the pillars of Christianity, modern education and a conservative Western dress code. The central state remained a domain of settler culture that marginalized and often exploited the so-called “country” population. The division between the two populations became strongly politicized in the 1970s. Among the masses of indigenous origin, there is still a pervasive sense of historical exclusion and subjugation by a “foreign” minority. A military coup in 1980 brought the first indigenous leader to power, Samuel K. Doe. His rule marked both the end of Americo-Liberian dominance and the beginning of a new era of militarized repression. A conflict over political power within the military leadership developed into an ethnic conflict between Doe’s Krahn group and Mandingo allies, and Gio and Mano from Nimba County. Charles Taylor, a member of Doe’s cabinet associated with the latter faction, fled amid allegations of corruption. After fleeing, he began to mobilize dissidents into the National Patriotic Front of Liberia (NPFL) rebel group. When the force attacked a small border town on Christmas Eve 1989, it sparked a devastating civil war that saw the emergence of a multitude of factions. The civil conflict in Liberia gained a particular reputation for cruelty and violence against civilians. A regional intervention force, the Economic Community of West African States Monitoring Group (ECOMOG) led by Nigeria, prevented Taylor from conquering the capital. The major line of conflict during the civil war was between an uneasy alliance of interim governments, ECOMOG and factions associated with the Doe regime, and the NPFL. The end of the first war culminated in the election of Charles Taylor as president in 1997.

Charles Taylor's dealings with Sierra Leonean rebels and his activities to destabilize Guinea, as well as Côte d'Ivoire, increased international and regional opposition to his rule. By 2000, the Taylor government faced another rebellion by forces linked to his long-term opponents and supported by neighboring countries as well as tacitly by the United States. A Mandingo-dominated group, the Liberians United for Reconciliation and Democracy (LURD) attacked from the north while a smaller Movement for Democracy in Liberia (MODEL) formed in early 2003 in the east. By mid-2003, the defeat of Taylor's forces was imminent, and the president fled into exile in Nigeria, thus paving the way for a transitional government taking over for some two years. Charles Taylor was eventually sentenced to 50 years in jail by the Sierra Leonean war crimes court in 2013.

The main contenders in the 2005 election were the famous footballer George Weah and Ellen Johnson Sirleaf, an international professional with a career in private banking, the World Bank and the United Nations. Both leaders continue to head the largest political camps. Johnson Sirleaf won the first election, as well as the following election in 2011. Her excellent international reputation assured significant external support. She faced enormous challenges with much of the administrative infrastructure destroyed and the formal economy in ruins. Johnson Sirleaf's government was stabilized by the United Nations Mission in Liberia (UNMIL), comprised of up to 15,000 military personnel, which was withdrawn in March 2018. Liberia regained stability under the new president, and generally, democratic freedoms are now respected, state institutions have been strengthened, and the macroeconomic environment stabilized. Relatively high prices for Liberia's main export goods, iron ore and rubber, during the first eight years of Johnson Sirleaf's rule generated much-needed revenue and attracted foreign direct investment. Growth rates averaged well above 5% for most of her presidency, but did little to raise living standards.

Johnson Sirleaf was associated with old elite circles, and many Liberians perceived her administration as reviving historical patterns of self-enrichment. The Ebola epidemic (2014 – 2015) engendered an economic collapse. Amid falling prices for the main export goods, the recovery has been moderate. Having ruled for two terms, Johnson Sirleaf was constitutionally barred from standing in the presidential elections of 2017 and her vice president, Joseph Boakai, ran for her Unity Party (UP). The elections were won by the UP's long-term challenger, George Weah. His Congress for Democratic Change (CDC) party had built a strategic alliance with the National Patriotic Party and another smaller formation, creating the Coalition for Democratic Change (using the same acronym, CDC).

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

In principle, the state has a monopoly on the use of force. No organized group effectively challenges the state's claim to territorial control. There are, however, social spheres which state authority does not fully penetrate. In particular, intra-elite networks shield their members from judicial sanctions. Rural traditional societies retain a significant degree of autonomy from state regulation, and remote non-traditional settlements, in particular irregular mining camps, often rely on non-state security mechanisms.

After the peace agreement of 2003, the United Nations Mission in Liberia (UNMIL) provided security and successively devolved responsibilities to Liberian state agencies. By March 2018, UNMIL finally withdrew from Liberia and handed over full security responsibilities to the country's government. The judiciary and security sectors continue to lack the capacity to arrest, detain and adjudicate criminals. Levels of crime are not considered high by regional standards. Police statistics show a 13% reduction in crime in 2017, which may be related to the comprehensive integration of young people into election campaigns and patronage networks in that year. Anecdotal evidence suggests a rise in crime in 2018, against the background of a worsening economic situation.

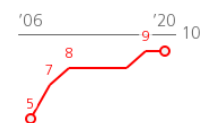
The nation-state is widely accepted as legitimate, and there is a clear sense of national identity. A position of power in the state is generally recognized as the ultimate marker of social success.

Citizenship is constitutionally reserved for persons "of negro descent," which excludes the sizable business communities of Lebanese and Indian ethnicities. Land ownership is reserved for Liberian nationals. In his inauguration speech of January 2017, President Weah declared the liberalization of the citizenship law a cornerstone of his policy. Yet in the face of widespread resistance, the reform initiative has stalled.

Question
Score

Monopoly on the
use of force

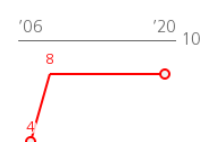
9



1

State identity

8



1

In popular discourse, citizenship is often associated with belonging to one of the groups with long-term residence. The Liberian state officially recognizes sixteen “tribes of Liberia” while “repatriates” are not considered a tribe. Many Liberians are ambivalent about the status of one of the “indigenous” groups, the Muslim Mandingo, many of whom immigrated from Guinea over the past 70 years. A major fault line still exists between descendants of the settlers and the “indigenous” groups, and political conflicts are often interpreted through the Congo-Indigenous divide. Many members of the elite who are of Congo descent are assumed to possess United States citizenship. Dual citizenship is not recognized, and the loyalty of “Americans” to Liberia is widely doubted.

Liberia is constitutionally a secular state and religious dogmas rarely influence politics. The Americo-Liberian settlers however historically considered Christianizing indigenous “pagans” part of their “civilizing mission,” which entailed a symbolic affiliation of Liberian nationalism with Christianity. Some 85% of Liberians now identify as Christians. In 2016, a heated debate spearheaded by influential churches broke out over whether Liberia should be declared a Christian state. The debate exposed significant anti-Muslim undercurrents in society and threatened to ignite nascent tensions. Government elites lobbied the proponents of the change behind closed doors and the matter was eventually abandoned. The current vice president, Jewel Howard Taylor, was a vocal supporter of the idea of a “Christian state.” Yet the issue did not resurface in the election campaign and has not been pursued since.

The state is strongly centralized, with its institutions historically concentrated in the capital, Monrovia. The state has invested in its local administrative apparatus as a step in a long-term process of decentralization. Sub-offices of the main state institutions have been established and strengthened in major provincial centers. The creation of regional security hubs, which were active in 13 of the 14 “hinterland” counties by 2018, has improved the reach of state security, though major gaps persist. Still, some 3,800 of the country’s 5,000 police are based in the capital Monrovia. Liberia’s physical infrastructure has improved in recent years but remains deficient, especially in rural areas. According to the latest World Bank data (2015), 76% of the population had access to water and 17% to sanitation.

No interference of religious dogmas

9



1

Basic administration

5



1

2 | Political Participation

Liberia has a democratic presidential system with a bicameral legislature. The president and representatives have a tenure of six years. Members of the Senate have nine. After the civil war, Liberia held presidential and lower house elections in 2005, 2011 and 2017. All elections were rated satisfactorily free and fair by international observers. Elections do, however, take place in a neo-patrimonial environment and are influenced by patronage practices. The links between elites and grassroots are weak, and people often feel neglected by those in power. The elections take place during the rainy season, which decreases accessibility for rural populations. In 2017, the national elections commission (NEC) was, for the first time since the war ended, the sole organizer of the elections. Organizational shortcomings were greater than on the two previous occasions.

Losing parties frequently denounced the election as flawed, and many of their supporters believe these allegations. As a result, there is limited trust in the integrity of the democratic process. The president is subject to a limit of two terms and former President Ellen Johnson Sirleaf could not stand in 2017. Her vice president, Joseph Boakai, ran for the governing Unity Party (UP). The UP had always been an uneasy elite alliance, in which various factions compete for influence. Against the background of a split in the UP, in which Boakai teamed up with a number of long-term rivals of Johnson Sirleaf, the former president did not support any candidate publicly but tacitly assisted the campaign of George Weah (CDC). The CDC ran as a coalition integrating the National Patriotic Party (NPP), who seconded the vice-presidential candidate Jewel Howard-Taylor, and the politically marginal Liberia People Democratic Party (LDPL).

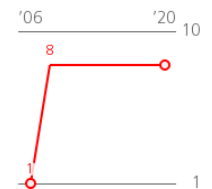
Twenty presidential candidates contested the first round of elections in October 2017. Generally speaking, political parties are organized around individuals and are strongly personalized. Most parties have only a small constituency. The relevant ones are led by well-established political or business elites and based on patronage, with populist programs that differ little in substance.

George Weah won the first round of elections with 38% against the second-placed Boakai, who obtained 29%. The corporate lawyer Charles Brumskine (Liberty Party, LP), former warlord Prince Johnson (Movement for Democracy and Reconstruction, MDR) United States-based business executive Alex Cummings (Alternative National Congress, ANC) and local strongman Benoni Urey (All Liberian Party, ALP) were runners-up, with single-digit scores.

The Liberty Party referred to organizational shortcomings when alleging large-scale fraud. It challenged the results in court and was joined in the process by the UP and ALP. The Supreme Court postponed the second-round run-off vote to allow time for investigation but eventually dismissed the fraud claims and allowed elections to be

Free and fair elections

8



held in December. The court was, however, divided in its opinion (see below). The run-off was finally won by the George Weah-Jewel Howard-Taylor team, with 61.5% of the votes.

There are no institutionalized veto powers as such, which is partly due to the fragmented character of Liberia's political landscape. The primary impediments to effective governance are corruption on all levels of the administration, the lack of qualified staff and scarce material resources.

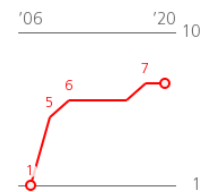
There is little firm evidence available on the powers of secretive elite organizations. The most notable ones are the Freemasons and the United Brothers' Friendship (UBF). President George Weah is a member of the Freemasons, which also count other senior government officials as members too.

Article 17 of the constitution, guarantees that all persons have the right to assemble "in an orderly and peaceable manner." The constitution also guarantees the right of association. Under the Johnson Sirleaf government, Liberia enjoyed remarkable political liberty. There was, however, harassment of civil society campaigners in the hinterland by government officials, in particular in connection with land rights protests against oil palm companies. Political rhetoric became more confrontational in 2018 and the political climate less free. A by-election in a Monrovia district in November 2018 was widely considered a turning point. The UP candidate's rally was attacked in an apparently well-prepared assault by youths associated with the CDC. The UP candidate and an LP lawmaker later accused the mayor of Monrovia, who was the former youth leader of the CDC and who was present at the scene, of having led the attack. Media reports suggest three opposition supporters were killed in the attack and their bodies buried secretly.

There is a variety of state and private media that express a range of views, and the constitution protects freedom of expression. Generally, citizens and media can express a critical opinion. Political elites have, however, tried to intimidate journalists via phone calls and text messages. The bribing of media staff is widespread. Libel laws have in the past been used by officials to put pressure on media and activists. In this context, the Monrovia mayor's civil lawsuit against the UP and LP executives accusing him of leading an attack on a political rally (see above), which demands \$5 million compensation for libel, is widely interpreted as a warning to voices critical of the government.

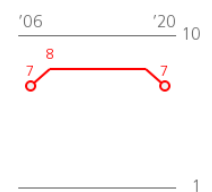
Effective power to govern

7



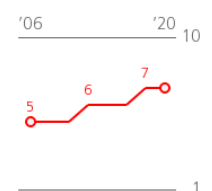
Association / assembly rights

7



Freedom of expression

7



3 | Rule of Law

In the post-civil war period, the three branches of government have been able to establish a significant degree of autonomy, although the executive is dominant.

The legislature and judiciary have repeatedly disregarded decisions of the executive branch. However, corrupt practices strongly influence parliamentary decisions and prevent it from fulfilling its constitutional functions.

In the 2017 elections, the CDC won 21 of 73 seats in the lower house. This was sufficient to make it the largest party. After the elections, several lawmakers officially or effectively switched to the CDC, allowing it to have an effective majority in the house.

The president appoints all judicial officials. In 2018, there was a significant development in the membership of the Supreme Court. One of the five judges retired and was set to be replaced by the new president with a former senator. In another development, the lower house started impeachment proceedings against counselor Kabineh Ja'neh, a former rebel leader, alleging abuse of office. Ja'neh had been a supporter of the losing parties in the 2017 election dispute (see above), and the move was interpreted by many observers as an attempt to strengthen executive control over the judiciary. This move also had an ethno-regional dimension, as Ja'neh is one of the very few prominent representatives of the Mandingo ethnic group in a senior state position.

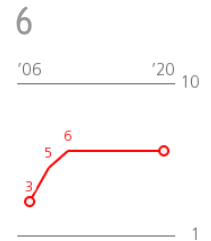
Liberia has two legal systems, a statutory one and a state-sponsored customary one. Under the latter, judicial and executive powers are invested in the same authorities, and there is no separation of powers for much of the rural population.

Liberia operates under a dual statutory and state-sponsored customary system. While both systems are formally independent of each other, cases may effectively transfer from one to the other. In the customary system, authority is vested in the executive.

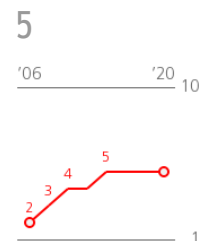
In the first instance, cases are heard by town chiefs, and appeals may go all the way up to the presidency. In the past, the powers to handle severe cases involving bodily harm and sexual violence have been assigned to customary authorities.

The statutory judiciary is formally independent but characterized by severe functional deficits. Judges have reportedly been subject to undue influence from the private sector and government officials. Corruption of judges and juries (used in circuit courts trials) constitutes a major obstacle to fair and transparent trials. Judicial sitting days are effectively few, and the absence of judiciary personnel often leads to trial delays.

Separation of powers



Independent judiciary



Monetary costs of access to justice are high, in particular for the rural population. Expenses incurred by police and others, such as transport of accused offenders, often must be assumed by plaintiffs. Few lawyers reside outside Monrovia and securing legal representation is prohibitively expensive for most Liberians, especially in the hinterland.

Under President Johnson Sirleaf modest progress was made in reducing opportunities for corruption. Many senior officials were dismissed amid allegations of corruption but were never brought to court. The heads of the Liberian anti-corruption commission (LACC) and the former minister of justice complained about a lack of political will to prosecute corrupt officials.

Allegations of corruption appear not to affect the reputation of officials. For instance, the CDC immediately pursued an alliance with the former house speaker after he was accused of having accepted bribes from a mining company and fell out of favor with the then president in 2016. The trial against those accused in a Global Witness report on corruption was aborted. According to Afrobarometer 2018, 37% of Liberians believe elites always get away with crime, while only 15% feel the same is true for ordinary Liberians.

President Johnson Sirleaf's administration had strengthened civil rights in Liberia. Yet progress was limited. The judicial system is dysfunctional, and it is often futile to seek redress against actions of the state or its officials. Police routinely extort motorists on roads and may make arbitrary arrests or with insufficient evidence. Homosexual intercourse is against the law. Violence against women and domestic violence were widespread during the review period. The prevalence of clitoridectomy remains high and is left addressed by the state. Costs of access to justice are prohibitively high for most citizens. There are also anti-Muslim sentiments in the largely Christian nation. This manifests itself in the area of equal opportunity. Prison conditions are harsh.

4 | Stability of Democratic Institutions

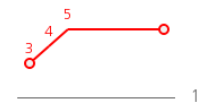
The performance of democratic institutions has improved over the review period, but significant deficits persist. The executive dominates the political sphere, but the communication of executive policies is inadequate.

The legislature exercises its oversight functions poorly. Concerns for private gain result in political horse trading. A lack of expertise constitutes another obstacle to rational policy formulation. The parliament is effective in that the president must ensure significant elite support to pass decisions. The weak judiciary cannot compensate for the deficits of other branches.

Prosecution of office abuse

5

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Civil rights

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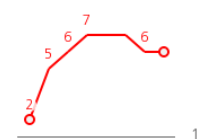
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Performance of democratic institutions

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Significant deficits in qualifications and material resources constrain the administration. Officials often do not have internet access or functioning vehicles to perform their duties, nor do they have a good grasp of the laws and regulations that should guide their decisions. In summary, resources to implement government policy are relatively limited.

Liberia has been formally democratic since independence in 1847. This history and a political culture oriented toward the United States means democratic institutions are in principle fully endorsed by the political class.

However, the political culture in large parts of the country is hierarchical and features significant authoritarian elements. Among them is the widely held belief that the real centers of power are obscure and the formal democratic institutions are of limited relevance. Circumvention or manipulation of democratic norms and institutions may appear normal. Elite attitudes often favor unilateral decision-making over compromise and consensus-seeking.

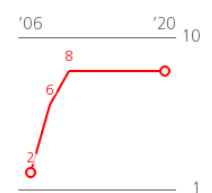
5 | Political and Social Integration

The political party system is not institutionalized and parties are strongly personalized. Three political parties, the UP, the CDC, and the NPP, contested the 2005 elections and have maintained relevance since. Despite some changes, voter volatility appears relatively low. The UP has become a relatively stable elite network and was a strong political force in the 2017 elections despite the absence of Johnson Sirleaf. The CDC continues to be strongly centered around George Weah. The NPP, created by former President Charles Taylor and now headed by his ex-wife, continues as a formal structure linking elites of his network. Most parties have only been created or revived with aspirations for the 2017 presidential elections and are personal initiatives of their leaders. Generally, parties hold primaries but internal democracy is weak, and outcomes are often determined by party leaders.

Liberia's political scene is, and has historically been, factionalized. The most important structures are individual "big people" with personal followings. The party system with its 25 registered groups is highly fragmented. While Liberian political culture is often confrontational, there is little polarization, and alliances can be struck among all political actors if it serves their interests. This reflects the patrimonial character of the Liberian polity, where politics revolves around access to the spoils of power.

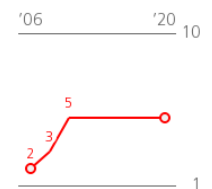
Commitment to democratic institutions

8



Party system

5



Among the major interest groups are the chambers of commerce, the Liberian business association and trade unions. Women's civil society groups gained influence under President Ellen Johnson Sirleaf. While the larger civil society groups have some influence on politics, this has been uneven in the past. Less well-financed interests face significant difficulties in making their voices heard. In Monrovia daily life, the neighborhood associations are most important in mediating between society and state. The organizational strength and legitimacy of these associations varies tremendously, but they are often weak.

Four Afrobarometer surveys since 2008 found approval of democracy followed a bell-curve. Initially high after the civil war, dissatisfaction with leaders and the desire for strong leadership on Ebola has entailed a steady reduction. Liberians in principle support democratic institutions, and leadership elections in particular. 70% prefer democracy to any other kind of government and reject authoritarian alternatives like military rule (73%).

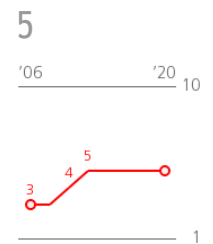
They believe that Liberia is more democratic now than three years ago, which likely reflects the eventual election victory of George Weah. At the same time, dissatisfaction with the way democracy is working in the country is increasing. Complaints include impunity for elite corruption, lack of concern among elites for ordinary Liberians, and a lack of order. Most Liberians support government infringement on freedom of association and opinion to promote order. Many Liberians were convinced George Weah had been cheated of election victories in 2005 and 2012. His eventual win in 2017 convinced many of his followers that votes indeed mattered, and 61% of Liberians describe the country as fully democratic or one with only minor problems. 84% prefer elections over any other way of choosing leaders. Yet 61% are dissatisfied with the way democracy is working and there is a discernible longing for a benevolent dictator.

While Liberians rate parliament and local officials as more corrupt than average, they feel more often than other Africans that they are heard by officials of these institutions. The Afrobarometer 2012 survey found that 85% to 88% of Liberians considered the main institutions to be affected by corruption, with little difference between parliament, police and judiciary. Trust in state institutions is very low, and personal trust in its officials scarce.

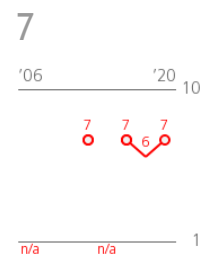
Trust is in short supply in Liberia. Historically the region was characterized by the small size of political entities and insecurity. At the village level, interdependence and traditional socializing mechanisms create strong bonds.

Yet many of Liberia's warns against trusting outsiders. The civil war further destroyed relations of trust. Trust is largely restricted to private settings like kin and religious groups (e.g., church congregations), and rarely in the public sphere. While Liberians often organize themselves into voluntary associations, lack of trust often impedes effective functioning, and these groups are often short-lived.

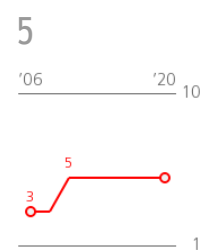
Interest groups



Approval of democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Liberia consistently ranks as one of the poorest countries in the world. It was placed 181 out of 189 in the 2018 HDI. Almost 90% of the population live on less than \$3.10 per day. In 2014 inequality was well below the international average as measured by the Gini Index, which is indicative of a (by regional standards) not particularly wealthy elite. This is a reflection of the destruction occasioned by the civil wars and a natural resource-based enclave economy in which foreign investors repatriate substantial profits. However, the past 15 years have seen an accumulation of wealth by elites and the emergence of a small middle class, leading to growing inequality.

Liberia is one of the most urbanized countries in the region, with approximately half of the population living in urban areas and about one-third in the capital city. This is partly the legacy of the civil war when the cities were comparatively safe and attracted internal refugees. It is also a consequence of the lack of opportunities in the rural economy. Sociopolitical factors, in particular elder control over land, poor road infrastructure and government neglect of subsistence farming, combine to render agriculture unattractive to young people. However, the industrial sector is small, and opportunities in the urban economy are few.

Access to education is a major challenge. In the hinterland, schools are often barely functional. Public schools are technically free, but even small expenses for transport, school uniforms, material and administrative fees are beyond the means of many Liberians. The quality of the education system is very poor, and even secondary school students are not necessarily able to read and write. The difficulties for poor rural youths who wish to climb the social ladder are immense, and opportunities for slum dwellers of the cities are often not much better.

Historically, the major social division separated the settler society from the indigenous population, and large parts of the latter were structurally excluded. Today, a large share of state employees and political elites are of indigenous backgrounds, and the traditional barrier has lost importance. In general, the major lines of exclusion nowadays follow an urban-rural divide and separate the extremely poor population from the more established classes.

Gender inequality has historically been pronounced, as is particularly visible in the divergent literacy rates. However, girls' attendance at schools has increased tremendously in the past ten years. Formal sector jobs are disproportionately occupied by men, while the low-income market trade is a female domain.

Question
Score

Socioeconomic
barriers

1

'06 '20 10



Economic indicators		2015	2016	2017	2018
GDP	\$ M	3177.0	3277.8	3285.5	3249.0
GDP growth	%	0.0	-1.6	2.5	1.2
Inflation (CPI)	%	7.7	8.8	12.4	23.6
Unemployment	%	2.2	2.2	2.0	2.0
Foreign direct investment	% of GDP	7.3	9.5	7.5	3.8
Export growth	%	-14.0	6.0	6.1	0.8
Import growth	%	-0.2	-1.5	-0.5	-7.7
Current account balance	\$ M	171.1	-276.0	-565.6	-
Public debt	% of GDP	25.9	28.3	34.0	39.9
External debt	\$ M	845.6	970.2	1146.8	1255.9
Total debt service	\$ M	45.5	12.2	12.7	33.6
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	16.9	15.9	16.2	16.7
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	1.1	1.4	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.7	0.7	0.7	0.8

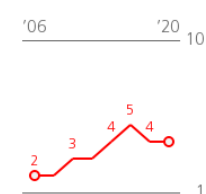
Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Liberia's constitution restricts citizenship to persons "of negro descent" and permits land ownership by nationals only. While President George Weah announced his intent to liberalize these provisions, he faced stiff resistance. The Johnson Sirleaf government reduced the number of business activities reserved for Liberian nationals from 26 to 16. It further stipulated minimum investment requirements for foreign-owned business in twelve other sectors. The sizable business community of Lebanese origin thus faces specific hurdles.

According to the Costs of Doing Business Index (COBDI) 2019, starting a business takes 18 days and five procedures, at a cost of 12.6% of GNI per capita. The starting

Market
organization
4



a business score amounts to 88.14 out of 100 (Liberia is ranked 80 out of 190 countries). The protection afforded to minority investors is very weak. Cross-border trading and the enforcement of contracts are serious challenges for private business and to the freedom of competition. Corruption also increases costs in an unpredictable fashion and privileges well-connected individuals.

The government intervenes selectively in pricing. Public transport, rice, cement and fuel prices are set by the government. Generally, major foreign investors have investment contracts with the government specifying their project-specific financial obligations. Consequently, not all businesses operate under the same conditions. There are no restrictions on repatriation of profits. The informal sector, including subsistence agriculture, represents an estimated 85% of the workforce.

In 2016, Liberia acceded to the WTO. In 2017, the ministry of commerce and industry published a competition law. The law regulates the operation of an efficient free market system in Liberia. The Liberian competition law prohibits all anti-competitive behaviors, unfair trade practices and other similar conduct or activities which have a direct, substantial and reasonably foreseeable effect on the Liberian economy or marketplace. The law applies regardless of whether the action occurred within or outside Liberia, and whether caused by the activities of Liberians or foreigners. Trade in 27 essential goods, notably rice imports, is restricted and requires licenses, creating effective oligopolies.

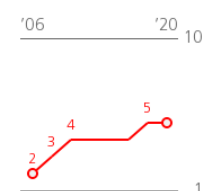
The small market reinforces a tendency toward oligopolies. The general functional deficits of the justice system also affect the enforcement of competition law.

The World Bank Cost of Doing Business Index shows that procedures for international trade are particularly time-consuming and cost intensive. All imports and exports require permits. Customs procedures are cumbersome and bribe-seeking by officials often leads to delays in clearing goods. The structure of Liberia's international trade is indicative of its low development. Main export goods in 2018 were rubber, gold and iron ore, while imports were dominated by food rather than capital goods.

Liberia adopted the common external tariff (CET) of the Economic Community of West African States (ECOWAS) in December 2017. The CET reduces costs for regional imports and effectively increases prices for imports from Liberia's main trading partners. Consumer prices were already severely affected by the deterioration of the Liberian dollar. The president ordered the lowering of import tariffs and the government published a corresponding amended CET schedule in June 2018 to strengthen the Liberian dollar's purchasing power.

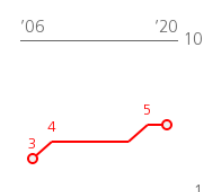
Competition policy

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Liberalization of foreign trade

5

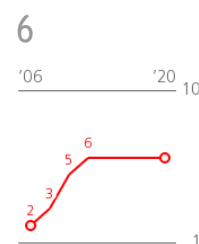


The central bank of Liberia (CBL) published new guidelines on accounting and financial reporting for banks in July 2016. These are oriented toward international standards. The CBL reduced the reserve requirement for banks from 22% to 15% to enhance the sector's liquidity. There are no capital market or portfolio investment options in the country. The government introduced treasury bonds in 2013 in order to develop a capital market and strengthen the Liberian dollar.

According to the latest CBL report (2017), the banking sector continued to show growth in key balance sheet indicators (e.g., total assets rose by 30.1%). Yet this was primarily due to the depreciation of the Liberian dollar. Commercial banks limited payouts to customers of both LRD and dollars in 2018, indicating significant cash flow issues. The central bank previously instructed banks to not write off Ebola-related bad loans, and the book balances as a consequence are likely to look better than the cash position of the bank actually is.

The capital adequacy ratio stood at 33.4% (the regulatory minimum is 10%). Nevertheless, the percentage of non-performing loans to total loans is high at 13.6%. In response, banks generally make short-term but high-interest loans, which constrains financing opportunities. All financial products must be licensed by the CBL, which effectively uses this instrument to impose informal maximum interest rates.

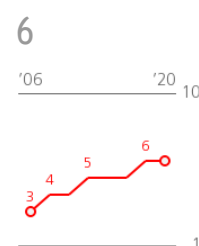
Banking system



8 | Monetary and fiscal stability

The government has retained both the dollar and the Liberian dollar as legal tender. The dollar accounts for 68% of the money in circulation. While the exchange rate of the dollar to the Liberian dollar remained relatively stable for the better part of Johnson Sirleaf's presidency. However, it deteriorated strongly in the period after August 2017 and, relative to the dollar, lost approximately 20% of its value over 2017 and then over 2018. The deterioration was partly due to lower export earnings, but was strongly reinforced by the improper release of LRD notes with a value of up to \$100 million. This translated into consumer price inflation of 12.4% in 2018, which is expected to fall back to 9.5% in 2019.

Monetary stability



While the CBL is formally independent, goals of fiscal and monetary policy are coordinated, and the government thus influences the bank's policy. The government stabilizes the LRD-dollar rate through buying and selling, but is constrained by limited dollar reserves.

Macroeconomic stability has suffered during the review period, primarily due to a reduction in forex imports as the United Nations mission in Liberia was withdrawn and export commodity prices remained low. Economic dependence on a few goods, in particular iron ore and rubber, increases vulnerability. Amid deteriorating exports, the trade deficit increased further to 27.4% of GDP in 2018. The deficit in the 2017/18 budget, which was already revised downward by approximately 10%, is now estimated at 5%. The 2018/19 budget is significantly expanded and while the shortfall is estimated at 3.8%, revenue projections appear to be overly optimistic.

The ratio of public debt to GDP increased significantly to 50.8% during the review period. This was partly due to the economy contracting by approximately \$100 million within a year. In a quest to build two major highways, the George Weah government negotiated loans with two private companies totaling \$1 billion, which would have doubled Liberia's foreign debt. The loan structure raised concerns about future sustainability of Liberia's debt. The loans have not been completed amid issues with creditors and negotiations with the World Bank. Liberia will require an IMF extended credit facility (ECF) loan in the near future, which might not be forthcoming if the country unsustainably increases its debt burden.

9 | Private Property

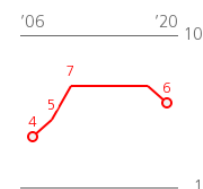
Property rights are formally defined in Liberian law, but the deficits of the justice system introduce a significant level of uncertainty. Liberia scores particularly low in the World Bank's Cost of Doing Business Index categories of enforcing contracts, protecting minority investors and registering property (175 – 182 of 190). While the government has enacted laws on land ownership and processes of titling, land acquisition is still beset with significant risks. Land disputes are endemic in the country, and multiple claims to ownership are the rule in desirable areas.

Foreign nationals are prohibited from acquiring land and must resort to lease agreements. The government may not expropriate property without compensation, yet untitled land is in the public domain, and historical irregularities in issuance of land titles may render property documents invalid.

Private enterprises are considered the engines of economic development. The regulatory environment has improved in recent years but is still both overly bureaucratic and underdeveloped. Liberia has more than 20 state-owned enterprises (SOEs). The commercial SOEs primarily manage essential infrastructure, the private ownership of which tends to produce natural monopolies. Several are noncommercial or regulatory SOEs (e.g., the municipality Monrovia city corporation, the forestry agency and the social security institution). SOEs continue to constitute a key component of the government's development agenda, and there is no comprehensive privatization policy.

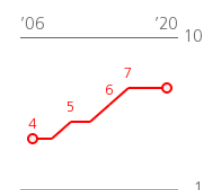
Fiscal stability

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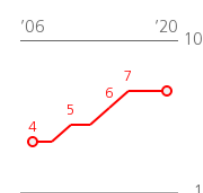
Property rights

7



Private enterprise

7



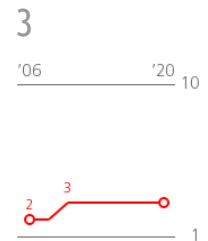
10 | Welfare Regime

The national social security corporation (NASSCORP) created in 1975 formally provides a basic social safety net for employees of the formal sector. It collects 1.75% to cover occupational injury and 6% in pension fees on gross salaries. The latter charge is shared between employers and employees. The agency has historically been riddled with corruption. Claiming benefits is often a challenging process, which is only gradually becoming more effective. Payouts are small and well below what employees contribute. Government institutions and some private companies further insure their employees with a private medical insurance company, which provides very limited coverage. Concession companies are usually obliged to provide basic medical and educational services to employees and their families. In practice however, these are often deficient. Young mothers are often abandoned by their partners, and persistent non-support is endemic. The ministry of gender, children and social protection has made a particular effort to enforce payment of alimony and has become significantly more effective, at least in Monrovia.

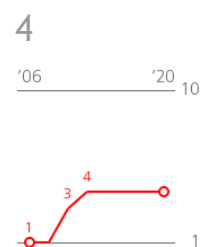
However, the majority of the population must rely on private channels such as patronage and the support of relatives in the case of hardship. Under conditions of extreme poverty, mechanisms of mutual support are often ineffective. Health care and related aspects like sanitation and access to safe drinking water are prioritized in the budget but service delivery remains very poor.

The distribution of opportunities is highly skewed along several lines, but the chief determinant is socioeconomic background. Those belonging to higher strata of society have significantly better access to education and, because of the importance of social connections, formal sector employment. Opportunities are further concentrated in the capital. The importance of proximity to the capital has implications for the distribution of opportunities across ethnic groups, with the poorly connected eastern counties being the most disadvantaged. Gender inequality is severe. A total of 62% of men and 32% of women are literate. However, school enrollment for girls has improved considerably in recent years.

Social safety nets



Equal opportunity



11 | Economic Performance

Liberia is among the five poorest countries worldwide (where data on GDP per capita is available). Before the Ebola crisis of 2014 to 2015, Liberia showed robust economic growth of more than 8%, albeit starting from very low levels. The Ebola crisis brought a severe economic shock. Low international prices for Liberia's main export goods have since kept GDP growth rates well below levels that could have a demonstrable impact on living standards. Mining companies closed down their projects amid deteriorating international prices.

Per capita growth rates were negative in 2016 and 2017 (-4.0% and -0.1% respectively).

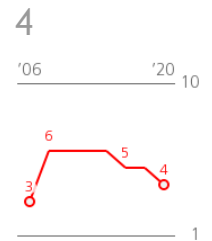
The government was forced to reduce its budget for the fiscal year of 2017/18 by 10%. Many hopes for economic growth were pinned on offshore oil deposits, which were expected to be exploited during the last review period. Yet with low oil prices predicted in the immediate future, all major investors had pulled out of the Liberian oil concessions by 2018 and their development looks to be postponed indefinitely.

The major investors in iron ore and rubber significantly reduced production and the size of their workforce. Gold production has expanded amid attractive international prices, and Liberia looks set to open its third industrial gold mine in 2019. Cocoa exports have similarly gained in importance.

The official unemployment rate is low at 2.4% though this rate obscures significant underemployment and very low income.

Some 90% of the government budget is needed for running costs, in particular salaries. Public investment will continue to be outsourced to donors. After \$4.6 billion of debt relief in 2010, Liberia's public debt became more manageable. However, the present government's road infrastructure projects may significantly increase the debt burden. High international prices for key import commodities entailed an expansion of the trade deficit in 2018, though this is predicted to decrease slightly in 2019.

Output strength



12 | Sustainability

Higher temperatures and changes in rainfall patterns, which are considered to be linked to climate change, are beginning to have negative effects on agriculture in Liberia. In response in 2018, the government devised a national policy and response strategy on climate change that prioritizes mitigation strategies and development planning processes to deal with issues related to climate change. Awareness and knowledge of climate change has significantly increased in Liberia: 45% of Liberians have heard about climate change, according to Afrobarometer 2018, compared to almost a decade previously (2009), when a Gallup poll put Liberia at the bottom of a list of countries in terms of awareness of climate change, with only 15% of the population aware of the issue.

Concession companies must undertake environmental impact assessments as part of their application, and the environmental protection agency (EPA) is consulted on during all concession agreements. The EPA, however, is hampered by low levels of awareness and corruption in government circles.

Liberia continues to face several environmental challenges, which are often interlinked and mutually reinforcing. These include inadequate systems for waste disposal, water recycling and potable water supply, as well as deforestation, desertification, soil erosion and a lack of sediment control. While traditional societies have historically interacted with the ecosystem and probably increased fertility and biodiversity, their systems are dependent on extended fallow periods and may not be compatible with more intensive land use.

Generally, Liberia faces significant challenges on basic levels. Waste and sewage disposal, diesel fuel toxicity regulations and coastal erosion prevention measures are wholly inadequate.

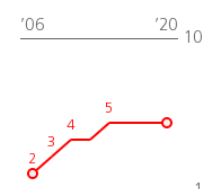
Liberia has continued to make meaningful progress in creating the policy framework to provide education to its citizens. The UN Education Index scored Liberia at 0.434 in 2017, representing a modest improvement compared to ten years ago (0.404). The decade saw little improvement during the Ebola crisis.

Noteworthy steps include the education reform act of 2011. The act provides free and compulsory education in public schools from primary to junior secondary level, and increases the compulsory education age to 15, thereby eliminating the gap between compulsory education and the minimum age of employment. In 2018, the George Weah government declared public tertiary education below the master level free of charge.

However, school attendance is not enforced, costs associated with education are beyond the means of many Liberians, and a sizable share of minors are not in school.

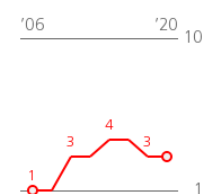
Environmental policy

5



Education policy / R&D

3



There is also substantial gender inequality in this regard, although official numbers are not always reliable.

Education is prioritized in the budget, but the system is completely ineffective. Many teachers lack adequate qualifications. Many secondary school pupils cannot effectively read or do simple math.

The University of Liberia and private universities have limited capacity to provide quality training and face severe funding constraints. Almost no research is conducted, and the government has no R&D funding policy.

Governance

I. Level of Difficulty

The structural constraints on Liberia's political leadership are significant. Over two-thirds of the Liberian population live in extreme poverty, and the illiteracy rate for young adults is high. The performance of the educational system has deteriorated due to a number of political crises since the mid-1980s, resulting in an entire generation being significantly less educated than the previous one. Furthermore, many of Liberia's skilled workforce fled during the civil war, leaving both the state's administrative infrastructure and economy without sufficiently qualified and experienced personnel.

The country's political elite is fragmented. A culture of corruption frequently subordinates politics to private interests. This means that ensuring officials' cooperation on government projects is notoriously difficult. With a population of some 4.3 million inhabitants and little purchasing power, the economy is small. Due to poorly developed infrastructure, subsistence farmers face multiple obstacles accessing markets. Two export commodities, iron ore and rubber, dominate the economy. This means that fluctuations in global commodity prices strongly affect Liberia's economy.

Voluntary associations form a core element of urban public life, particularly in Monrovia. Many associations are based on professional and business interests and are active in politics. The human rights sector, strongly dependent on international support, has weakened over the review period following leadership changes. However, it still remains relevant. Media institutions report critically on government policy, frequently publishing corruption allegations. Neighborhood associations play a key role in communal life, but organizational strength varies.

While Liberians frequently organize themselves into voluntary associations, these are often short-lived. Liberians often lack trust, which can impede effective functioning of civil society organizations. The civil society sector is also vulnerable to co-optation of its staff by government and corruption. The sector has limited opportunities to mobilize the population living in poverty to call for action to address issues.

Structural
constraints

10



1

Civil society
traditions

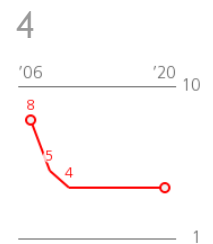
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Liberian society is fragmented into generally small political factions, who must form coalitions to become relevant. Political affiliations are fluid, and there is no mobilization along the lines of social cleavages. While the political elite is fragmented and political rhetoric is often confrontational, coalitions are possible between almost all most political actors. However, they are fragile and may quickly be dissolved. Conflicts are largely confined to the political system and channeled through elections. The election campaigns in 2017 were peaceful and held without major incidents. 2017 saw a coalition between the two major opposition parties, the CDC and the NPP. The NPP formerly was close to the previous Johnson Sirleaf government. To the surprise of many, the same year saw a rapprochement between George Weah and Johnson Sirleaf. Johnson Sirleaf is widely considered to have supported the campaign of George Weah financially and logistically. The George Weah government, in turn, frames much of its politics in terms of continuity and building upon the gains of the previous government. In 2018, a split between the CDC and NPP coalition partners developed over the allocation of government positions, which is likely to affect politics for the remainder of the present government's term.

Conflict intensity



II. Governance Performance

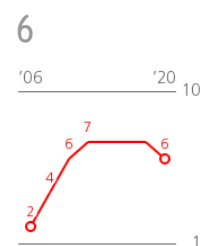
14 | Steering Capability

Toward the end of the previous government's term, it sought to finalize and safeguard its reforms by concluding relevant laws and tenuring further senior positions in accountability institutions, thereby trying to insulate them from political influence.

The George Weah government took almost a year to develop its five-year development plan, the “pro-poor agenda for prosperity and development” (PAPD). It is framed as a continuation of the previous government's “agenda for transformation.” While the rhetoric of continuity was reassuring, the government effectively was still developing its political profile. Developments in 2018 suggest it puts less of an emphasis on institution building and is prioritizing two major road projects. Meanwhile, weakened oversight resulting from the replacement of almost all senior government personnel has created more opportunities for corruption. The current government has few financial and institutional capacities to effectively implement reform.

Question Score

Prioritization



Significant deficits in the implementation of policy are a long-term challenge for Liberia. For example, the health and education sectors remain in a dire state, despite domestic prioritization and considerable international support. The George Weah government was primarily concerned with drafting its policies and nominating thousands of officials to the effect that little policy implementation took place when it assumed power. For example, the government spent almost a year developing its five-year development plan, the “pro-poor agenda for prosperity and development” (PAPD).

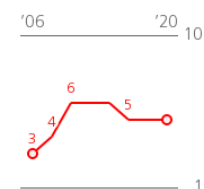
The Johnson Sirleaf administration followed the mainstream development discourse and modeled policies on perceived best practices. At the end of its second term, the drive to improve and continuously implement policies was declining, including its efforts to curb corruption.

In a narrow sense, the formulation and implementation of policies are overseen by the ministry of finance and development planning.

With few exceptions, however, all senior positions in government ministries, agencies and commissions are appointed by the president. Changes in leadership thus entail removal of the entire leadership of the administration. This results in a systematic loss of expertise and experience, posing a significant challenge to policy learning. The new Weah government demonstrated on several occasions little experience and a lack of internal political coherence. The government will need to create the foundations for political flexibility and learning.

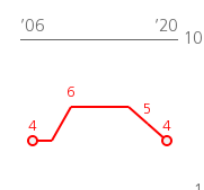
Implementation

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Policy learning

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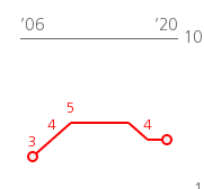
15 | Resource Efficiency

Liberia’s historical experience has made the non-delivery of public services the normal state of affairs with a deeply ingrained culture of corruption among officials. In combination with a lack of qualified mid-level civil service staff, the state has lacked rationality in mobilizing revenues and using them efficiently. As a result, there have been limited improvements in public service delivery over the past 15 years.

The public sector salary bill is approximately \$310 million and recurrent expenditure accounted for 90% of the 2018/2019 budget. With monthly payments of approximately \$15,000 for senators, the Liberian parliament is one of Africa’s highest paid. Decision-making processes nonetheless are often corrupted and parliament exercises its oversight functions poorly. In a bid to attract Liberians living abroad into public service, the previous government instituted a senior executive service program, which offered similar and sometimes higher wages, initially with financial support from the World Bank. The George Weah government aims to cap salaries at significantly lower levels. It announced a salary cut to a maximum of \$7,800 for many senior executive positions and reduced cabinet minister salaries by 10%. However, it will need to overcome legal and political challenges to fully enact

Efficient use of assets

4



these decisions. In 2018, the legislature established a committee to explore possibilities to harmonize the civil service salary structure.

The effective lack of policy for 2018 and ad hoc measures adopted in its place by the new government did not promote efficient use of resources. Another worrying development was an initiative of the president to abolish tenured positions and increase the already large percentage of positions under direct presidential control. Tenured positions had been specifically introduced into accountability institutions to shield them from political pressure. Thousands of positions throughout the civil service leadership, including in ministries, agencies, commissions, state-owned enterprises and local rural administration are now nominated by the president. The two credit arrangements for large-scale road projects negotiated with private creditors, which would have doubled Liberia's debt, were abandoned before completion, but the episode raises further doubts over the use of resources.

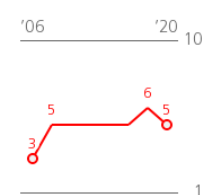
The Johnson Sirleaf government succeeded in avoiding major inconsistencies in its principal political projects, despite some shortcomings, which included a lack of expertise, vested interest and corruption, and the country's economic dependence on raw material export prices. The new government inaugurated in 2018 was incoherent ideologically and lacked political direction. As for its predecessors, the main challenge for the government will be to avoid the corrupt interests of state officials undermining official policies.

Liberia has a number of formal integrity mechanisms. These include the general auditing commission (GAC), a Liberia revenue authority, the budgetary oversight of parliament, the national procurement and concessions commission (PPCC), the Liberia extractive industries transparency initiative (LEITI), the Liberia anti-corruption commission (LACC), a code of conduct for the civil service, and a freedom of information law. While the previous government under Johnson Sirleaf reduced opportunities for graft and increased its control over revenue, levels of corruption remained high and legal consequences for corrupt practices were an exception.

Developments in 2018 indicated that patrimonial dynamics will continue to be at the heart of Liberian politics. The government moved strongly to increase its control over the abovenamed institutions. Several high-profile figures in the George Weah administration have been previously implicated in corruption. Allegations of questionable allocation of contracts in major road construction and airport facility management projects hit the new government early on. The government negotiated loan agreements totaling approximately \$1 billion to finance road construction with two questionable entities, including the Singaporean Eton Finance, which had been struck off its home business registry and seemed to have been revived only to make this loan. The second creditor, Burkina Faso's EBOMAF, is owned by a businessman known to have funded candidates in other African elections. It had earlier emerged

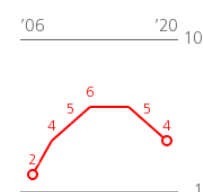
Policy coordination

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Anti-corruption policy

4



that he loaned a private jet to George Weah free of charge because of their “friendship.”

The overall picture of the post-civil war order is that of a neo-patrimonial state in which corruption is embedded in the system. President George Weah’s first year in office was characterized by an intense scramble for state resources and the rewarding of loyalists with government employment and other opportunities. In the process, integrity-promoting institutions were systematically weakened. The government decided on a “de-tenurization” law, abolishing fixed-term contracts for senior positions in all institutions except the central bank of Liberia, the general auditing commission and the national elections commission. Tenured positions had been created by the Johnson Sirleaf administration for integrity institutions in order to reduce the links with government. The new head of the Liberia anti-corruption commission (LACC), appointed in early 2019, had previously had his license as a lawyer revoked for misappropriating client funds. He had also called for the dissolution of the LACC. Given the systematic demolition of integrity institutions, a rise in corruption is very likely.

16 | Consensus-Building

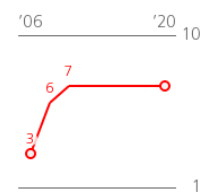
Liberia has been constituted as a democratic country since independence, in 1847. Democracy is widely accepted as the norm yet Liberian particularities shape the local understanding of the term. There is a discernible authoritarian undercurrent in Liberian political culture.

Liberia has strong links to the United States, and capitalist principles are widely endorsed. Embracing capitalism and the market economy is not considered contradictory to the significant interference of the state in economic freedoms. Protectionist measures, state ownership of enterprises, and fixing of prices for essential goods and services enjoy broad support. Promoting Liberian-owned businesses was an important electoral pledge of President Weah.

There are no strong political actors openly challenging democracy, nor are there organized veto players. However, the commitment of political elites to democracy, including in the current government, is not beyond doubt. The influence of special and private elite interests on politics is strong. Endemic corruption undermines democratic decision-making processes and implementation of democratically decided laws. Law-abiding government officials have significant difficulties in isolating themselves from corrupt actors both within and outside the administration.

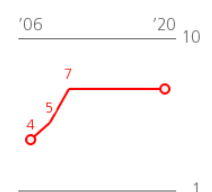
Consensus on goals

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Anti-democratic actors

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Political inclusion and mitigation of cleavages according to identity had been the hallmarks of the Johnson Sirleaf government. Senior leadership positions were allocated to people from across the political and ethnic spectrum. Yet broad political co-optation undermined the anti-corruption policy. The historical experience of being ruled by descendants of settlers constitutes a historical trauma for large segments of the population. Political conflicts are still widely interpreted through the “Congo-Indigenous” divide. The Johnson Sirleaf government was often seen as dominated by “Congos,” which can partly be attributed to the equation of elite culture with settler society. The government did very little to address the symbolic dimension of this divide, especially the association of national symbols with the “repatriates.” A particular sense of exclusion was felt by ethnic Krahn from the eastern Grand Gedeh county. The former president’s network had its center in the northwestern part of the country.

The elections of 2017 significantly shifted the societal distribution of power. George Weah’s family hails from the east, he is very popular in the region and is widely considered to represent the poor, indigenous majority. His election raised the identification of the “indigenous” population with the state.

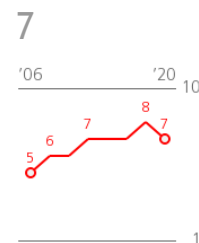
The George Weah government began on a reconciliatory note, rhetorically acknowledging the progress made under the previous government, and reaching out to his UP rival, Joseph Boakai. A split between Weah’s party and the NPP in the governing coalition emerged in 2018 and was dealt with in a more confrontational manner. Infighting is likely to persist. Reports of intimidation in Sinoe and an attack on an opposition rally in Monrovia, both in the run up to by-elections in November 2018, raised further concerns of a more confrontational government strategy.

The previous government had shown commitment to civil society participation in several policy fields. Its main reform document, the national vision 2030, was developed through extensive consultations with citizens and interest groups. The current government similarly developed its pro-poor agenda for prosperity and development (PAPD) with citizen input.

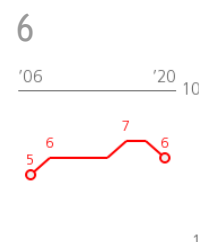
The extractive industries transparency initiative (EITI) is a multi-stakeholder-based governance to oversee transparency and accountability of the agriculture, forestry, oil and mining sectors. It suffered a severe deterioration in functionality from 2017 and is currently suspended. Liberia was the first country in Africa to introduce a scheme like the EITI (ten years previously).

Such developments suggest that the present government does not appreciate the same level of external oversight and input as the previous administration.

Cleavage / conflict management



Civil society participation



More than 15 years after the end of the civil war, a formal process of national reconciliation is not a priority for the current government. The political administrations of both Johnson Sirleaf and now George Weah addressed societal cleavages mainly through inclusive recruitment to positions and delegitimizing inflammatory rhetoric.

17 | International Cooperation

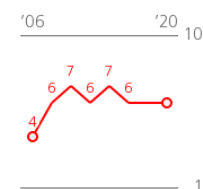
Effective utilization of international support had been on an unprecedented high level under the previous government of Johnson Sirleaf. Rapid progress was seen in security sector reform, electricity generation, and the upgrading of national highways and major urban streets. Progress in the health sector was slow. The United Nations mission to Liberia withdrew in 2018 and donor assistance has contracted over the review period. The George Weah government initially expressed a preference for private rather than multilateral sources of funding. Yet issues with negotiated loan agreements and criticism from the Bretton Woods institutions appear to have provoked a change of mind. Liberia's economic situation remains very challenging and the country is expected to require an IMF extended credit facility by 2020. The EU pledged \$200 million over six years and disbursed \$27 million direct budget support in 2018. Whether assistance will be utilized effectively and donor goodwill can be maintained by the Weah administration is unclear.

The Johnson Sirleaf administration maintained a good standing, politically and economically, with international partners. However, domestic support declined toward the end of its term as expectations of improved living standards were left unmet.

In contrast, international partners remained cautiously positive in 2018. However, the new government's long delay in preparing and publishing its strategic plan, the pro-poor agenda for prosperity and development, meant discussions with donors lacked a policy document to refer to. This was compounded by reports of corruption and the confused handling of reports of a missing shipment of Liberian dollar notes printed abroad. In September 2018, the government confirmed reports that a container containing Liberian dollar notes equivalent to \$100 million had gone missing, but later declared that the matter still needed to be investigated. USAID sponsored an external investigation, the findings of which were published in February 2019. While the money had been correctly deposited at the central bank of Liberia, it had been spent, apparently under the Johnson Sirleaf administration, without proper documentation rather than used to replace old notes as officially intended. Following the legally questionable replacement of the leadership of the Liberia extractive

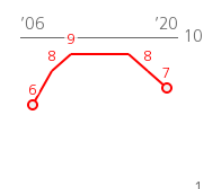
Reconciliation

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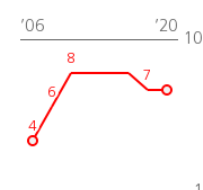
Effective use of support

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Credibility

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industries transparency initiative, the government missed reporting deadlines and has now been suspended from the EITI.

Relations with foreign investors have sometimes been tense. In particular, Firestone closed its rubber wood processing and furniture production factory after the legislature complained that this and partial replanting of the plantation with coffee and cocoa violated the concession agreement. The previous government had indicated its desire to see a diversification of the economy and co-operated with Firestone on legal aspects. There have been positive developments, which illustrate that Liberia retains some credibility: the mineral development agreement for the Dugbe project, Liberia's third major gold mine, which had been partly negotiated with the previous government, was eventually ratified and signed by the new president in 2019, a sign of continuity.

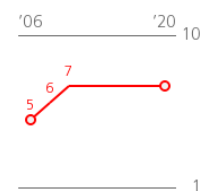
The Economist Intelligence Unit predicts that the new government will try to avoid upsetting international partners in order to guarantee continued inflows of development aid. International financial support for Liberia, especially from multilateral donors, is likely to continue as the country's democratic transition has increased trust in the country's credibility.

Liberia is a member of regional organizations such as the African Union (AU) and the Economic Community of West African States (ECOWAS). Relations among ECOWAS countries have been very positive for a considerable time as a consequence of several leadership changes. In 2017, the community quickly united against the lone outsider, Gambian president Yahya Jammeh, as he tried to cling to power despite losing an election. The Liberian government took a key role in the regional effort to enable Jammeh's victorious rival to take office.

Generally, Liberia maintains cordial regional and international relations. It has made occasional use of the Mano River Union (MRU) to foster relationships with neighbors in sectors such as infrastructure, trade and extractive industries. Nigeria, Côte d'Ivoire, Guinea and Sierra Leone form Liberia's most important regional partners. Liberia ratified and started implementing the common external tariff of the ECOWAS in December 2017, but lowered its tariffs again in June 2018 as the CET further increased prices amid the economic crisis.

Regional cooperation

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Strategic Outlook

Liberia is still emerging from the devastating effects of its civil war, which ended in 2003. The 2018 democratic transition of power is a milestone in its political development. It represents a long-term trend of the fading coherence of settler society and the integration of indigenous Liberians into politics and the state. Politicians now need to involve and represent indigenous constituencies, rather than obtain support of a close-knit elite circle. President George Weah stands as a symbol of the integration of indigenous Liberians into the state and will increase the identification of the masses with it. Yet integration will remain mediated by patrimonial structures and corruption will remain a core dynamic of the political system.

The new coalition government is not a politically or socially coherent formation. Rivalry between the two power blocks represented by the CDC and the NPP may undermine its effectiveness. These political factions include many individuals likely to pursue their own inclinations and interests, and they will be difficult to control. A lack of effective governing is likely to lower economic prospects and lead to disappointment among the population, which may translate into frustration with the government and the democratic system. The mix of elite conflict and popular disappointment is likely to intensify political competition, which may strengthen the authoritarian inclinations of some actors in the new government.

International predictions are that Liberia's economic environment will marginally improve and GDP growth will rise but remain well below 5% over the following two years. Moderate or low GDP growth, coupled with high population growth, will be insufficient in raising the average standard of living.

Given its structural constraints, weak resources, and no evident competitive advantage, Liberia will be unable for the foreseeable future to mobilize the resources needed to provide the core functions expected of a government. This suggests it will continue to rely heavily on donors. Given its lack of medium-term prospects, Liberia may be an example that illustrates the argument for a global social transfer system, where international actors assume responsibility for basic entitlements such as public health. However, if long-term transfers are necessary to stabilize the country, the Liberia government must accept more stringent international monitoring of how it uses state finances.