

Liberia

Status Index (Democracy: 3.18 / Market economy: 2.39) 2.79		Management Index 3.62	
HDI	-	Population	3.2 mn
GDP per capita (\$, PPP)	-	Population growth¹	2.5 %
Unemployment rate	80-85%*	Women in Parliament	-
UN Education Index	-	Poverty	-
		Gini Index	-
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. ¹ Annual growth between 1975 and 2003.			

A. Executive summary

The most remarkable event in the period under consideration was the Accra Conference in Ghana, held June to August 2003. With the help of international support, President Charles Taylor was forced into exile in Nigeria and national elections were postponed. The three warring factions, representatives of political parties and civil society organizations agreed on a Comprehensive Peace Agreement (CPA) to shape the process over the following two years. CPA aims include: bringing an end to the war, paving the path for democratic general and presidential elections scheduled for October 2005, developing a power-sharing formula for a National Transitional Government of Liberia (NTGL), introducing a program of disarmament, demobilization, rehabilitation and reintegration (referred to as DDRR) for fighters of all warring factions, introducing the rule of law and human rights and taking the first steps toward economic, social, educational and physical reconstruction. An elected chairman and vice chairman are responsible for implementing the program.

At present, it is difficult to assess progress in the transformation toward democracy and a socially integrated market economy. The NTGL's key task is to create the conditions for improved development of the political and economic framework. Thanks to the support of the Economic Community of West African States (ECOWAS) and a United Nations Military Mission in Liberia, progress has been observed as hostilities have waned and improvements made in stateness, political participation, rule of law and consensus-building. However, further progress will depend on elections with democratic legitimacy, the political will of responsible leaders, continuing external support and political pressure exerted by the international community.

With the help of the IMF and World Bank, the NTGL began in 2003 a medium-term Results-Focused Transitional Framework (RFTF). The framework's key

elements include a cash-based budget, first steps toward the liberalization of trade and price-building for the main import commodities (petroleum products, rice), public administration reform and the enhancement of revenue collection supported through a reorganization of public finances and financial institutions. A growth in GDP and the stabilization of the exchange rate between the U.S. and Liberian dollar are the first positive results of economic reform. Nevertheless, Liberia remains one of the poorest countries in the world and in need of further support and assistance from international financial institutions to continue on the path toward a market-based economy. At the time of this writing, predicting progress in transformation remains difficult. The NTGL has yet to demonstrate the political will to initiate change; the U.N. Secretary General's Special Representative in Liberia described the NTGL in 2004 as a "coalition of the unwilling."

B. History and characteristics of transformation

A 1980 coup led by Samuel Doe ended over a century of dominance by Americo-Liberians, descendants of former slaves who returned to Liberia after 1822. The dissolution of the state accelerated in the wake of the 1980 coup; 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 tension 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 reaction 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. The new government faced the challenge of exhaustive reconstruction in all areas of Liberian political, economic and social life.

Production and infrastructure destroyed by war and a criminal economy were to be revived via a process of transformation toward a market economy. Specific steps included rebuilding infrastructure, reviving agricultural and export production, and creating the conditions necessary for foreign investment. The civil war's effect on Liberia's economy was severe; the last remaining intact iron ore mines were irreparably destroyed by war and the production of raw rubber significantly restricted. The production of other agricultural export goods, such as coffee and cacao, rose again, however. With the assistance of foreign companies, the NPFL and Charles Taylor had already turned tropical wood and diamond smuggling from Sierra Leone into major sources of income during the civil war.

Since the end of the civil war, Liberia has not been able to create the conditions needed to develop democracy and a market economy. The fact that no fundamental process of renewal ensued is attributable to the politics of President Taylor, who suppressed the development of democracy and obstructed or thwarted economic reforms to consolidate his own power and tap new sources of personal wealth. Taylor's aggressive policy of supporting warlords and rebels in neighboring states has destabilized much of West Africa both politically and militarily.

During the first half of 2003, Liberia's political and economic framework deteriorated considerably. Supported by Guinea and with 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.

The Movement for Democracy in Liberia (MODEL) in the Southeast pressed on timber concessions, primarily the Oriental Timber Company (OTC) and the port of Buchanan. With backing by the Côte d'Ivoire government, MODEL helped to reduce the influence of the two rebel movements in western Côte d'Ivoire, the Popular Movement of the Ivorian Great West (MPIGO) and Movement for Justice and Peace (MPC). Taylor, who sought political destabilization in the region, had supported these groups.

Taylor's political position in Monrovia weakened further when the U.N. Security Council issued resolution 1478 in May 2003. The resolution added banned the export of timber and imposed sanctions against all warring factions for exporting diamonds and importing arms. When LURD, still backed up by Guinea, began attacking Monrovia, ECOWAS and the U.S. government took up diplomatic initiatives to change the state of affairs in Liberia. ECOWAS and member states of an International Contact Group (Liberia) brokered a truce between the warring factions and pledged an international conference in Accra.

All Liberian actors (government, warring factions, political parties, civil society organizations) as well as regional and international states and institutions participated in this attempt to find a lasting solution to civil war in Liberia. Taylor himself was placed under pressure by the issue of a warrant by the U.N.-supported Special Court of Sierra Leone for war crimes and crimes against humanity. Finally, Taylor was forced to accept the Nigerian President Obasanjo's offer of asylum as a necessary precondition for the installment of a National Transitional Government of Liberia (NTGL). The participants of the conference agreed upon a power-sharing formula, which included the election of a chairman, vice chairman and a National Transitional Legislative Assembly (NTLA). A road map with several tasks was established to direct the transition period toward general and presidential elections in October 2005. Tasks included security sector reform,

establishing a truth and reconciliation commission and a time schedule for elections.

Security has improved under the United Nations Mission in Liberia (UNMIL), as has the protection of freedom of expression and association. However, peace process targets have been severely undermined by a general lack of funds and facilities to rehabilitate and reintegrate former soldiers. Also, the lack of paid employment opportunities also poses a great challenge. The NTGL and Chairman Bryant have been criticized for unprofessionalism in state affairs, corruption and for pursuing their own interests rather than the accepted goals of the CPA.

C. Assessment

1. Democracy

Liberia is in a transition period following an era of autocratic, almost warlord-like rule and a civil war. The NTGL is presently in charge of preparing for general elections and guaranteeing safer living conditions, reviving the economy and enforcing the rule of law. It is uncertain whether it will succeed in setting conditions for democratic renewal, even if elections are held on time.

1.1. Stateness

The Comprehensive Peace Agreement (CPA) of August 2003 put an end to the second phase of the civil war. Without an army and national police, the NTGL has been unable to provide security, especially in interior parts of the country that were most affected by war. Although concentrated in Monrovia, only the UNMIL forces guarantee a relatively stable security situation. The international force is too weak to execute effective border control or prevent former combatants from harassing inhabitants in more remote areas. Since the UNMIL has no mandate to act as police, it is not able to prevent criminal acts and sporadic outbreaks of violence in Monrovia and other cities. Peace remains fragile in Liberia.

General rights of citizenship for blacks are not disputed, although there are significant differences between the rights and entitlements of citizens.

Liberia still carries the identity of a Christian nation, but it is a secular state. During past decades war and armed strife have had religious overtones, with Christians against Muslims. The present ethnic tensions between returning Mandingo and Dan and Mano in Nimba, between Mandingo and Lorma in Lofa

and Bong counties are rooted in power plays and popular sentiments that are vulnerable to political exploitation.

The NTGL was established as an instrument to function within existing executive, legislative, judicial, and administrative structures of the state. Additional committees and commissions were set up, not to fundamentally change structures and procedures, but to propose and initiate reforms under difficult constraints. Major challenges include checking the widely deplored practice of incumbents in office pursuing personal gains, and fundamentally altering financial and working procedures of the state ministries, public corporations and autonomous agencies. Finding sufficiently educated professional personnel for the administration has also been difficult.

1.2. Political Participation

As the Accra talks began, general elections that had been scheduled for the fall of 2003 were suspended. One of the main tasks of the NTGL is to pave the way for elections in 2005. A newly instituted National Elections Commission (NEC) has published electoral guidelines. A multitude of new parties has emerged in addition to the existing ones and a dozen or more independent candidates have publicly announced their intention to run for the presidency. Most of the parties have no permanent structures or intra-party democratic procedures, and their programs have never been debated and adopted. The NTLA tried to amend the constitution and demanded a census before the delineation of constituencies. As this would most probably have delayed the elections, this initiative was stopped by veto of the Chairman under massive pressure from the U.S. government, which insisted on an election date of October.

There is not much time left for the electioneering process, which is also suffering from a lack of funding. Like the CPA, it is highly unlikely that the 2005 elections will fundamentally change the current political practices. Veto powers will also curtail the power of the legislature, and former members of the warring factions commanding substantial influence but without legitimate political representation could wind up in the new legislature or government.

Presently, unrestricted freedom of association and of assembly exists in principle according to the agreed on transitional process. Freedom House considered press freedom “not free” in 2003, with a value of 75, and a rank of 165th. However, considering the proliferation of print media, unrestricted freedom of opinion and of the press have clearly improved. During the electioneering campaign, access of registered parties and presidential aspirants to all parts of the country will be as important as the fair distribution of short wave transmitter licenses to reach the rural population. Slight improvement has been observed in this area since 2004.

1.3. Rule of law

In Liberia, presidents have traditionally wielded autocratic powers. Since the coup d'état of 1980, Presidents Doe and Taylor backed their rule with army and security services, manipulating the legislature and judiciary more or less at their will. The position of Gyude Bryant as Chairman of the NTGL differs from that of his predecessors. He was elected at the Accra Conference for a relatively short period of time. Filling the positions of ministers, heads of public corporations, and autonomous agencies was left to the main parties to the CPA. As such, the Chairman's influence on the ministries is limited, enhancing the powers of the incumbent ministers and directors of state agencies.

This process does not engender reform, as the incumbents enrich themselves and sustain the command structures of their supposedly disbanded organizations. The Chairman of the NTGL nominates chairmen, chairwomen and members of the commissions, which have to be approved by the NTLA. However, the executive branch seems to dominate the legislature as before, especially since the legislature is not democratically elected. Persistent allegations have been made that legislators sell their services for cash.

Judicial structures need to be rehabilitated and reinstated. New members of the Supreme Court have been appointed. On the whole, there are not enough professionally educated judges to fill the needed positions and to ensure proper procedures according to the law.

A year after his inauguration, the Chairman of the NTGL criticized a number of irresponsible and corrupt officials who were undermining the reconstruction process by acting for their own interests. Although some charges of corruption and misuse of public property were made, one cannot speak of adequate prosecution according to rule of law.

In principal, civil rights are not restricted under the transitional process. Although the NTGL tries to guarantee basic civil and political rights, civil rights still enjoy very limited protection, especially with regard to past injustices and atrocities during the civil war.

1.4. Stability of democratic institutions

After 14 years of civil war, Liberia now has the opportunity to develop a better understanding of democracy, to reform state institutions and to design procedures and mechanisms to ensure their effective performance. The Governance Reform Commission (GRC) has been mandated to review programs for the promotion of good governance, to develop public sector management reforms, and to ensure

transparency and accountability of governance in all government institutions and activities. It is the GRC's mandate to support decentralization of power in the government, broad-based political participation, and to maintain a national and regional balance in political appointments without compromising quality and integrity. It is hoped that these reforms will create an environment that will attract direct investment by the private sector.

The Commission must monitor, assess and report on the implementation and impact of activities undertaken in order to encourage the practice of good governance in Liberia. In short, it is mandated to demand and recommend fundamental changes in the culture and values of governmental practices. Critical observers are convinced that fulfilling this mandate is unrealistic, since the Commission lacks the means to enforce the necessary reforms, such as limiting the power of the future president or decentralizing the governmental and administrative systems.

The main actors of the former warring parties, which were dissolved and then became free to convert into political entities, do not seem to have as much interest in democratic legitimacy and procedures as in remaining in power as long as possible. The participating political parties are eager not to lose their influence in the coming elections. While civil society organizations may promote democratic values and political conscience for the electoral public, they are weak and without adequate funding.

1.5. Political and social integration

The party system is extremely fragmented. Implementation of the electoral guidelines is expected to reduce the number of would-be parties and self-declared presidential candidates. Some additional established parties, who previously participated in elections in 1985 and 1997 and were present as opposition throughout the military dictatorship and second phase of the civil war, are considering cooperating in the election. It remains to be seen whether the National Patriotic Party of former President Taylor, which won absolute majorities in both houses of the legislature in 1997, will maintain its influence. None of the three parties that ruled Liberia prior to the NPP have since regained power.

Interest groups will have to be reorganized after long years of civil war and insecurity. Their traditional weakness, explained only partly by the extant political culture, is not to be under-emphasized. The business community is segmented and dominated by Lebanese. It pays rent to political patrons as a legacy of the open door policy. Unions, associations of professionals and workers, religious organizations and other civil society organizations – most of them engaged in

human rights – are weak but regaining a public presence, voicing comments and demands as part of the transition process.

Old and new voluntary associations at the county, district and community levels are expressing concern regarding the critical living conditions including housing, subsistence agriculture, reconstruction of roads, return of refugees, job opportunities or the future security situation after the end of the DDDR program.

There is no survey data available but the bulk of the urban and rural population is occupied with problems of basic survival and everyday life (reconstruction of houses, tools and seeds for subsistence production, jobs, reintegration of refugees and former combatants, the reopening of schools and clinics and the functioning of the administration) rather than with the democratization of state and politics. There is widespread fear that the transition process may fail and military activity will start again. People long for peace and a sustainable future and are prepared to support a democratic process if they can be convinced that elections and a new government will improve their economic and social situation. Considerable unease is developing that NTGL and UNMIL, as well as the U.S., are neglecting steps to implant sustainable democratizing order.

Self-organization is severely hampered mainly by the extreme poverty and the low level of trust not only of individuals but also in the political order and the state institutions. Various consensus-building measures and a nation-wide discussion on necessary political reform would be required. These would have to include measures of reconciliation after the trauma of military dictatorship and civil war in order to prevent any relapse into violent struggle. The measures would also have to promote the constructive potential on all levels of society. One decisive factor of social integration will be the extent to which ethnic traditions destroyed in the past can be revitalized on local levels during the reconstruction process.

2. Market economy

Liberia's economy is ruined. Iron ore and cash crop production, geared for export, has stopped since the beginning of the civil war. Only rubber has been continually produced and exported. Timber production had achieved high growth rates from the beginning of Taylor's presidency, but it soon became evident that exports of diamonds and timber were the core activities of the former warlord economy. Decline in exports were heightened after the sanctions passed by the U.N. Security Council in 2001 and 2003. The export of timber has led to unimaginable degradation of the environment.

2.1. Level of socioeconomic development

The estimated unemployment rate is 80 – 85%. No exact data are available on important social indicators such as the Human Poverty Index, Gender Development Index, or the United Nations Education Index. However, the United Nations estimates that 80% of the population lives on less than \$1 a day and some 85% of the population is illiterate. Most Liberians do not participate in the market economy; the informal economy seems to be quite active where possible. There is paid employment in the state institutions; approximately 60,000 persons consume 52% of state budget resources. There is some trade with relief organizations and NGOs, and rubber plantations and the logging industry produce for the local market.

Several hundred thousand people live as Internally Displaced Persons (IDPs) in camps in and around Monrovia or as refugees in neighboring countries. They depend on international help, petty trading or on the subsistence sector. Production in the extractive industry could be increased if the ban on diamonds and timber were lifted and the production of cash crops could be resumed. Rumors of new investments in the iron ore industry have not been substantiated as of this writing. New prospecting for offshore oil and minerals (gold) has not yielded any results yet. Liberia must to develop its productive capacities and a functioning market economy from the bottom up.

2.2. Organization of the market and competition

The institutional framework for market competition is very weak and only present in segments of the economy. The informal sector is large and substantial. Only few commodities are left for market competition, the most important being rice, petroleum products and cement.

The formation of monopolies is regulated only occasionally at best. The Liberian Petroleum and Refining Company (LPRC) as an autonomous agency has the monopoly of importing and distributing petroleum products, whereas the rice imports are still dominated by two main suppliers. In 2004 the LPRC formulated requirements for importers that make access to the market difficult for Liberian capital. Like its predecessors, the NTGL has yet to meet the requirements of the IMF to fully liberalize the prices for rice, cement and petroleum products. Instead, there has been an increase in consumer prices with the approval of the NTGL. A special commission was instituted at the end of 2004 to investigate the pricing situation and to make suggestions for an appropriate price for imported rice (“butter rice”) but has not come to any definite recommendations at the beginning of 2005.

The ban on timber exports seems to have halted the operations of the logging companies. A United Nations report dated December 2004 stated that pit sawing is increasing as the domestic demand grows and recommended the prolongation of the sanctions. Diamond mining, although forbidden, occurs on a very low level, but there has been no evidence of diamond smuggling out of the country. Liberia is working to meet the requirements of the Kimberley Process, but still lacks the experts and administrative procedures to qualify for acknowledgement and the lifting of sanctions.

Due to scandals and mismanagement, the Central Bank of Liberia (CBL) has not fulfilled its tasks as a national bank, such as banking supervision, capital requirements, and supplying local currency. The commercial banking system has been weakened by the liquidation of two banks and does not function well enough to support the commercial sector.

2.3. Currency and price stability

Liberia recognizes two currencies as legal tender, the Liberian dollar and the U.S. dollar. The CBL has aimed at a stable exchange rate. There is a fiscal danger of constraints by the U.S. dollar dominant in the urban and the import/export sector, whereas the demand for the Liberian dollar has been increasing since the cessation of military hostilities and the restoration of economic activities in rural areas.

Currency and price stabilization processes are being supervised by the CBL with international assistance. In cooperation with the IMF and external partners, the NTGL is working on a macroeconomic and budgetary framework for the fiscal years 2004-2005. Continuing the RFTF plan of late 2003, further steps towards cornerstones of a macroeconomic and financial reform have been defined: a cash-based balanced budget without domestic financing, careful and improved revenue collection, sound budget preparation and management, and controlled expenditure management. Targets comprise an increase in U.S. dollar fiscal reserves and sufficient supply of funds to the commercial sector and production activities with Liberian dollars, thus laying the foundations for further fiscal and monetary actions. At the end of 2004, the IMF Staff Monitored Program ran into serious difficulties because cash-based budget requirements were consistently ignored.

2.4. Private property

The acquisition of property and property rights are guaranteed under the constitution. Yet, there is no real overview of current land occupancy and ownership relationships in the country due to historical and political reasons that gave settlers and their descendants rights but denied such rights to indigenes and

to the long period of military dictatorship and civil war. The majority of the population depends on land use for subsistence production. Tropical timber and raw rubber are produced while coffee and cacao are grown mainly by small landowners or as a part of subsistence production.

As there is no institutional security of property relations there may be tensions about contested property, possibly resulting from confiscations or sales of private property in the course of the last 25 years and reassertion of claims by former owners. At present, there is insufficient information on those agencies most likely to privatize.

2.5. Welfare regime

There is no public welfare system of government payments or payments by social insurance providers to alleviate risks such as illness, old age, or unemployment. The government of Liberia has no pension scheme. The National Social Security and Welfare Corporation created under President Tolbert in the 1970s is bankrupt. Rudimentary health care services are free of charge except for a small fee. Tuition is required to attend government or private schools. Most Liberians still depend upon familial support systems, including members abroad, and grassroots aid networks. Hundreds of thousands are in danger of falling into long-term dependence on international aid simply to survive.

There are no institutions to compensate for social inequality. The problems are manifold. On the basis of widespread poverty a variety of vulnerable and impoverished groups have to be reintegrated into normal daily life: refugees and IDPs, former combatants including a substantial number of child soldiers, injured, amputated, and traumatized victims of the civil war. A considerable number of children have not attended school at all or only sporadically and have not enjoyed any health care services – as has the adult population. There will be little consideration of gender equality or compensation schemes when it comes to the distribution of new working opportunities. Traditionally, considerable numbers of women have been present in higher positions of the administration and the government.

2.6. Economic performance

In recent years the growth of the GDP has been dependent on fluctuating macroeconomic developments and events. From 2000 to 2002 Liberia enjoyed growth, but in 2003 it fell by about 30%. The main reason was the rapid expansion of the logging industry, but also increased subsistence production. The logging industry's export value surpassed the rubber producing industry, which

became second, and stayed over 50% between 2001 and 2003. With the United Nations' sanctions on timber, the export value fell dramatically as did the GDP, which recovered again after the influx of relief since the beginning of the NTGL.

Unemployment, however, has been on the rise in recent years, from an estimated 70% of the workforce in 2002, to current estimates of 80 – 85%. In accordance with IMF suggestions, the NTGL tries to pay the government employees on a regular basis, but is anxious to avoid paying salary arrears before the current payroll is cleared. Liberia's population, with an estimated GDP per capita of about \$171 per annum, is one of the poorest in the world.

2.7. Sustainability

In Liberian urban society, environmental consciousness is not very developed. Traditionally, ethnic societies were highly conscious of the need to protect the environment. Ecological concerns were completely ignored during the civil war and the period of Taylor's rule between 1997 and 2003. Although there are laws to enforce reforestation, these were never implemented as far as the logging companies in the Southeast and Northwest were concerned. Since 2003 environmental activist organizations have had an uphill battle to influence to influence the NTGL to preserve the Sapo National Forest and to demarcate and establish additional national parks.

During the civil war most schools and other institutions of learning were destroyed and have to be rebuilt. Investments in this area have to be coordinated with the demands for social and physical infrastructure (health services, roads, market places, water and energy supplies). With the help of international NGOs, church organizations and private initiatives the whole educational system gradually has to be rehabilitated, but less than half of school-aged children remain unschooled and there are high drop out rates.

3. Management

3.1. Level of difficulty

The CPA demands the formulation and implementation of programs for the moral, social and physical reconstruction of Liberian society. The NTGL has had to start from extremely poor conditions and is facing massive problems. The high level of unemployment, returning refugees and IDPs constitute daily challenges of securing mere physical survival. The state and economy are lacking sufficiently skilled and experienced personnel after the flight of a considerable number of the educated labor force with technical skills. This lack is aggravated by the fact that

learning capacities remained underdeveloped during the civil war. Educational facilities were abandoned and destroyed. Only the rubber and logging industries consistently employed a labor force. The physical infrastructure (highways, roads, market places) were destroyed or not maintained; many places are inaccessible by car. This makes it difficult for the rural population to resume subsistence agriculture and cash crop production, and also hampers the return of the rural refugee population. Although figures of HIV/AIDS incidence seem to be rising, the disease does not constitute as great a problem as in southern Africa. The prevalence was 5.9% in 2003.

However weak, there is a tradition of civil society protest, which has its roots in the 1970s. It was maintained during military rule in the 1980s, mainly by Liberian exiles fugitives from abroad, and was active during the civil war and the time of Charles Taylor's rule. Today, a number of indigenous NGOs with civil and religious backgrounds are helping to maintain and to develop self-sustaining capacities. Half a dozen or more civil rights groups and the press are critically watching the implementation of the CPA. In particular, the conditions of physical existence in urban and rural centers, corruption, nepotism and professional weaknesses are carefully recorded and published; appropriate procedures for prosecution are demanded. These are, however, mainly activities of a small segment of the urban educated class, which has an interest in democracy, the rule of law and human rights as the future foundations of Liberian politics.

There are sharp cleavages between the former warring factions as well as within them. There is also strife between groups of the factions and the population and between various ethnic groups. Political leaders and warring factions have sought to mobilize these differences not only during the civil war, but also from the period of the military dictatorship in the 1980s. The cleavages partly cut across social and religious allegiances and constitute a potentially explosive mixture. They cannot be subdued either by the appeal to Liberian stateness, which has failed to develop during the past. Conflicts are also intensified by religious sentiments. Presently it seems unclear how the deep frictions between the population of the Poro societies in the northwestern Lofa County and the Mandingo, which were identified with the warring factions Ulimo-K during the first period and LURD during the later period of the civil war, can be overcome and reconciled. The same holds true for Nimba County where efforts for the return of the Mandingo are being undertaken. Further steps have to be taken to heal the wounds of ethnic persecutions and massacres between the Dan and Krahn. One of the most burning issues is the reintegration of former fighters in the rural communities or, if this turns out to be impossible, into urban society by means of education and employment. This has the effect of intensifying the competition within the workforce.

3.2. Steering capability

Incumbents in leading positions in various departments of state offices will have to be committed and reform-oriented in order to accomplish the common goals of the CPA, as the NTGL and NTLA are not elected bodies and have been acting in a manner that caused the state to collapse in the first place. The distribution of power positions among the competing factions and the wish of many individuals for maximum gains as compensation for years of fighting constitute dangers to the effective implementation of the political and economic programs. The latter has to be developed with the help of the IMF, the World Bank, and to be supervised by the United Nations and the International Contact Group (Liberia). The NTGL is not accountable to the international donor community, but depends on it, given that its capacity to mobilize resources from domestic sources is severely limited. Infrastructure maintenance, primary and secondary education and health care are provided only when financed by donors.

Although the Chairman of the NTGL has openly admitted the weaknesses and failures of the NTGL and the administration, he seems to be either unwilling or too weak, as suspected by observers, to stop or even reduce misappropriation and corruption. On the lower level of government and administration there seems to be even more reluctance to abide by goals for the common good and a common tendency to pursue individual or clientelist ones. The bulk of the population seems to have lost trust in state institutions and political parties, if they even had any before.

The power-sharing formula which establishes the political personnel, combined with corruption, misuse of property and the short period of time until the October elections, do not allow flexibility in pursuing the political and economic goals set in the CPA. One cannot expect that the present incumbents of political power will discontinue their ways in which they have been working, be they for personal gains or for a new beginning of a common future. The generic model on which the CPA is based disingenuously assumes that antagonists and looters become democrats by the mere act of signing a peace agreement.

3.3. Resource efficiency

The government uses only some of its resources efficiently. Part of the problem is that the elites seem to consume state resources themselves. The core action of the NTGL was to implement the RFTF for the first half of 2004, and that was supposed to serve as a basis for a full macroeconomic and budget framework for the fiscal year 2004-2005. The budget is cash based and financed by the revenues of the Maritime Program, customs and internal sales taxes. The IMF, technically assisting the NTGL, required the formulation of priorities: a functioning

budgetary process, the increase of revenue collections, the increase of exchange assets by the CBL, the augmentation of exchange reserves and the stabilization of the exchange rate between the U.S. and Liberian dollar. Expenditures of the meager resources were to be directed at the reconstruction of the executive and legislative institutions, the judiciary and the administration, social services projects and a minimum payment to the IMF.

The government frequently fails to coordinate conflicting objectives. The main goals of the NTGL are the implementation of macroeconomic, fiscal and monetary reforms in order to keep widening the scope of governmental activities and to create better conditions for a successor government. Additional measures like balancing domestic arrears or rehabilitating the health and educational systems to promote the process of consolidation have to be postponed until government revenues can be increased. This is expected to be achieved by the slow recovery of the agricultural production outside the plantations and possibly by the lifting of the sanctions on timber exports. Therefore, the press and IMF fiercely criticized the government for spending \$2.5 million on cars in mid-2004, which was financed by domestic borrowings. This expenditure was perceived as a relapse into previous behavior, which supposedly had changed.

The NTGL is taking measures to stop corruption at all levels of the government and administration, but it has to resist the interests of members of the former warring factions that are now in government positions. It is risking violent counter attacks of those who get accused of wrongdoing. Presently, there are some inquiries and court procedures on corruption and theft of public property. Some have ended with acquittals, others with dismissals. The RFTF was presented to the donor conference held in February 2004. The NTGL was granted about \$520 million, about \$440 million for infrastructural measures and about \$80 million for emergency help. Only about 70% of the sum was handed over at the end of the year due to growing reluctance of the donors to secure the promised amount, citing corruption in the NTGL as well as inability to establish national priorities. A World Bank statement at the beginning of 2005 criticized lack of anti-corruption action and transparency in finances as well as insufficient progress in institution building and good governance.

3.4. Consensus-building

The actors of the Accra Conference agreed to cooperate for the establishment of “democracy on the basis of political pluralism and respect for fundamental human rights” and it was tacitly understood that developing a market-based economy should attain “socioeconomic well-being.” Fourteen important ministries of 21 total ministries and 13 of 22 public corporations were granted to the warring factions. After more than one year in office, their genuine commitment to the

promotion of democracy is seriously doubted. The LURD dissolved as a rebel movement, but has not been transformed into a political party. Instead it was involved in fierce internal conflict. There are no signs for a process of party transformation of MODEL either. The party of former President Taylor, the National Patriotic Party (NPP), is in a process of disintegration and is losing ground.

Given the questionable commitment of the present government to political and economic transformation members of the transitional government might be looked upon as potential anti-democratic veto players. While the political elites of the former warring factions occupy high-level positions, the bulk of the former combatants are the losers, as could be expected. Disgruntled ex-fighters have harassed the population in rural areas or engaged in violent actions in Monrovia and other towns. The issue whether they will be danger to the democratic process, i.e. will resume fighting if somebody organizes them again, depends on the presence of the UNMIL forces and the success of the rehabilitation and reintegration efforts. With the RR portion of the DDRR process experiencing funding difficulties, it is not obvious that reintegration will succeed. There are serious doubts whether most of the political parties are able or designed to develop intra-party democratic structures as they have been formed around political or otherwise publicly known personalities with varying degrees of charisma.

The power sharing formula of the CPA must be considered as a structural means to prevent political cleavages from escalating into open conflicts. Many of this temporary political elite will disappear from the scene after the elections, but most of them are unlikely to resort to violent actions.

The main supporters of democratization will be the media and the civil society organizations in pursuing their tasks to critically supervise the activities of all government branches and to encourage the public to the meaning of good governance, transparency and accountability. Recent research findings indicate that there is no trust in governmental institutions beyond the most basic level of township or village leaders. The politics of the chairman and of a number of ministers in the NTGL, the behavior of managers of the public corporations and autonomous agencies and the corrupt practices of leading members of the NTLA are not increasing trust among the population.

Civil society organizations and political parties played a role in the Accra process. A couple of autonomous agencies and newly instituted commissions were allocated to them. Civil society representatives are active in pursuing the political goals of the CPA and are criticizing the slow pace and the meager results of the government's efforts.

One of the most delicate challenges is to reconcile actors and victims of a decade of violence. The CPA provided for the establishment of a Truth and Reconciliation Commission (TRC). Before January 2005, only discussions on how to proceed and to define the scope of its mission had taken place. Funding has been another major problem. Reconciliation will be a long process, but it has not started yet.

3.5. International cooperation

The Accra Conference had been made possible by international initiative and the assistance of institutions and states. Establishing a transitional government and securing the DDR process would have been impossible without the energetic drive and help of ECOWAS, UNMIL and Ghana, Nigeria, the United States and the European Union, among others. Under these circumstances, IMF and World Bank have resumed business with the NTGL, which was willing to accept recommendations, consider requirements and follow external advice. In February 2003, an international donor conference expressed the political will to stop West African security threats and resulted in an expression of willingness to support Liberia.

There have been, however, constraints and shortcomings, differing assessments, subsequent exchanges of critical views, and mutual blaming for the slow progress. In late 2004 the personal representative of the U.N. General Secretary, Jacques Klein, criticized the NTGL for the prevalence of corruption in ministries and autonomous agencies. He blamed the chairman for a lack of will to become active against malpractices and to set the path for the elections in October 2005. The IMF, despite positive statements, ascertained signs of extra-budgetary expenses characteristic of the style of previous governments.

The major differences between the U.N. Security Council and the NTGL are due to the decision not to lift the ban on exports of diamonds and timber, on the import of arms and the travel restrictions of a number of Liberians associated with the former government. In December 2004, a U.N. panel of experts recommended the extension of the sanctions, arguing that the NTGL had not fulfilled the proper implementation of the Kimberley Process and that reforms of the Forest Development Authority (FDA) were needed to secure proper expenditure of expected incomes from later timber exports. The NTGL has complained about the loss of income, which would have been urgently needed to increase the state budget and to extend the scope of action for the restoration of the infrastructure. It seems these sensitive questions will not be solved before the scheduled elections.

One of the most important issues for regional peace, military and political security and economic recovery is the settling of differences between Liberia and its

immediate neighbors Sierra Leone, Guinea and Ivory Coast. While first preparations have been made for the return of refugees – there are refugees from Sierra Leone and Ivory Coast in Liberia, too – and of former fighters, no border security could be established yet. There is some insecurity about the LURD, which may be hiding weapons in their former retreat areas in Guinea. The regional security between the four West African countries depends on the presence of UNMIL in Liberia and British and French troops in Sierra Leone and Ivory Coast, respectively.

4. Trend of development

Since the end of Charles Taylor's rule Liberia has entered a transition period. There are two alternative scenarios concerning the success of the NTGL in fulfilling the tasks as defined in the CPA: either the forthcoming elections will be one further step in an ongoing reconstruction process, or violent conflict will continue.

4.1. Democratic development

Although some of the main political goals have partly been achieved since the Accra Conference, in general there has been a decline in stateness between 2000 and 2004. The NTGL has succeeded in ending the fighting between the warring parties and the dissolution of the factions with international help. To a large extent, peace is guaranteed due to the presence of about 15,000 UNMIL forces. A DDRR program was established, and more than 100,000 fighters turned themselves in. Only about 30,000 weapons, mostly light, were delivered. In addition, the program has run short of funds, which amounts to compromising its overall success, especially since it is doubted that all weapons, especially the heavier ones, were delivered. NTGL and NTLA are not the results from general elections. They represent the will of the assembled factions, parties and organization in Accra. Their political actions will be measured against standards of the rule of law, human rights and the success of the elections in October 2005.

There are increasing indications that the NTGL has not promoted constitutional legality and the separation of powers decisively. In particular, it has neither supported the autonomy of the judiciary, nor has it achieved more transparency and accountability of its own actions. One has to take into account, however, that the NTGL has taken over a corrupt, inefficient and unaccountable state apparatus. The new incumbents have not shown much interest in fundamentally changing things in the short time of two years and with only limited financial means at their disposal.

4.2. Market economy development

Given the lack of data, any assessment requires considerable caution. Overall, however, Liberia has not made any progress in economic transformation during the period (2000-2004) but remains at an inadequate level. Gains after the beginning of the peace process in 2003 are countered by negative developments before.

The readiness of both the political elite and the population to participate in political discourse and abandon violence will depend on economic progress. The NTGL has reluctantly taken first steps towards a reorientation of economic policies, a cash-based budget, the liberalization of trade and pricing of the most important import commodities, a reorganization of public finances and financial institutions and some administration reforms. The RFTF is yet to be developed into a full-scale macroeconomic program, advised and monitored by the IMF and the World Bank, to consolidate the domestic economy and the financial administration.

Positive results are the growth of the GDP, a stabilization of the exchange rate between Liberian and U.S. dollar and the resumption of relations with the international financial institutions. The quantitative data of past years reflect the changing priorities of a warlord-like economy (diamond smuggling, timber export) and the results of political interventions (United Nations sanctions on exports, international donor aid after the cessation of hostilities and the CPA). It is unpredictable whether these trends will continue if assistance by international donors recedes. Liberia's political and economic future is on the verge without any clear positive direction.

Liberia is in a transition period after an era of autocratic, almost warlord-like rule and a civil war. The NTGL is presently in charge of preparing general elections and of warranting safer living conditions, reanimating the economy and enforcing the rule of law. It is uncertain whether it will succeed to set conditions for democratic renewal, even in the case of the timely implementation of the elections.

Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002*	2003*	2004**
Growth of GDP in %	22.4	4.9	3.3	-29.5	23.1
Export growth in %	104.3	6.4	30.1	-43.0	-57.3
Import growth in %	-0.4	6.4	-6.2	-20.1	134.8
Inflation in % (CPI)	5.3	12.1	14.2	15.0	N/a
Investment in % of GDP	N/a	N/a	N/a	N/a	N/a
Tax Revenue in % of GDP	N/a	11.4	12.5	9.5	14.2
Unemployment in %	N/a	N/a	70	85	80-85
Budget deficit in % of GDP	N/a	N/a	N/a	N/a	N/a
Current account balance in million \$	N/a	-198.5	-6.1	-33.4	-26.5

Source: IMF Report 03/275, September 2003, IMF Report 04/408, December 2004, IMF PIN 04, 135, December 3, 2004, other sources; *estimated, **estimated for the first half of the year 2004.

D. Strategic perspective

Liberia is dependent upon the political and financial support of the international donor community, the United States, the European Union, ECOWAS and other bilateral partners to carry out elections in October 2005 and lay the foundation for market-based economic development. Post-election development toward democracy and a market economy is unlikely to remain constant; the need for intensive support over an extended period is near certain.

There are several threats to transition over the mid-term range. Stability of the peace process will be impacted by developments in the neighboring countries of Sierra Leone, Guinea and the Côte d'Ivoire. It remains unclear whether the elections will result in a clear majority rule and a stable legislature. As of yet, the NTGL has failed at two of its main tasks, namely to facilitate transparency and accountability in the present government and develop public trust in democratic institutions and procedures. The power of the presidency was one of the key structural factors allowing for the former autocratic regime to take hold and the subsequent derailment of the political process into violent civil war.

However, the office of the presidency is unlikely to be restricted by planned reforms, as no reform proposal has singled out this structural defect. Large segments of the population and the political elite count on a "strong" personality as president. It appears too early to replace this deep-rooted expectation with the decentralization of power and strengthening of democratic institutions, e.g. the legislature and judiciary. Failed elections however, could unleash a coup d'état, the resurgence of civil war, violent regional anarchy or all three simultaneously.

Predicting the future of democratic development is as difficult as assessing potentials of economic recovery and consolidation. Economically, the NTGL's success will be measured by the conditions (i.e. reconstruction of logistics and trade) it can provide to facilitate the recovery of agricultural subsistence and cash crop production, the rehabilitation of educational and health care institutions, and its ability to provide sufficient jobs for refugees, manage internally displaced persons and re-integrate child soldiers and former fighters. Liberia will need massive international financial and advisory support to continue on the way toward a market-based economy, administration reform, and to reorganize public finances and financial institutions. The international community has high expectations with respect to the NTGL. The continuation of financial assistance will depend on the NTGL's progress—and that of the future government—in guaranteeing financial transparency, government and administrative accountability, effectively organizing the separation of powers, and in enforcing the rule of law and human rights.