PART II

Post Conflict Situations – Building Institutions and Governance
When Ellen Johnson Sirleaf began her tenure as president of Liberia in January 2006, she took charge of a country facing enormous challenges. It had been more than two years since the signing of the Accra Comprehensive Peace Agreement that brought an uneasy end to a conflict that killed more than 250,000 Liberians and left more than 500,000 others displaced. The scale and intensity of the violence had destabilized the region politically and economically, making Liberia a global exemplar of a failed state.

Chief among the president’s many challenges was restoring public trust in economic governance. As the country collapsed during the conflict, so did government finances and management of those finances. By 2005 revenue was less than $95 million a year, with public spending only about $25 a year on each citizen, one of the lowest levels in the world. Corruption was rampant. Liberia’s external debt ballooned to $4.7 billion, or roughly 800 percent of GDP and 3,000 percent of export in 2005. Domestic debt and arrears exceeded $600 million by 2006, largely due to weak government spending controls that allowed ministries and agencies to spend without central authorization. Economic mismanagement and the uncertainty surrounding public finances was reflected in the continuation of UN sanctions on the export of Liberian diamonds and timber.

The low level of trust in the government’s economic management capabilities was even more significant given that poor economic governance during the 1970s and 1980s was one of the causes of the conflict. Corruption and mismanagement of the economy worsened dramatically during the war and prolonged the conflict, as corruption grew out of control and there was little political will for a well-run government. Sound economic policies were therefore, crucial for Liberia’s long-term prospects for peace.

Initial steps toward reform of economic governance in Liberia were taken during the transitional period between the end of the civil war and start of the new administration. Among these was the launch of the Governance and Economic Management Assistance Program (GEMAP) several months before the January 2006 elections. A partnership between the government of Liberia and a group of international donors, GEMAP was intended to improve the accountability and transparency of fiscal management in Liberia. President Sirleaf continued the implementation of GEMAP after her election, and in addition she committed to making further economic governance reforms. Five years on, Liberia’s recovery in terms of public finances and responsible public policy is striking. Annual government revenue has nearly tripled since the start of the Sirleaf administration and substantial inroads have been made in the budgeting and expenditure processes. Civil servants are now paid on time, the government has accumulated no new domestic arrears, and it has reached the completion point in
the enhanced Heavily Indebted Poor Countries (HIPC) process, allowing more than $4 billion of external debt to be written off. Liberia’s international reserves also increased, reaching $108 million in December 2008 and $312 million in December 2009. At the same time, Liberia has climbed the ranks of Transparency International’s Corruption Perceptions Index, moving from 137 of 158 countries in 2005 to 97 of 180 countries in 2009. The nation has also adopted the Kimberley Process Certification scheme for sourcing diamond exports, established new forestry regulations, and is now fully compliant with the Extractive Industries Transparency Initiative (EITI). Thanks to the improvements in economic governance, the UN-imposed ban on diamond and timber exports from Liberia has been removed.

Liberia’s success at gaining control over public finances in a postconflict environment has prompted a closer look at the factors underpinning the turnaround. Establishing a simple causal story is difficult because two major policy changes happened nearly simultaneously: the start of President Sirleaf’s administration and the implementation of GEMAP. The story is further complicated by a general lack of data resulting from the realities of a postconflict country and the difficulty of measuring outcomes related to economic governance.

Many observers have been quick to credit GEMAP for the economic governance successes that have taken place in Liberia in recent years. While GEMAP played a useful role, it also had shortcomings, and an understanding of the context in Liberia and the efforts of the Sirleaf administration is necessary to establish a more complete story of the recovery and the reform effort in Liberia.

THE CONTEXT BEHIND ECONOMIC GOVERNANCE REFORM

Several major events in Liberia’s recent history lie behind the country’s need for economic governance reform, namely, the long period of conflict; a difficult economic recovery following the conflict; and the start of a new, democratically elected administration.

Descent into war and emergence from conflict

Liberia’s economic problems began before the first outbreak of conflict in 1989. Even then, the country was marked by deep social and economic divisions, and Samuel Doe’s coup d’état in 1980 began a decade of gross mismanagement until his assassination in 1989. Between 1987 and 1995, Liberia’s gross domestic product (GDP) fell by an astonishing 90 percent, and by the time elections took place in 2005, average income in Liberia was one-fourth of what it had been in 1987 and one-sixth of what it had been in 1979.

Finally, after 14 years of instability covering two civil wars, the Accra Comprehensive Peace Agreement signed in August 2003 provided for a National Transitional Government of Liberia (NTGL) to guide Liberia toward elections in late 2005. The country faced enormous reconstruction needs, and international donors stepped in to help set Liberia on the path to recovery. The transitional government took several initial steps toward addressing economic governance issues. The chairman of the NTGL signed Executive Order No. 2, which consolidated all government accounts at the Central Bank of Liberia (CBL). The government requested audits of practices under the past regime. The Results-Focused Transitional Framework (RFTF), meanwhile, set out a comprehensive reconstruction framework. The transitional government also partnered with the World Bank, the International Monetary Fund (IMF), and the European Community (EC) to work on issues related to governance, economic revitalization, and financial management.

Persistent fiscal problems and the genesis of GEMAP

Following a hopeful start, doubts surfaced at the end of 2004 about the NTGL’s commitment to improving economic governance and fighting corruption, while Liberia’s overall economic recovery remained sluggish. A group of international partners known as the International Contact Group (ICG) expressed concern that the lack of economic progress would threaten peace. Audits commissioned by the EC in early 2005 revealed widespread corruption, not just during the time of the Taylor regime but also during the NTGL. At a review of RFTF progress in May 2005, many international partners focused on the mismanagement of public resources as a primary reason for the sluggish recovery, kick-starting negotiations with the NTGL for a more robust international engagement on public financial management in Liberia.

The NTGL was reluctant to submit to international partners’ recommendations. For the NTGL, the two main points of contention were the submission of GEMAP for UN Security Council endorsement and the international recruitment of the chief administrator of the CBL. Only after repeated threats of halting all international aid did the NTGL representatives agree to GEMAP. In the end, explicit
linkage to the UN was removed, although the exit from GEMAP was now linked to Liberia reaching the Enhanced HIPC Completion Point. This had the benefit of both tying the completion of GEMAP to a significant incentive (clearing Liberia’s enormous debt burden) and providing detailed triggers that could be determined at a later date, because the triggers in a HIPC program generally relate to public financial management and goals that are in concert with GEMAP.

Broadly, GEMAP targeted transparency in public financial management and revenue collection, expenditure controls, and government procurement and concession practices. Thus conceived, GEMAP ambitiously sought to accomplish six objectives: securing Liberia’s revenue base, improving budgeting and expenditure management, improving procurement practices and granting of concessions, establishing effective processes to control corruption, supporting key institutions, and capacity building.

A key innovation undertaken as part of GEMAP was the system of internationally recruited financial controllers posted alongside Liberians in key agencies. This system was meant to enable the controllers to help establish transparent financial procedures, train and build local capacity from within the agencies, and report on revenue and spending. The centerpiece of GEMAP design, for which it is known internationally, is the cosignatory authority these experts wielded, which ensured that no major financial transactions could take place without being scrutinized by both a Liberian manager and an international adviser. The basic GEMAP goal was to “ensure that all revenues due to the government are collected, and [that] those revenues are spent according to a budget,” all in an environment of increasing transparency.

Although GEMAP was intended to be an interim plan for the body of international partners involved in postconflict reconstruction in Liberia, in practice it provided an embedded control system to maintain a transitional economic governance framework. The intention was to ensure that government and donor resources were secured and channeled through the budget, but the overall setup was one of increased oversight. In the end, it would be up to the government to put in place the internal systems and use the space that this oversight afforded in order to set up long-term systems.

**Elections and the Sirleaf administration**

Liberia’s Economic Governance Steering Committee (EGSC) held its inaugural meeting in October 2005, one month after the signing of GEMAP. There was little progress on GEMAP implementation at that point, because Liberia was focused on the elections. The IMF, which had cut off relations with Liberia during the war, began discussions about providing assistance to the country and possibly instituting a staff-monitored program.

At her inauguration in January 2006, Ellen Johnson Sirleaf acknowledged the scale of the challenge of rebuilding the war-torn country. Toward this end, the administration announced its “150-Day Action Plan” shortly thereafter. The plan detailed the objectives and deliverables that both it and the donor community would assume upon taking office. The 150-Day Action Plan organized the administration’s work into four pillars: expanding peace and security, revitalizing economic activity, strengthening governance and the rule of law, and rebuilding infrastructure and providing basic services.

Revitalizing economic activity and strengthening governance, in particular, are both closely related to the areas covered by GEMAP. While the capacity for overlap between the administration’s 150-Day Plan and GEMAP was certainly possible—as was the possibility, at the time of GEMAP’s creation, that the new administration would not want to work within the GEMAP framework—the scenario played out otherwise. A passage from President Sirleaf’s inauguration speech addresses the issue directly:

> “If we are to achieve our development and anti-corruption goals, we must welcome and embrace the Governance and Economic Management Program (GEMAP) which the National Transitional Government of Liberia, working with our international partners, has formulated to deal with the serious economic and financial management deficiencies in our country.

> We accept and will enforce the terms of GEMAP, recognizing the important assistance which it is expected to provide during the early years of our government. More importantly, we will ensure competence and integrity in the management of our own resources and insist on an integrated capacity building initiative so as to render GEMAP nonapplicable in a reasonable period of time.” (Sirleaf2006)

In short, the new administration recognized that with scarce government resources and limited capacity, the international community would play a prominent role in Liberia’s reconstruction and economic governance reform.
KEY COMPONENTS OF THE APPROACH TO ECONOMIC GOVERNANCE REFORM

The simultaneous timing of the GEMAP implementation and the change in administration in Liberia is an important one, because the government of Liberia is both the driver of interventions and the target of change. Clearly, this duality complicates assessments of causality. In addition, GEMAP’s broad objectives and multiple actors mean that it is “difficult to trace the boundaries of GEMAP assistance,” as noted in a midterm GEMAP evaluation (Morsiani et al. 2008, 13). Finally, GEMAP and the change in administration were necessarily complementary from the start, with GEMAP providing a set guideline the government could rely on but would also be constrained by. Indeed, GEMAP was meant to provide a transitional economic governance system and enable long-term systems to be put in place. The key question to focus on then is the appropriateness of the GEMAP interventions and their effect on government policy initiatives.

While GEMAP was an extensive initiative, its essential thrust was clear. As stated in an early World Bank/UN joint review, “GEMAP is notable for three key features: the scope and intrusiveness of its key features, the consistency of its features throughout the negotiating process, and a lack of detail on funding and implementation” (Dwan and Bailey 2006, 19). The “intrusive” key feature referred to the cosignatory authority for state-owned enterprises (SOEs), the Ministry of Finance, the Bureau of the Budget, and the CBL; the position of chief administrator was created in each of these agencies to be the cosignatory with the international financial expert. Additionally, linking the exit from GEMAP to Liberia achieving HIPC completion shows the imposition of forces outside Liberia on the program, despite GEMAP’s mentions of the “full respect for the sovereignty of Liberia.” (Government of Liberia 2005).

Other GEMAP features, such as support for Liberia’s General Auditing Commission and the Public Procurement and Concession Commission, are also important. Those features, however, do not differ substantively from international postconflict reconstruction programs in other countries, and much of the work process related to them could be completed outside the general framework of GEMAP. Indeed, the other interventions contain much less detail about how they are to be implemented, underlining the centrality of the cosignatory aspect of GEMAP.

Establishing space for reform was also a key component of GEMAP. At the time of its formulation, an optimistic outcome for GEMAP would have been its full utilization by an incoming administration. At the least, though, it could have been a fail-safe within the government and a way for external agencies to place some checks on corruption in the absence of domestic impetus. That said, GEMAP also left ample room for domestic authorities to implement it in either more extensive or more limited ways, partly through the vagueness of such areas as capacity building, but also in the possibility that GEMAP would enable more resources to be channeled through the budget.

The Sirleaf administration approached its governing plans thoughtfully and outlined its key goals and tactics from the start. These plans can be traced to the 150-Day Action Plan, a framework similar to Poverty Reduction Strategy Papers prepared by IMF and World Bank member countries. That framework, which was announced at the start of the Sirleaf administration, would continue to form the overall strategic governance platform as the administration embarked on an iterative process that moved from the 150-Action Plan to an Interim Poverty Reduction Strategy Paper in 2007 to a full Poverty Reduction Strategy Paper in 2008. The administration also used the poverty reduction strategy program as an opportunity to set out annual plans for economic governance reforms. In fact, it could be argued that the government’s iterative planning process, including efforts such as the IMF’s Staff Monitored Programs and the Poverty Reduction and Growth Facility, are part of the GEMAP process insofar as they are linked to the Enhanced HIPC Completion Point.

From the start, the Sirleaf administration exerted bold political leadership and made concerted efforts to work with donors collaboratively and ensure coordination. In particular, the administration supported a series of locally sourced and targeted interventions in key ministries and agencies, while making use of donor resources and coordination. Also key in the administration’s plans was its effort to make effective use of donor resources. Given the ravaged state of the country at the end of the war, the administration recognized from the start that the reconstruction of Liberia would require significant external assistance. The challenge was to channel the resources effectively, no easy task given the multitude of partners, projects, and methods of funding. Flow of donor information was poor, and only in the 2009/10 national budget were preliminary estimates of total aid to Liberia collected by the government.

The Sirleaf administration introduced a new mechanism to coordinate government and donor activities: the Liberia Reconstruction and Development Committee (LRDC). The LRDC’s Steering Committee was initially kept small, to allow decisions to be made more quickly and easily, and resembled a subcabinet group chaired by the president. Members of the Steering Committee included four
ministers, each with responsibility for one of the reconstruction pillars, and representation by the four largest donors (the United States, United Nations, World Bank, and the European Commission). Representatives of the Economic Community of West African States (ECOWAS) and of the IMF joined meetings, as did other donors and ministers when appropriate. The Steering Committee met every two weeks at the start of the Sirleaf administration, reflecting the large amount of work to be done, before moving to monthly meetings.

The LRDC resembled, in some ways, the Economic Governance Steering Committee envisioned by GEMAP. By adopting an administrative structure that mirrored the substantive pillars of the government’s own comprehensive action plan, as well as including key donors, a small group of decision makers was able to make policy decisions and ensure coordination across efforts. The LRDC also allowed problems to be addressed as they emerged, permitting donors to see and participate in the decision-making processes of the government and understand the realities the politicians faced. The strength of this arrangement was ultimately reflected in the decision in 2009 to merge the EGSC gatherings into the LRDC.

At their core, both GEMAP and the incoming Liberian administration’s plans attempted to accomplish the same goals. GEMAP provided an external oversight and control function, while the government was responsible for carrying out the actual reforms. After several years, it is now possible to investigate the underlying efforts and examine their gains. As discussed earlier, GEMAP’s objectives were broad and ambitious, which has made it difficult to take stock of the program’s effectiveness. Further fuzziness around the program’s edges is the result of programs undertaken by GEMAP’s international partners on behalf of the government of Liberia but not explicitly outlined within GEMAP. Given the broad scope of public financial management and establishing fiscal accountability and transparency, the focus in the future will need to be on two priority areas: securing Liberia’s revenue base and establishing an effective expenditure process.

**Improving revenue collection**

Securing Liberia’s revenue base was a primary initial goal of both the Sirleaf administration and GEMAP. Indeed, first on the list of GEMAP components is financial management and accountability. As described in the GEMAP agreement, “It is critical to protect the revenue streams of key revenue generating agencies and institutions, as well as to secure the revenues from customs duties, import levies and taxes” (Government of Liberia 2005). For the administration, procedures to improve tax collection were included in the 150-Day Plan under the banner of “economic revitalization,” while increased revenues were central to its ability to begin to fulfill its campaign promises.

The scale of the revenue collection problem was enormous. In fiscal year 2004/05, the government received only $75 million in taxes, although it had spent more than $85 million a year between 2000 and 2005. Corruption affected public spending at all levels of government. Spending per capita of only about $25 was already among the lowest in the world, and for the government to begin showing peace dividends and deliver urgently needed services to its citizens, revenue had to be raised quickly. The international community noted in the GEMAP that progress on increasing revenue collection was not fast enough under the NTGL, saying that “large leakages were taking place due to difficulties in fiscal administration, absence of verifiable mechanisms for financial control, and malfeasance” (Government of Liberia 2005). GEMAP designers also focused on the need to enforce the NTGL Executive Order mandating that all revenue due to the government be consolidated by the CBL.

While financial management was weak across government, GEMAP noted that “SOEs present particularly large risk given their weak management and operational structures and systems” (Government of Liberia 2005). This concern was reflected in GEMAP’s primary instrument for enforcing financial management and accountability. Perhaps influenced by the audits of the SOEs that had been conducted by the EC during the NTGL, GEMAP led to the imposition of management contracts and international controllers for several SOEs (the National Port Authority, Roberts International Airport, the Liberia Petroleum Refinery Corporation, the Forestry Development Agency, and the Bureau of Maritime Affairs) and backed an adviser in the Bureau of Customs and Excise and a new post of chief administrator in the CBL.

In hindsight, the focus of GEMAP on placing experts at SOEs may have been misdirected, because the SOEs were somewhat peripheral to the central government’s operations. The Forestry Development Authority, which would have been the focal point for forestry revenues, was not as important after the implementation of UN sanctions on timber exports. That was also true for SOEs as a whole, because in the absence of profits that can be turned over as dividends, there was little financial connection between the central government and SOEs. In fact, the only transfer to the government from SOEs during the first few years of the
administration was $1.7 million from the LPRC in 2007. As a GEMAP evaluation report noted, total revenue collection by the Ministry of Finance in fiscal year 2006/07 was $139 million—approximately four times the combined gross revenues of the four SOEs with GEMAP controllers (Dod and Nelson 2008).

As for the Bureau of Customs and Excise at the Ministry of Finance, which collects over half of government revenue, the improvement in revenue performance has not been a result of GEMAP. An evaluation of the first short-term expert working in those two agencies found him to be of substandard quality, and three years after the signing of GEMAP there had been no systematic donor support under GEMAP auspices (Morsiani et al. 2008). In fact, government action and IMF support were much more salient in improving revenue collection, as evaluations have concluded. A U.S. Agency for International Development (USAID) report, however, has noted that while there have been efforts under GEMAP to support systemic improvements in revenue collection in Liberia, particularly in the customs arena, the assistance was “not being fully utilized for the benefit of Liberia” and has produced little follow-up for functions that had been installed (Dod and Nelson 2008).

How, then, was the Liberian government able to have a nearly instantaneous effect on revenue collection? The 150-Day Plan announced a target of increasing revenues by at least 15 percent year-on-year, and indeed, the overall revenue from international trade increased by 35 percent in the first five months of the Sirleaf administration (Dod and Nelson 2008). This was accomplished largely by better use of solutions already proposed. As the new government came to office, customs payments were collected in an “unwieldy and complex manual system,” according to a GEMAP assessment (Dod and Nelson 2008). To address this, a technical expert from the U.S. Treasury designed an electronic computerized receipt system during 2005 in collaboration with USAID, the Ministry of Finance, and the CBL. However, the system was not fully used and reconciliation of the CBL/Ministry of Finance account did not begin until the new administration took office. By the end of January 2006, before any GEMAP advisers had been deployed across government, the newly installed Liberian authorities accepted only computer-produced receipts at the CBL. Liberian authorities also began to ensure more stringent preshipment inspections for goods moving through the port, and began to eliminate noncash tax payments—previously, the government had accepted “in kind” payments. This sort of insistence on adherence to existing rules and use of systems already in place allowed the government to produce the dramatic 35 percent increase in revenue collection, and in the process demonstrated newfound political will.

The government’s success in increasing revenues was not limited to collection of customs duties; in fact, it was real and sustained across several areas of the government. Customs duties nearly doubled in the first year of the Sirleaf administration, from $35.3 million in fiscal year 2005/06 to $69.9 million in 2006/07. This is all the more impressive considering that the percentage increase in imports during this time was much smaller (imports rose from $294 million in 2005 to $418 million in 2007). The government also began to reorganize its methods for collecting income taxes. Efforts in this area paid off immediately, with actual tax revenues increasing 19 percent between February and June 2006 (IMF 2006). GEMAP experts did not arrive in Liberia until mid-April 2006.

Table 7.1 shows that the increase in Liberian revenues was not limited to customs duties (shown in the table as international trade taxes). The deputy minister of revenue of the Ministry of Finance, in tandem with the IMF, introduced a

| Table 7.1 Revenue Collection in Liberia (millions of dollars) |
|-------------------|----------------|-------------------|----------------|-------------------|----------------|------------------|
| Revenue           | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
| Total revenue     | 56.0    | 79.3    | 84.6    | 146.8   | 200.8   | 211.3  |
| Total tax revenue | 55.3    | 75.7    | 81.0    | 140.0   | 168.8   | 190    |
| International trade tax | 24.3  | 30.2    | 35.3    | 69.9    | 79.1    | 87.9   |
| Income tax        | 9.4     | 28.4    | 25.1    | 42.5    | 52.6    | 65.8   |
| Goods and services tax | 21.3  | 16.9    | 20.3    | 26.1    | 34.9    | 33.7   |
| Other             | 0.3     | 0.3     | 0.3     | 1.4     | 2.2     | 2.6    |
| Nontax revenue    | 0.8     | 3.6     | 3.6     | 6.9     | 32.0    | 21.4   |
| From SOEs         | 0       | 0       | 0       | 1.7     | 0       | 0      |
| Grants            | 3.0     | 1.0     | 1.0     | 1.5     | 0       | 23.6   |

Source: IMF Liberia Program Reviews.
series of actions aimed at both short- and medium-term revenue collection. A partial list of actions includes computerization of the tax payment system; strengthening customs administration and steadily reducing exemptions; increasing penalties for not undergoing preshipment inspection, reorganizing the tax collection system into large, medium, and small taxpayer units, with an emphasis on the large taxpayer units; and increasing the excise tax on beer and cigarettes. The turn away from exemptions and short-term fixes that had been common during the periods of instability in favor of modernization of tax collection and rules-based collection is reflected in an increase in the income tax revenue take of more than 50 percent during the first year of the Sirleaf administration.

Another central platform in the GEMAP effort to increase revenue collection in Liberia was the institution of the chief administrator position at the Central Bank of Liberia. The original idea was for the administrator to serve under the guidance of the governor of the CBL, to possess binding cosignatory authority on operational and financial matters, to advise on banking operations and to emphasize internal controls and audits. These plans never came to fruition, however, because the governor of the CBL considered the cosignatory arrangement unacceptable and the first GEMAP adviser found it difficult to work within the system and left the position after 15 months. After this, a GEMAP adviser was placed at the CBL in a revamped position, focused more on operational matters.

The second GEMAP adviser was able to contribute significantly to improvements in the CBL system. The CBL was able to register surplus in its financial position, introduce a travel policy harmonized with the rest of the government, and increase its dollar reserves from $6.4 million at the start of 2006 to $35.1 million in 2007. The midterm GEMAP evaluation, though, recommended “a careful scrutiny in the effectiveness of GEMAP assistance to CBL given the fact that the conflicts it creates are not conducive to the achievement of results” (Dodd and Nelson 2008).

Despite their successes, GEMAP efforts were a relatively small part of the overall task of improving revenue collection in Liberia, primarily because of GEMAP’s targeting of SOEs. During the war and the NTGL period, resources continued to flow to SOEs and agencies, while the central government remained weak. Centralization of government accounts significantly reduced opportunities for leakage. Although GEMAP’s support to SOEs was useful in improving those institutions’ performance, it was peripheral to the revenue recovery led by government efforts and non-GEMAP-related donor support. This finding is echoed in evaluation reports, which found that GEMAP performed “unremarkably” in regard to the improvement of central banking and securing revenue at the Bureau of Customs (Morsiani et al. 2008).

### Establishing an effective expenditure process

Just as important as improving revenue collection in Liberia was increasing the transparency and effectiveness of public spending. One of the stated aims of the government was to “restore the government’s credibility in using the country’s scarce resources efficiently and effectively,” while a primary GEMAP objective was to improve the controls in public expenditures. Gains in effective expenditure, however, are more difficult to isolate than gains in revenue collection, because metrics of the quality and efficiency of spending are generally not objective or are unavailable in Liberia.

During the NTGL period, the meager amounts of revenue the government collected were not spent effectively, and reports were widespread in the Liberian media of corruption and similar accusations among various factions in the NTGL. Because the Bureau of Budget was initially operationally independent from the Ministry of Finance, the structure required cooperation and collaboration in budget formulation and execution. Past governments, meanwhile, had kept the national budget secret and allowed unlimited transfers between line items at the executive branch’s whim. Procurement did not follow standardized procedures. In short, the structure the Sirleaf administration inherited did not fit its aims.

As an interim measure, foreign policy advice and technical assistance during the NTGL established a cash-based balanced budget with budget execution handled through the Cash Management Committee (CMCo), which consisted of the Bureau of Budget and Ministry of Finance officials, who approved all government expenditures. To introduce better procurement practices, international partners helped draft a new Public Procurement and Concessions Act. By the time of the 2005 IMF Article IV consultation, however, IMF staff found that “significant expenditures were still made without the committee’s prior authorization” and that the CMCo was “not operating as intended” (IMF 2005). Reviews of the Ministry of Finance found that it “operated in constant crisis mode, with the CMCo under constant and enormous pressure to clear payments,” while “poor documentation, thirty stages of voucher review, lack of information and opaqueness regarding prioritization exacerbated [problems]” (Morsiani et al. 2008). With no reliable estimates of budgetary receipts and balances, it was hard for...
line ministries to learn of their budgetary allotments, and the lack of commitment controls led to a buildup of government liabilities. By the end of 2004 the government had approximately $12 million in domestic arrears, roughly 15 percent of the total budget.

GEMAP interventions aimed at improving budgeting and expenditure management consisted of the establishment of an Integrated Financial Management Information System and the placement of advisers with cosignatory authority in the Bureau of Budget and Ministry of Finance. The incoming government also took action in this area, indicating in its 150-Day Action Plan that the CMCo should be effectively operational upon the start of the new administration in January 2006. In this case, the work done by GEMAP and the government were mutually reinforcing.

Expenditure controls first took root through the CMCo, which quickly began to function effectively and arguably became one of the successes of GEMAP and the government. Under GEMAP’s commitment control system, all purchase orders and expenditure vouchers from line ministries were submitted to the CMCo, which verified that each proposed expenditure was consistent with the spending agency’s monthly expenditure allocation and compliant with the procurement law. The CMCo also ensured that there were sufficient funds in the government’s accounts at the CBL. The system in which payments required CMCo authorization prevented expenditure arrears and unauthorized government purchases. Although similar systems had been in place beforehand, they were cumbersome, had little political support, and consequently were rarely enforced.

In a September 2006 review, IMF staff found that Liberia’s commitment control system had been well implemented. From the start of the administration, no new arrears accumulated and all expenditure authority was consolidated with the CMCo. Through public notices, the government made it clear that commitments not accompanied by CMCo vouchers were not legal claims on the government. Although the foreign adviser at CMCo likely played a significant role, CMCo also had a foreign adviser during the NTGL period. What changed with the Sirleaf administration was not the presence of a foreign adviser but the political environment and support for that adviser.

Within the Bureau of the Budget, complementary improvements were implemented. Even before the GEMAP-recruited adviser began to work with the Bureau of the Budget in April 2006, there was increased communication with ministries to ensure that commitments did not exceed available revenues. The task of the Bureau of the Budget, however, was complicated by the importance of both short- and medium-term targets: the monthly allotments and current budget had to be executed appropriately, while the following year’s budget had to be prepared simultaneously. The arrival of the GEMAP adviser brought increased focus on both immediate controls in terms of cosigning of allotment requests and capacity building through training of staff at the Bureau of the Budget. The importance of the adviser was also discernible in reports noting instances of abuse when the adviser was temporarily absent (Dod and Nelson 2008).

In the lead-up to the merger of the Bureau of the Budget and the Ministry of Finance, reactivation of Liberia’s inter-agency National Budget Committee led to improved coordination and oversight of both budget policy formulation and expenditure. In addition, the budget preparation process became more open and participatory, particularly during the fiscal year 2007/08 budget cycle, when both the GEMAP adviser and local staff began to focus on long-term planning and processes. This sequenced intervention—first providing for the immediate stabilization of the procurement system and then moving toward long-term planning—was an example of effective implementation of the GEMAP.

A key enabling factor for Liberia’s success in establishing an effective expenditure program was senior management at both the Ministry of Finance and Bureau of the Budget. Given the political nature of a budget in a democracy, this also involved strong links with Liberian civil society, and the lengths to which the administration went to work with civil society were rewarded with a relatively high Public Expenditure and Financial Accountability (PEFA) score of “B” by 2007.4

While Liberia should be lauded for its success in managing its budget and expenditures, it should also be noted that the Integrated Financial Management Information System did little to improve Liberia’s budget and expenditure reform process. As of 2010 the system still had not been implemented. On the other hand, the Resource Management Unit, the pool of donor money originally intended to fund technical assistance and support for the system, was able to be used to attract talent to and finance a management training school and an aid management unit within the Ministry of Finance. In fact, the RMU became an adaptable method of ensuring that the Ministry of Finance received technical assistance for its changing needs and could fill immediate capacity gaps where advisers had direct operational responsibilities. With this flexible setup, Liberian leaders were able to implement their own programs and initiate the day-to-day operational work needed to get Liberian institutions running effectively again.
Overall, evaluation reports are favorable for GEMAP on securing and stabilizing revenue collection and improving expenditure management, despite the fact that the processes were not fully in line with what was intended at program conception. That said, the GEMAP-appointed advisers at the Ministry of Finance and Bureau of the Budget had a positive impact, and reports suggest cosignatory authority was useful in these cases, although the advisers were also significantly enabled by the leadership in various ministries. In both expenditure management and budget coordination, GEMAP was able to play a role in stabilizing the system and creating capacity for more significant reforms to take place. How this capacity would be used, however, is another question. Several additional accomplishments made under GEMAP are illustrated in box 7.1.

**THE LINK BETWEEN THE GOVERNMENT OF LIBERIA AND GEMAP**

While it is difficult to assess how the Liberian government would have performed in the absence of GEMAP, it is clear that without government buy-in, GEMAP would have operated very differently. In the case of revenue collection, the Liberian government acted almost independently of GEMAP, driving the reform process, whereas in establishing expenditure and budgeting controls GEMAP had a larger role in helping the government stabilize the system. The commitment and actions of the government in Liberia to the changes in public accountability are striking, yet many stock-taking reviews have focused only on the role of GEMAP. Any overall report card for the administration's performance, on economic governance or otherwise, is perhaps complicated by the government of Liberia being both an agent and target of change. Still, the effect of the change in political leadership in the sequence of reform is undeniable. Figure 7.1 provides an overview of the timeline of economic governance reforms in Liberia.

Without a doubt, the shift between the NTGL period and the Sirleaf administration in terms of economic management was marked. President Sirleaf was democratically elected, selected members of her government, and had a comprehensive plan to rebuild Liberia. She signaled a clear break with the policies of the past, and one of the first agenda items in the new administration's 150-Day Action Plan was to dismiss all NTGL political appointees from the Ministry of Finance. She also endorsed GEMAP in her inaugural speech and included GEMAP implementation benchmarks in the 150-Day Action Plan. Political leadership, then, was clearly important to both the functioning of GEMAP and the change in economic governance. GEMAP evaluators recognized this. Indeed, without this change in leadership, GEMAP's operations would necessarily have been vastly different.

All of this said, the openness of Liberian politicians to receiving technical assistance and accepting foreign advisers working alongside them is also striking. In part, it reflects the scale of work that needed to be accomplished. It likely also reflects a country in which both the president and the minister of finance were international technocrats with significant policy-making experience. Either way, it made for a collaborative process that helped to drive economic governance reform forward.

Government buy-in was particularly important in Liberia's case because at its core, GEMAP established only a

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**Box 7.1 Other Accomplishments under GEMAP**

GEMAP consisted of six pillars. In addition to the pillars focused on improving revenue collection and establishing effective expenditure processes, the GEMAP pillars focused on supporting key institutions and establishing effective processes to control corruption.

These two pillars had contrasting outcomes. In the first case, the evaluation teams appointed by GEMAP to support the General Auditing Commission were successful, playing a strong role in rebuilding institutional and capacity building. The European Community provided long-term technical support, financed an auditor general position (currently held by a Liberian) and the refurbishment of the General Auditing Commission, and provided general advisers. The result has been an independent General Auditing Commission that provides, in a very public manner, an ex post check on fraud and support for accountability.

By contrast, the Liberia Anti-Corruption Commission has yet to take off. Although donors explicitly outlined an Anti-Corruption Commission in the GEMAP document, the legislation to establish such a commission did not pass until 2008, and then donor funding support proved to be lacking.
transitional economic governance framework that merely created the space for the government to carry out the more operational aspects of reform. While a GEMAP-style program might work in the case of a hostile recipient government, such a situation is unlikely. One program, the USAID-sponsored “Liberia Economic Stabilization Support Program,” which strongly resembled GEMAP, can serve to inform the feasibility of GEMAP under a different governance regime. Implemented in 1989, that program sought to improve revenue collection and expenditure control by giving 17 experts financial control over government accounts (Dwan and Bailey 2006). Its failure in less than a year underscores the importance of dynamic leadership and political will.

GEMAP certainly complemented the government’s efforts and put in place a stop-gap system, but questions still surround the mix of its activities. Although GEMAP’s intention, in part, was to lay the foundations for reform, the activities carried out under it concentrated on keeping the system moving forward as constructed. The implementation of the CMCo and financial controllers, for example, while successful, left most of the heavy lifting in terms of long-term building of systems to the government. So, while the interim controls carried out under GEMAP were successful in helping to prevent new arrears and rooting out opportunistic corruption, their effectiveness resulted in a top-heavy structure that led to a difficulty in allowing a more successful rollout of spending.

By 2008 it was apparent to both the government and its international partners that a lack of capacity at the line ministry level was hindering the effective implementation of the government’s agenda. Difficulties implementing the procurement law led to a slowdown in critical government spending that GEMAP’s stop-gap, concentrated measures were not equipped to address. The capacity building that GEMAP was supposed to deliver could possibly have removed this bottleneck but did not materialize in a significant way. Instead, the focus on the immediate controls reduced the long-term relevance and effectiveness of GEMAP, leaving the government to drive the capacity-building agenda with donors.

In addition to enabling GEMAP to be a success, the political leadership in Liberia also took independent actions to improve financial management and transparency from the
start. In her inaugural speech, President Sirleaf promised that there would be actions taken “so as to render GEMAP unnecessary,” implying that she intended for the new administration to target not just GEMAP actions but also the larger economic governance areas that GEMAP covered. In the end, the Liberian government’s drive for reform outgrew the outlines of GEMAP assistance once the system had stabilized.

**FURTHER CAPACITY FOR ECONOMIC GOVERNANCE REFORM**

Despite significant progress since 2005, Liberia is still a fragile state, and much work remains to be done. That said, criticism of the government or of donor interventions should not downplay the enormity of the tasks before it just five years ago, and many of the concerns today were not of top priority during the initial launch; when stabilizing the economy was the government’s unique focus.

Liberia’s most problematic economic governance shortfall continues to be capacity building, the most vaguely defined objective in the GEMAP program document, which noted the other components would be accompanied by “a plan and resources to enable major progress for capacity building” (Government of Liberia 2005). In general, capacity building has never been a priority under the GEMAP program. A two-year capacity-building training program at the Ministry of Finance, though useful, is the only explicit capacity-building initiative conducted under GEMAP auspices. More informal programs took place in other ministries.

One GEMAP evaluation reported that even though line ministries and agencies were committed to economic governance improvements, their lack of capacity severely limited their performances. This shortcoming was exacerbated by a new public procurement law that, while necessary, decentralized procurement without first building capacity to facilitate its implementation. Overall, however, the will to retrain Liberian government workers on new procedures and regulations has been lacking, and the role of GEMAP in capacity-building initiatives has not always been constructive.

In hindsight, GEMAP should have paid closer attention to capacity building from the start. Rather than allowing its focus to pivot as needed based on the situation in Liberia, it appears that GEMAP efforts focused on form, rather than function, with too much focus on SOEs, despite GEMAP reviews suggesting a change in focus. One evaluation noted that, “When best practices are in place, cosignature arrangements are not a function of control but complement capacity and institutional building” (Morsiani et al. 2008) and recommended a transition from a focus on immediate controls to longer-term system building.

The Sirleaf administration made its views clear early on. In a paper prepared for the Liberian Partners Forum in February 2007, the administration gently noted that donors continued to focus on the short term: “Previous breakdowns in governance led to considerable focus being placed on the ‘cosignatory’ aspects of GEMAP. Considering the progress and positive changes that have taken place in the leadership of the country, [the government of Liberia] has encouraged partners to focus on the development of attitudes, systems and procedures that can promote and sustain integrity, rather than on a transient policing role” (Government of Liberia 2007).

While this focus on stabilization was appropriate and useful to economic governance reform in an immediate postconflict situation, a second phase was needed to deepen upstream and downstream controls on spending, including building up internal and external audits and increasing the public procurement capacity in spending agencies, a task that GEMAP frequently bypassed. The controls introduced under GEMAP were at best transitory, and it is possible that they were actually a hindrance to establishing deeper, more strategic reforms. Indeed, despite GEMAP efforts to strengthen systems, most donors have yet to trust Liberia with budget support. Like GEMAP’s transitional systems, donors continue to intervene in Liberia in an ad hoc fashion, from providing project support to multidonor trust funds to contributing to a variety of parallel implementation units designed to work around the Liberian system rather than build it up.

As further confirmation of the need for sustained capacity-building efforts in Liberia, the national capacity development plan currently being formulated under the auspices of GEMAP (the same report discusses progress on the implementation of Liberia’s poverty reduction strategy) finds that capacity building is the primary constraint to faster progress on economic governance reform in Liberia. Without the capacity to implement, the long-term systems upon which sustained success depends will remain elusive.

**KEY LESSONS LEARNED FROM THE LIBERIAN ECONOMIC GOVERNANCE EXPERIENCE**

Despite the difficulties in attributing causality to governance policy interventions given the two policy changes that took place in early 2006, it is possible to draw lessons from Liberia’s public financial management gains.
- Placing international advisers in postconflict environments can be useful in some cases. The GEMAP program was primarily aimed at top-down controls, and this target was appropriate and valuable in the Ministry of Finance and SOEs in the initial transitional NTGL period given the situation at the time. Building up systems, however, requires more than top-down checks on abuse. For the most part, stationing advisers in the ministries both helped Liberia fill immediate capacity gaps and established controls and set examples for those willing to follow them. This was dependent, however, on local authorities being open to the process. The consignatory process was useful in some cases, but GEMAP tended to be a focus on the process itself, rather than the function the reforms were to intended to carry out.

- **Finding the appropriate role for international partners is key.** In 2005 a key question in the process of economic governance reform appeared to be whether discipline could be imposed from the outside. While it is simplistic to view governance interventions on a continuum between international trusteeship and full country ownership, most people familiar with the situation in Liberia considered that a significant amount of external assistance was needed. In the case of Liberia, however, the government had changed by the time GEMAP was formulated, complicating assessment of how effectively GEMAP fulfilled its intentions. Indeed, GEMAP helped improve economic governance in Liberia, but only after the new administration changed the parameters of its operation.

- **Partners must strike a balance between capacity building and delivery.** Under GEMAP, international controllers were to serve two roles in Liberia. First, they were to impose temporary controls and give the government the necessary breathing space to put long-term systems in place. Second, they were to help fill in for the lack of capacity and help to build up the long-term systems from the inside. While those two roles are interrelated, the distinction between the two continues to matter. GEMAP was ostensibly designed to cover both, but the focus ended up being on delivery. Once Liberia’s top-level governance problems were resolved, capacity became the binding constraint to fully rebuilding government institutions, and by some accounts, GEMAP did not do enough to address that.

- **Provisions must be made for flexibility.** The timing of GEMAP, which was signed during the transitional government in Liberia, required that donors be flexible in their support of the incoming government. An economic governance reform program should, for example, be able to provide for rapid-progress scenarios. Although GEMAP met with success in several of its interventions, it focused on the control process and did not go much beyond it, which lessened its impact in terms of building institutions that go beyond the initial stabilization of the system.

In terms of revenue collection, for example, the initial GEMAP interventions targeted SOEs, which were important but not especially relevant for long-term fiscal gains in Liberia. More generally, as pointed out in one evaluation, “assistance provided by GEMAP partners outside GEMAP arrangement were... more relevant to the specific needs of the various institutions” (Morsiani et al. 2008).

- **Supporting local leaders can improve economic governance outcomes.** Ultimately, success in economic governance reform depends on local efforts, and leadership in particular was a key ingredient in Liberia’s success. Additionally, local leaders took charge of programs through constant dialogue with donors and took ownership of the reform process. Although it was impossible to know at the time GEMAP was signed whether the new administration would fully support the program, the new administration found GEMAP to be, in the words of President Sirleaf, “a necessary intrusion.” Indeed, the reform progress under GEMAP was only a start for the government, and the impetus provided by the new government in addressing economic governance, implementing strong expenditure controls, and securing and expanding revenue cannot be underestimated. In the end, strong leadership may be both the most relevant point and the hardest to replicate.

### NOTES

1. Special SDR allocation included.
2. For more detailed discussions on the genesis of GEMAP, see Dod and Nelson (2008).

### REFERENCES


