Liberia: A Case Study

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Growth in Fragile States

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Liberia has been a fragile state by most definitions since April 1979, when protests over a government decision to increase the price of rice resulted in widespread looting and a violent police crackdown in the capital, Monrovia. Within a year of the riots, Samuel Doe—a 28-year old master sergeant of the Liberian army—led a coup against the government of President William Tolbert, killing Tolbert in the Executive Mansion and publicly executing eleven members of his government. The subsequent decade under the leadership of Doe was marked by economic decline, instability, and increasing violence. In 1989 rebel warlord Charles Taylor mounted a counter-insurgency that dragged Liberia into intermittent, but widespread and brutal, conflict for the subsequent fourteen years. Since 2003, following U.S. and Nigerian intervention, Liberia has been a "post-conflict" fragile state, graduating from two years of transitional government to nearly six under the democratic reign of President Ellen Johnson Sirleaf, albeit with continued support from a force of more than 10,000 United Nations peacekeepers. The President's many pro-growth and conflict-resolving reforms since the peace have put the country on a positive trajectory, but fundamental challenges continue to exist and the stability of the reform consensus remains fragile.

Sources of State Fragility

Socio-Political Fragilities

The events of 1979-80 in Liberia share features with many political transformations: the particulars in their form and timing were wholly unexpected, yet they are nonetheless easy to explain in hindsight. These dual features are crucial for both (a) explaining the narrative of the country through 1980 including the inevitable social change that it brought about; and (b) understanding the political economy of the Liberian conflict since 1980, which has been affected quite profoundly by the idiosyncrasies of the events of 1979-80. Perhaps unsurprisingly, the post-1980 narrative in Liberia remains occasionally contested, but more often ambiguous.

Long before the former American slaves came to settle in today's Liberia, more than a dozen identifiable tribes belonging to several ethno-linguistic groups inhabited the territory.[1] The Mel-speakers, primarily the Kissi and Gola, are believed to be the region's earliest inhabitants who moved from Central Africa in search of agricultural lands. In subsequent migrations between the 8th and 18th centuries A.D. other tribes followed in successive waves, moving from the fringes of the Sahara and from today's territories of Sierra Leone, Guinea and Ivory Coast (**Exhibit 1**). They are largely part of the Kruan-speakers group (the Dei, Kuwaa, Bassa, Wee, Kru, and Grebo) and the Mande-speakers (the Mandingo, Vai, Mende, Gbandi, Loma, Kpelle, Dahn, and Maa).[2]

Beginning in 1821, with the controversial purchase of Cape Mesurado near present-day Monrovia, these native tribes were joined by a new people: freed blacks and repatriated slaves from the United States. A diverse coalition of abolitionists and apprehensive southerners supported a movement in 19th century America to colonize Africa in order to provide a destination for the freed blacks. It was the non-governmental organization American Colonization Society (ACS), rather than any colonial government, that facilitated the establishment of modern-day Liberia. In 1847 the dominion over Liberia transferred from the ACS to the settlers as they adopted the Liberian Declaration of Independence and a Constitution, significantly modeled after those of the United States. In these foundations the settlers laid down laws restricting citizenship and property rights in Liberia only to blacks, laws that are still in effect today. They also laid down the foundations of discrimination by failing to bestow these rights also on the indigenous people. Thus the settlers would rule Liberia over the indigenous people, first by violent force until 1932,[3] and then through patronage networks financed by foreign investment under long-time ruler William Tubman.

Tubman, Liberia's president from 1944-1971 is regarded as the father of modern Liberia, as Liberia's benevolent dictator.[4] Indeed, Tubman presided (albeit with a heavy hand) over astronomical GDP, export, and revenue growth (**Exhibits 2-4**) and significant expansion of political access. However, as noted by contemporary scholars, it was "growth without development." Liberia became a dual economy with a small foreign-dominated natural resource sector (primarily rubber and iron) and a large subsistence economy.[5] At the same time, Tubman's policies built up a political Ponzi scheme, reminiscent of Samuel Huntington's *Political Order in Changing Societies* (1968),[6] in which growing central revenue financed a broadening patronage network as well as the education of a few of those previously denied access to Liberia's political clique. It was only a matter of time before government revenue fell and political aspirations amongst the marginalized grew sufficiently, that the scheme would self destruct.

As in many other countries, the stagflation of the 1970s would provide that catalyst in Liberia. Starting in 1975, Liberia's mining exports began to decline following a downturn in the world's price of iron.[7] Government spending on expensive infrastructure and facilities associated with hosting a 1979 conference of the Organization of African Unity (OAU)[8] exacerbated the problem and government debt ballooned (**Exhibit 4)**. At the same time, increasing demands for broader political and economic participation were only partially met by a regime that was then too weak to abandon its traditional base, despite the writing on the wall. Tubman was the penultimate leader of Liberia's elite, the so-called settler aristocracy. His vice president of two decades William Tolbert, the grandson of a freed slave from South Carolina, became the ultimate. He ruled until the night when he was murdered by Samuel Doe, the Krahn junior army officer.

Samuel Doe was an unlikely candidate to direct Liberia's social revolution. Though savvy and a quick learner, he represented multiple constituencies that were hard to jointly please: the non-settler class broadly, the young and frustrated urban dwellers, and the army. His strategy to navigate them all, including the second group's demands for what Liberian academics Tarr and Dunn described as "a revolution of entitlement,"[9] led to an overall environment of competing demands—both licit and illicit—on the state's resources. Since Doe did not have the well-oiled Americo-Liberian government machinery to draw on, he recentralized power by allocating important government positions to his tribesmen, the Krahn. He also co-opted the Mandingo, Liberia's trading/commercial tribe of Muslim religious tradition who had been marginalized under the settler rule for their apparent "foreignness," and brought them into the levers of power.[10] In its first year of power the Doe government oversaw an increase in salaries and wages for the lowest levels of government employees of 300 percent[11] as well as a subsequent decrease in real GDP of 36 percent through 1989 (**Exhibit 5**).[12] Amidst the economic decline, to stamp out the popular support for the demoted head of the Liberian army Thomas Quiwonkpa who in 1985 attempted a coup, Doe launched a purge against Nimba's Mano and Gio tribes.[13] (Nimba County was the largest, and second-most populous, county in Liberia, and stood to the north of the capital, bordering Guinea and the Ivory Coast.) This would ultimately define the fault lines of the Liberian Civil War.

In 1989, Charles Taylor, a former Doe bureaucrat accused of embezzlement who subsequently escaped from jail in Massachusetts while awaiting extradition, led an uprising in Nimba County with a core force of about 100 Libya-trained soldiers, adventurers, professional revolutionaries, and mercenaries from across West Africa.[14] They also benefitted from popular support amongst the Mano and Gio who had been mistreated by Doe.[15] The movement called itself the National Patriotic Front of Liberia (NPFL) and by mid-1990, it claimed most of Liberia's territory outside of Monrovia.[16] A breakaway faction led by Nimba County strongman Prince Johnson captured Monrovia, killing Doe in September of 1990. By this time, West African peacekeeping troops became involved; however, they came to be seen by many as yet another belligerent in the conflict.[17] A violent stalemate largely persisted through 1996, as the country remained fractured, with militias organized primarily along tribal lines (including reconstituted factions of Doe's former armed forces, split among two groups primarily Krahn and Mandingo) sustaining themselves through looting and control over natural resources. As usual in such situations, civilians were caught in the crossfire. Nearly ten percent of the population were killed, with many more displaced or sent into exile.[18]

From 1996 to 1999 there was a brief lull in the conflict during which Charles Taylor won contested elections. The dominant view of observers of those elections is that the electorate voted for Taylor in order to put an end to the conflict.[19] But Krahn and Mandingo militias reformed once again, sending the country into renewed disarray.[20] Only with decisive U.S. and Nigerian intervention in 2003 did the war finally end.[21]

The regional politics of West Africa added a layer of complexity onto the ethnic dimension of the violence. The regional stance towards the conflict was anything but unified: loyalties became split primarily along linguistic lines with the Anglophone countries (mainly Nigeria and Ghana) supporting intervention against Taylor's NPFL and the Francofone countries (mainly Ivory Coast and Burkina Faso) supporting nonintervention while more or less openly supporting Taylor, partly an act of resistance to a potential Nigerian hegemony in the region.[22] Libya, feeling betrayed by Doe and wishing to anger the United States, provided training and weapons for the NPFL.[23] Meanwhile, to Liberia's surprise, its traditional ally the Unites States took no strong stance on the conflict at all until 2003. This also put the brakes on any potential UN involvement. On top of these political motives, numerous histories of personal relationships and commercial interests heightened cleavages. For example, French commercial interests in logging, rubber, gold, diamonds and iron ore closely liaised with Taylor throughout much of the conflict.[24]

Socio-Economic Fragilities

The Liberian economy both drove and reflected this longer political narrative. A series of foreign loans procured during the period 1870-1930 made Liberia beholden to foreign debtors (at times, requiring the country to relinquish cabinet seats and customs revenues to foreign powers).[25] But even before breaking with one type of foreign finance, President Tubman began to strongly encourage another: foreign direct investment. His Open Door policy, in effect since the first year of his presidency, enacted laws and regulations favorable to foreign entry. In the ensuing decades forty major and numerous smaller concessions were agreed, following the lead of the 1926 agreement for a million-acre concession with Firestone Rubber, which effectively broke the European rubber monopoly.[26] Most notable were the large scale iron concessions signed with LAMCO (an American-Swedish-Liberian consortium) and the German-Liberian Mining Company. With these, Liberia went from being a rubber economy to an iron economy: total exports almost tripled during 1957-1966, driven by iron exports which increased from $20 million to $106 million (**Exhibit 2**). Government revenues rose from $25 million to $48 million from 1959-1966 through income from iron concessions and additional customs duties (**Exhibit 3**).[27] The average annual growth in real GDP from 1960 until President Tubman's death in 1971 was 4.5 percent (**Exhibit 4**).[28]

During this period, the path to prosperity for a well-to-do Liberian was through connections in Monrovian politics, not through business itself. Those Liberians who became businessmen also spent considerable energy in the political sphere, lobbying to insulate themselves from foreign competition. Most unconnected Liberians were subsistence farmers or petty traders; the few lucky ones had jobs servicing the government and the other high-rent sectors. Lebanese and other "foreign" businessmen filled in the gaps by establishing market leadership in all unprotected sectors, as well as a few of their own regulatory monopolies like rice importing. As a result, the economy was non-diversified, characterized by large foreign natural resource interests, non-resident trading houses, and weak and insulated Liberian firms (including state-owned enterprises).

The 1980s were not good to the Liberian economy. Real GDP per capita (in PPP terms) fell by half, from $1,765 in 1980 to $969 in 1989. It was to see a further fall and a nadir of $151 in 1995, more than 90 percent below its peak (**Exhibit 5**).[29] The war during the 1990s, not surprisingly, quickly became one over dwindling resources. Controlling the port meant a free license to impose import duties; controlling the forests meant taxing unsavory foreign loggers; controlling the interior meant pressuring local communities for food as well as access to alluvial diamonds. The terror and uncertainty that engulfed local communities meant that many productive activities, even those as basic as raising farm animals, ceased.

Upon its emergence from war in 2003, Liberia retained many fragilities: from those it had built up over centuries to the new ones acquired from state and society being torn down so violently. One, class and privilege were still tied to one's Americo-Liberian heritage. Although many direct benefits had been removed during the Doe years and the war, key variables like urban property ownership and foreign tertiary education remained highly correlated with membership in the group that had ruled Liberia for so long. Two, the potential for ethnic conflict remained. While many individuals were prepared to move on and while the major political parties were not set up along ethnic lines[30] (unlike in most neighboring countries), the very recent and horrific ethnic-based conflicts meant the wounds were still fresh. Three, the diminished human and social capital, as well as the destroyed infrastructure meant that the complexity of reconstruction would make it hard to meet the high expectations of the Liberian electorate for a fast return to normalcy and pre-war prosperity. Four, Liberia's immediate neighbors were at varying stages of recovery or experiencing new conflicts that had the potential to spread. Guinea was undergoing its own trauma as longtime ruler Lansana Conté died in 2008 and the subsequent shuffle resulted in deadly riots and even the return of mercenaries. A disputed 2010 election in Ivory Coast drew that country, already split into two from an eight-year-old civil war, back into conflict. By 2011, with the exception of a number of reprisal killings, the neighborhood—albeit temporarily calm—looked fragile.

Prospects for Growth

When the civil war finally ended in 2003, the Liberian private sector was ill-equipped to benefit from the reconstruction activity that would follow (**Exhibits 6-7**). Residential construction fell largely into the hands of non-Liberian businessmen, who due to insecurity of residency—let alone citizenship and land ownership—were incentivized to keep illiquid assets to a minimum and to invest with a short time horizon. Infrastructure rebuilding stalled until two Chinese companies formed that could "compete" with one another to satisfy the donors' procurement requirements. Domestic manufacturing was almost nonexistent and imports boomed

(**Exhibit 4**). After more than two decades of conflict, the shortage of skilled workers was tremendous and the government, donors, NGOs, and foreign investors had trouble finding managers and technicians in the country. Demand for skilled labor was met only partially by a growing number of Liberians returning from the diaspora.

Investment became once again centered on the natural resource sector and it arrived on a massive scale. Between 2005 and 2011, the government's Inter-ministerial Concessions Committee signed on the order of $16 billion of so-called concessions, foreign investment agreements originally named for the tax breaks that investors negotiated with governments (**Exhibit 8**). As part of its strategy, the Sirleaf administration made it a priority to attract top-name international firms. They succeeded—Liberia's major iron ore bodies were concessioned out to BHP Billiton, Arcelor Mittal, Severstal (a major Russian mining and steel company), and China Union (a Chinese investment vehicle). Smaller investments occurred in gold and diamond mining. Most of these concessions imposed additional responsibilities on the companies above and beyond what was required by law, for instance by mandating them to reconstruct infrastructure or contribute to social funds.

Plantation agriculture also saw its share of activity. Agreements to develop around 200,000 hectares of land were signed with the world's two largest producers of palm oil, Sime Darby and Golden Agri, as were multiple smaller agreements with rubber planters. Firestone, now owned by Bridgestone, resigned leases for a total concession area of 118,990 hectares.[31] As the United Nations ban on Liberian timber sales was lifted, four forest management contracts for 100,000 acres each and a number of timber sales contracts were signed, reestablishing a legal the timber industry in the country. A Swiss/Canadian company, Buchanan Renewables, established operations to dice old and unproductive rubber trees into woodchips to export them abroad as renewable energy or burn locally to supply power to the grid. Also in the energy space, a number of global energy companies signed offshore oil exploration agreements. Finally, outside the natural resource sector (but nonetheless in a high rent industry), the container terminal of the Freeport of Monrovia was concessioned to APM Terminals, the operating arm of Danish shipping giant Maersk.

The government received generally high marks for these agreements,[32] although the real test would come during their implementation stage. Moreover, with the exceptions of Arcelor Mittal, Buchanan, and APM, these agreements largely represented an option value for the companies – for most, there is no telling if, when, or how much they will invest. Furthermore, the investments have what the IMF characterizes as "enclave" characteristics: most of their expenditures and profits go to outside entities, with the main benefit for Liberia being government revenue collection. Of course, those were the same characteristics of foreign investments during Tubman's Open Door era that had bloated the political patronage system until it burst. According to Dunn and Tarr, "the Open Door Policy as a development tool failed ultimately because it neither created nor contemplated the creation of domestic entrepreneurs."[33] While this time around efforts are underway to increase activity of Liberian businesses in the upstream and downstream sectors of these industries, they face stark impediments, as does productive business activity more generally.

Our knowledge of sectoral growth is constrained by data availability. IMF estimates suggests that real GDP grew 6.8% on average between 2005 and 2010, driven by mining, services and forestry, but also by the backbone of the economy: agriculture (**Exhibit 9**).[34] Anecdotal evidence points to conflict-affected regions rapidly returning from planting the minimum for survival to producing diverse crops and raising animals again, which may be what drove double-digit growth in agricultural output initially. However, the prospects for continued growth of the sector are less certain given bottlenecks in know-how, infrastructure, processing and marketing which limit the farmers' ability to export. In general, non-resource, non-tree crop exports are virtually nil (**Exhibit 10**). Liberian farmers export chili peppers across the porous borders to neighboring countries and one Liberian company has just started making T-shirts for export; one profitable, government-sanctioned shipping registry operates largely outside of Liberia. And of course there are tourism exports mainly to aid workers and visiting businessmen.

The employment expected from the new investments is unfortunately minor. According to a recent World Bank analysis, the unemployment rate in Liberia is about 20 percent and more than forty percent of the labor force is employed in low productivity subsistence agriculture.[35] Their prospects of moving into the formal sector are low given the limited potential of the capital-intensive mining sector and the already large civil service to create additional jobs. Even with the strong growth Liberia experienced in the 1960s, the total number of jobs sustained by the mining enclaves and other formal sector employers was estimated at 80,000, or approximately 20 percent of the labor force.[36] Under current projections, commercial mining operations are expected to employ 10,000 workers at most by the time the first three iron ore mines are in full operation.[37] Even the high-labor oil palm mega plantation is only expected to generate 20,000 jobs over a decade; meanwhile, the labor force is growing at over 35,000 persons per year.[38] What this means is that the informal sector (including subsistence agriculture) and the non-glamorous world of supplying commodity goods and services to the Liberian market, will dominate employment for the foreseeable future.

The main impediments to growth in Liberia sound, at first glance, like a litany of complaints of operating in emerging markets in general. A recent IMF analysis cites inadequate infrastructure, insecurity of land tenure, shortage of skilled labor, low financial sector development, the government's limited implementation capacity, and the continued fragility of the peace as the main structural impediments to greater and more equitable growth.[39] Writing in 1913, American academic Frederick Starr came to similar conclusions, as did economists Clower et al, writing in 1966.[40] The question, therefore, becomes why these impediments still remain after decades and whether the Sirleaf reforms on top of the war-induced destruction of the old order will be sufficient to set the country on a markedly different path – one of broad-based growth.

Reforming the State

The state, as it emerged from the war in 2003, was beyond fragile. The current fragilities must be put in perspective of what the country went through between 1979 and 2003, combined with how undeveloped many functions of the state were before the war.

The optimal depth of state functionality in Liberia may be lower than in larger, richer countries. With a GDP of under $1 billion, Liberia is simply unable to pay many of the fixed costs of governing. Its small foreign service is spread thinly, and government ministers regularly find themselves representing Liberia at some convention or congress. Even more constant-returns-to-scale sectors like education and health face management hurdles. These facts are perhaps not surprising given that Liberia has a long history of outsourcing state functions. As early as at the onset of the 20th century, mission schools outnumbered public schools in Liberia with ninety mission schools educating 3,270 students and sixty-five public schools reaching 1,782.[41] Moreover, the mission schools, largely run by Methodist and Protestant Episcopal churches were deemed of superior quality and served largely rural areas (indeed, at times they were seen as conflicting with the state's nation-building agenda in the "hinterland").[42] Most of Liberia's hospitals were and remain mission-operated. At the time that President Tubman took office there were five hospitals in Liberia, only one of which was government-operated.[43] One achievement of his administration was the creation of the J.F.K. Memorial hospital in 1971 financed largely with a loan from the U.S. government. As of 2008, the share of government hospitals and clinics in total health sector outlays was 42 percent.[44]

Corruption in the civil service was and remains a serious problem, hindering its ability to deliver public services and posing a risk to overall government legitimacy. Decades of non-payment to civil servants during the war created an environment wherein government jobs became an avenue for extraction. These features are of course not unique to post-conflict countries—Liberia had its share of corruption well before the war— but they are exacerbated by it. In her swearing-in ceremony, President Sirleaf pledged to "wage war against corruption regardless of where it exists, or by whom it is practiced."[45] To fight government corruption, her administration raised minimum salaries for government employees, and passed a Public Procurement and Concessions Commission Act, established an Anti-Corruption Commission, an independent General Auditing Commission and became the first African country compliant with the Extractive Industries Transparency Initiative (LEITI). As a result of such efforts, since 2005 Liberia moved up a significant 55 places on the Transparency International (TI) Corruption Index, from 142th place to 87th place in 2010.[46] At the same time, it ranked last on one of the questions in TI's Global Corruption Barometer which measures petty corruption: 89 percent of Liberians claimed to have paid a bribe to receive government services.[47]

The government's development agenda is defined to a large extent by its Poverty Reduction Strategy (PRS) which specifies a long list of objectives under four pillars: 1) Peace and Security, 2) Economy, 3) Governance, and 4) Infrastructure and Basic Services.[48] However, the government's ability to actually deliver services has been severely weakened by the war. As of late 2010, the government had completed 214 out of the 473 objectives set out in its PRS, originally scheduled to expire in mid-2011.[49] These implementation challenges were not limited to government: in Liberia in 2011, it would be hard to find a donor or NGO that had met the targets it had set for itself. Interestingly, most donor funding to Liberia has focused on propping up the state and growing the governmental options in the provision of services such as health and education, even as rigorous (and surely lower-cost) alternatives exists in the religious-run schools and hospitals.

Before crafting the PRS, a team from the government went around to the counties to ask the villagers what their priorities were for the development strategy. The top answer, besides jobs, was roads. The government's response has been indicative of its fragile state development policy more generally. In a loose confederation, government, bilateral and multilateral donors, philanthropists, nonprofits, and foreign companies have each been implementing a component of the reconstruction plan. At the head is President Sirleaf, with her team of ministers helping to articulate the government's preferences and lobby to those who have greater capacity and resources. Unlike in more developed economies, the government in Liberia is a relatively minor player—especially on the topic of capital outlays. In 2008, the budget of the government stood at approximately $107 million versus a total aid budget of $732 million (not including debt relief funds and the budget of UNMIL).[50] It may thus not be surprising that donors and nonprofits often act autonomously, and the government is forced to re-optimize around contributions already given.

To illustrate the workings of this confederation, the infrastructure sector can be examined. In it, the largest amount of activity is being driven by the World Bank, which operates a trust fund financed by it and other bilateral donors. Some additional roads are being built by private-sector actors as part of iron ore agreements or for their own use. UN peacekeeping battalions have also undertaken road and bridge exercises throughout the country. Finally, some feeder roads are being improved by other donors as part of agricultural development projects. Liberia's ports are being renovated by a combination of the World Bank, the National Port Authority (a parastatal), private companies (e.g. Buchanan Renewables which removed sunken ships from the ports), and APM terminals, which secured a 25 year concession to operate the port of Monrovia. Railroads, airports, and information technology follow similar public-private models. The financing for most of these projects does not come from the government budget. The small share of the government's budget that does go to capital expenditures is often spent on vehicles and government buildings in order to sustain the basic operation of the state, although efforts are underway to increase productive capital investments.

What has been the net effect of the Liberian state on the economy? It has facilitated the development of infrastructure, provided some government services, and created and enforced law. It has licensed profitable activity, selling off sovereign or national rent to foreign companies; it has also restricted profitable activity, thus benefiting a small political class; it has over-regulated, thus taxing the non-elite Liberians and "foreign" businessmen who are the backbone of the economy in an often arbitrary manner. Working to spite these ingrained habits, the Sirleaf reforms as well as the liberal usage of non-governmental solutions to public problems have had the effect of diminishing the power of rent-seekers in government. Whether these reforms are deep enough to change the fundamental orientation of government, or simply reflect the desires of the chief executive, remains to be seen.

Towards a New Growth Strategy, and a View of the Role of Research from the Field

As of July 2011, the Liberian government is drafting a new growth strategy, called the Medium Term Economic Growth Strategy (MTEGS) to replace the current PRS once it expires in December 2011. The strategy is going to detail the first five years of a larger 18-year strategy, entitled *Liberia Rising*, whose main aim is for Liberia to achieve middle-income status by the year 2030. While that goal was set from a top-down approach, it is feasible—if immensely challenging—under the continued expansion of primary commodity exports to a global market experiencing high commodity prices. However, beyond its economic aims, and perhaps more importantly, the long-term strategy represents a political device to keep public and government support for reform; to tip the balance towards growing the pie rather than eating it.

Both of the strategies will be informed by the usual litany of donor "best practices." For the MTEGS, stakeholder working groups containing government agencies, donor partners, and civil society are drafting goals and targets for their particular sector; the ideas, once clarified, will be presented at various fora outside the capital in consultative processes; the activities will be costed and matched to a multi-year (medium-term economic framework) budget, and aligned with new IMF and World Bank programs. Policies and priorities will be informed by a host of studies, from growth diagnostics to computational general equilibrium modeling, as well as more nuts-and-bolts papers on infrastructure or employment. In order to carry out a program of such complexity, governments like Liberia's utilize technical assistance.

In late 2011, the Liberian population will have the most effective consultative process of them all: national elections. In them they will decide on whether the reforms already undertaken and articulated by the Johnson Sirleaf administration are the country's best chance. The MTEGS and *Liberia Rising* will ultimately be put to the voters, and with the United Nations peacekeepers still present in the country, the elections are expected to proceed without violence, and with legitimacy.

There are at least three broad categories of research that will be likely to inform the details of the growth strategy for Liberia. The first category of research is that which identifies the bottlenecks in an economy generally or in the delivery of specific government goods and services. This class of research contains (often country-specific) studies on the "binding constraints" to growth,[51] on the business environment, or on the impediments to providing healthcare in rural areas, for example. It tends to be focused on providing technical policy suggestions. The less helpful of these research projects produce content obvious to those working in the area—indeed, the "data" from the research are often drawn from interviews with those very people who oversee the implementation.

The second category is that which identifies opportunities for growth above and beyond what might occur by fixing the bottlenecks alone. This class of research includes, for example, private-sector development work that identifies favored sectors in the economy and devises ways to promote those sectors, as well as local adaptation of more widely-used models for promoting growth such as special economic zones or investment promotion agencies. Like the previous category of research, it is typically undertaken by outside agencies or consultancies, sometimes with support from the local private sector. Also like the previous category, it rarely is specific to post-conflict counties or defined by the nature of the specific social conflict, except insofar as "promoting jobs" and "creating broad-based growth" are seen as ways to prevent conflict in the future.

The third category of research is more concerned with the interaction between variables, or the deleterious consequences of allowing status quo policies to continue toward their own logical conclusion. It can seek to answer questions like: What would it mean to have most GDP growth coming from large, enclave investments in extractive and primary commodities sectors? What are the likely social consequences of youth unemployment? Looking historically, what were the causes and consequences of the conflict in the given country, and how can those be addressed with development strategy? Research in this final category is not necessarily technical and not obviously implementable, and although it may be the most sophisticated from an academic perspective, it may not win the attention of policymakers for very long.

Ultimately, if the research is to be incorporated into Liberia's MTEGS and long-term growth strategy, it must be translated into specific actions that either the state or an external actor can either take, or cause to be taken by another party (see **Figure A**). Donors, and even government policymakers, are inclined to focus their efforts and policy recommendations on what the state must do, since the state is, after all, the party responsible for the welfare of the population. In the matrix, these are the top two quadrants. Indeed, this seems appropriate on the surface given the problem of state fragility: the state must be built up! But it creates a mismatch between attention and resources. As the case of Liberia demonstrates, the space of actions must include the bottom two quadrants as well. The Sirleaf administration has been unafraid to draw on a host of actors to implement its agenda of reform and development. And donors, though they scarcely admit it, do more contracting and minding than actual policy implementation.

In order to move firmly beyond conflict and fragility, research in Liberia must identify social, political, and economic patterns early enough as to be able to influence them and redirect their course, and not just work to increase economic growth. That agenda of research must be able to match the right implementation plan to the problem and the policies that need redirection. Fragile states are, by definition, neither strong states nor uncomplicated states. Thus as research findings are translated into policy recommendations, the question of who ought to participate, and how, must remain central.

Figure A: Policies by Whom, and for Whom

		POLICY DEMAND	
		State	External actor
IMPLEMENTATION	State	Development planning	Donor-driven buildup of the state
	External actor	Leadership by networking	Contracting, suasion

Endnotes

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[11] Dunn and Tarr, *Liberia*, pp. 38.
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[14] Lyons, T. 1999. *Voting for Peace: Postconflict elections in Liberia*. Washington, DC: Brookings Institution Press, pp.22.
[15] Ellis, *The Mask of Anarchy*, pp. 110-114.
[16] *Ibid*.
[17] *Ibid*.
[18] Lyons, *Voting for Peace: Postconflict elections in Liberia*, pp.20.
[19] *Ibid*.
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Exhibit 1 Map of Liberia

Source: United Nations.

Exhibit 2 Exports by Commodity and Value (current US$ millions), 1957 and 1962-1966

Year	**1957**	**1962**	**1963**	**1964**	**1965**	**1966**
Rubber	27.5	25.7	23.9	29.7	29.6	27.0
Iron Ore	20.2	32.3	45.0	80.6	96.0	106.3
Diamonds	1.2	4.6	4.0	1.7	1.4	3.1
Palm Kernel	1.2	0.8	0.7	0.8	2.1	1.6
Coffee	0.3	0.6	1.5	6.0	1.7	5.8
Cocoa	0.2	0.3	0.4	0.6	0.2	0.5
Piassava	0.2	0.1	0.1	0.1	0.0	0.0
Other Commodities	1.3	3.3	5.5	6.1	4.9	6.1
Total	52.1	67.5	81.1	125.7	136.0	150.5

Source: Department of Information and Cultural Affairs of Liberia (1967), *Open Door to Travel and Investment*.

Exhibit 3 Government Revenues and their Sources (current US$ millions), 1959-1967

Year	**1959**	**1960**	**1961**	**1962**	**1963**	**1964**	**1965**	**1966**	**1967**
Rubber concessions					4.7	3.3	4.3	4.3	4.4
Iron ore concessions					5.0	7.0	8.0	10.0	12.5
Other direct taxes					6.7	7.7	7.4	7.3	7.3
Customs					16.9	16.6	16.4	18.2	20.0
Vessel taxes					2.0	2.8	3.6	2.6	2.6
Other revenues					2.0	2.6	2.7	4.3	4.3
Total	24.6	32.4	32.4	35.6	37.3	40.0	42.4	46.7	51.1

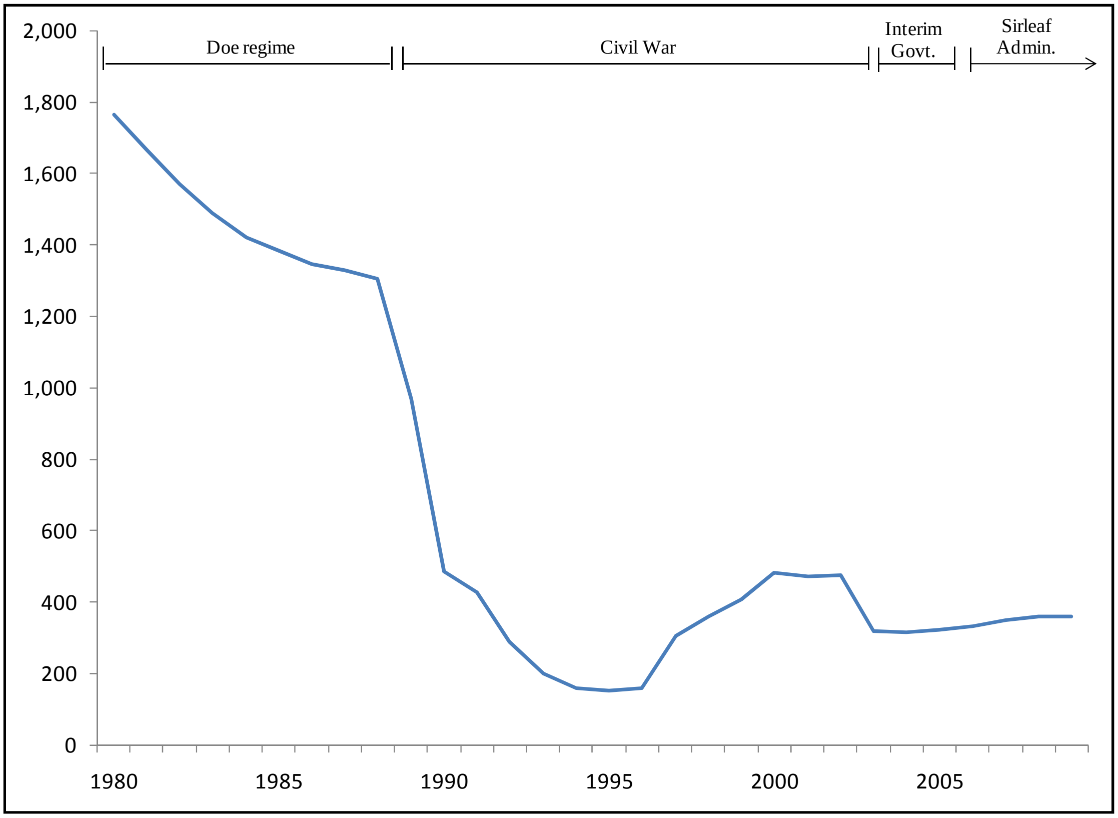
Source: Department of Information and Cultural Affairs of Liberia (1967), *Open Door to Travel and Investment*.

Exhibit 4 GDP and its Components, 1960-2009 Period Averages

Period	**Avg. Real GDP (constant US$ millions)**	**Compound Annual Growth of GDP (%)**	**External debt, end of period (current US$ millions)**	**Avg. Government consumption expenditure (% of GDP)**	**Avg. Household consumption expenditure (% of GDP)**	**Avg. Exports (% of GDP)**	**Avg. Imports (% of GDP)**
(1960-1971) - William Tubman	914	4.5%	162	14%	64%	59%	50%
(1972-1979) - William Tolbert	1,321	1.7%	596	14%	65%	68%	62%
(1980-1989) - Samuel Doe	1,249	-4.4%	1,874	22%	76%	55%	52%
(1990-1996) - Liberian Civil War	227	-15.3%	2,424	n.a	n.a	n.a	n.a
(1997-1999) - Interwar years	363	16.8%	2,560	n.a	n.a	11%	51%
(2000-2003) - Continued conflict	537	-7.5%	3,602	12%	91%	24%	33%
(2004-2005) - Interim Govt.	433	2.6%	3,921	11%	88%	38%	52%
(2006-2009) - Ellen Johnson Sirleaf	538	5.2%	1,660*	15%	184%	29%	149%

Source: World Development Indicators.
* In June of 2010, Liberia reached Completion Point under the Heavily Indebted Poor Countries (HIPC) Initiative and as a result the balance of Liberia's external debt reduced to US $223 million as of end-December 2010.

Exhibit 5 Real GDP per Capita (PPP US$2005), 1980-2009



Source: World Development Indicators.

Exhibit 6 Reconstruction dollars by Sector, 2006-2009

(US$ millions)	**2006**	**2007**	**2008**	**2009**	**Total 2006-2009**
Action Relating to Debt	-	15	738	117	869
Government & Civil Society	67	502	89	118	776
Commodity Aid / General Programming Assistance	4	28	364	60	456
Infrastructure and Services	45	74	39	236	394
Humanitarian Aid	153	109	69	35	366
Health	8	24	57	92	180
Milti-sector / Cross-cutting	24	48	18	20	110
Education	17	20	30	36	103
Population & Reproductive Health	5	39	22	24	89
Agriculture, Forestry, Fishing	0	15	6	55	77
Other Social Infrastructure & Services	7	8	26	6	47
Industry, Mining, Construction	1	34	3	5	43
Water Supply & Sanitation	6	14	9	11	39
Trade Policies & Regulations	5	0	0	1	6
Tourism	-	-	0	-	0
Total	343	930	1,470	818	3,556

Source: OECD Statistics; compilation by authors.

Exhibit 7 Reconstruction dollars by Donor, 2006-2009

(US$ millions)	**2006**	**2007**	**2008**	**2009**	**Total 2006-09**
United States	126	182	298	192	799
World Bank	46	481	11	81	619
Germany	7	11	470	53	540
IMF	-	-	356	28	384
EU Institutions	50	82	41	159	332
United Kingdom	17	26	31	64	137
Sweden	13	20	32	52	117
Norway	10	41	36	22	108
Italy	-	0	3	74	77
Japan	17	14	14	15	60
Other	57	73	180	77	388
Total	343	930	1,470	818	3,561

Source: OECD Statistics; compilation by authors.

Exhibit 8 Major Concessions, 2005-2010

Mining	Estimated Investment
1. Arcelor Mittal – Iron Ore	$1.6 Billion
2. China Union – Iron Ore	$2.6 Billion
3. AmLib Minerals - Gold	$100 Million
4. BHP Billiton – Iron Ore (not yet ratified)	$1.8 Billion
5. PIOM (Putu) – Iron Ore	$2.0 Billion
6. African Aura – Gold	$150 Million

Agriculture	Estimated Investment
1. Firestone – Rubber	Existing Plantation
2. Sime Darby – Rubber/Oil Palm	$800 Million
3. LIBINC – Oil Palm	
4. Equitorial Biofuel – Oil Palm	$500 Million
5. Novel – Rice	$3 Million
6. ADA LAP - Rice	$30 Million
7. Golden Veroleum Inc. – Oil Palm	$1.6 Billion

Energy	Estimated Investment
1. Oranto (Blocks 11, 12, 14)	Exploration
2. Broadway (Block 13)	Exploration
3. Woodside (Block 15)	Exploration
4. Rejsol (? confirm name) (Block 16, 17)	Exploration
5. Regal/Europeay (Block 8, 9)	Exploration
6. Anadarko (Block 10)	Exploration
7. BRE/Vattenfall – Rubber wood chip export	$200 Million
8. BRE – Power generation from rubber wood chips	$150 Million

Forestry	Estimated Investment
1. 9 Timber Sales Contracts (5,000 acres each)	$40 Million
2. 4 Forest Management Contract (100,000 acres each)	$60 Million

Hospitality	Estimated Investment
1. Kendeja Hotel	$8 Million
2. Golden Gate Hotel	$8 Million
3. Libyan Arab Holding Company – Ducor Hotel	$40 Million

Source: Government of Liberia; compilation by authors.

Exhibit 9 GDP Growth and Contribution by Sector, 2005-1015 Proj.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
					(Annual percentage change)						
GDP growth rate at constant prices	5.3	7.8	9.4	7.1	4.6	6.3	8.8	11.7	8.4	7.1	7.0
					(US$ millions)						
GDP at constant prices	402.0	433.3	474.2	508.0	531.5	564.9	614.7	686.5	744.4	796.9	852.6
Agriculture & fisheries	177.9	185.7	202.2	214.4	228.1	236.1	246.2	256.3	267.3	279.4	292.3
Forestry	59.0	60.7	61.4	79.4	80.5	91.3	103.8	108.4	113.1	121.1	121.9
Mining & panning	1.0	1.0	3.9	8.3	8.8	10.2	26.9	69.0	97.6	116.3	143.7
Manufacturing	51.7	60.0	67.8	56.4	54.3	55.9	58.4	60.8	63.2	65.7	68.4
Services	112.3	125.8	138.9	149.5	159.7	171.5	179.4	192.0	203.1	214.5	226.4
					(Percentage shares)						
GDP at constant prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture & fisheries	44.3	42.9	42.6	42.2	42.9	41.8	40.0	37.3	35.9	35.1	34.3
Forestry	14.7	14.0	12.9	15.6	15.2	16.2	16.9	15.8	15.2	15.2	14.3
Mining & panning	0.3	0.2	0.8	1.6	1.7	1.8	4.4	10.0	13.1	14.6	16.8
Manufacturing	12.9	13.9	14.3	11.1	10.2	9.9	9.5	8.9	8.5	8.2	8.0
Services	27.9	29.0	29.3	29.4	30.1	30.4	29.2	28.0	27.3	26.9	26.5

Source: IMF Estimates, 2010.

Exhibit 10 Exports of Goods by Value, 2008-2010

(US$ millions)	2008	2009	2010*
Rubber	206.8	93.1	167.1
Cocoa	3.4	3.6	5.6
Coffee	0	0.1	0.3
Iron Ore	1.5	0.9	2.4
Diamonds	10	6.9	11.9
Gold	13.3	11.9	15.3
Logs	0.2	1.1	3.1
Other	7.3	31.2	18
Total	242.5	148.8	223.7

Source: Central Bank of Liberia, Annual Report 2010. *Preliminary figures.

Exhibit 11 Balance of Payments, 1979, 1983, 1987 and 2005-2009

(US$ millions)	**1979**	**1983**	**1987**	**2005**	**2006**	**2007**	**2008**	**2009**
Trade Balance	27	(24)	41	(816)	(1,225)	(1,205)	(1,381)	(1,250)
Exports of G&S	554	459	427	346	491	542	759	454
Imports of G&S	(526)	(483)	(386)	(1,162)	(1,716)	(1,747)	(2,140)	(1,704)
Net current transfers	3	75	(3)	779	1,200	1,139	1,175	1,101
Net income	(14)	(154)	(183)	(147)	(148)	(157)	(148)	(128)
Current account balance	16	(103)	(145)	(184)	(173)	(223)	(354)	(277)
Capital account	n.a	n.a	27	n.a	n.a	n.a	1,197	1,526
Foreign direct investment, net	n.a	49	38	83	108	132	395	218
Change in external debt	n.a	n.a	n.a	91	240	(415)	(616)	(1,469)
Net errors and omissions	(211)	(7)	30	(35)	(21)	2	(465)	11
Total reserves	55	20	1	25	72	119	161	372

Source: World Development Indicators. Note: The financial account reported here is incomplete due to data availability; the accounting, therefore, does not balance.

Exhibit 12 Poverty and Inequality in Liberia, 2007

Poverty Indicators:	**Share of Population**	**Inequality Indicators:**	**Share of Nat. Income**
Poverty gap at $1.25 a day (PPP) (%)	41%	Income share held by highest 20%	45%
Poverty gap at $2 a day (PPP) (%)	60%	Income share held by fourth 20%	22%
Poverty gap at national poverty line (%)	24%	Income share held by third 20%	16%
Poverty gap at rural poverty line (%)	26%	Income share held by second 20%	11%
Poverty gap at urban poverty line (%)	20%	Income share held by lowest 20%	6%

Source: World Development Indicators.

Exhibit 13 Liberia, Select Economic, Demographic, and Human Development Indicators

	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2009
ECONOMIC											
Inflation (annual %)		0.5	(1.0)	21.7	9.1	0.9	(0.2)	6.5	(1.3)	13.8	7.4
Lending interest rate (avg, annual %)					18.4	19.3	-	15.6	20.5	17.0	14.2
Official exchange rate (LCU per US$)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	40.95	57.10	68.29
DEMOGRAPHIC											
Population, total (in millions)	1.06	1.23	1.43	1.63	1.91	2.21	2.17	1.94	2.82	3.33	3.95
HEALTH											
Life expectancy (years)	40	42	44	47	48	47	49	51	54	57	59
Mortality rate, infant (per 1,000 births)	200	186	174	163	157	161	165	169	134	100	80
Improved water source (% with access)	--	--	--	--	--	--	58.0	61.0	65.0	67.0	68.0
Physicians (per 1,000 people)	0.08	0.08	0.08	0.08	--	--	--	--	--	0.03	0.01
EDUCATION											
Literacy rate, adult (% of people 15+)	--	--	--	--		32.1	--	42.8	--	53.9	59.1
Prim school enrollment (% gross)	--	--	--	37.5	50.3	41.3	--	--	113.4	--	90.6
Public education spend (% of GDP)	--	--	2.3	2.2	5.8	--	--	--	--	--	--
INFRASTRUCTURE											
Agricultural land (% of land area)	--	26.8	26.7	26.7	26.7	26.9	25.9	26.0	26.9	26.9	27.2
Forest area (% of land area)	--	--	--	--	--	--	51.2	--	48.1	46.5	44.9
Motor vehicles (per 1,000 people)	--	--	--	--	--	--	--	--	--	--	3.0
Mobile cellar subscriptions (per 100 people)	--	--	--	--	--	--	--	--	0.1	4.8	21.3

Source: World Development Indicators. Note: Sometimes the previous year's data were used when data were unavailable.