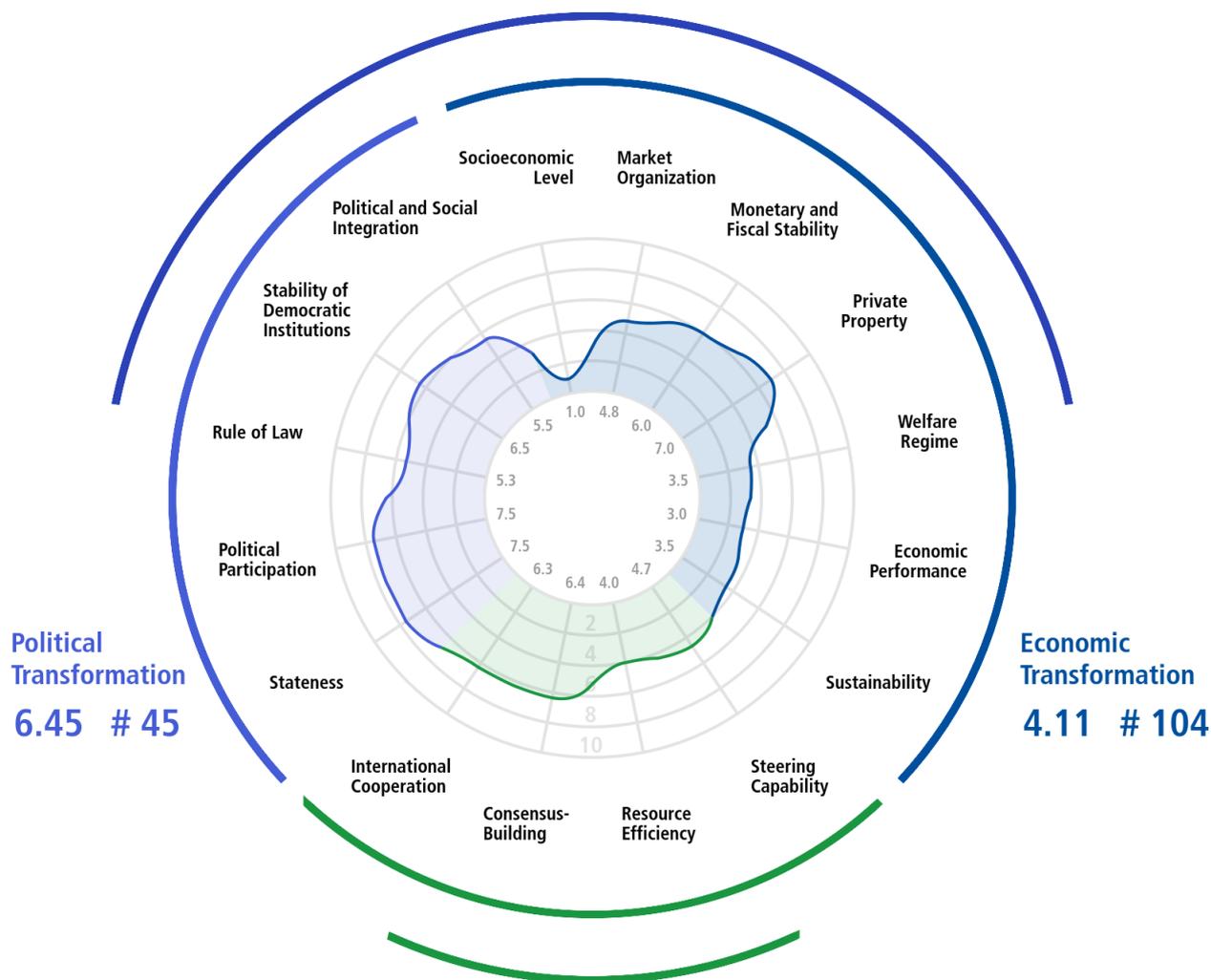


Liberia

Status Index

5.28 # 65

on 1-10 scale out of 137



Governance Index

5.01 # 59

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. 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	5.1	HDI	0.480	GDP p.c., PPP \$	1428
Pop. growth ¹	% p.a.	2.4	HDI rank of 189	175	Gini Index	35.3
Life expectancy	years	64.1	UN Education Index	0.426	Poverty ³	75.6
Urban population	%	52.1	Gender inequality ²	0.650	Aid per capita \$	121.0

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. 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 was the scene of two devastating civil wars between 1989 and 2003. Under the government of Ellen Johnson Sirleaf (2006 – 2018), stability returned. Against the background of violent military rule and civil war between 1980 and 2003, Liberia evolved into a remarkably peaceful electoral democracy. Yet it remained among the 10 poorest countries on earth, with a high level of corruption, and minimal provision of public goods and services. The democratic change of government that elevated George Weah to the presidency in January 2018 marked a fundamental shift.

As an “indigenous” Liberian raised in urban poverty, Weah symbolically represents the marginal masses and increases their identification with the state. A large number of his officials are inexperienced in leading the public service. Combined with weak ideological convictions, a patrimonial political culture that also plagued the administration’s predecessors and the effects of an education system that has been in tatters for decades, state capacities to address the country’s challenges and enhance public service quality did not discernibly improve. The U.N. Mission in Liberia, which had occasioned major capital imports, was withdrawn in March 2018, and prices for the country’s major export goods, iron ore and rubber, remained subdued through the final months of 2020. The COVID-19 pandemic entailed further disruptions in trade and production. The economy contracted twice over the review period, and disappointment with the government set in, leading it and allied parties to lose most Senate positions in the December 2020 elections to the opposition.

Yet a new civil service salary law lays the groundwork for greater meritocracy and is a milestone in modernizing the public administration. It has also served to reduce the bloated public sector wage bill and helped reduce the fiscal deficit. Nonetheless, a fiscal squeeze and donor pressure played a major role in implementing this unpopular measure.

Much political energy was expended on liberal constitutional changes promoting accountability and dual citizenship that ultimately failed to obtain the required two-thirds referendum majority. Despite a challenging environment, democracy did not suffer a setback and civil liberties were preserved.

The government acted swiftly to counter the COVID-19 pandemic, restricting movement and declaring curfews of varying intensity. A state of emergency was in force from April 10 to July 21, 2020. Effectively, social contacts decreased to only a limited extent and for a short period of time. Some abuses of authority occurred, but major violence was avoided. For unknown reasons, COVID-19 did not have a major impact on public health. Liberia counted only 84 fatalities, just one after mid-August 2020, and most of the country's public life returned to normal soon after the state of emergency was lifted.

Prices for Liberia's export goods rose above predictions toward the end of 2020 and are expected to recover moderately over the next two years, which may give the government some respite. In the medium run, Liberia and the international community face a choice between expanding the mineral resource and agricultural sectors and preserving one of the largest forest areas on the continent. Liberia's ecology is fragile, and globally important biodiversity and carbon sink resources are at risk of being lost. Given the country's pervasive poverty, preservation will need to offer superior income opportunities if that path is to be chosen.

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. A more sizable segment of the settlers was made up of would-be slaves intercepted by the navies of the United States and the British. Both groups over time merged 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. 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 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 to power the first indigenous leader, Samuel K. Doe. His rule marked both the end of "Congo" 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. The end of the first war culminated in the election of Charles Taylor as president in 1997.

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 to take over for some two years. 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. Johnson Sirleaf won the first election and the following one in 2011. Her excellent international reputation assured significant external support. She faced enormous challenges, with much of the country's 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. Liberia regained democratic stability under the new president. 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 (NPP) and another smaller formation, creating the Coalition for Democratic Change (using the same acronym, CDC). The NPP had been formed by Charles Taylor and is now headed by his former wife, Jewel Howard-Taylor.

The CDC government has been challenged by its lack of a qualified, coherent and experienced cadre; low international prices for its export goods; rivalry between the two main coalition partners; and a drop in capital imports occasioned by the withdrawal of UNMIL in March 2018.

Expectations of rising living standards were disappointed, while public service quality did not improve and indeed partially declined from already low levels. An alliance made up of the four strongest opposition parties, the Collaborating Political Parties (CPP), has sought to capitalize on the rising discontent. These parties include the Alternative National Congress (ANC), led by a political newcomer, former Coca Cola Director Alexander Cummings; the Liberty Party (LP), centered on Senator Darius Dillon, a former protégé of Howard-Taylor; the All Liberian Party (ALP) of businessman and former NPFL executive Benoni Urey; and the UP. This erstwhile governing party has lost much of its former strength, while the opposition as a whole remains weak, with uncertain prospects.

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 nontraditional settlements, in particular irregular mining camps, often rely on non-state conflict resolution 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. While the lack of security is a concern, levels of crime are not high by regional standards.

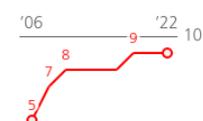
The nation-state is widely accepted as legitimate, and there is a clear sense of national identity. A position of power in the state is generally recognized as the ultimate marker of social success. Citizenship is constitutionally reserved for persons "of negro descent," which excludes the sizable business communities of Lebanese and Indian ethnicities. Land ownership is reserved for Liberian nationals.

A 2018 Afrobarometer study showed that 68% of Liberians reject the idea of citizenship for non-blacks, and the same share was against allowing land ownership for non-Liberians. In 2020, the legislature passed several amendments to the constitution, including one that would allow dual citizenship for persons of Liberian descent. The mandatory referendum on such changes took place in December 2020. While meeting with widespread approval, it failed to obtain the required two-thirds majority.

Question
Score

Monopoly on the
use of force

9



1

State identity

7



1

The same Afrobarometer study also found that most Liberians feel that their own ethnic group and Christians (who constitute some 85% of the population) are discriminated against. Rather than discrimination per se, these findings point to a feeling of alienation from government politics.

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.

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; however, there is a fragmented multitude of denominations, many of which have a Pentecostal background. Many politicians double as religious figures and the president himself often preaches in his Pentecostal church. Islam is practiced by 12% of Liberians.

The state is strongly centralized, with its public administration 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. State provision of law and order is very limited, and local mechanisms play a major role in maintaining security. Liberia’s physical infrastructure has improved in recent years but remains deficient, especially in rural areas. Juridical services are in principle available in the hinterland, but associated costs in terms of fees, transportation, time and legal representation are prohibitive for poor Liberians. Tax collectors tour the country and move into remote areas, but oversight is notoriously weak. Public schools often exist even in remote areas but are not necessarily functional. Health services are hardly available in rural areas, and quality is very poor nationwide. State-provided bus services exist only on the main road between Monrovia and Ganta, and irregularly on Monrovia’s ring road. The private mobile phone networks have expanded, but coverage is limited beyond the main roads and provincial centers.

The state effectively provides few services. When bureaucratic tasks are performed, they are motivated by the private gains officials can extract in the process. While many offices remained closed during the state of emergency (April 10 to July 21, 2020), the effective decrease in service provision was limited.

No interference of religious dogmas



1

Basic administration



1

2 | Political Participation

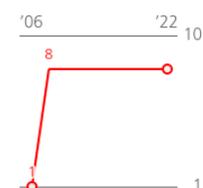
Generally, the principles of free and fair elections, including secret ballots and actual competition between different political parties and candidates, are applied. Liberia has a presidential system with a bicameral legislature. The president and representatives have a tenure of six years. Members 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 the referendum of December 2020, citizens also voted on reducing term limits for the president and representatives from six to five years, and those of senators from nine to seven years, and separately on delaying the election date by a month into the dry season. While the proposals were endorsed by most Liberians, they failed to obtain the required two-thirds majority. Parts of the opposition had mobilized against the constitutional changes, arguing they might allow the current president to serve an additional two terms.

The mid-term Senate elections also held in December 2020 were considered broadly free and fair, despite organizational shortcomings and some instances of election violence in rural areas. The government and allied parties won only five of 15 seats.

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. Against the background of the economic crisis, these challenges have increased during the reporting period, and have been accentuated by rising support for the political opposition. Secretive elite organizations are widely considered to have a strong influence on politics, although they became less effective as the elite lost cohesion during Liberia's period of upheaval. 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.

Free and fair elections

8



Effective power to govern

7



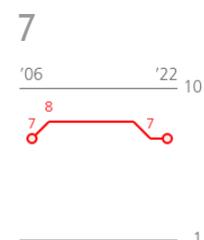
Article 17 of the constitution guarantees that all persons have the right to assemble “in an orderly and peaceable manner.” The constitution also guarantees the right of association. These liberties have been broadly upheld. Major demonstrations against government policies in June 2019 and January 2020, organized by a loose opposition alliance called the Council of Patriots, were finally allowed to go ahead, although the government delayed granting the permits and thus created an unfavorable environment. At one of the protests, former rebel leaders now allied with the government intimidated opposition activists. In January, protesters were eventually dispersed with tear gas and water cannons as they refused to leave when nightfall approached. A three-day protest in August 2020 calling on the government to counter sexual violence more decisively also ended as police moved violently against protesters. However, several government officials had voiced their support for the activists, and President Weah later condemned the police action. The December 2020 Senatorial elections were observed to be peaceful, despite sporadic acts of intimidation from state and non-state actors.

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. Individual political elites have, however, tried to intimidate journalists. The bribing of media staff is widespread, and journalists’ integrity is often in doubt.

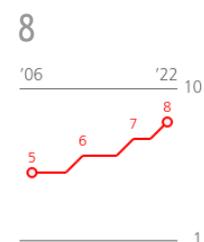
In early 2019, the radio station Roots FM was attacked by unidentified gunmen, damaged and forced off-air. Roots FM hosted a talk show entertained by Henry Costa, who is affiliated with Benoni Urey’s ALP and is a senior figure in the Council of Patriots. Costa is both popular and controversial among critics of the government. The Press Union of Liberia recommended shutting down his station for ethical breaches half a year later, and the government quickly made use of the opportunity, alleging unauthorized use of frequencies and incitement to violence.

Libel laws have in the past been used by officials to put pressure on media and activists. In March 2019, the government decriminalized libel and liberalized provisions on sedition, significantly strengthening the legal basis for free media reporting.

Association / assembly rights



Freedom of expression



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 and judicial decisions and partly render the institutions dysfunctional.

Under the Global Magnitsky Act, the United States in December 2020 sanctioned Liberia's most prominent corporate lawyer, who is also a senator, for involvement in various acts of corruption, and blocked his U.S.-controlled assets.

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.

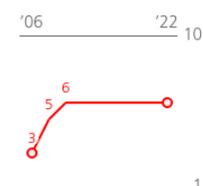
According to the Global State of Democracy Index, the president declared a state of emergency on April 10, 2020, which was prolonged until July 21, 2020. The government also introduced a strict lockdown, which was in some cases enforced with disproportional force. Parliament was able to question the government on the management of the pandemic.

The statutory judiciary is formally independent and institutionally differentiated 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. The cost of accessing the judicial system is high, in particular for the rural population. Expenses incurred by police and others, such as transportation 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.

Levels of corruption are high, and corrupt officials have little to fear with regard to consequences for misconduct. Allegations of corruption may affect the reputation of officials only marginally, provided they transfer some benefits to their constituencies. Against the background of the economic crisis, dissatisfaction with government has risen, which has in turn translated into greater criticism of government corruption. In September 2018, media reported that a container carrying about \$100 million in freshly printed local currency had gone missing, to which the government responded with contradictory statements. A U.S.-sponsored investigative report did not find evidence that the money was missing, but did find serious fault with the central bank's (CBL) administration. This prompted another investigation by the General Auditing Commission (GAC) into the use of \$25 million released somewhat earlier to strengthen the rapidly depreciating Liberian dollar. The GAC report accused the

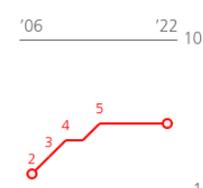
Separation of powers

6



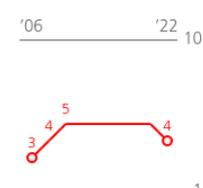
Independent judiciary

5



Prosecution of office abuse

4



CBL's management of providing insufficient oversight, with documentation of several million dollars in expenditures being questionable. This resulted in the early retirement of the central bank governor.

The broader issue is that under the Weah administration, central control and oversight over state officials has steadily eroded, increasing opportunities for corruption. These opportunities in turn are often exploited. The president himself has engaged in several building projects that appear disproportional to his official earnings, and he must entertain a vast patronage network that includes youthful party members and established elites. During the reporting period, the national U.N. office and a diplomatic initiative including the United States and Germany complained about misuse of donor funds.

Civil rights have been strengthened over time, and the de jure situation is by and large satisfactory. An Independent National Commission on Human Rights has been created and has shown itself to be prepared to criticize state action; however, it has become less vocal as it has been increasingly starved of resources. The major challenges stem from the dysfunctional judicial system. Indeed, it is often futile to seek redress against the actions of the state or its officials. Influence peddling and corruption regularly determine judicial outcomes. Police routinely extort motorists on roads and make arrests that are arbitrary or with insufficient evidence. Violence against women and domestic violence were widespread during the review period. The prevalence of clitoridectomy remains high and is left unaddressed 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. Homosexual intercourse is illegal. Prison conditions are harsh.

To counter the COVID-19 pandemic, a state of emergency was in force from April 10 to July 21, 2020. The period also saw restrictions of mobility of varying degrees, with movement allowed only for an hour daily for essential needs at the height of concern. The restrictions proved difficult to enforce, and the COVID-19 Task Force charged with doing so, manned by several government institutions and a significant number of hastily recruited youths, was accused of unwarranted aggression and abuses of power on several occasions.

Civil rights

6

'06 '22 10



1

4 | Stability of Democratic Institutions

The performance of democratic institutions has been undermined by the progressive decline in state capacities. The executive dominates the political sphere but is increasingly driven by short-term concerns.

The legislature exercises its oversight functions poorly. Legislators' interests in private gain often take precedence to national or even political party considerations. 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.

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.

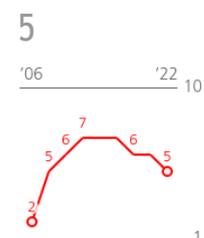
However, the political culture in large parts of the country is hierarchical and features significant authoritarian elements. Among them is the widely held belief that the real centers of power are obscure and the formal democratic institutions are of limited relevance. Circumvention or manipulation 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

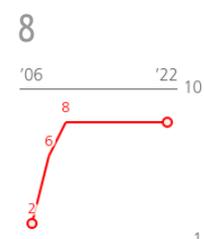
The political party system is not institutionalized and parties are strongly personalized. Three political parties, the UP, the CDC and the NPP, contested the 2005 elections and have maintained relevance since. However, the UP's support has strongly eroded since it lost power. The CDC continues to be 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 despite intense internal rivalry. Most parties are personal initiatives of their leaders and do not express discernible societal interests. 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.

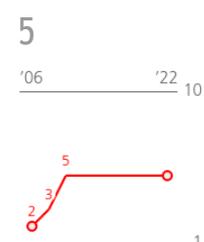
Performance of democratic institutions



Commitment to democratic institutions



Party system



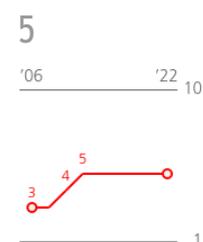
Several party alliances were formed in order to contest the 2020 Senate elections, The strongest opposition parties, including the ANC, the LP, the UP and the ALP, formed the Collaborating Political Parties (CPP) coalition, while nine smaller political parties created the Rainbow Alliance (RA). The CPP and RA each registered as political formations and ran as single entities.

Among the major formalized interest groups are the Chambers of Commerce, the World Lebanese Cultural Union, the Liberian Business Association (LIBA) and trade unions. Women's civil society groups also have relevant mobilization powers. Church leaders act as important intermediaries between state and citizens. 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 an important link between society and state. The organizational strength and legitimacy of these associations varies tremendously, but they are often weak and follow patrimonial dynamics. Little competition between interest groups takes place in the public sphere, such dynamics rarely inform public debate. However, employers' and workers' organizations regularly influence politics and administrative actions successfully.

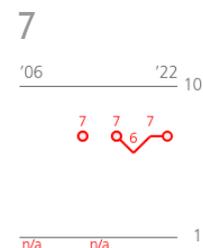
Four Afrobarometer surveys since 2008 found approval of democracy followed a bell-curve. Initially high after the civil war, dissatisfaction with leaders and the desire for strong leadership on Ebola has entailed a steady reduction. Liberians in principle support democratic institutions, and leadership 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.

Interest groups



Approval of democracy



Several anti-government protests in June 2019 and January 2020 can be considered a test case. The government was initially reluctant to allow the demonstrations, but eventually granted approval. The right to protest was widely acknowledged in the public discourse, although there were significant concerns about possible violence. There was some intimidation by government supporters and security, but overall, security forces showed restraint. Protesters refusing to leave the scene after the end of one demonstration were dispersed using conventional crowd control measures such as tear gas and water cannons.

An Afrobarometer study 2020 found that the curfew declared due to the COVID-19 pandemic was accepted as necessary by more than 80% of Liberians, though a similar share found the measures difficult to comply with. There was strong support for media censorship as a means of promoting government policies during the pandemic.

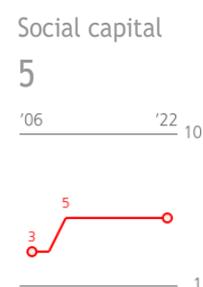
Trust is in short supply in Liberia. Historically the region was characterized by the small size of political entities and insecurity. At the village level, interdependence and traditional socializing mechanisms create strong bonds, resulting in mutual support. However, trust often does not extend beyond group boundaries. Many of Liberia's fairy tales warn 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 rare in the public sphere. While Liberians readily organize themselves into voluntary associations, the lack of trust often impedes effective functioning, and these groups are frequently short-lived.

II. Economic Transformation

6 | Level of Socioeconomic Development

Liberia consistently ranks as one of the poorest countries in the world. It was ranked at 175th place out of 189 countries in the 2019 Human Development Index (HDI), two positions lower than the previous year. About 76% of the population lives on less than \$3.10 per day. An estimated 85% of the workforce is active in the informal sector, including subsistence agriculture.

In 2016, 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 given the low overall level of development. Nonetheless, Liberia's legislators are among Africa's best-paid, and contrasts in income between the tiny privileged class and the masses are stark. This is a reflection of the destruction occasioned by the civil wars and a natural resource-based enclave economy in which foreign investors repatriate rather than reinvest 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, which has meant that urbanization has continued unabated. Sociopolitical factors, in particular elder control over land, poor road infrastructure and government neglect of smallholder agriculture, 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. 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.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	3285.5	3264.0	3070.5	2950.0
GDP growth	%	2.5	1.2	-2.3	-2.9
Inflation (CPI)	%	12.4	23.6	-	-
Unemployment	%	3.0	2.9	2.9	3.3
Foreign direct investment	% of GDP	7.5	4.0	2.8	-
Export growth	%	6.1	0.8	1.5	-10.2
Import growth	%	-0.5	-7.7	0.4	-7.4
Current account balance	\$ M	-565.6	-674.1	-653.4	-

Economic indicators		2017	2018	2019	2020
Public debt	% of GDP	33.6	40.1	54.8	61.9
External debt	\$ M	1122.2	1163.4	1296.4	1480.6
Total debt service	\$ M	15.1	24.6	41.7	70.9
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	16.2	16.6	19.7	18.9
Public education spending	% of GDP	2.8	2.6	2.3	2.3
Public health spending	% of GDP	1.4	1.7	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.9	1.2	1.4	1.3

Sources (as of December 2021): 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. A 2020 referendum to allow dual citizenship for persons of Liberian descent holding another nationality, intended to attract investment from the diaspora, did not receive the required supermajority. 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 World Bank's Ease of Doing Business rankings (CODBI) 2020, the protection afforded to minority investors is very weak, with Liberia ranked at 176th place out of 190 countries. Starting a business usually takes 18 days and requires five procedures. 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. Thus, 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.

Market organization

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In 2016, Liberia acceded to the WTO and adopted a competition law that is to be implemented by the Ministry of Commerce and Industry. 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.

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

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 increases prices for imports from the main trading partners. The political fallout quickly made Liberia amend some of the tariffs.

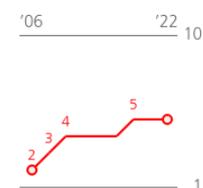
The World Bank Ease of Doing Business rankings 2020 indicate that procedures for international trade are particularly time-consuming and cost intensive. During the review period, the government further increased the costs of trading across borders by adding administrative procedures. A change in the companies providing inspection services for the government also complicated the process of transporting goods. In April 2019, an executive order reduced some taxes on businesses and instituted a surtax on imports competing with local production, both with explicit reference to the effects of the CET, but also eliminated import permits. The latter had reinforced the oligopolistic structure of the market and provided opportunities for bribe-seeking. The measures were renewed in December 2020. Partly countering the import substitution policy, import tariffs on rice were suspended in February 2020 to reduce urban costs of living. Temporary import bans on some goods produced in Liberia were also announced during the review period.

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. Principal export goods in 2018 were gold (which rose from a negligible position to the country's main commodity), iron ore, rubber and diamonds. Top imports are machinery and food products.

Liberia's central bank (CBL) significantly modernized guidelines on accounting and financial reporting for banks in July 2016, and more limited changes have been introduced since. In 2018, International Financial Reporting Standards (IFRS) 9 and IFRS 15 standards on disclosure were adopted. In 2019, the Liberian dollar (LRD) and U.S. dollar (USD) reserve requirements were harmonized, rising from 10% to 15% for USD and falling from 25% to 15% for LRD. The CBL also strengthened its supervisory instruments in 2019, particularly with regard to money-laundering and financing of terrorism. However, a law dealing with these issues was delayed by the legislature.

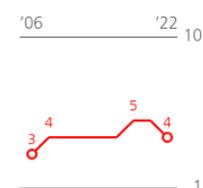
Competition policy

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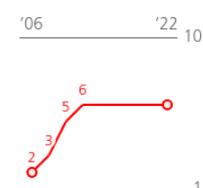
Liberalization of foreign trade

4



Banking system

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According to the latest CBL report (2019), the banking sector continued to show growth in key balance sheet indicators. Yet this was primarily due to the depreciation of the LRD, which increased the relative value of USD assets. Depreciation, spiraling inflation and low GDP growth exerted pressure on the banking sector and return on assets stood at just 1.5%. The capital adequacy ratio was reduced to 25.6% (the regulatory minimum is 10%) as the ratio of non-performing loans to total loans rose to 16.2%.

With nine operating commercial banks, the sector is competitive, but the size of banks is correspondingly small. 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 has since added treasury bills to mop up excess liquidity.

Due to the risky market, banks mostly 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.

First International Bank (FIB) went bankrupt in 2016. The central bank infused some \$20 million, and the institution had to be sold, which is indicative of hard budget constraints. Ghanaian GN Bank took over but sold the bank to a subsidiary of Standard Chartered in 2020, potentially increasing Liberia's integration into the international financial system.

8 | Monetary and fiscal stability

The government has retained both the U.S. dollar and the Liberian dollar (LDR) as legal tender. The dollar accounts for 67% of the money in circulation. The LRD depreciated by about 25% during the reporting period before rapidly appreciating again to regain its former value amid a shortage of local currency.

The depreciation was caused by falling prices for Liberia's main export goods, while the appreciation was driven by insufficient money supply. The printing of new banknotes is politically controversial in Liberia due to suspected corruption, and the CBL's request to do so was not fully approved by the legislature. In September 2019, the CBL switched from a policy of buying and selling dollars as means of stabilizing the LRD to adjusting the interest rate as a means of saving foreign reserves. However, these measures have been of limited effect because of the dollarization of the economy, and the CBL had very little experience to build on.

The rate of consumer price inflation almost doubled in 2019 to around 27% amid the economic crisis but fell back to an estimated 19% in 2020 due to high base effects, lower oil prices, the end of fiscal deficit financing and the currency shortage.

Monetary stability

6

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The CBL is formally independent, but fiscal and monetary policy goals used to be coordinated with the government. Amendments to the CBL Act in October 2020 gave it the mandate of ensuring financial stability and strengthened its legal basis for independence. The entity also gained greater autonomy with regard to enhancing the quality and quantity of bank notes, reducing the risk of future local currency shortages.

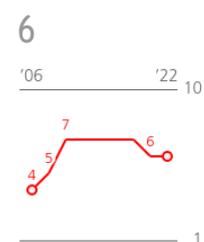
The size of Liberia's national budget has declined over the past five years as revenue has decreased and repeated crises have caused the national economy to contract. The budget shrank from \$570 million (2018 – 2019) to a recast \$518 million (2019 – 2020), rising again to \$570 million in fiscal year 2020 – 2021 again. Over the same period, the fiscal deficit rose from 3% of GDP to more than 5.7%, then fell again to an estimated 3.2%.

Some \$4.6 billion in debt was forgiven through the HIPC initiative in 2010, but debt has steadily increased since, indeed tripling since 2012. Amid a contraction of the economy and persistent fiscal deficits, debt jumped from 39.4% of GDP to a worrying 53.3% between 2018 and 2019. After the new government initially favored private sector loan arrangements, it returned to the multilateral market as civil society and international community criticized its choices as dubious and probably unsustainable. The government secured a badly needed four-year extended credit facility (ECF) arrangement with the IMF in December 2019. In 2018, the African Bank for Development (AfDB) approved \$42 million for road construction, and in 2020, another \$35 million for renewable energy projects. In 2020, Liberia joined the Chinese-controlled Asian Infrastructure Investment Bank, seeking to benefit from its loan schemes. Against the background of the COVID-19 pandemic, Liberia also secured \$32 million in debt relief funded through the IMF's Catastrophe Containment and Relief Fund (CCRF), along with a Rapid Credit Facility (RCF) loan of \$50 million in 2020. The government undertook a small-scale food distribution program and set up a task force to impose restrictions on movement during the state of emergency, but additional expenditures due to COVID-19 were very limited, and assistance mostly substituted for lost revenue.

Current expenditures consume almost the entire budget, with state employee salaries accounting for two-thirds of spending. Government consumption is accordingly significantly above the developing country average, at 19.7% of GDP (2019). When the current government came into power in early 2018, public sector ranks swelled (officially by about 4,000 workers) with little regard for qualification or organizational charts. Confronted with budget realities a little later, the government has since been under pressure (strongly reinforced by the ECF negotiations with the IMF) to consolidate the public sector bill.

In 2019, the legislature passed a law harmonizing public sector wages, aiming at cutting salaries of some 9,000 employees while raising pay for the lowest-paid 15,000. The law provides for standardized payment according to qualification and

Fiscal stability



rank, and cuts allowances. Allowances were the core of the patrimonial system in the administration, as regular salaries are mostly low. Allowances were allocated in a discretionary manner and effectively constituted the largest pay component for many, forcing employees to seek personal favor with superiors and political connections. The reform is a milestone in basing remuneration on competence and responsibilities, one of the most important such innovations since the end of the civil war. However, it has been very unpopular, as the well-connected officials benefiting most from allowances have dominated the public discourse. The finance minister announced that pay cuts in the higher salary bracket would average 8.4%, yet wide disparities in payment meant that some agencies reduced pay by up to 30%. In addition, the government planned to retire 10,000 civil servants. Some measures were delayed, partly due to capacity absorption issues associated with the COVID-19 pandemic and bureaucratic resistance. Yet the IMF spoke of an effective 10% wage bill reduction across the three branches of government. The action allowed the CBL to end its practice of financing fiscal deficits. A downside of the reform was increased bribe-seeking behavior by affected civil servants.

9 | Private Property

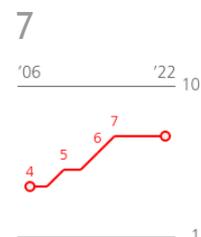
Property rights are formally defined in Liberian law, but the deficits of the justice system introduce a significant level of uncertainty. Liberia scores particularly low in the World Bank's East of Doing Business rankings (2020) in the categories of enforcing contracts, protecting minority investors and registering property (between 175th and 180th place out of 190 countries). 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.

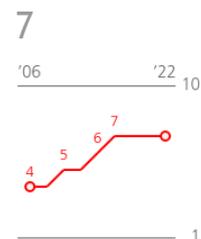
Private enterprises play an important role in official policies. However, there is a strong undercurrent that regards foreign-owned companies as being exploitative and as benefiting at the expense of Liberian society, although most enterprises have been struggled to be profitable in recent years, and many have incurred losses or exited the country. The patrimonial character of Liberia's state has made it more geared toward squeezing than nurturing private business, and narrative evidence suggests that the extortion of bribes has increased as central oversight has weakened, state revenue eroded and senior executive pay declined.

The regulatory environment has overall improved in recent years but is still both overly bureaucratic and underdeveloped. Liberia has more than 20 state-owned

Property rights



Private enterprise



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 economic policy, and there has been no move toward privatization.

10 | Welfare Regime

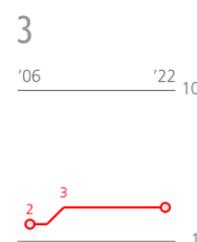
The national social security corporation (NASSCORP) created in 1975 formally provides a basic social safety net for employees of the formal sector. A revision that became effective in 2018 increased total contributions from 7.75% to 10%. Employers pay 2% of the gross salary under the work-related injury scheme. An 8% contribution to the pension fund is shared between employer and employee. The agency has historically been riddled with corruption. Claiming benefits is often a challenging process. Payouts are small and effectively below the level of contributions.

Some government institutions and private companies further insure their employees through private medical insurance companies, which provide limited coverage. Against the background of economic crises, both public and private sector have cut back on these benefits.

Concession companies are usually obliged to provide basic medical and educational services to employees and their families. In practice, however, these are often deficient. When young mothers are abandoned by their partners, support is rare. 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.

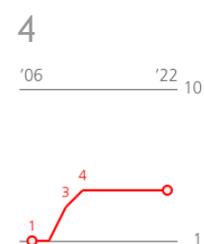
Against the background of the COVID-19 pandemic, the government undertook a limited food distribution exercise in 2020. According to an Afrobarometer survey, 9% of Liberians benefited, yet the distribution seems to have been skewed toward the urban and economically less challenged population.

Social safety nets



The distribution of opportunities is highly skewed along several lines, but the chief determinant is socioeconomic background. The historic cleavage between “Congos” and “Indigenous” has lost much of its relevance, but remains politically instrumental, and still features prominently in public discourse. 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. About 63% of men and 34% of women are literate. However, school enrollment for girls has improved considerably in recent years. Most recent data suggest equality at the primary level (ratio of female to male enrollment: 1.0), but less so at the secondary (0.8) and tertiary levels (0.6). Women made up 47.4% of the labor force in 2020 (a ratio that has remained almost unchanged for several years).

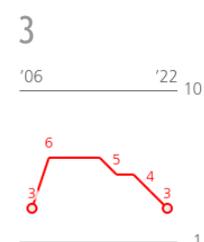
Equal opportunity



11 | Economic Performance

Liberia is among the seven 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 below population growth. Iron ore mining companies suspended their just-started projects amid deteriorating international prices.

Output strength



Per capita growth rates have been negative since 2014. Real GDP growth turned negative in the reporting period, reaching -2.3% in 2019 and about -3% in 2020. Yet exports in 2019 rose by an estimated 2%, a development that largely reflects a decrease in services occasioned by the withdrawal of UNMIL and the end of many post-Ebola projects in 2018. A fuel shortage caused by administrative failures reinforced the trend, epitomizing the declining state capacity. Developments in 2020 were due to disruptions in global trade and domestic production related to the COVID-19 pandemic. Official figures do not show a rise in unemployment, but many companies reduced activities and their workforces. An Afrobarometer study found that 25% of Liberians lost income during the pandemic. These effects are reinforced by a high inflation rate of 27% in 2019, and an estimated 19% in 2020.

Challenging international market conditions and weak natural resource endowments are exacerbated by a political environment that stifles economic activity. The mining sector is almost exclusively based on gold and iron ore; however, the country in fact has limited gold endowments, and iron ore prices are notoriously volatile. The soils sustainably support few cash crops aside from palm oil and rubber, and global growth prospects in both sectors are weak. Rice, the staple food, is mostly imported, while domestic production is largely done upland rather than in more productive and

sustainable rice paddies and requires fallow periods of 10 to 30 years per harvest. Liberia still features West Africa's largest and most intact forest cover, which may be its most valuable resource in terms of global importance. However, the forest is acutely threatened, and if exploited sustainably, revenue potential is relatively low. Domestic processing is weak, and volumes of round log production tripled between 2017 and 2019, yet the pandemic reduced output by more than one-third in 2020. Cocoa production has significantly expanded over the past few years but fell twice over the review period (partly due to the COVID-19 pandemic), from 18,900 metric tons (2018) to 4,100 metric tons in the first half of 2020. Production is dominated by smallholders, and three initiatives by senior government officials in the reporting period seeking to reestablish the state's monopoly on cocoa marketing appeared likely to dissuade international investment. However, donors that provide significant support to cocoa development projects indicated that they would consider a de-liberalization of the sector as undermining their projects, and the initiatives were ultimately blocked.

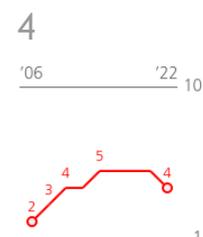
Weakening national leadership and administrative capacity as well as a decrease in revenues created a situation where business faces increasing pressures from both legitimate tax collectors and state officials seeking bribes. The world's largest palm oil producer, Sime Darby, sold its Liberian plantation in 2019 for \$1, as it was unable to expand the plantation as envisaged and faced large-scale theft of fruit bunches amid failing state security. Several foreign-owned companies have scouted the market for potential buyers for their Liberian operations.

Official unemployment figures are relatively low at 2.7%, but this masks significant underemployment and very low income in subsistence farming and the informal sector. Due to deficient road and import infrastructure, high energy prices, low domestic production and a small oligopolistic market, costs of living are paradoxically high.

12 | Sustainability

Liberia faces significant challenges in basic areas of environmental protection. Waste and sewage disposal, diesel fuel toxicity regulations and coastal erosion prevention measures are wholly inadequate. Very little progress was made during the reporting period in urban waste management and the development of the Cheesemanburg landfill site near Monrovia begun in 2017. A 2020 study speaks of decision-makers' lack of intent to design and implement a sustainable and integrated waste management system. There is no policy to reduce plastic bags, which are fully or partly banned in some 30 African countries; these are ubiquitous in the environment, clogging inadequate sewage and drainage systems, and endangering livestock and marine life. There are no tax instruments or other policies to reduce CO2 emissions. Yet donor-funded projects to increase electricity production focus on hydroelectric power and decentralized solar power solutions.

Environmental policy



Concession companies must undertake environmental impact assessments as part of their application, and the environmental protection agency (EPA) is consulted during all concession agreements. The EPA, however, is hampered by low levels of awareness and considerable corruption in government circles. The environmental damage produced by regular and irregular mining is significant. The two industrial MNG gold mines in Grand Cape Mount and Bong counties accidentally released large volumes of cyanide in 2016 and 2017. Illegal and legal fishing by foreign trawlers in Liberian waters depletes marine resources. Environmental groups criticized a 2019 agreement to grant Senegal fishing rights as threatening fish stocks. Large vessels are rarely sanctioned, and a 2020 initiative against irregular fishing mostly targeted local artisanal fishermen.

Liberia features West Africa's largest contiguous forest cover, which is of major global importance in terms of biodiversity and carbon absorption. The 2006 Forestry Reform Law committed to setting aside 30% of Liberia's forest as protected areas. The formally protected areas have expanded since. In late 2020, preparations were made to establish the sixth national park, the Krahn-Bassa Proposed Protected Area. Yet encroachment on protected areas, insufficient monitoring of logging in concessions, and deforestation in non-protected areas through the expansion of (cocoa) plantations, agriculture and mining present significant threats to Liberia's ecosystem.

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 population growth and more intensive land use.

Liberia has made some progress in providing education since the end of the civil war, albeit from extremely low levels. The U.N. Education Index gave Liberia a score of 0.426 (2019) in 2017, representing a modest improvement compared to 10 years ago (0.404). The literacy rate of 48.3% (latest data from 2017) is low even by regional standards.

Noteworthy policy 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 Weah government declared public tertiary education below the master level free of charge. Yet public expenditure on education is well below developing country average, at 2.6% of GDP.

The quality of public schools and many private schools is very low, 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. Many teachers lack adequate qualifications, and secondary school pupils often cannot effectively read or do simple

Education policy /
R&D

3

'06 '22 10



math. There is also substantial gender inequality, but female education has significantly expanded. 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 five million inhabitants and little purchasing power, the economy is small. A high population growth rate of 2.4% (2019) diverts resources toward consumption rather than investment, while exerting high pressure on the labor market. Due to poorly developed infrastructure, smallholder farmers face numerous obstacles in seeking to access markets. Three export commodities – gold, iron ore and rubber – dominate the economy, with overall production being weak and prospects for expansion low. The dominant ferralsol and acrisol soils severely limit agricultural potential, the ecosystem is fragile, and risks of erosion and ecological degradation are high.

As yet, the pandemic's direct health effects have been relatively minimal with fewer than 4,000 confirmed infections and less than 90 confirmed deaths as of the time of writing. However, the economic effects will certainly be felt, either through the restrictions and/or the lower demand for Liberia's export commodities resulting from the global economic crisis.

Structural
constraints

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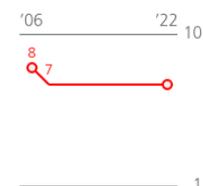
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Voluntary associations form a core element of urban public life, particularly in Monrovia. Many associations are based on professional and business interests and are active in politics. The human rights sector, strongly dependent on international support, 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.

Liberian society is fragmented into generally small political factions, who must form coalitions to become relevant. Political affiliations are fluid. The governing CDC is understood as the party of the marginal masses, while the opposition more elite-oriented, but ideological division and policy differences are weak. While the political elite is fragmented and political rhetoric is often confrontational, coalitions are possible between almost all political actors as politics revolves around access to spoils. However, such coalitions 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. Johnson Sirleaf tacitly supported the Weah campaign, and the new government framed much of its politics in terms of continuity. 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. In 2019, the strongest opposition parties, including the ANC, the UP, the ALP and the LP formed an alliance, the Collaborating Political Parties (CPP), that ran as a single contender in the 2020 Senate elections.

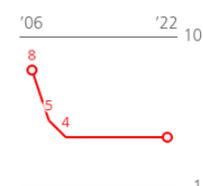
Civil society traditions

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Conflict intensity

4



II. Governance Performance

14 | Steering Capability

During the reporting period, the presidency expended much political energy on pushing a major constitutional reform which ultimately proved impossible to realize. More concretely, the government prioritizes road construction, with the particular goal of connecting the eastern counties, as well as electrification and maternal health. Yet long-term goals are often subordinated to short-term necessities. The background is the sustained economic crisis, which has undermined government capacities, resulted in delayed public sector salary payments and forced pay cuts. However, these ad hoc pressures also moved forward policies that had been prepared under the Johnson Sirleaf administration, in particular the public sector salary harmonization and tax enforcement program. When long-term approaches are pursued, this is often due to donor pressure. It has increasingly become clear that there is little consensus among government elites on the policies defined in its core document, the “Pro-poor agenda for prosperity and development” (PAPD).

Road construction is moving ahead, albeit slowly. Works on the main project, the 510-kilometer Ganta-Harper road, have begun. An 80-kilometer stretch on which construction had already started in 2012, but which was interrupted by the Ebola epidemic, has now neared completion. The installation of streetlights on Monrovia’s main street was meant to symbolize the progress in electrification. Yet 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. Efforts at stronger tax enforcement are often abused by officials seeking bribes.

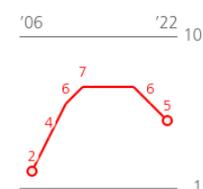
The requirement of a two-thirds referendum majority for constitutional changes under conditions of widespread mistrust of political elites and high illiteracy among voters makes it difficult to implement even widely desired and needed changes, such as reductions in term limits for elected officials and a shift of elections into the dry season.

Structurally, the low national educational endowment means that public sector officials, including leaders, often only have a limited understanding of their professional areas, policies and implications. The patrimonial culture further implies that the state is frequently understood as an institution of private accumulation and distribution of benefits by its officials, rather than as a provider of public order and services.

Question
Score

Prioritization

5



Implementation

5



Policy-learning abilities are very limited, and there are few signs of any willingness to increase capacities, as rational policy formulation clashes with the dominant patrimonial orientation in Liberia's political culture. Well-established narratives regarding Liberia's challenges and potentials inform much of the policy process, rather than any critical reassessment. Under the current government, institutions with the power to critically review government action have received little attention or been actively weakened; this includes the Liberia Anti-Corruption Commission (LACC), the General Auditing Commission (GAC) and the Liberia Extractive Industries Initiative. The government think-tank on policies, the Governance Commission (GC), is often sidelined and plays little role in informing policy formulation processes.

In dealing with the COVID-19 pandemic, Liberia's Ebola experience did produce swift government action. Measures were successively stepped up and were informed by international practices, and quickly eased as infection rates dropped. Social contacts were effectively reduced to only a limited extent and for a relatively short time. Yet for unknown reasons, COVID-19 did not have the anticipated impact, and only 84 persons had succumbed to the disease as of the time of writing. The pandemic dropped almost completely off the agenda after the first wave had been contained in August 2020. Senate election campaigns in late 2020 were held despite the risks of increasing infection rates, testing became almost exclusively restricted to travelers and contact tracing was suspended.

15 | Resource Efficiency

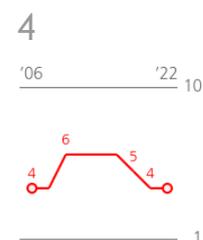
Liberia's historical experience has made the non-delivery of public services the normal state of affairs with a deeply ingrained culture of corruption among officials. In combination with a lack of qualified civil service staff and leadership, the state has lacked rationality in mobilizing revenues and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

The public sector salary bill is approximately \$292 million in 2020 – 21, \$4 million less than the previous year, which is attributed to the salary harmonization exercise. The George Weah government also announced it had cut cabinet minister salaries by 10%. Recurrent expenditure remained at 90% of its previous level, while the wage bill fell slightly to 55%.

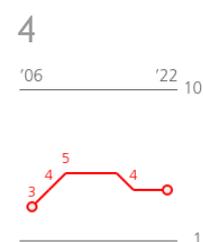
With monthly compensation of approximately \$15,000 for senators, Liberian legislators are among Africa's highest paid. Decision-making processes nonetheless are often corrupt, and the legislature exercises its oversight functions poorly.

With shifts in government, personnel in some 4,000 positions appointed by the president are also exchanged, entailing further replacements down the line. Accumulated experience thus systematically erodes at regular intervals. Debt levels are still manageable, but the persistent high fiscal deficits and steadily rising levels of debt despite low to negative GDP growth and challenging prospects are worrying. Budget implementation is consistently poor, and auditing processes are kept weak.

Policy learning



Efficient use of assets



The public sector wage harmonization bill implemented during the review period was a milestone in modernizing the public administration. Moreover, the efforts put into effecting constitutional change promoting accountability show some positive presidential initiative. The failure of the latter campaign, however, shows that the political system is not conducive to necessary changes.

The Weah government inaugurated in 2018 is still constrained by limited expertise, a lack of consensus on policies stemming from shallow ideological commitments, and rivalry between CDC and NPP. The president's ability to coordinate different factions around senior executives of his own party, which have sought to pull policy in different directions, declined during the review period. Public investment is outsourced to donors given the high current expenditure bill; these force some consistency within their respective areas of funding but have different approaches from one another. The disintegrated, mostly local character of NGO projects is not streamlined by government initiative. Corruption among state officials also undermines official policies.

Liberia has a number of formal integrity mechanisms. These include the General Auditing Commission (GAC), a Liberia Revenue Authority, the budgetary oversight powers 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. LEITI was suspended by the international board from September 2018 until March 2020, due to a lack of reporting and significant breaches related to multi-stakeholder group oversight.

Overall, these institutions are kept weak, while levels of corruption remain high and legal consequences for corrupt practices are an exception.

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.

In the reporting period, the national U.N. office publicly complained about misuse of donor funds, ambassadors of major donors jointly criticized unauthorized use of funds, and a senator and prominent corporate lawyer was sanctioned by the United States for facilitating bribe payments.

The government tried to repeal tenure in the core accountability institutions, which is meant to shield officials from political influence. The move was endorsed by the House of Representatives but blocked by the Senate in 2019. However, the government further pursued the plan, and secured House approval for repealing tenure at the important Maritime Authority in October 2020.

Policy coordination

5

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Anti-corruption policy

3

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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 that has not been fulfilled to any significant degree.

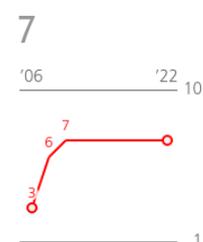
There are no strong political actors openly challenging democracy, nor are there organized veto players. However, the commitment of political elites to democracy, including in the current government, is not beyond doubt. Former militia leaders offer their services to the government to suppress opposition protests. 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.

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. Her government, however, strategically distributed positions across a broad spectrum of society.

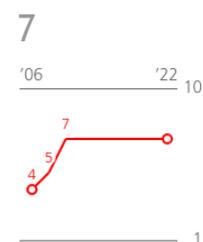
The elections of 2017 significantly shifted the societal distribution of power. George Weah’s family hails from the east, much of which is historically at the margins of the state. He is very popular in the region and is widely considered to represent the poor, indigenous majority. His election raised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

The president’s relationship with the NPP coalition partner, which has its base in northern and central Liberia and serves to integrate a politically and numerically important share of the population, is uneasy but civil. Former warlord Prince Johnson, who is still very popular in the populous northern Nimba County, headed a faction fighting eastern forces. He formerly supported Johnson Sirleaf but is now in a stable alliance with the current president. Against the background of the economic and political crisis of the past years, potential tensions remained well managed.

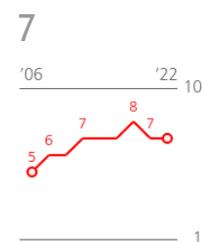
Consensus on goals



Anti-democratic actors



Cleavage / conflict management



The previous government showed a 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.

Since then, the policy formulation process has become more opaque, and is largely limited to government elites and donors. Given rising discontent in Monrovia, the center of civil society activity, the government has become more apprehensive about outsider involvement. Funding constraints also continue to negatively affect civil society capacity.

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 administrations of both Johnson Sirleaf and now George Weah addressed societal cleavages mainly through broad elite-level coalition building and by delegitimizing inflammatory rhetoric. Several influential personalities were affiliated with warring factions. There is significant elite resistance against a process that might incriminate persons of influence. Also, ethnic and regional faction constituencies are often reluctant to see their leaders accused of faults, and there are fears that a postwar justice initiative might reignite tensions.

17 | International Cooperation

The current political leadership uses international assistance for its own development agenda, but shows deficiencies regarding long-term goals, with a slight downward trend in this regard. The 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 in Liberia completed its mandate in 2018. Donor inflows have been reduced as a consequence. In the context of a larger reform emphasizing effective use of assistance, Germany declared its intention in 2020 to withdraw from bilateral cooperation with Liberia. Data for the review period is incomplete, but the IMF’s 2019 ECF and COVID-19 assistance made new resources available, and the Economist Intelligence Unit expects increased inflows overall. Relations with the IMF are strong. The government’s development strategy paper strongly reflected donor input, but this roadmap has not always been consistently followed.

Government capacity is low, and donor assistance is often not used most efficiently. In recent years, progress in electricity generation and distribution, road infrastructure, health, and education has been disappointingly slow.

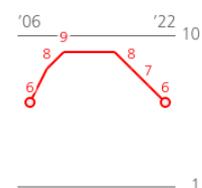
Civil society participation
5



Reconciliation
6



Effective use of support
6



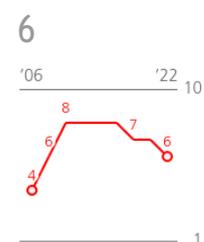
For the most part, the government has acted as a credible and reliable partner and has been engaged in international cooperation efforts. However, a slight downward trend is visible. While the Johnson Sirleaf administration maintained a good political and economic standing with international partners despite significant shortcomings, the Weah administration's reputation seems to be less stellar in this regard. Publicized protest notes from the national U.N. office and an alliance of ambassadors on the use of donor funds indicate weakening credibility in the eyes of donors. The withdrawal of foreign investors in the oil palm and extraction industries show waning confidence in the investment climate.

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. Liberian troops support the U.N. peacekeeping missions in Mali and South Sudan.

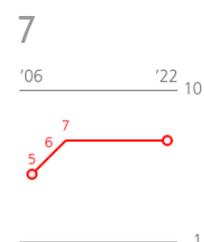
Generally, Liberia maintains cordial regional and international relations. It has made occasional use of the Mano River Union (MRU) to foster relationships with neighbors in sectors such as infrastructure, trade and extractive industries. Côte d'Ivoire has risen to become one of the countries' most important sources of imports, indicating that economic integration is progressing.

Liberia ratified the common external tariff of the ECOWAS in December 2017 but has not fully implemented it due to adverse effects on local prices and production.

Credibility



Regional cooperation



Strategic Outlook

Liberia faces fundamental challenges that severely reduce its future prospects. Among them are very low human capital endowments, which constrain its abilities to address societal and natural challenges. Society is fragmented, a fact that is partly the heritage of Liberia's age-old history of small-scale stateless societies and partly a legacy of the civil war. A related evasion of authority implies significant individual liberty but undermines political coordination. Limited known mineral resources, poor soils and a fragile ecology reduce economic opportunities.

Because of the natural-resource-based economy, the state will remain the main instance of capital accumulation and redistribution. Potential for improvement lies in increasing effective service delivery and public investment while reducing unproductive job patronage in the civil service. Liberia's geology indicates that it may possess commercially viable mineral resources other than iron ore and gold. The Ministry of Mines and Energy may strengthen efforts to broaden its expertise beyond these traditional industries, and devise strategies to attract investors into prospecting for other minerals.

Major hopes have been placed on developing the cocoa industry, which is predicted to experience favorable world market conditions. Experience in neighboring Côte d'Ivoire shows that conventional cocoa plantations degrade the soils. Liberia and its donors eye a niche market for sustainably produced cocoa. The higher running costs and more complex plantation management processes threaten to undermine this strategy. Given low government oversight capacities and deficits in the monitoring of international certification schemes, there are significant risks that farmers will try to benefit from the higher prices for sustainable cocoa while also seeking the higher yields and lower costs of conventional production. Concerted national and external efforts will be necessary to remain on track. Given the history of an often predatory state geared toward the interests of urban consumers rather than rural producers, reestablishing the state monopoly on cocoa marketing would undermine the development of the sector. And the sympathies for such an approach among political elites will need to be kept in check.

Liberia's commitment to protecting 30% of its forests and the effective expansion of conservation areas is laudable, even though some protected or earmarked areas have in the past been allocated to investors under opaque circumstances. However, even if the target is reached, it implies major deforestation and a loss of ecological resources in terms of carbon sinks and biodiversity that are of global importance. The forest likely is the resource in which the international community has the greatest interest. International entities will thus have to offer benefits associated with conservation that are superior to those deriving from forestry and plantation development.

Culturally and politically, Liberians enjoy a degree of liberty that cannot be taken for granted in the region. While insecurity is an issue, crime is not particularly high by regional standards and gun violence is rare. These qualities need to be preserved. Eroding support for the government amid an economic crisis may provoke attempts to cling to power through unconstitutional means, which is the most immediate threat to the current conditions of relative security and peace. State leadership and external partners are well-advised to rein in the hardliners within the government.

As COVID-19 has had only a very limited impact on public health, prospects of overcoming the crisis are good, though mutations constitute a major risk. Vaccines provided through COVAX are likely to be available only late in 2021. With the anticipated recovery of the world economy, prices for Liberia's export goods are expected to rise moderately.

Yet, given its structural constraints, weak resources and no evident competitive advantage, Liberia will for the foreseeable future be unable to mobilize the resources needed to provide the core functions expected of a government. It will continue to rely heavily on donors and is likely to benefit from the increased rivalry between China and the Western world. Culturally, Liberia has significantly greater sympathies for the United States and by extension the West, and prospects for keeping it within the Western fold, maintaining democracy and promoting a social market economy are good unless the West misses opportunities.