

BTI 2010 | Liberia Country Report

Status Index	1-10	5.09	# 79 of 128	
Democracy	1-10	6.18	# 56 of 128	↗
Market Economy	1-10	4.00	# 105 of 128	↗
Management Index	1-10	6.04	# 31 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	3.6	HDI	0.44	GDP p.c.	\$	371
Pop. growth	% p.a.	4.4	HDI rank of 182	169	Gini Index		52.6
Life expectancy	years	58	UN Education Index	0.56	Poverty ²	%	94.8
Urban population	%	59.5	Gender equality ¹	-	Aid per capita	\$	187.5

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

Executive Summary

During the period under review, Liberia has made further progress along the path of economic and political transformation. In absolute terms, however, the achievements made remain limited, as the country still faces many persistent challenges.

Since her inauguration in January 2006, President Ellen Johnson-Sirleaf and her government of highly skilled technocrats have begun implementing an ambitious reform agenda for postwar Liberia. This agenda includes revitalizing the economy, initiating the comprehensive reform of state institutions, tackling widespread corruption and improving access to public services. The progress made thus far has been rewarded by a three-year IMF-approved PRGF arrangement (2008 – 2011), a series of bilateral debt cancellations, and continued support from development partners and governments.

These achievements notwithstanding, the government faces major challenges as it grapples with the multitude of tasks it has set out to accomplish. Human resources remain in short supply and broad-scale technical capacity is lacking as the government struggles to utilize the limited financial resources at its disposal.

Efforts to improve living conditions and reconstruct Liberia's social, educational and physical infrastructures remain of utmost importance. New relationships between the executive, legislative and judicial branches must be re-established, and the court system needs to be reformed from top to bottom. The president and her government must also nurture confidence in democratic institutions and procedures among the population. On the economic front, the government has focused on reorganizing financial institutions and ensuring continued progress with the PRGF under the auspices of a Governance and Economic Management Assistance Program (GEMAP), which is inspired by the international donor community.

Although living conditions for the population have gradually improved, there are several persistent problems related to extremely high unemployment levels, the need to revitalize subsistence farming and cash crop production, and the difficulties in reintegrating refugees, internally displaced persons and former combatants into society. In addition, the lack of employment opportunities has contributed to increasing crime rates. Liberia's internal and external security continues to depend on the presence of United Nations Mission in Liberia (UNMIL) soldiers, as the police and army have yet to be fully re-established and are dependent on financial and advisory support from the international community. President Johnson-Sirleaf's policies must yield some positive results if Liberia is to prevent warlord tensions from tearing the country apart again.

The continued presence of UNMIL forces is a significant factor in providing Liberia's political institutions the needed peace and stability to serve their function. As the number of peacekeeping forces decreases, greater responsibility for public security is being passed on to Liberia's own national security forces. However, the lack of reintegration opportunities for former combatants renders many of them vulnerable to manipulation by various political players with stakes in the upcoming 2011 elections. There are concerns that these players could serve to destabilize the electoral process.

History and Characteristics of Transformation

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

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

During the first half of 2003, Liberia's political and economic framework deteriorated considerably. The Movement for Democracy in Liberia (MODEL) challenged Taylor's rule in the southeast. With backing from Côte d'Ivoire and Guinea as well as the tacit consent of the U.S. government, the northwestern-based military faction Liberians United for Reconciliation and Democracy (LURD) pushed south and reached the area surrounding Monrovia by mid-2003.

Finally, Taylor was forced to accept the Nigerian President Obasanjo's offer of asylum as a necessary precondition for the installment of a transitional government. The National Transitional Government (NTGL) was formed in accordance with the Comprehensive Peace Agreement (CPA) of the Accra Conference in August 2003. One of its most prominent tasks was to pave the way for democratic legislative and presidential elections, to be held in October 2005. Much of that year was devoted to the preparation of these elections and in January 2006, Ellen Johnson-Sirleaf became the first female African head of state. In the legislative elections, nine parties won seats in the Senate and eleven won seats in the House of Representatives, though both bodies included a number of independents.

In 2006, the Johnson-Sirleaf government initiated a restructuring of Liberia's political institutions. Shortly after her inauguration, Johnson-Sirleaf selected her new cabinet and made appointments to other senior government positions. Her government includes a number of highly skilled technocrats, including members of the Liberian diaspora, some belonging to parties other than her own. After personnel audits were conducted to determine technical competency, the number of civil servants within all ministries was drastically reduced. Since then, there have been few changes made to the staff in central offices. The president is forced to work with shifting majorities, in part because her own party represents the minority in both the Senate and House of Representatives but also because some elected representatives are compromised by their activities during the civil war. However, the multitude of parties, including former football hero George Weah's Congress for Democratic Change (CDC), have promised constructive cooperation with the president.

Since independence, Liberia's economy has been built primarily on the extraction of natural resources such as rubber, timber, diamonds and other minerals. Historically an impoverished country, Liberia's economic prospects have improved since the Johnson-Sirleaf administration was elected, but they remain nonetheless unstable as the country relies heavily on development aid.

Immediately after her inauguration, Johnson-Sirleaf resumed cooperation with the IMF, which resulted in two Staff-Monitored Programs (SMP) – one in 2006 and a second SMP which ran through 2007. The success of these programs entailed further assistance from donors. In 2008, the Johnson-Sirleaf administration successfully negotiated a debt reduction program with the World Bank and the IMF. Having reached its decision point in the IMF's HIPC debt relief initiative in March 2008, economic policy is now guided by the IMF's PRGF, covering the period from March 2008 to March 2011. The key objectives of the PRGF include managing public expenditures, fighting corruption, improving economic governance and bank supervision, establishing macroeconomic stability, and reducing Liberia's external debt. A further measure at improving financial and operational controls and practices, Liberia's Governance Economic Management Assistance Program (GEMAP), allows international involvement in revenue collection and economic governance. GEMAP began its implementation in September 2005 and places international actors in key administrative positions. Special positions were created for foreign financial experts with co-signatory powers in the central bank of Liberia as well as five main revenue-generating agencies.

Transformation Status

I. Democracy

1 | Stateness

The monopoly on the use of force, by and large, is effective. However, since its deployment in 2003, the United Nations Mission in Liberia (UNMIL) remains the key security provider in Liberia. Given that the transitional government under Gyude Bryant (2003 – 2005) failed to develop a discernable national security and defense strategy, the Johnson-Sirleaf administration came into office lacking a coherent and comprehensive framework for reconstructing the security sector and re-securing the state's monopoly on the use of force.

Monopoly on the use of force

A key security-related provision in the 2003 peace agreement signed in Accra was the introduction of a disarmament, demobilization, rehabilitation and reintegration (DDRR) program for the combatants of all warring factions. The DDRR process was flawed; reportedly 100,000 combatants were disarmed but only 28,300 guns and 6.5 million rounds of ammunition were collected. The problems associated with rehabilitating and reintegrating former combatants have been compounded by the continued proliferation of small arms and light weaponry. Fortunately, the presence of the international peacekeeping force prevents the formation of new armed bands and warlord followings capable of undermining state authority. However, the state's reliance on external assistance in this arena attests to the threat posed by the illegally operating groups of former combatants, many of whom remain connected through local networks, some involved in illegal economic activities, including mining and rubber tapping. At the time of writing, the final phase of the reintegration and rehabilitation program was expected to be completed by April 2009.

General rights of full citizenship, which is granted exclusively to those of black African descent and includes, for example, the right to own real estate, are not disputed, and the constitution of 1986 is generally accepted. There are discussions from time to time concerning the national status of the Lebanese and some of the Mandingo population, which is mainly of Guinean origin. The Mandingos' association with several of the rebel groups that have fought in Liberia during the on-off civil war partly explains why they have often been marginalized. Moreover, as a minority, Mandingos are considered by many Liberians to be strangers or non-Liberians. The Mandingo population therefore relies on alliances with those actors currently in charge of state affairs for the protection of their rights.

State identity

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

No interference of religious dogmas

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

Basic administration

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

In terms of the efficacy of state institutions, the state's authority remains limited in rural or remote areas as a result of ill-trained officials, low incentives and limited infrastructure.

Initial measures toward decentralization have been undertaken as County Development Funds for local development initiatives have been established. However, it remains to be seen whether these funds will be mismanaged or sabotaged by corruption.

2 | Political Participation

No elections were held during the period under review. Observers consider the most recent elections (2005) – unlike those held in 1985 and 1997 – broadly free and fair, although the electioneering process seemed to have been very short. The loser of the presidential runoff vote, George Weah, explicitly renounced his initial protest against the results of the second ballot. The results of the parliamentary elections were generally accepted without protest.

Free and fair elections

In preparation for the upcoming 2011 elections, the National Elections Commission (NEC) has drafted a number of important constitutional amendments and submitted these to the legislature. Unlike the 2005 elections, which were conducted under the Comprehensive Peace Agreement, which allowed for the creation of ad hoc

arbitration mechanisms, the 2011 elections must be held in compliance with the constitution. The NEC has yet to produce a comprehensive plan for the preparation and conduct of the 2011 elections, the success of which would depend significantly on the technical and financial support it receives from donors.

The government's effective power to govern is generally limited by international influence, which is manifest in programs such as the GEMAP, which allows direct external involvement in economic governance. At the same time, the presence of the international peacekeeping force, which holds potential veto players at bay, has had a significant impact on the current government's ability to govern effectively. The constitution, which bestows extensive powers to the president, remains unchanged. The state's success or failure therefore depends heavily on the personal dedication and ability of the incumbent, Mrs. Johnson-Sirleaf. Fortunately, whereas the transitional government proved to be weak, ineffective and corrupt, the Johnson-Sirleaf government has ushered in positive developments.

Effective power to govern

According to Article 17 of the Constitution of Liberia, all persons have the right to assemble "in an orderly and peaceable manner," and a number of organizations exist, including political parties, voluntary associations, economic interest groups, religious organizations and churches, human rights groups and others. However, law enforcement agents have been known to forcibly disperse demonstrations or to detain persons suspected of organizing public demonstrations. For instance, in early April 2008, police forcibly disbursed students of Kendeja high school, which had been demolished to make room for a commercial hotel. Moreover, no rules or regulations exist to guide the authorities in the management of such demonstrations.

Association / assembly rights

While there is a nominal unrestricted freedom of opinion, media rights and freedom of expression were occasionally violated by the authorities during the period under review. The press and other media express opinions freely, but Liberian journalists are still subject to harassment. Throughout 2007, journalists were regularly detained, and the news providers for which they worked faced censorship and prohibition.

Freedom of expression

Despite a marked improvement in freedom of the press under the transitional government and the Johnson-Sirleaf administration, legislation has yet to produce a freedom of information bill and a media reform bill that would provide media practitioners with appropriate legal protection. In its Press Freedom Ranking 2008, Freedom House ranked Liberia's press as "not free" at 141st of a total of 195 countries, a slight drop from the 137th position in 2006.

3 | Rule of Law

Since Johnson-Sirleaf's inauguration as president the opportunities for developing a more democratic system of checks and balances between the executive and the legislative branches of the state have improved, although the constitution has not been revised. The president's Unity Party (UP) is in the minority and depends on cooperation (or co-optation) of various other groups to challenge the strongest opposition party, the Congress of Democratic Change (CDC). Fully balanced relations between the government and parliament are constrained to some extent by the capacity problems of the executive, but even more by the majority of representatives in the House of Representatives and the Senate's lack of experience with democratic process (some of them being former leaders of warring factions during the civil war).

Separation of powers

The judiciary's ability to fulfill its function is hampered by significant shortcomings, namely a lack of qualified personnel, insufficient funding, poor infrastructure, weak administration, poor case-flow management and corruption.

Independent judiciary

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

As regards the long overdue need to reform the relationship between the statutory and customary law systems, discussions appear to be underway to explore the various policy options available.

With external assistance, the restructuring and rebuilding of the criminal justice system is underway. The Judicial Training Institute was launched in June 2008 to address the need for a training program for judges, magistrates, justices of the peace and customary law officials. However, problems with budgetary funding, among others, have meant that it is not yet fully operational.

Johnson-Sirleaf has declared corruption “public enemy number one” and has proven that corruption charges would be taken seriously. In cases where allegations of corruption against government officials and civil servants were proven justified, the government has reacted by either suspending or dismissing the culprits, including high-level civil servants such as senior Central Bank of Liberia officials or County Superintendents.

Prosecution of office abuse

The Liberia Anti-Corruption Commission (LACC), established under the Anti-Corruption Act, was launched in September 2008. The Commission is mandated to investigate and prosecute cases of suspected corruption in government. It has yet to begin its work, but it is expected to improve the ability to collate the evidence needed to prosecute cases against high-level officials such as that against former NTGL leader Gyude Bryant or former Speaker of the House of Representatives and Taylor-associate Edwin Snowe.

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

Civil rights

4 | Stability of Democratic Institutions

By and large, democratic institutions perform their functions. There appears to have been an upward trend in the rehabilitation of state institutions in 2007 and 2008. The elections of October and November 2005, the inauguration of President Johnson-Sirleaf, and the institution of a new government and a new legislature were the first positive steps taken toward developing democracy, rehabilitating state institutions, and implementing democratic procedures and mechanisms to ensure their effective performance. The Governance Reform Commission (GRC), an oversight body charged with setting up a national framework for legal and political reform, continues its work and has made far-reaching suggestions regarding the decentralization of power, regional participation and maintenance of national and regional balances.

Performance of
democratic
institutions

Initially given low priority, justice sector reform has proven difficult, given the nature of Liberia's justice system. Tainted by a culture of impunity and a lack of impartiality due to the past misuse of the justice system by powerful individuals as a political tool to exercise power, the justice sector has required comprehensive reform that incorporates the prisons, the formal justice sector as well as the state-sponsored customary law. Thus performance has been relatively poor in the period under review.

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

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

Commitment to
democratic
institutions

5 | Political and Social Integration

Liberia's bicameral legislature comprises 64 representatives and 30 senators from as many as twelve political parties. The large number of political parties in the House of Representatives and the Senate since 2005 has at times led to seemingly irreconcilable disagreements on major economic and political legislation.

Party system

Most political parties are highly personalized and center around a single leading personality during election times. The election results in general reveal ethnic and regional affiliations. The roots of only a handful of the parties go back to the 1980s, when the de facto one-party system of the True Whig Party (TWP) under Americo-Liberian rule had come to an end during the coup d'état of 1980. Some of these older parties still exist today, but they are losing ground; others have survived in coalitions and wield moderate influence. Sometimes programs are restricted to general declarations without any relevance to the urgent need for reconstruction in a society devastated by civil war and the necessities of reconstruction. Others design detailed programs for national reconstruction, but it remains to be seen whether they can serve as platforms for opposition politics. As already noted, there are many political parties represented in both the Senate and the House of Representatives (Laakso/Taagepera index > 5).

The upcoming presidential and legislative elections, scheduled to take place some time in 2011, will be the real litmus test for the progress made since 2003, including the stability of the party system. It will be the first time that elections are held in full compliance with the constitution, given that the 2005 elections were conducted

under the Accra Comprehensive Peace Agreement, which allowed for ad hoc arbitration mechanisms. The National Elections Commission (NEC) has yet to develop a comprehensive strategy that stipulates, among other things, the financial and technical support required for the preparation and conduct of the elections.

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

Interest groups

Representative survey data on citizens' consent to democracy does not exist and as such cannot be adequately evaluated. The bulk of the urban and rural population is occupied with basic problems of survival and everyday life: the reconstruction of houses, procuring tools and seeds for subsistence production, functioning roads and markets, jobs, reintegrating refugees, dealing with internally displaced persons (IDPs) and former combatants (including child soldiers), reopening schools and clinics, and establishing a functioning administration.

Consent to democratic norms

Participation in the 2005 elections was high, and the results were generally welcomed. George Weah's acceptance of defeat – despite his initial protest and claims of fraud following the runoff ballot – was a decisive factor in encouraging citizens' consent to democratic norms. If this consent is to be consolidated and trust in institutions is to be restored, Liberia's various stakeholders – especially the incumbent government – will need to deliver a strong performance. Other stakeholders include cabinet members, representatives of the parastatals, the administration, the army and the police. A stable consent will also depend on the outcomes of economic recovery efforts, of the fight against corruption, of Taylor's prosecution as well as the results of the Truth and Reconciliation Commission's (TRC) work.

As such, a democratic civic culture is not yet fully developed. Associational life and especially social trust have still to recover from the aftermath of more than a decade of civil war. The extent of damage to ethnic traditions and the question of their restoration are key issues for social integration in postwar Liberia. It is not clear whether the Poro (and Sande) secret societies in the northwestern parts of Liberia and the mechanisms of social integration in the elementary societies of the southeastern region will regain sufficient strength to influence the construction of social capital in the rural areas. The Poro, victims of various factions during the

Associational activities

civil war between 1990 and 2003, have the potential to either help resolve or exacerbate social and ethnic conflicts. However, research has shown that the secret societies tend to play a negligible role in urban areas, and are to some extent even considered a substantial threat. Moreover, their ability to act as conflict mediators appears to be hampered by the fact that they operate in a so-called parallel society isolated from everyday society.

II. Market Economy

By the time the Comprehensive Peace Agreement was signed, the state had effectively collapsed, taking the economy and society with it. The war had claimed some 250,000 lives, half of which were civilians. Today, in addition to 500,000 IDPs, more than 80% of the population remains unemployed, with 75% living on less than a dollar a day.

The government strives to revive the economy through the reorganization of rubber production and other agricultural products. Through stringent fiscal discipline and monetary reforms it has sought to strengthen the investment climate. In addition to the lifting of timber sanctions in June 2006, the U.N. Security Council lifted sanctions on diamonds in April 2007 after determining that Liberia had set up the necessary internal controls to comply with the Kimberley Process, the worldwide diamond-tracking mechanism set up in 2002. The revitalization of the subsistence sector (which includes rice, cassava, greens) and cash crop production of cocoa, coffee and fruits is left to the population's self-help efforts with the help of the international community and welfare organizations. However, the state's efforts to restore infrastructure does provide support for the revitalization process. Liberia remains heavily dependent on international aid and there is no extended market for consumer goods, with the exception of foreigners and returning Liberians with money to spend. Many Liberians are engaged in petty trading and other occupations in the informal sector.

6 | Level of Socioeconomic Development

It is estimated that more than 80% of the population is without formal employment (figures have ranged from 80% to 85% for years) and 75% live on less than a dollar a day. Given the limited capacity of the formal economy, most employment is in the informal sector, mainly in petty trading and subsistence farming. However, paid employment can be found with state institutions and NGOs, for example. The post-conflict economic recovery has created private-sector job opportunities (e.g., on rubber plantations and in the logging industry, which produces for the local market). At the same time, the rationalization measures taken by the Johnson-Sirleaf administration in the civil service sector have led to cuts in public sector employment.

Socioeconomic
barriers

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

During the period under review, more than 300,000 internally displaced persons (IDPs) as well as thousands of refugees have returned to their respective homes throughout the country. On the one hand, their return reflects the progress made in terms of security, on the other hand, their return has a negative impact on the employment rate, particularly given the shortage of employment opportunities. There is a significant socioeconomic gap between the vast majority of the population that continues to face extremely difficult living conditions and a small group of well-off individuals, including foreigners who live in Liberia. It is expected that this disparity will remain a problem for some time to come.

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	460	530.2	611.9	734.9
Growth of GDP	%	2.6	5.3	7.8	9.4
Inflation (CPI)	%	-	-	-	-
Unemployment	%	-	-	-	5.6
Foreign direct investment	% of GDP	15.1	14.3	17.6	17.9
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ mn.	-151.8	-174.7	-173.2	-211.3
Public debt	\$ mn.	1176.9	1114.7	1115.3	909.6
External debt	\$ mn.	2715.1	2575.8	2697.5	2475.3
Total debt service	% of GNI	0.2	0.2	0.2	112.1

		2004	2005	2006	2007
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	10.4	11.1	11.5	14.6
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	1.6	1.7	1.2	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.4	1.0	1.0	0.5

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

7 | Organization of the Market and Competition

Market competition is present only in segments, and the informal sector is large and substantial. Although the Johnson-Sirleaf government's economic policies favor a free market system, the government nonetheless feels compelled to fix prices and to control imports of certain basic commodities – especially rice and crude oil or oil products. There is reliable evidence that these practices, which Johnson-Sirleaf criticized during her campaign, have been continued under the current government.

Market-based
competition

The formation of monopolies and oligopolies is regulated only occasionally. For example, Liberia's number one export product, rubber – which accounted for more than 90% of export revenue in 2007 – is produced mainly by the Firestone Natural Rubber Company (a division of the Bridgestone Corporation) under an amended concession agreement with the Liberian government. Beginning in 2006, the authorities reviewed all contracts and concessions awarded by previous governments, including the mining and diamond sectors. The first prominent renegotiated deal was that with ArcelorMittal, the world's largest steel company, which had originally negotiated a contract with the NTGL. In early 2008, the government also renegotiated its contract with the rubber giant Firestone, cutting back its concession to operate until 2041, fifty years earlier than agreed between the company and the NTGL. Further significant terms of the contract include the maintenance of the rubber tree plantations by the company to enable continued production once its concession has expired, as well as the modification of ownership rights such that the plantation becomes Liberian property once the agreement expires.

Anti-monopoly
policy

Trade is liberalized in principle. Export growth was high in 2008 due to the large-scale revitalization of mineral, timber, rubber and palm oil production as well as the lifting of local and international sanctions on key commodities such as timber and diamonds. According to the Heritage Foundation, however, trade freedom is relatively low and ranked Liberia 157th in the Index of Economic Freedom in 2009. The IMF estimates that Liberia's weighted average tariff rate was 15.6% in 2007. Several factors add to the cost of trade, including import bans and restrictions, inadequate trade capacity and infrastructure, licensing, corruption and the minimal enforcement of intellectual property rights.

Liberalization of
foreign trade

The civil war weakened the banking sector so severely – much like all other sectors – that most of the country's commercial banks had closed down. Little over five years after the war's end, the banking system now comprises the Central Bank of Liberia (CBL) as well as six mostly foreign-owned commercial banks. As part of the poverty reduction strategy, the CBL has strengthened bank supervision. It has also reached some of its other targets set in 2003. In 2008 it increased its net foreign reserves by \$14.3 million, bringing the total level of reserves to \$49.4 million. The positive trend in revitalizing the banking system is also evident in the CBL's increase of the minimum capital requirement of commercial banks operating in the country from \$2 million to \$6 million in 2008. The introduction of new capital also meant that the total capital of commercial banks nearly doubled in the period from 2006 to 2008, increasing from \$21 million to \$40.5 million.

Banking system

8 | Currency and Price Stability

Following the NTGL decision, the new government has kept both the U.S. dollar and the Liberian dollar as legal tender. The CBL has maintained an almost stable exchange rate since the Comprehensive Peace Agreement. The average exchange rate in 2006 was L\$58-to- \$1, and L\$63.5-to-\$1 in 2008. The high degree of dollarization of the Liberian economy has meant that the exchange rate is the foremost means by which price levels are affected by monetary imbalances.

Anti-inflation /
forex policy

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

The combination of increased domestic demand as a result of economic recovery and the increased oil and food prices has meant that inflation averaged around 18% for 2008. However, the continued efforts by the CBL to minimize exchange-rate depreciation in addition to the high degree of dollarization are expected to help contain inflationary pressures.

Although limitations remain, there has been progress made in terms of economic macrostability during the period under investigation. In March 2008, two years after coming to power, the Johnson-Sirleaf administration successfully negotiated a debt reduction program with the World Bank and IMF. The three-year Poverty Reduction and Growth Facility (PRGF) was preceded by two IMF Staff-Monitored Programs, which noted progress in the strengthening of public financial management, for example. Having qualified for debt relief under the IMF's Highly Indebted Poor Countries (HIPC) initiative, the government was able to secure the cancellation of bilateral debts as well as gain additional material and financial support from development partners and governments. In its first review of Liberia's performance under the PRGF, the IMF praised the government for increasing foreign investment, its build-up of foreign-exchange reserves, achieving exchange-rate stability, and for implementing prudent fiscal and monetary policies that have contributed to strong economic growth.

Macrostability

9 | Private Property

The acquisition of property and property rights are guaranteed under the constitution. The possession of real estate is restricted to Liberian citizens – that is, only those of black African descent. Non-citizen missionary, educational and charitable institutions have the right to property as long as it is used for their specific purposes. Mineral resources belong to the government. Because of the long period of military dictatorship and civil war, there is no real documentation of current land occupancy and ownership relationships in the country. The majority of the population depends on land use for subsistence production. Tropical timber and raw rubber are produced by foreign firms on a license basis, while coffee and cocoa are grown mainly by small landowners or as a part of subsistence production.

Property rights

Private companies are permitted and in principal can act freely but in practice face several hurdles. According to the Heritage Foundation, the overall freedom to start, operate and close a business is constrained by Liberia's regulatory environment. Starting a business takes an average of 27 days, compared to the world average of 38 days.

Private enterprise

Because of the history of economic mismanagement and corruption in Liberia, the country's state-owned enterprises and parastatals are undergoing a process of rationalization and reform, the details of which are laid down in the Poverty Reduction Strategy Paper. From 2008 to 2011, the government intends to improve efficiency and economic governance within certain parastatals, such as the Liberia Petroleum and Refinery Company (LPRC), which has improved its performance following internal restructuring. Others, such the Agriculture and Industrial Training Bureau, the Bureau of State Enterprises and the National Food Assistance Agency have been allocated minimal budgets in anticipation of their dissolution. The government intends to further restructure state-owned enterprises, parastatals and regulatory agencies by dissolving or privatizing those that are dysfunctional, redundant or more suitable for private ownership.

10 | Welfare Regime

There have been some improvements made to the provision of social safety nets since the last period of review. The introduction of a Free and Compulsory Education Policy in 2006, which abolished tuition fees in public primary schools and reduced them for public secondary schools, yielded substantial improvements in enrolment figures in 2007 and 2008.

Social safety nets

Aside from a small registration fee, rudimentary health care services are free of charge. A large proportion of the fiscal budget has been earmarked to help restore and improve public services such as health and education. Plans are underway to transfer the administration of pensions to the still defunct National Social Security and Welfare Corporation (NSWC). Whether this goal will be reached by 2010, as stipulated in the country's PRSP, remains to be seen.

These improvements notwithstanding, the country still lacks a functioning public welfare system of government payments or payments by social insurance providers to alleviate risks derived from illness, unemployment or old age.

Although the government has introduced a policy of free and compulsory primary education, the capacity to educate all children remains limited. The country lacks a basic educational infrastructure in terms of school buildings and trained or qualified teachers; as little as one-third of primary school teachers have received proper training. Further problems include the fact that school supplies remain unaffordable for many families, particularly in rural areas.

Despite plans to strengthen social welfare programs, access to health and social welfare services remains limited for the majority of Liberia's population, particularly the rural and urban poor. Most Liberians continue to depend upon familial support networks (including members abroad) and grassroots aid networks.

Profound social inequalities have restricted equal access to health and educational institutions in Liberia for a long time. The civil war exacerbated these inequalities, leaving behind only a small group of privileged – though not necessarily wealthy – people with access to services such as health and education. While some of these individuals remained in Liberia, many live in the United States. International aid within Liberia (within and beyond IDP camps) and in refugee camps abroad cannot compensate sufficiently for the civil war's decimation of opportunities. While measures have been taken to restructure the civil service by downsizing the bloated workforce, nepotism continues to determine access to jobs within the administration. It is still too early to determine the success of efforts aimed at restricting these practices that reduce staff levels in the public sector and reinforce qualification and achievement as the bases for employment. The members of the newly founded police force and the army were recruited with the intent of creating

Equal opportunity

an ethnic balance to correct ethnic imbalances that have prevailed since the 1980s. In the past, these imbalances subjected the police and army forces to manipulation by ethnically and/or politically based power interests. Also, the high unemployment rate exacerbates the danger that gender equality is neglected when it comes to the distribution of new employment opportunities.

11 | Economic Performance

Since the end of the civil war in 2003, post-conflict reconstruction measures have yielded considerable gains in the rate of GDP growth. At 2.6% in 2004, the rate of real GDP growth rose to 9.4% in 2007 and dropped somewhat to 7.8% in 2008.

Output strength

Inflation rates, however, have fluctuated since 2003. As a result of increased reconstruction activities after the general elections and the increased demand for goods with the return of Liberians from abroad, inflation rose to 11.1% in 2005. As goods became more readily available, the inflation rate slowed to 7.3% in 2006. When inflation rose to 11.4% in 2007 and then 18% in 2008 as a result of sharp increases in international food and fuel prices, anti-inflationary measures were introduced. These measures, such as the waiving of food import tariffs and income tax for low-income earners, are expected to bring down inflation significantly in 2009 and 2010.

Unemployment levels, which are estimated to be at 80% to 85%, have remained high for years. Jobs outside the state and agricultural sectors remain scarce, as do jobs in NGOs (including U.N. organizations). Other economic indicators offer further discouraging news. Due to a rise in imports – mostly consumer goods – and slower-paced export growth, the country runs a constant trade deficit. It has run a cash-based budget since 2006 and will continue to do so in 2009. External debt repayment will remain insignificant as a result of debt relief and the country's continuing inability to service its remaining external debts.

12 | Sustainability

Environmental consciousness is not highly developed within Liberian urban society, though tribal societies have traditionally been very conscious of the need to protect the environment. Environmental concerns were completely ignored during the civil war and during Taylor's rule between 1997 and 2003. Today, the country faces several environmental problems, including waste and wastewater in cities and towns, an insufficient supply of safe drinking water, deforestation, desertification, erosion and the lack of sediment control. Although reforestation legislation has been passed, logging companies in the southeast and northwest have failed to comply. The Firestone Natural Rubber Company has been accused of ignoring international labor standards for rubber tapping and for failing to protect the environment from

Environmental
policy

the harmful chemicals used in processing rubber. Provisions have been made to ensure the sustainability of environmental resources in the amended contract between the government and Firestone (see “anti-monopoly policy). A term of the contract included the maintenance of the rubber tree plantations by the company to enable continued production once its concession has expired.

The civil war devastated the education system, destroying most schools and other institutions of learning. Nearly 35% of the overall population has not had any schooling. Because boys are given priority in terms of funding for formal education, there is a stark gender disparity in terms of access education opportunities – 44% of the female population has never attended school. Teacher salaries are low, and the majority of primary school teachers are neither qualified nor trained to teach. Tertiary education also faces major challenges as the University of Liberia battles with understaffing and an overcrowded campus.

International NGOs, church organizations and private initiatives are crucial to reconstructing and re-equipping the physical infrastructure (i.e., school buildings) of basic and secondary education. The entire educational system must also be gradually rehabilitated. Institutions of higher learning such as the University of Liberia and Cuttington University have resumed operations, and increased funding for the former as well as other accredited universities has been provided. The government has also allocated a large portion of its budget towards the long-term goal of rehabilitating the education system, but overall education levels are expected to remain low for some time to come.

Education policy /
R&D

Transformation Management

I. Level of Difficulty

There are massive structural constraints weighing upon Liberia that pose formidable challenges for the government. Over two-thirds of the Liberian population live in extreme poverty (i.e., less than \$1 per day), and illiteracy rates among children and young adults are as high as 68%. Many of the country's educated laborers with technical training fled during the civil war, leaving both the state's administrative infrastructure and economy without sufficiently skilled and experienced personnel. This problem has been aggravated by the fact that educational opportunities remained underdeveloped during the civil war. Further constraints include poverty, unemployment, devastated infrastructures (physical and social), the reintegration of returning refugees and IDPs, and the difficulties associated with resuming subsistence agriculture and cash crop production. The new government seems determined to meet the country's economic difficulties by implementing the financial and fiscal policies suggested by the IMF with coherence and consistency. Hopes of overcoming these difficulties focus almost exclusively on vast international investment (e.g., ArcelorMittal), with increases in employment and state revenues to be secured by taxes and royalties paid by such investors. Focusing on labor-intensive projects in rural areas would, however, likely result in more employment opportunities.

Structural
constraints

The years of civil unrest have weakened Liberian civil society. The tradition of popular protest that began in the 1970s was maintained during the military rule of the 1980s, the civil war and throughout Charles Taylor's rule. Today, there are several indigenous NGOs with civil or religious backgrounds helping to maintain and build political capacities. Half a dozen or more civil rights groups and the media critically monitor the government's implementation of its new policies. Especially the conditions of physical existence in urban and rural centers, corruption, nepotism and professional weaknesses are carefully recorded, published and adequate procedures for prosecution are demanded. Aside from this relatively small group of educated and politically engaged people, however, most of the population is occupied with survival.

Civil society
traditions

Although fighting between Liberia's warring factions ceased in 2003, the rehabilitation and reintegration process for former combatants under the Comprehensive Peace Agreement has not yielded the hoped-for results. Although 100,000 combatants were claimed to have been disarmed, only 28,000 guns were collected, and almost one-third of the combatants have still not participated in the program. In combination with poor living conditions, this state of affairs has exacerbated public insecurity and increasing crime rates in both urban and rural areas, with common offenses including armed robbery, assault and sexual violence.

Conflict intensity

Broader social background conditions are a continued source of concern. Local populations still consider ex-combatants a key threat to security, which underscores the unresolved issues of reintegration and/or the unemployment of young males. The structural bases of armed conflict will remain intact as long as there is no prospect of an economic take-off with sufficient employment opportunities. The creation of alternative sources of income is necessary in order to reintegrate such groups. Efforts to address this problem are underway, including the employment of ex-combatants in donor-funded government road construction and other labor intensive projects. Other pressing issues include rehabilitating businesses and managing state resources such as timber and diamonds – which played a key role in the civil war.

Efforts to ease ethnic tensions between returning refugees of mainly Mandingo origin and the resident population in Lofa and Nimba counties involve traditional methods of reconciliation. However, it seems that resolving these tensions requires a new land law initiative and a national reconciliation pact to which the Truth and Reconciliation Commission (TRC) could contribute. Moreover and because of massive levels of unemployment, labor conflicts like those plaguing the Firestone Corporation are on the rise.

II. Management Performance

14 | Steering Capability

The political leadership is by and large committed to democracy and a market economy. It pursues long-term aims, but is limited by the country's structural constraints as well as its heavy dependence on foreign aid – with multimillion-dollar budgets that render government budgets practically irrelevant by comparison. Within the framework of its IMF-monitored poverty reduction strategy, the government pursues a range of national priorities, aligned under the four pillars of security, economic revitalization, governance and the rule of law, and infrastructure

Prioritization

and basic services. The Johnson-Sirleaf government has begun the process of implementing economic reforms, reorganizing state institutions, reconstructing the country's physical and social infrastructures and (re)gaining the population's trust in the structure and procedures of democratic institutions. Its progress in these areas has been rewarded with debt cancellations from several countries. However, media outlets and civil society organizations must be strengthened. Success with the economic reform programs is needed if all targets are to be reached during President Johnson-Sirleaf's six-year term.

At the onset of its term, the Johnson-Sirleaf administration set ambitious goals, some of which have already been reached. Economic policy is now guided by the IMF's PRGF, and the government has endeavored to maintain its focus on the four poverty reduction strategy pillars. The continued work of GEMAP, which places international actors in key administrative positions, has aided policy implementation.

Implementation

Though the government initially struggled with introducing its elaborate programs, the implementation of economic reform policy has gained momentum since 2006. With continued technical support from the IMF and the World Bank, this upward trend is expected to continue. The government's ability to implement reform policy depends largely on the support of donors, whose reconstruction and development programs dwarf that of the government's budgets and capacities.

The executive branch has endeavored to overcome the damages of war, the warlord economy and the corruption of former governments. It fully acknowledges past mistakes and is eager to formulate new policies and implement necessary reforms. The boundaries of its efforts are set by the international donor community's willingness to continue aid until a substantial economic recovery yields results and until the state can secure its own internal and external security. In the long run, this means that the government will need to secure the rule of law and respect for property rights while establishing a competent judiciary. It must also develop opportunities for a domestic substitute industry and cash crop production in the villages. Successful development will also require willing international investors with capital to invest in Liberia's extractive industries.

Policy learning

15 | Resource Efficiency

Deep-rooted corruption and the lack of skilled civil service and parastatal personnel continue to severely hamper the effective use of economic and human resources. The lack of funds to pay experienced employees – often returning from abroad – exacerbates the problem. The government was able to implement its policy of reducing the number of civil employees and thus enabling a salary increase for the remaining civil service forces. The decision to break with NTGL personnel policies

Efficient use of assets

signaled the start of new appointments that are based on education and achievement, but it remains to be seen whether this practice can be carried through. To satisfy its human resource demand, Liberia must hope for the return of emigrants or wait for its own educational institutions to produce the next generation of an educated labor force. Given the poor quality of education in Liberia and the long-term nature of education sector reform, the latter will prove difficult to achieve within one generation.

Coherent policies alone cannot resolve the problems facing a war-devastated society. Furthermore, it is somewhat unrealistic to expect the government to formulate a generally coherent policy given the conflicting objectives it must coordinate. One example thereof is visible in the contradiction between environmental and economic needs in the face of extreme poverty and the urgent task of conserving the rainforest, which has been subject to uncontrolled timber exploitation since the 1980s. Other examples include the burden of excessive external and, to a certain degree, domestic debts, the dependence on donor community grants for the population's survival, and the limited means for infrastructure investments within the boundaries of a cash-based budget. Given their overwhelming urgency and conflicting needs, it is unlikely that all pressing issues will be satisfactorily balanced.

Policy
coordination

President Johnson-Sirleaf has declared corruption "public enemy number one," and where sufficient evidence could be provided, she has proceeded to suspend or dismiss civil servants guilty of graft. A probe commissioned by ECOWAS began investigating in 2007 the misappropriation of \$1 million by the National Transitional Government (NTGL) from 2003 to 2005. The NTGL, which was made up of ex-warlords and their proxies, is blamed for having brought corruption to previously unknown levels. Many of its members, including former President Gyude Bryant (whose trial is still underway at this writing) were less concerned with the welfare of the nation than with carving out rent-seeking opportunities for themselves in their allocation of utilities and parastatals. Another high-profile corruption case is that of Edwin Snow, an ex-Taylor ally and former Speaker of the House of Representatives. Snowe has been accused of financial malpractice during his tenure as managing director of the Liberian Petroleum Refining Corporation under Gyude Bryant's transitional administration.

Anti-corruption
policy

Liberia's weak judicial system remains a serious hindrance in the battle against corruption. However, the government has developed and put into action a code of conduct aimed at preventing improper behavior in office that is flanked by other measures, including salary augmentation for the lowest-paid employees of the civil service.

It remains to be seen whether the administrative restructuring of the Ministry of Finance and the exchange of staff will prove effective measures against corruption. Also, the Liberia Anti-Corruption Commission (LACC), which has been mandated to investigate and prosecute cases of suspected corruption in government, is expected to play a significant role in the fight against graft, but it has yet to begin the difficult task of tackling this deep-rooted problem.

16 | Consensus-Building

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

Consensus on goals

The presence of UNMIL has ensured a stable environment for post-conflict reconstruction, and deterred any would-be spoilers from threatening reform efforts. As long as U.N. forces remain in Liberia, militant groups do not pose a serious threat to the state. However, once they withdraw, anti-democratic groups are likely to emerge and publicly advocate the use of force. Whether the large number of unemployed youth, many of whom are ex-combatants, assimilate the principles of democracy will depend on the pace by which their living conditions improve. Some actors, such as former warlords and their inner circles, might be waiting for an opportunity to reclaim power. The new government does not contradict its principles in developing a market economy, but facilitating free market activities takes back seat to regaining and improving economic productivity and to stabilizing prices. This is true in particular for essential consumer goods and for certain parts of the extractive industry. This approach undermines in part the interests of an emerging Liberian middle class in need of domestic investment opportunities.

Anti-democratic
veto actors

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

Cleavage /
conflict
management

The government takes into account the interests of civil society actors. This is in part due to PRSP conditions set by donors. Press freedoms have improved substantially since the Taylor regime, as the government does not interfere with media operations, particularly radio stations and the print media. However, government authorities have occasionally harassed media workers by detaining journalist and censoring news providers (see “freedom of expression”). Civil society organizations and human rights groups voice opinions on a wide range of urgent problems, including the arrest, repatriation, expatriation and trial of Charles Taylor, the rampant corruption of public officials, the labor conditions on the Firestone plantation, and environmental issues. Although sometimes slow and hesitant, the government does respond to these pressures and take them seriously.

Civil society
participation

During the transitional period from 2003 to 2005, the demand for Taylor’s extradition to the Special Court in Sierra Leone or the establishment of a war crimes court in Liberia was discussed openly but aroused controversy because several representatives of warring factions occupied positions in parastatal businesses, as well as the transitional government and legislature.

Reconciliation

Liberia’s Truth and Reconciliation Commission (TRC), which was established as part of the 2003 Accra Comprehensive Peace Agreement, officially began its work on 22 June 2006. Comprising 9 Liberian and 3 international members, the TRC is mandated to investigate human rights violations committed between January 1979 and October 2003. The investigative process is scheduled to take a maximum of 2 to 3 years. Several international and local civil society organizations such as Amnesty International are involved in this process. Working together with a steering group of local organizations, they monitor the TRC’s operations on a regular basis. Although the TRC has been the subject of much controversy, President Johnson-Sirleaf supports the need to “open up old wounds” as part of the healing process.

Insufficiently funded, the TRC faces several challenges in carrying out its mission. Because it does not function as a substitute for the courts it cannot grant amnesty and will only formulate recommendations for victim reparations. Public hearings commenced on 8 January 2008 and by the end of the month, the TRC had completed the first phase of the public hearings in Monrovia. In December 2008, the first volume of its report, which also addresses the root causes of Liberia’s civil war, was submitted to the legislature and the president. Several key protagonists in the conflict have submitted their testimonies, and the reluctance of many of them to admit responsibility for atrocities committed or see themselves as anything other than freedom fighters has led some observers to question the effectiveness and ability of the TRC to contribute towards national reconciliation. There appears to be an increasing public demand for a war crimes tribunal, which would be mandated to convict those found guilty of committing atrocities.

17 | International Cooperation

To sustain its population's survival, Liberia depends on the support of the U.N. organizations (especially the UNMIL mission), and the international donor community, which includes a host of NGOs. It also relies on the IMF for assistance in economic and fiscal policies, and on the regional organizations and the solidarity of the international community of states to continue economic and political reconstruction. The government has no option but to seek their support and cooperate trustfully. The GEMAP program allows direct external involvement in economic governance (e.g., tax collection). The United States still plays the most important role as a bilateral political partner, though Liberia welcomed recent grant and investment offers from China, which are part of that country's growing engagement in Africa. International support has been successful in many ways. As noted above, security is still mainly provided by the U.N. peace keepers. In the economic arena, debt relief and the implementation of the PRGF, applauded by the IMF after its first review, have yielded substantial results.

Effective use of support

In contrast to its predecessors, the NTGL and the Taylor administration, the government acts as a reliable partner in its relations with the international community. The IMF and the World Bank have been satisfied with Liberia's performance since 2006, and in March 2008 the World Bank announced its readiness to support the country with debt relief and to provide new financing. In the political arena, President Johnson-Sirleaf enjoys great respect and credibility.

Credibility

Liberia's relations with its neighboring countries remain difficult due to Charles Taylor's involvement in the Sierra Leone war and internal conflicts in Guinea and Côte d'Ivoire. There are no visible signs that the negative consequences of his involvement have been addressed, but the new government is eager to re-establish relations with the governments of these countries. It hopes to prevent conflicts in these countries from spilling over into Liberia via mercenary trafficking.

Regional cooperation

Strategic Outlook

The Johnson-Sirleaf government is committed to continuing the process of reconstructing and rehabilitating Liberia's political institutions it began in 2006. In order to carry out the measures involved with this process, such as rebuilding basic resources and training personnel, it will remain dependent on foreign donor aid and expert support. Although Liberia's economic prospects are expected to improve, the economy will remain unstable and heavily dependent on development aid. The IMF's Poverty Reduction and Growth Facility will therefore continue to guide economic policy.

The government has grouped its focus within its IMF-monitored poverty reduction strategy along the four pillars of security, economic revitalization, governance and rule of law, and infrastructure and basic services. Aside from the obvious need to combat endemic corruption, the government must give priority to three issues within this framework. The first is to reform the security and justice sectors while facilitating their mutual reinforcement. The second entails implementing educational reforms that improve access to education. The third is to provide health and social welfare services to the population.

The presidential and legislative elections scheduled for 2011 will serve as a litmus test for progress made in the country's political institutions since 2003. As the first elections to be held in full compliance with the constitution, they will test not only the stability of the party system but also the capacity of the National Security Agency to ensure security under potentially explosive conditions. Given the large number of political parties in the House of Representatives and the Senate, building a consensus on major economic and political legislation will continue to be difficult. However, the Governance Reform Commission, which is charged with promoting principles of good governance in Liberia, could succeed in fostering a dialogue on security that incorporates the concerns of all stakeholders. The Commission has made headway in this area by conducting nationwide consultations and workshops with a variety of players, including district commissioners, tribal chiefs, representatives of security agencies, UNMIL representatives and civil society actors. At the same time the need to expand employment opportunities for the country's citizens will only become increasingly acute as an improved security situation facilitates the return of IDPs and refugees in search of gainful employment.