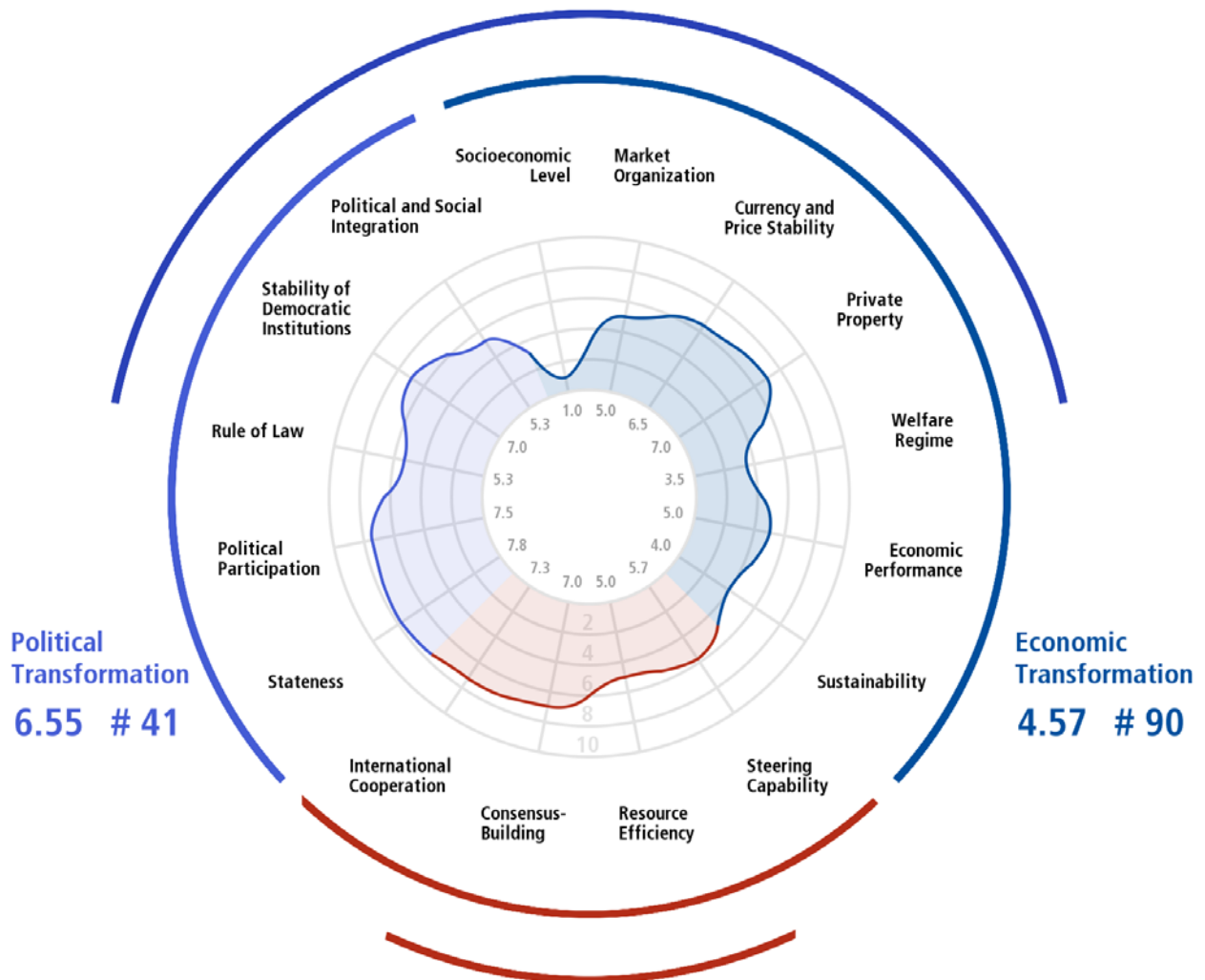


Liberia

Status Index

5.56 # 63

on 1-10 scale out of 129



Political Transformation
6.55 # 41

Economic Transformation
4.57 # 90

Governance Index

5.84 # 37

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. 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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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz

Phone +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	4.6	HDI	0.427	GDP p.c., PPP \$	813
Pop. growth ¹	% p.a.	2.5	HDI rank of 188	177	Gini Index	33.2
Life expectancy	years	62.0	UN Education Index	0.454	Poverty ³	% 73.8
Urban population	%	50.1	Gender inequality ²	0.649	Aid per capita \$	243.2

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. 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

Liberia's development has been broadly positive. Since President Ellen Johnson Sirleaf took office, in 2006, after some 25 years of military rule, civil war and a transitional government, the following period, covered in this BTI report was marked by new challenges. The Ebola epidemic ended in 2015, but the country's recovery from the associated economic and social costs has been slow as a result of falling international prices for Liberia's main export goods. Though approval of the government rose for the better part of the president's tenure, disappointment is setting in, and the popularity of the government has decreased in recent years. Johnson Sirleaf cannot stand again which means the upcoming presidential election in October of 2017, introduce a significant amount of uncertainty.

While economic fundamentals have improved and stability strengthened, living standards have hardly risen. The overwhelming majority of the population lives in abject poverty, with a sizable segment paying the price for peace. Attempting to instill their vision of order, the government moved against street traders, razed irregularly built housing shacks, and landlords systemically repossessed buildings, evicted low-income tenants, and raised rental fees. Inequality grew while a new government elite consolidated its power and, as a result, the president is widely considered to have failed her pledge to minimize corruption.

The cornerstone of the government's economic development policy has been to attract international investors into large-scale, capital intensive, natural resource production; such as the iron ore sector, gold mining, and plantations for rubber or palm oil. Still, two major investors scaled down or closed iron ore operations during the period under review. The high costs of trading across borders, disproportionately, penalizes smaller enterprises, and this prevents a more rapid diversification of the economy which remains very challenging for medium sized businesses.

Important developments in 2016 were the handover of all security responsibilities to the Liberian state by the United Nations Mission in Liberia (UNMIL) and the completion of the Mount Coffee

Hydropower Project. The phased withdrawal of UNMIL has been met with worries in Liberian society. The hallmark of the Johnson Sirleaf administration has been the de-escalation of conflict but yet the security situation, going forward, will continue to require careful handling. The Mount Coffee hydropower dam increases Liberia's electricity production fourfold and is likely to shape Liberians' perception of the government in the run-up to the election.

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 United States and British navies. 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 peoples. 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 mass 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 and mobilized dissidents into the National Patriotic Front of Liberia (NPFL) rebel group. When the force attacked a small border town on Christmas Eve 1989, a devastating civil war that saw the emergence of a multitude of factions developed. 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 separated an uneasy alliance of interim governments, ECOMOG and factions associated with the Doe regime from 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 activities destabilizing Guinea, as well as Côte d'Ivoire, increased international and regional opposition. 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 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 advanced in the east. In mid-2003, the defeat of Taylor's forces was imminent, and the president went into exile in Nigeria, thus opening 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 of the 2005 election were world footballer George Weah and Ellen Johnson Sirleaf, an international professional with a career in private banking at the World Bank and U.N. Both leaders continue to head the largest political camps after the election. Johnson Sirleaf won the first elections 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. Most of Johnson Sirleaf's tenure would be stabilized by the United Nations Mission in Liberia (UNMIL), with a strength of up to 15,000 military personnel. Liberia regained stability under the new president, and by and large, democratic freedoms have remained respected, and the macroeconomic environment stabilized. In recent years relatively high prices for Liberia's main export goods, iron ore and rubber brought in much-needed revenue and attracted foreign direct investment. Growth rates averaged well above 5% for most of her presidency, yet living standards have only slightly risen. Johnson Sirleaf is associated with old elite circles, and many Liberians perceive her administration as continuing, historical patterns of, self-enrichment. The Ebola Virus Disease epidemic of 2014 to 2015 entailed an economic collapse. Amid falling prices for the main export goods, the recovery has since only been moderate.

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 actively challenges the state's claim to territorial control. There are, however, social spheres which the state does not fully penetrate. Firstly, secret elite organizations regulate intra-elite conduct and can shield their members from judicial sanction. Second, rural traditional secret societies retain a significant degree of autonomy from state regulation. Third, the Liberian-Ivorian border has in past years repeatedly harbored small numbers of combatants involved in the Ivorian crisis, though with decreasing frequency.

After the peace agreement of 2003, the United Nations Mission in Liberia (UNMIL) had provided security and successively devolved responsibilities to Liberian state agencies. By June 30, 2016, UNMIL officially handed over full security responsibility to Liberia, though a residual force of 1,240 military personnel and 606 U.N. police remained. But a Security Council resolution, in December 2016, extended UNMIL's mandate for the last time, to March 30, 2017, and defined protection of civilians as part of the mandate.

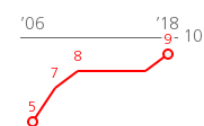
The Johnson Sirleaf administration continues to face serious difficulties concerning the capacity of its justice and security sectors to arrest, detain and adjudicate criminals. Levels of crime are not considered high, but reliable statistics are lacking. This partly reflects a lack of trust in the Liberia National Police (LNP), which is often assumed to cooperate with criminal actors.

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 continue to grapple with capacity, infrastructure and equipment deficits.

Question
Score

Monopoly on the
use of force

9



1

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 ethnicity. 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 these groups, the Muslim Mandingo, many of whom immigrated from Guinea in 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 in the elite 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.

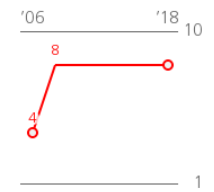
Liberia is constitutionally a secular state and religious dogmas hardly influence politics. The Americo-Liberian settlers however historically considered Christianizing indigenous “pagans” part of their “civilizing mission,” which entailed a symbolic affiliation of Liberian nationalism with Christianity. Some 85% of Liberians nowadays identify as Christians. In 2016, a heated debate spearheaded by influential Churches developed over whether Liberia should be declared a Christian state. The debate exposed strong, anti-Muslim, societal undercurrents and threatened to ignite nascent tensions. Government elites, however, prevailed on the proponents of the change behind closed doors and the matter was eventually laid to rest.

The state is strongly centralized, with its institutions historically concentrated in the capital, Monrovia. But, the state has in the past years invested in extending its administrative apparatus in a process that has been misleadingly termed “decentralization,” establishing “Service Centers,” or suboffices of the main state institutions, in the major provincial centers.

The physical infrastructure has improved in recent years but remains deficient, especially in rural areas. According to the latest World Bank data (referring to 2015), 76% of the population had access to water and 17% to sanitation.

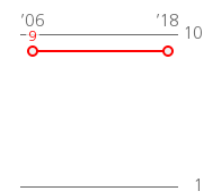
State identity

8



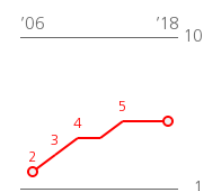
No interference of religious dogmas

9



Basic administration

5



2 | Political Participation

Liberia has a democratic presidential system with a bicameral legislature. President and Representatives have a tenure of six years while that for the Senate is nine years.

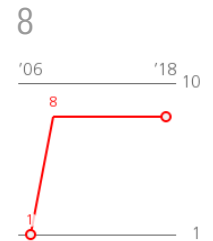
Liberia has held presidential and lower house elections in 2005 and 2011, these were rated free and fair by international observers. The largest opposition party, the Congress for Democratic Change (CDC), has however denounced the elections as flawed and indeed boycotted the runoff in 2011. For large segments of the population trust in the democratic process is low. The president is subject to a limit of two terms and a successor to Ellen Johnson Sirleaf is due to be elected in 2017. The current Vice President Joseph Boakai will run for the governing Unity Party (UP).

By all available evidence, the postwar elections have been remarkably free and fair. The National Elections Commission (NEC) displays impartiality in organizing elections. Elections do, however, take place in a neo-patrimonial environment and are influenced by patronage practices. Further, 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.

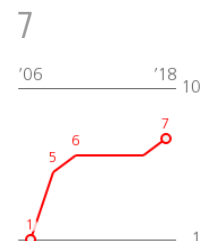
In early 2017, twenty-two political parties were registered, with the NEC. Generally speaking, political parties are organized around individuals and are strongly personalized. Most parties have only a small constituency. In addition to the governing UP and the CDC, six parties are politically relevant. The NPP, the Liberty Party (LP) of corporate lawyer Charles Brumskine, Prince Johnson's Movement for Democracy and Reconstruction (MDR), Benoni Urey's All Liberian Party (ALP), Alex Cummings's Alternative National Congress (ANC), and J. Mills Jones's Movement for Economic Empowerment (MOVEE). The parties are led by well-established political or business elites and are patronage-based, with populist programs that differ little. Media access is partly dependent on financial means. The fragmentation of the opposition makes a change in power less likely, and any party is unlikely to score the absolute majority needed to gain the presidency in the first round of voting. The outcome of the 2017 election will depend on the alliances party leaders establish before and after the first round.

There are no institutionalized veto powers as such. The president has shown to be capable of imposing herself against individual elites but is careful not to alienate too large a section of the country's political class. The primary impediments to effective governance are corruption on all levels of the administration, the lack of qualified staff and scarce material resources.

Free and fair elections



Effective power to govern



There is little firm evidence available on the powers of secretive elite organizations. The most notable, the Freemasons and the United Brothers' Friendship (UBF), who are reportedly able to influence policies but do not seem able to determine decisions.

A major test case arose in 2016 when a Global Witness report revealed detailed information on bribe payments received by government elites from the British-owned Sable Mining company. Among those accused were the UP chairman, the speaker of the House of Representatives, and the former minister for lands and mines. They both exert significant autonomous control over their influential networks and have been in an uneasy interest-based alliance with the president for several years, nevertheless, they have been indicted. The proceedings will reveal how capable the state is at imposing itself against powerful elites.

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. Generally, the government has respected these provisions. Opposition parties have been able to campaign freely. Civil society organizations, for instance, those representing street peddlers, repeatedly protested and blocked major streets without molestation. When tensions escalate, some law enforcement agents continue to exercise excessive force.

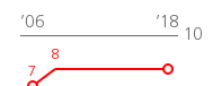
There have, however, been reports of civil society campaigners in the hinterland having been harassed and intimidated by government officials, in particular in connection with land rights protests against oil palm companies.

There is a variety of state and private media that express different views, and the constitution protects freedom of expression. Generally, citizens and media can express a critical opinion, although with some limitations in the latter case. Libel laws have in the past been used by officials to put pressure on media. Since the last BTI report, there were, however, no reports of such cases. Notwithstanding, the threat of excessive fines for libel may entail some self-censorship. Political elites however repeatedly tried to intimidate journalists in phone calls and text messages. A well-reputed radio station was verbally threatened with forced closure after it criticized the president.

On the other hand, limits on media rights are not well established. A dispute resolved out-of-court in 2016 pitted a legislator against a prominent newspaper, which had published photos of a text message conversation taken from the gallery during a public parliamentary debate.

Association /
assembly rights

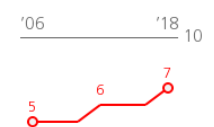
8



1

Freedom of
expression

7



1

3 | Rule of Law

In the postwar dispensation, the three branches of government have been able to defend a significant degree of autonomy. The legislature and judiciary have repeatedly disregarded decisions of the executive branch. Corrupt practices however strongly influence parliamentary decisions and prevent it from fulfilling its constitutional functions. The UP does not have a majority in either House, but the president could nonetheless most often count on a majority created through informal horse trading.

The president appoints all judicial officials, and observers note that the Supreme Court demonstrates a strong affinity for the president.

Liberia has two legal systems, a statutory and a state-created customary one. In the latter, judicial and executive powers are invested in the same authorities. At the top of the hierarchy is the president and at the bottom the town chiefs, 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 travel from one to the other. In the customary system, authority is vested in the executive. The first instance is to the town chiefs, and appeals may go all the way up to the presidency. In the past years, the powers to handle severe cases involving bodily harm and sexual violence have been taken from 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 absence of judiciary personnel often leads to trial delays.

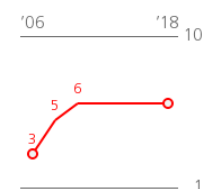
Monetary costs of access are high, in particular for the rural population. Expenses incurred by police and others, such as transport of accused offenders, often have to be taken on by plaintiffs.

Hardly any lawyers reside outside Monrovia and securing legal representation is prohibitively expensive for most Liberians, especially in the hinterland.

In her inauguration speech, President Johnson Sirleaf promised to “make corruption public enemy number one.” Eleven years on, effects are still few. Only a handful of lower-level officials have been convicted in trials, and most trials ended inconclusively. Many senior officials have been dismissed among rumors of corruption but have never been brought to court. Some were subsequently nominated to other senior positions. The president publicly sided with several close confidantes against whom investigations had been launched. The heads of the Liberian Anti-

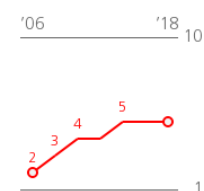
Separation of powers

6



Independent judiciary

5



Prosecution of office abuse

5

Corruption Commission (LACC) and the former Minister of Justice complained about a lack of political will to prosecute corruption.

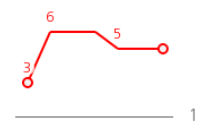
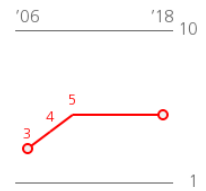
Corruption hardly impacts on the reputation of officials. For instance, the opposition CDC immediately entered into negotiations for an alliance with the House Speaker when he was accused in the Sable Mining scandal and fell out of favor with the president.

The president has, in particular, come under severe criticism for nominating close relatives to senior positions. These practices may be based on trust rather than financial interests. But, the overall picture of the postwar order is that of a neo-patrimonial state in which corruption is an integral part of the system.

President Johnson Sirleaf’s administration has strengthened civil rights in Liberia. However, 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 undertake arrests arbitrarily 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 female genital mutilation (FGM) remains high and hardly addressed by the state.

The U.S. State Department cites many other problems with civil rights including police abuse, harassment, and intimidation of detainees and others; arbitrary arrest and detention; human trafficking; racial and ethnic discrimination; mob violence; and child labor. According to this source, impunity remained a serious problem despite intermittent and limited government attempts to investigate, prosecute, and punish officials who committed violations, whether in the security forces or elsewhere in the government.

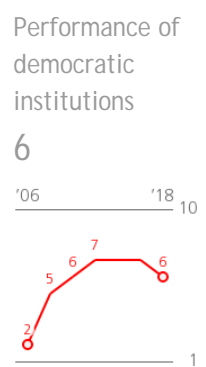


4 | Stability of Democratic Institutions

In the long-term, the performance of democratic institutions has improved however significant deficits persist.

The executive dominates the political sphere, but the communication of executive policies is inadequate. And, since the last BTI report, many observers and Liberians have increasingly considered the president to be withdrawn from the concerns of average Liberians.

The legislature exercises its oversight functions poorly. Concerns for private gain result in trading of decisions. Lack of expertise constitutes another obstacle to rational policy formulation. It is however effective in that the president needs to ensure



significant elite support to pass decisions. The weak judiciary cannot make up for deficits of other branches.

Significant deficits constrain the administration in qualification and material resources. Officials do not necessarily have access to the laws and regulations that should guide their decisions and often lack the resources to implement government policy.

Liberia has been formally democratic since independence in 1847. This history and a political cultural 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.

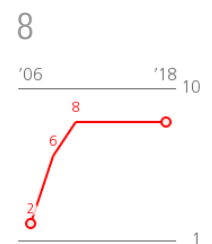
5 | Political and Social Integration

The political party system is little 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 seems relatively low.

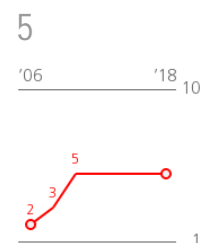
The UP has become a relatively stable elite network, and its fortunes are no longer exclusively dependent on the president. The CDC continues to be strongly centered on George Weah. The NPP, created by former President Charles Taylor and now effectively headed by his wife, continues as a formal structure linking elites of his network. The other relevant parties have only been created 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 twenty-two registered formations, of which some eight are considered politically relevant, can be considered strongly fragmented. While Liberian political culture is often confrontational, polarization is effectively weak, and alliances can be struck among all political actors if instrumental. This refers to the patrimonial character of the Liberian polity, where politics revolves around access to the spoils of power.

Commitment to democratic institutions



Party system



Among the major interest groups are the Chambers of Commerce, the Liberian Business Association and unions. Women 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-endowed 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 is often weak.

Afrobarometer surveyed Liberia again in 2015, having already done so in 2008 and 2012. Survey results may be influenced by the Ebola epidemic, which had the potential to increase dissatisfaction with the system and strengthen desires for a strong leader. More than two-thirds (68%) of Liberians still consider democracy the most preferred system and significant majorities reject authoritarian alternatives. The results, however, show a drastic deterioration since 2012. While democratic rule became more appreciated between 2008 and 2012, democracy currently enjoys less support than in 2008.

Following the same trend, Liberians became disappointed with the performance of their democracy in the last years. Just about half (53%) consider it a functioning democracy, while only a minority (43%) is satisfied with how the system works. This is well below the African average.

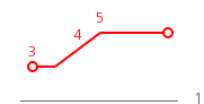
Afrobarometer's comparative study undertaken in 2014/15 shows ambivalent results. While Liberians rate the parliament and local officials as more corrupt than average, Liberians feel more often than other Africans that they are heard by officials of these institutions. Older results from Afrobarometer 2012 show that 85% to 88% of Liberians consider main institutions affected by corruption, with little difference between parliament, police and judiciary.

Trust is in short supply in Liberia. Historically the region was characterized by the small size of political entities and insecurity. While strong interdependence, as well as traditional socializing mechanisms, created strong bonds on the village level. Many of Liberia's fairy tales warn against trusting outsiders. The civil war certainly further destroyed relations of trust. Trust is largely restricted to private settings like kin and religious groups, e.g. church congregations, and hardly a matter of the public sphere. While Liberians often organize themselves into voluntary associations, lack of trust often impedes effective functioning, and they are often short-lived.

Interest groups

5

'06 '18 10



Approval of democracy

6

'06 '18 10



Social capital

5

'06 '18 10



II. Economic Transformation

6 | Level of Socioeconomic Development

Liberia consistently ranks as one of the poorest countries worldwide. In the Human Development Index (HDI), it occupied place 177 of 188 in 2014. Almost 90% of the population live on less than \$3.10 per day. Inequality was well below average as measured by the Gini Index in 2007, which is indicative of an (by regional standards) not particularly wealthy elite. This refers to the destruction occasioned by the civil wars and a natural resource-based enclave economy in which foreign investors repatriate substantial profits. However, the past ten years have seen an accumulation of wealth by elites and the emergence of a small middle class, and inequality is growing.

Liberia is one of the most urbanized countries in the region, with roughly half of the population lives in urban areas, with 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. The demography further is indicative of a 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 for youths in particular. Still, the industrial sector is small, and opportunities in the urban economy are few.

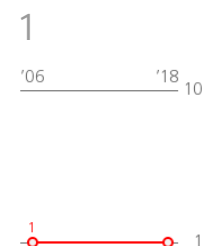
Access to education is a major challenge. In the hinterland, schools are often barely functional. Public schools are technically free, but even small expenses for transport, school uniforms, material and administrative fees are impossible to shoulder by many. The quality of the education system is very poor, and even secondary school students are not necessarily able to read and write. Obstacles for poor rural youths 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 in 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 in pronounced, as is particularly visible in the diverging literacy rates. However, girls' attendance of schools has increased tremendously in the past ten years. Formal sector jobs are still mostly a male domain,

Question
Score

Socioeconomic
barriers



but the president has emphasized female recruitment. Her cabinet has the strongest female representation in Liberian history.

The Gender Inequality Index stands at 0.651.

Economic indicators		2013	2014	2015	2016
GDP	\$ M	1946.5	2013.0	2034.0	2101.0
GDP growth	%	8.7	0.7	0.0	-1.6
Inflation (CPI)	%	7.6	9.8	7.8	-
Unemployment	%	3.7	3.6	3.9	4.0
Foreign direct investment	% of GDP	36.0	35.8	35.4	21.6
Export growth	%	1.9	1.1	-32.6	-0.9
Import growth	%	-0.9	6.2	10.2	-14.3
Current account balance	\$ M	-535.8	-1611.4	-859.6	-
Public debt	% of GDP	27.5	33.2	39.5	45.0
External debt	\$ M	530.5	680.5	836.8	951.6
Total debt service	\$ M	6.4	17.5	44.3	11.6
Net lending/borrowing	% of GDP	-0.7	-	-	-
Tax revenue	% of GDP	20.3	-	-	-
Government consumption	% of GDP	19.2	16.7	16.9	15.9
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	2.8	3.2	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.8	0.7	0.7	0.6

Sources (as of October 2017): 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 is rated as “mostly unfree” concerning economic liberties by the Heritage Foundation. Liberia’s score has significantly improved under Johnson Sirleaf but slightly deteriorated in the past two years. Ranked at 174 of 190, in the World Bank’s Cost of Doing Business Index (CODBI) still, rates Liberia as one of the most difficult places to do business. Corruption further increases costs in unpredictable fashion and privileges well-connected individuals.

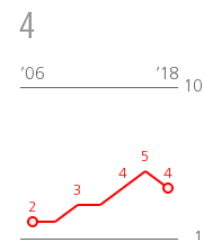
The U.S. dollar is legal tender in Liberia and accounts for the bulk of the money in circulation. The central bank manages the exchange rate of the Liberian Dollar by buying and selling but has limited means to do so. The government intervenes little in pricing, though public transport, rice, cement and fuel prices are government-determined. The government has reduced the number of business activities reserved for Liberian nationals from twenty-six to sixteen. The government further stipulates minimum investment requirements for foreign-owned business in another twelve sectors. Generally, major foreign investors have investment contracts with the government specifying project-specific financial obligations to the government. Consequently, not all businesses operate under the same conditions. There are no restrictions on repatriation of profits. The informal sector, including subsistence agriculture, absorbs an estimated 85% of the work force.

In 2016, Liberia acceded to the WTO. The legislature passed a comprehensive competition law meeting its standards. Trade in twenty-seven essential goods, notably rice imports, is restricted and requires licenses, creating effective oligopolies. The small market reinforces a tendency for the building of oligopolies. The general functional deficits of the justice system also affect the enforcement of competition law.

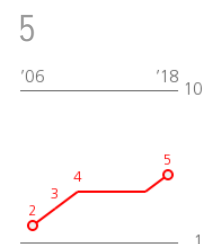
The CODBI shows that procedures for international trade are particularly time consuming and cost intensive. All imports and exports require permits. However, the government has reduced the number of goods subject to restricted trade. Customs procedures are cumbersome and bribe-seeking by officials reportedly often leads to delays in clearing goods. Liberia still has a far way to go in preparing for the common external tariff of Economic Community of West African States (ECOWAS). Liberia joined the WTO in 2016.

Liberia’s integration in the world market is one-sided as the country mainly relies on exports of natural resources.

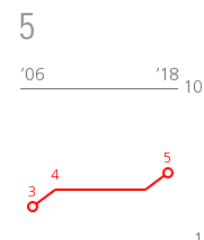
Market-based competition



Anti-monopoly policy



Liberalization of foreign trade



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. In 2016, the CBL had to take over a major failing. It successfully negotiated a takeover by a Ghanaian institution, and no savings were lost.

The CBL reduced the reserve requirement from 22% to 15% to enhance the banking sector's liquidity. There are no capital market or portfolio investment options in the country. The government introduced treasury bonds in 2013 as a step to develop a capital market.

According to the last CBL report (for the year 2015), the banking sector continued to show growth in key balance sheet indicators (i.e., total assets, loans, advances, deposits and total capital). The banking system continues to be well capitalized, and liquidity remains strong. The capital adequacy ratio stood at slightly more than 20% while the regulatory minimum is 10%. The level of capitalization has made it possible to lend continuously to the private sector, to withstand the shocks of business cycles and the Ebola epidemic. Nevertheless, the percentage of non-performing loans to total loans is high and stood at 17%. In response, banks mostly give short-term but high-interest loans, which constrains financing opportunities. All financial products have to be licensed by the CBL, which effectively uses this instrument to impose informal maximum interest rates.

8 | Currency and Price Stability

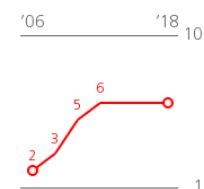
The government has retained both the U.S. dollar and the Liberian dollar as legal tender. The U.S. dollar accounts for some 70% of the money in circulation. While the exchange rate of the U.S. dollar to the Liberian dollar has remained relatively stable for the better part of Johnson Sirleaf's presidency, it has deteriorated by more than 20% since the last BTI report, as international commodity prices fell and the UN reduced its presence.

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 seeks to influence the LRD-USD rate through buying and selling but is constrained by limited U.S. dollar reserves. The government has brought inflation down to below 10% since it peaked at 18% in 2008.

Macroeconomic stability has been a priority for the government. The Ebola epidemic constituted a severe shock reinforced by falling prices for the country's primary export commodities. Dependence on few goods, in particular, iron ore and rubber, increases vulnerability. Amid deteriorating export, the trade deficit drastically rose to \$860 million in 2015. The government aims at operating a cash-based budget, which tends to have pro-cyclical effects. Loans and grants supplement the budget, though

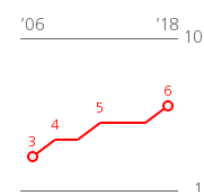
Banking system

6



Anti-inflation /
forex policy

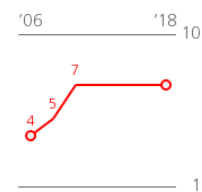
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Macrostability

7

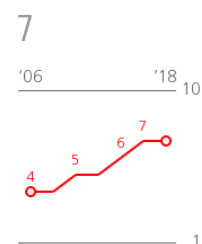
the deficit of 6% (2016) is moderate. At 39% of GDP, public debt is relatively low, much is provided at favorable terms, and debt service obligations are hardly relevant.



9 | Private Property

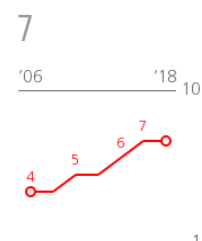
Property rights and regulations are generally defined in laws, but the deficits of the justice system introduce a significant level of uncertainty. Liberia scores particularly low in the World Bank's CODBI categories of enforcing contracts, protecting minority investors and registering property (176 to 179 of 190). While the government has developed 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 resort to lease agreements. The government may not expropriate property without compensation, yet untitled land is public domain, and historical irregularities in issuance of land titles may render property documents invalid.

Property rights



Private enterprises dominate the economy and are considered engines of development. The regulatory environment has improved in recent years but is still underdeveloped. Notably, the monopoly of the public electricity provider was abolished in late 2015. The Liberia Produce Marketing Corporation, which historically had a monopoly on exports of some agricultural goods, was transformed into a regulatory body in September 2015.

Private enterprise



Liberia has more than twenty state-owned enterprises (SOEs), though not all are enterprises in a strict sense. The commercial SOEs are primarily managing essential infrastructures, the private ownership of which tends to produce natural monopolies. Several are noncommercial or regulatory SOEs, for instance, the municipality Monrovia City Corporation, the forestry agency and the social security institution, are formally organized as SOEs. SOEs continue to constitute a key component of the government's development agenda, and there is no comprehensive privatization policy. Controversially, the government launched a pilot project aiming to transfer the organization of the public school system to the Kenya-based company Bridge International Academies.

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% occupational injury and 6% pension fees on gross salaries, the latter charge being shared by employers and employees. The agency has historically been riddled with corruption and claiming benefits is often a challenging process which is only slowly becoming more effective. Payouts are effectively 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 though, in practice, these are often deficient. Young mothers are often abandoned by their partners, and persistent nonsupport 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 in Monrovia in that respect.

However, the majority of the population must rely on private channels, i.e. patronage and support of relatives, in the case of hardship. Under conditions of widespread extreme poverty, mechanisms of mutual support are often not effective. Health care and related aspects like sanitation and drinking water are prioritized in the budget but service delivery effectively still is very poor.

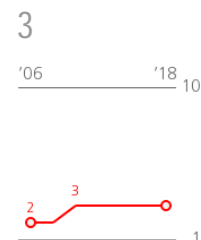
The distribution of opportunities is highly skewed along several lines, but the chief determinant is still socioeconomic background. Those belonging to higher strata have significantly better access to education and, because of the importance of social connections, formal sector employment. Opportunities are further concentrated in the capital. The importance of proximity to the capital has implications for the distribution of chances across ethnic groups, with the poorly connected eastern counties being the most disadvantaged.

Further, gender inequality is significant, while 62% of men and only 32% of women are literate. However, school enrollment of girls has considerably improved in recent years. According to UNESCO (2011), gross enrollment rates for women are about 10% lower for women than for men from primary to secondary school levels. Tertiary education is more clearly male-dominated.

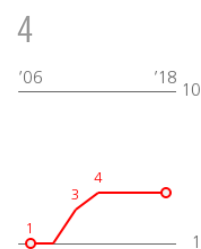
11 | Economic Performance

Liberia remains 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 from very low levels. Growth took place against the background of high international prices for its main export goods. The

Social safety nets



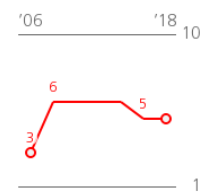
Equal opportunity



Output strength



Ebola crisis entailed a severe economic shock. Projections stood at 6% to 7% while real growth eventually turned out to be around 0.5%. Crisis-related imports had a drastic negative impact on the current account balance but were temporary and the trade deficit reduced to a quarter of GDP in 2016. Liberia, however, attracted the highest amount of foreign direct investment relative to GDP worldwide in 2015.



Amid an unfavorable global economic environment, the economy only moderately recovered in 2016, with GDP growth estimated at 2.4%. The government was forced to cut its budget for the fiscal year of 2015 to 2016 by some 10%. The major investors in iron ore and rubber significantly reduced production and workforce. The official unemployment rate is low at 3.8% though this rate obscures significant underemployment and very low income.

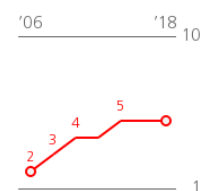
Iron ore prices are expected to remain subdued, though rubber will slightly recover and growth is projected to reach 4.7% in 2017. The 2016 to 2017 budget is 10% lower than the unrevised one for the previous year. An estimated shortfall of 3.6% is expected to be financed by donors. Some 90% of the budget is needed for running costs, in particular salaries and public investment will continue to be outsourced to donors. Since debt relief to the tune of \$4.6 billion in 2010, public debt is manageable, and costs for servicing loans are minor. Amid rising oil prices, the trade deficit is likely to widen to a worrying 40% of GDP in 2017.

Two developments are expected to have a significant positive impact on 2017. First, the long-awaited Mount Coffee Hydropower station went operative. The dam is to increase electricity production fourfold and has the potential to lower prices for the consumers. The electricity grid is however not yet fully adapted to the increase in capacity. Second, Liberia's first industrial gold mine shall operate at full production levels.

12 | Sustainability

Concession companies have to undertake environmental impact assessments as part of their application, and the Environmental Protection Agency (EPA) is consulted on all concession agreements. The EPA is hampered by low levels of awareness and corruption in government circles.

Environmental
policy
5



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. 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 also eliminating the gap between that and the minimum employment age. 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. A USAID report revealed in 2014 that 4,100 schools under the Ministry of Education did not actually exist. An associated 9,000 teachers had been added to the payroll just before the 2011 elections. No decisive action has been taken on these issues, and official statistics may thus overestimate enrollment. 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 wholly ineffective. Teacher qualification is vastly inadequate. Many secondary school pupils cannot effectively read or do simple math.

In 2016, the new education minister announced plans to outsource public education to a private, Kenya-based company. The policy met resistance in Liberia and was criticized by the U.N. Special Rapporteur on Education.

The University of Liberia has limited capacity to provide quality training and faces severe funding constraints. Many private universities exist but do not offer a better education. Hardly any research is taking place, and the government has no R&D funding policy.

Education policy /
R&D



Governance

I. Level of Difficulty

The structural constraints on Liberia's political leadership remain high. Over two-thirds of the Liberian population live in extreme poverty, and illiteracy rates among young adults remain high. The performance of the educational system deteriorated amidst political crises since the mid-1980s, and as a consequence, a whole generation is significantly less educated than the previous ones. Further, many of Liberia's skilled workforce fled during the 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 often renders politics subordinate, to private interests, and so assuring officials' cooperation on government projects is notoriously difficult. With a population of some 4.3 million inhabitants and little purchasing power, the market is small. Due to poorly developed infrastructure subsistence farmers face multiple obstacles accessing markets. Two export commodities, iron ore and rubber dominate the economy. Thus, any world market fluctuations impact heavily.

Voluntary associations form a core element of urban public life, particularly in Monrovia. Many associations are based on professional and business interests and are vocal in politics. The human rights sector, strongly dependent on international support, has become weaker in the past few years following leadership changes but 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 widely.

While Liberians often organize themselves into voluntary associations, these are often short-lived. Given the past, Liberians often lack trust which can impede effective functioning of civil society organizations.

In the context of economic crisis, the government's popularity has been waning, since the last BTI report. There is a powerful sense of frustration among youths which constitutes a worrying undercurrent. But, the largest opposition party, which used to mobilize this segment, also shows signs of weakness. Political affiliations are fluid, and there is no mobilization along pertinent social cleavages. The political elite is fragmented and political rhetoric is often confrontational, but prospects of mass

Structural
constraints

10



1

Civil society
traditions

7

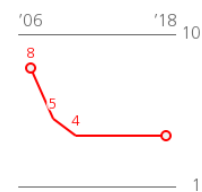


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Conflict intensity

4

conflict are low. According to a 2016 survey by Catholic Relief Services, half the population feels the country is still not safe and fear a return to violent conflict. However, conflicts are largely confined to the political system. While the 2017 elections increase political competition, elite strategies focus on the election process. For the first year since the end of the civil war, 2016 saw no major riots. Still, the potential for sporadic outbursts of violence remains.



II. Governance Performance

14 | Steering Capability

The government has focused on rebuilding the state, creating macroeconomic stability and extending infrastructures, with health and education, prioritized in the budget.

Rebuilding the state has largely focused on increasing government salaries and improving staff qualification. When this administration took over, most employees earned little more than \$20 a month, which virtually forced officials into corruption. Lower ranking officials now receive around \$150. Correspondingly, increasing and creating control over government revenue has been a core priority. Since the last BTI report, the government has opened “Service Centers” in most provincial centers, making government services more accessible. Still, the budget is spent almost exclusively on operating costs, and public investment is predominantly outsourced to donors. International support has resulted in the rehabilitation of, major roads and the Mount Coffee Hydro Plant.

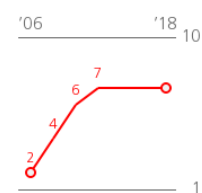
Severe deficits in the implementation of policy remain. However, improvements in revenue collection and tracking have been made, and macroeconomic indicators have been relatively stable when one allows for the shocks of the Ebola crisis and the adverse effects on the global economy. However, the lack of allocations for public investment raise doubts over the administration’s commitment to producing more immediate output results. The health and education sectors remain in a dismal state, despite considerable international support. Infrastructure development remains mainly largely donor-driven, and international advisers often complain about a lack of government cooperation and coordination.

A major reform project for the Johnson Sirleaf administration has been a concession law which a Global Witness report reviewed in 2016. This report revealed that a major British-owned company had succeeded in having a tailor-made provision inserted into the law by bribing a variety of political elites influential with competing factions of the government. The concessions law was a major reform project of the government.

Question
Score

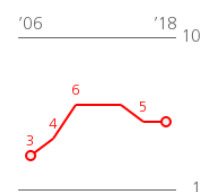
Prioritization

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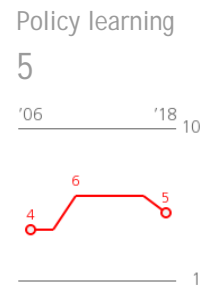


Implementation

5

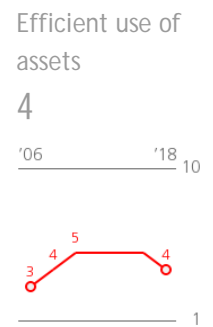


Overall, the Johnson Sirleaf administration has followed the mainstream development discourse and modeling policies after perceived best practices. Still, ten years into her tenure, with elections looming in 2017, her drive to improve and continuously develop policies is declining. A major case in point is the Ebola epidemic which could have been assessed and scrutinized in-depth to inform policy. Learning has been on an immediate and technical level, and while this has improved responses to individual new infections, few deeper changes are observable. Although the importance of government and community relations has become rhetorically recognized, little has changed on the ground. The health system in general and the flagship John F. Kennedy Hospital, in particular, remain in a deplorable state.



15 | Resource Efficiency

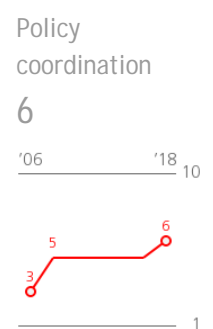
Liberia’s historical experience has made non-delivery of public services the normal state of affairs with a deeply ingrained culture of corruption among officials. In combination with a lack of qualified mid-level civil service staff, the government lacks rationality in mobilizing revenues and using them efficiently.



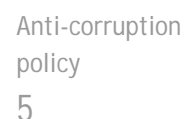
Senior officials have repeatedly been involved in corruption scandals, and service delivery does not seem to match resources, even as structural constraints are high (see 13).

While non-performing senior officials are regularly replaced, generally, the civil service is characterized by continuity concerning personnel. Qualification has increased as a factor in the recruitment processes, but personal connections are at least as important. Qualification and elite connections, however, tend to overlap.

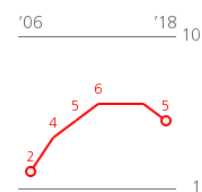
The government has created an Interministerial Committee as the central coordinating institution. While communication is not always perfect, the government has succeeded in avoiding major inconsistencies in its principal political projects. Inconsistencies arise where strong interests contravene official policies. In particular, decentralization is the main reform project promoted by the Governance Commission and adopted by the presidency. But political elites in the legislature and executive stand to lose power and economic opportunities. Recent developments may reinforce rather than reduce centralization of power.



Liberia has established a number of formal integrity mechanisms, including the General Auditing Commission (GAC), a Liberia Revenue Authority, the budgetary oversight of parliament, the National Procurement and Concession 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 government had reduced opportunities for graft and increased its control over revenue, anti-corruption measures have only had a limited effect. A former Minister of justice and the former head of the LACC both complained about a lack of political will to move against corrupt officials. Clientelism is an important element of central power politics. In her annual address of January 2017, the president herself expressed pessimism about prospects of fighting corruption, saying “you cannot reap ... in government what has not been instilled in families, schools, churches, mosques and society in general.” While several senior officials have been dismissed or were forced to resign amid corruption allegations, effective and nonpartisan prosecution has remained a rare exception.

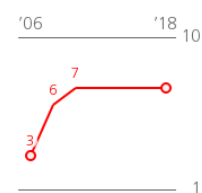


16 | Consensus-Building

Liberia has been constituted as a democratic country since independence, in 1847. Democracy is widely accepted as the norm yet Liberian particularities bend the local understanding of the term. There is a discernible authoritarian undercurrent in Liberian political culture. Elites tend to emphasize the importance of obedience making some attempts to intimidate critical media. The Afrobarometer 2016 shows a decline in commitment to democracy, with unqualified popular support decreasing from 72% to 68% between 2008 and 2015.

Consensus on goals

7

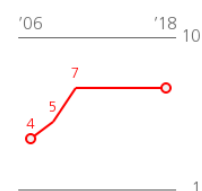


Liberia has United States heritage, and capitalist principles are widely endorsed while socialism is rejected. The embrace of capitalism is not considered to contradict the significant interference of the state in economic freedom. Protectionist measures, state ownership of infrastructures enterprises, and fixing of prices for essential goods and services enjoy broad support.

There are no strong political actors openly challenging democracy, nor are there organized veto players. Still, 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. Integral government officials have significant difficulties in isolating themselves from corrupt actors both from within and outside the administration.

Anti-democratic actors

7



Political inclusion and mitigation of identity cleavages have been the hallmark of the regime. Senior leadership positions have been allocated across a wide political and ethnic spectrum. In 2016, a debate on declaring Liberia a Christian state, which had been advocated by influential church leaders, threatened to escalate tensions between the majority and the Muslim minority constituting some 20% of the population. The government successfully intervened behind the scenes and persuaded church leaders to end the campaign. Yet, broad political co-optation undermined the effectiveness of the anti-corruption policy. A particular sense of exclusion is felt among ethnic

Cleavage /
conflict
management

8

Krahn from the eastern Grand Gedeh county. The president’s network has its center in the west. More importantly, Krahn has historically been integrated into the state through direct employment in the military rather than patrimonial intermediaries. They found themselves on the losing side of military reform while structures for patrimonial integration are lacking.

The historical experience of being ruled by descendants of settlers constitutes a historical trauma for parts of the population. Political conflicts are still widely interpreted through the “Congo-Indigenous” divide. The government is often seen as dominated by “Congos,” which can partly be attributed to the equation of elite culture with settler society. Mistrust of lower classes against the elite is significant and socioeconomic cleavages constitute a major divide. In historical perspective, the integration of “indigenous” Liberians into elite society is significant.

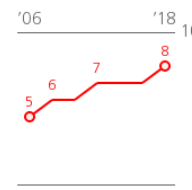
The government shows some commitment to civil society participation. The main reform document, the National Vision 2030, was developed from extensive consultations with citizens and interest groups. As a good practice, civil society organizations (CSOs) are consulted on a regular basis when it comes to drafting laws and regulations. Institutionally, CSOs are members of the government appointed committee for the LEITI, the multistakeholder group.

Critical media reports, for instance, corruption allegations, may be followed up. Overall, civil society impact on government is limited though. As an exception rather than the rule, the Liberian Business Association (LIBA) representing smaller Liberian entrepreneurs has shown relatively consistent effectiveness in defending the reservation of some business sectors for Liberian nationals.

The formal process of national reconciliation has not been a government priority, which addressed societal cleavages mainly through inclusive recruitment of positions and delegitimizing inflammatory rhetoric.

The divide between settler society and “indigenous” Liberians is still widely considered the principal cleavage in society. A sense of historical subjugation and dispossession pervades society. Many Liberians attribute the civil war to “Congo” exploitation and the influence of the United States, rather than “warlords.” Society has made little progress in coming to terms with its distant and more recent past. The factions were deeply embedded in society, and Charles Taylor enjoyed significant nationwide support. Many Liberians have difficulties acknowledging responsibilities of their faction leaders for the suffering of others. Still, many victims and intellectuals are demanding punishment for perpetrators of war crimes.

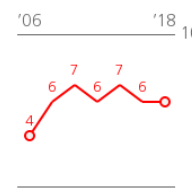
The Truth and Reconciliation Commission (TRC), which was active between 2006 and 2009, collected some 17,000 statements from witnesses. Though the TRC is a disappointing report, it is a source that can still be built on. The report, which inter alia recommended judicial prosecution for 98 individuals and barring from public



Civil society participation
7



Reconciliation
6



office another 50, failed to define clear standards for its decisions or link the accused to concrete violations. Hardly any of its recommendations were adequately implemented, and it is in doubt whether the punitive sanctions advanced could reconcile society. The Palaver Hut program endorsed by the government and international partners, which was envisaged to provide community-based reconciliation inspired by Rwanda's Gacaca system, never fully took off.

17 | International Cooperation

Liberia has adopted a medium-term development strategy, the Agenda for Transformation (2012-2030). It has the character of a roadmap to achieve the National Vision 2030, which defines a developmental state and middle-income country status as goals.

Effective utilization of international support has been uneven, and it has most useful in priority areas. In security reform, electricity generation, and upgrading of the national highways and major urban streets, progress has been fast and visible, and these tasks have been outsourced to donors. Progress in the health sector has been disappointingly slow.

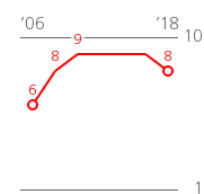
The Johnson Sirleaf administration has maintained good standing, politically and economically, with international partners. However, public enthusiasm has declined in recent years, especially in the economic sphere, over disappointingly ineffective anti-corruption measures. IMF reports remain broadly positive about the government's performance but have increasingly highlighted areas of concern, e.g. revenue collection and lack of public investment. The country respects its international legal and debt servicing obligations and has been increasingly integrated into the international system, notably by its accession to the WTO in 2016.

Liberia had the highest FDI to GDP ratio worldwide in 2015. This is however largely due to the low GDP and the capital intensity of mining and planting vast new plantations. Liberia attracted significant investment in mining and the palm oil sector in the postwar period. But most attractive concessions have been allocated and foreign direct investment is on the decline as the ease of doing business in the country remains difficult. The review period was characterized by companies closing or scaling down production as commodity prices fell. However, palm oil companies massively expanded their claims to land, taking advantage of a lack of monitoring during the Ebola crisis.

Liberia is a member of many regional bodies such as the African Union (AU) and the Economic Community of West African States (ECOWAS). Relations among ECOWAS countries appear to be at a long-term high as a consequence of several leadership changes. In 2017, the community quickly united against the lone outsider, Gambian president Jawara Jammeh, as he tried to cling to power despite losing

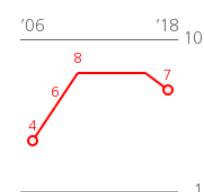
Effective use of support

8



Credibility

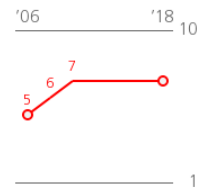
7



Regional cooperation

7

elections. The Liberian government took a key role in the regional effort to allow Jammeh's elected rival to take office. Generally, Liberia maintains cordial regional and the international relations. Liberia has made occasional use of the Mano River Union (MRU) to foster relationships with neighbors in sectors like infrastructure, trade and the extractive industries. Nigeria and the MRU countries Cote d'Ivoire, Guinea and Sierra Leone, form the most important regional partners.



Strategic Outlook

Under the leadership of President Ellen Johnson Sirleaf, Liberia has stabilized politically and macroeconomically. Although the Ebola crisis and low worldwide commodity prices were severe shocks to the country, the state has managed to increase mobilization of domestic revenue, the failure to reign in corruption remains a major governance deficit. The period since the last BTI report has been characterized by the ending of the epidemic and slow recovery amid unfavorable international conditions. Johnson Sirleaf cannot run again under the Liberian Constitution; the near future will be dominated by the transfer of power in the wake of the 2017 presidential elections.

For the foreseeable future, Liberia will not be able to mobilize the resources to provide core functions of a government. This, on the one hand, implies significant dependence on donors. Given the lack of medium-term prospects, Liberia may be a case in favor of a global social transfer system, where international actors assume responsibility for basic entitlements such as public health. On the other hand, if donors are necessary to stabilize the country, Liberia will have to adapt to ensure commensurate responsibility by more stringently monitoring the use of external funds.

Economically, Liberia's prospects are likely to be determined by offshore oil production, which may commence in the next five to ten years, new onshore mineral developments and smallholder agricultural production. Current resource revenue management shows pertinent deficits, and it is doubtful whether the oil sector will be managed responsibly. The country is situated in a geologically promising zone which could allow for the diversification of commodities production. Which would, in turn, provide options for skilled and unskilled Liberians, as well as local providers of goods and services. The restructuring and capacity building of several government institutions, notably the Ministry of Lands, Mines and Energy is expected to contribute to the prospering of the sector.

Developing the agricultural potential will require property rights for the often-marginalized rural population segments, e.g., lower strata youths, and an effort to provide training, improved road and rail access to agricultural areas and markets, and livelihood resources such as basic health services and drinking water.

With the UNMIL withdrawal imminent in 2017, the security situation will require sensitive handling by domestic actors. Politically, an inclusive and nonconfrontational approach has been the hallmark of Johnson Sirleaf's governance, and as a result, she has not effectively tackled corruption. It is uncertain if her presidential successor will continue the inclusive approach and moderate rhetoric, and in a more confrontational setting, corruption may further escalate rivalries for the spoils of power. Against the background of donor dependence, international providers of funding may be required to make use of their leverage.