



USIPeace Briefing

May 2008

For more information:
info@usip.org

Is Liberia's Governance and Economic Management Assistance Program a "Necessary Intrusion?"

By Raymond Gilpin and Emily Hsu

Introduction

Improving economic management after almost two decades of violent conflict and civil unrest has been a top priority of Liberian President Ellen Johnson Sirleaf's reform agenda since her January 2006 inauguration. In April 2008, her administration could point to appreciable improvements in fiscal performance and economic progress, signs that the desired enhancements in economic management may have started to materialize. Many observers speculate whether these developments could be attributed to the country's multi-stakeholder Governance and Economic Management Assistance Program (GEMAP). If so, what lessons could be learned for other post-conflict countries?

At an April 9, 2008 USIP event on the subject, Liberian Finance Minister, the Honorable Antoinette Sayeh, reflected on GEMAP's impact, highlighted some challenges and discussed its applicability as a model for other countries. While recognizing the program's contributions, she emphasized that it is only one component of a much broader framework of reforms initiated since 2006. Sayeh also underscored the vital leadership role that President Sirleaf has played in the design and implementation of Liberia's public expenditure reform program.

Responding to Sayeh's remarks were Eric Nelson, Principal Associate at Nathan Associates (Virginia, USA) and Raymond Gilpin, director of the Economics and Conflict Center of Innovation. Daniel Serwer, vice president of the Center for Post-Conflict Peace and Stability Operations, moderated.

GEMAP Overview

After assuming office in 2003, the National Transitional Government of Liberia (NTGL), established under the Accra Comprehensive Peace Accord, failed to control public expenditures, generate adequate revenues or utilize the country's resources in a judicious, transparent manner. Mindful of the centrality of sound economic policies and governance in peacebuilding, a consortium of regional and international stakeholders initiated a process of consultations with the NTGL to design a mechanism to ensure that donor and national resources are used efficiently and effectively.

Following months of difficult negotiations, concerns about perceived infringements on Liberia's sovereignty, the release of a comprehensive audit report on public enterprise financial mismanagement in Liberia (funded by the European Commission), an investigation of corruption within the office of the NTGL Chairman (funded by the Economic Community of West African States (ECOWAS)) and threats of major donors to withdraw all support, the NTGL signed the GEMAP agreement on September 9, 2005¹. GEMAP's main focus areas are listed in Box 1.

Box 1: Six Components of GEMAP

- Securing Liberia's Revenue Base
- Improving Budgeting and Expenditure Management
- Improving Procurement Practices and Granting of Concessions
- Establishing Processes to Control Corruption
- Supporting Key Institutions of Government
- Capacity Building

source: <http://www.gemapliberia.org/pages/components> (accessed 04/24/08)

The most prominent feature of the program involves imposing rigorous controls on public expenditure by placing internationally recruited experts with co-signature authority in key ministries, agencies and state-owned enterprises. Many analysts consider GEMAP to be one of the most innovative experiments in economic intervention in recent history. The Economic Governance Steering Committee, chaired by the Liberian head of state with the U.S. ambassador to Liberia as deputy chair, provides oversight for GEMAP's implementation.

Finance Minister Assesses Progress in Economic Governance

In evaluating the impact of GEMAP in Liberia, Sayeh discussed the program's successes and challenges within the context of much broader governance reforms instituted by the Sirleaf administration since 2006. She underscored the administration's "extraordinary commitment to reform," emphasizing that GEMAP has been complementary to national efforts to reduce corruption, improve fiscal performance and build capacity, while promoting peace and prosperity for all Liberians.

"Since the inauguration of President Sirleaf's administration, Liberia has witnessed substantial progress in many of the areas targeted by GEMAP," Sayeh said. "However, it is difficult to disentangle which and to what extent progress has been a result of GEMAP's measures or of the administration's own commitment to significant public financial management reform, of which GEMAP has been one part."

Some Progress

- *Spending Controls.* Perhaps GEMAP's most visible and substantial contribution has been the strengthening of financial controls over public spending. The plan achieves this by assigning internationally-recruited experts to key financial institutions: the Liberian Central Bank, the Ministry of Finance in support of the inter-ministerial Cash Management Committee, and the Bureau of the Budget, among others. These experts are vested with co-signature authorities in public expenditure processes, going beyond the traditional "advisory" roles of technical assistance projects.

- *Transparency.* Transparency of financial processes has improved significantly. The government's budget along with quarterly and annual reports on financial and budget results are posted on the Ministry of Finance's website and printed in local newspapers. Additionally, the presence of a multilateral governance structure has opened Liberia's public expenditure processes to greater scrutiny than ever before. These developments bode well for the ongoing anti-corruption efforts.
- *Revenue.* Fiscal revenues have risen by 135 percent since 2006. Although projected revenue for the 2008 fiscal year is about \$185 million, mid-year data suggests that the government will "over perform." Sayeh explained that while GEMAP has contributed to the positive revenue performance, recent developments are rooted in administration efforts to reduce revenue leaks, establish tax identification numbers, create an automated bill payment system, and pass critical budgetary legislation.

Overcoming Challenges

- *Capacity Building.* The expectations raised by the recruitment of international experts have not fully materialized, particularly in the areas of skills transfers through on-the-job training and effective teamwork. According to Sayeh, this could be attributed to differing institutional cultures in the public service or broader civil service challenges—such as inadequate compensation or the lack of encouragement in adopting new skills. The minister suggested that Liberians must over time do more to assume the critical functions that GEMAP experts currently perform.
- *Communication Strategy.* While civil society is included in GEMAP oversight processes, there is a sense in broader Liberian society that the international community *imposed* the program, Sayeh said. Liberians see GEMAP as reflecting the international community's perspective on what needs to change in Liberia, and does not include enough of the indigenous perspective. This has aroused suspicion and fueled politically inspired criticism regarding the program's merits. All of the speakers at the event agreed that the Liberian authorities should develop and implement a more effective communications strategy that would enhance transparency and foster national ownership for GEMAP and the principles on which it is predicated.
- *Judicial Reform.* The relative weakness of Liberia's judicial system has constrained the administration's anti-corruption efforts. Initial drafts of the GEMAP agreement *proposed* the deployment of international judges and legal experts. However, the constitution prohibits foreign lawyers from practicing law in Liberia and defines the courts as sovereign institutions. Sayeh acknowledged that a functioning judiciary, a vital component of economic governance, is possibly the most significant challenge the administration has faced in implementing change. She agreed that rule of law issues must also be prioritized.
- *Speed of Reform.* Many Liberians believe that the expectations that GEMAP raised have not been fully matched by results. Sayeh explained that many viewed the

program as a panacea that *would* deliver wide-ranging results expeditiously. She acknowledged that while some progress has been made, the pace leaves much to be desired. She also highlighted difficulties in expediting the involvement of the Liberian diaspora, not only to participate in GEMAP by serving in leadership positions but also to provide enterprise skills to jumpstart the economy. While the minister identified existing programs aimed at recruiting Liberians living abroad through competitive salaries and support from Liberian embassies, it was agreed that more should be done to publicize these initiatives.

- *Addressing Corruption.* As part of a comprehensive strategy to enhance transparency and enforce accountability in Liberia's public sector, GEMAP has contributed to the government's campaign against corruption. Sayeh explained that under the leadership of President Sirleaf, the Liberian government has reviewed the legality of contract award, appropriateness and value-for-money of contracts signed by the NTGL administration; enforced pre-shipment inspection processes to improve revenue collection; and passed legislation restricting the latitude of executive authorities to reallocate among budgetary categories. However, significant loopholes that remain continue to undermine economic governance.

Moving Ahead

The minister recognized that while GEMAP continues to face a number of challenges, the experience has been largely positive. She attributes the program's achievements to two main factors. First, she emphasized President Sirleaf's strident leadership and unwavering commitment to improved economic management—in contrast to the reluctance and intransigence of the previous administration. Second, the Sirleaf administration has not implemented GEMAP in isolation, nor has it been considered a panacea. GEMAP is part of a much broader, country-owned reform process. Sayeh concluded by recalling sentiments expressed in President Sirleaf's 2006 inaugural speech: GEMAP is a "necessary intrusion," but one that the administration must "strive to render non-applicable in a reasonable period of time" by building competence and integrity in economic management.

Considering GEMAP's Applicability

While Liberia's GEMAP has had mixed reviews, there is some consensus that other post-conflict states could learn a substantial amount from the experience². The discussants, who offered their perspectives after the minister's remarks, echoed this idea.

"GEMAP works, but it doesn't work perfectly. There's still a lot of corruption, more on the petty scale than on the grand scale, and there have been errors," said Nelson, who was involved in GEMAP negotiations and subsequent implementation. In his view, the biggest drawback has been insufficient attention to Liberian public opinion. He added that the design of GEMAP, which began as a technical process, soon became a heated political issue. Negotiators were "blindsided" by the ability of members of the NTGL to cast the dispute in the media as an issue of sovereignty. This action sowed the seeds of much of the current suspicion. While he emphasized that GEMAP is a unique program designed specifically for Liberia, Nelson identified key lessons from the experience that could be relevant elsewhere.

- *Programs Should Not Be Donor-Imposed.* A positive quality of GEMAP was the fact that it was not donor-imposed. Instead, it involved the participation of many regional *players*, including organizations like the African Union and ECOWAS, as well as states like Nigeria and Ghana that are committed to supporting the peace process. Then-U.N. Secretary General Kofi Annan, intervened directly with the NTGL Chairman and Security Council issued Resolution 1626 endorsed the initiative just ten days after it was signed. “It is very crucial not to be perceived as donors looking after their money, but the people of Africa and the people of the world community looking after the interests of Liberia,” said Nelson.
- *Adopt a Comprehensive Scope.* Where previous economic intervention programs in Liberia focused solely on financial controls in the finance ministry, GEMAP expanded its scope to include *the* Liberian budgetary process and the Central Bank. In previous cases where financial controls were placed only in the finance ministry, public officials circumvented controls through other ministries.
- *Political Will and Strong Leadership.* Nelson concurred with Sayeh’s assessment that strong leadership and political will are critical elements in making a program like GEMAP successful. “If GEMAP were implemented with the group that was in charge of the *government* [in 2005], we might not have such a positive story to tell today,” he said. He reiterated that GEMAP did not gain traction until President Sirleaf took office in January 2006.
- *Coordination.* The limited subject matter focus of GEMAP’s Economic Governance Steering Committee—economic governance—permits much tighter supervision than *steering* committees overseeing more general processes (such as reconstruction and development), opening opportunities and incentives for partner flexibility and gap-filling to respond rapidly to needs.

Gilpin believes the GEMAP experience offers select applicability for the urgent and unique context of conflict-affected regions. He emphasized the importance of ensuring a tangible “peace dividend” and demonstrating to the population that “peace makes sense” through effective economic management and enhanced prospects for economic development. Gilpin also highlighted the importance of GEMAP’s multilateral character, and stressed the value of the collaborative process that took place in negotiating and implementing the program.

Gilpin identified key questions that must be answered when considering GEMAP as a model for other conflict-affected states.

International partners must ask themselves:

- 1) *Is the program consistent with domestic priorities in the conflict-affected country?* Gilpin noted that the consultative process that preceded the signing of the GEMAP was instrumental in aligning the requirements of international partners with domestic priorities in Liberia. A mismatch between the pace and focus of bilateral/multilateral programs and local capacity is often the reason for failure in many cases.
- 2) *Is the program being delivered through viable public institutions and does it strengthen these institutions?* Unlike many instances where economic interventions

end up creating parallel systems that do not support the capacity of national institutions, “GEMAP focuses on augmenting capacity in national institutions and strengthening institutions,” Gilpin said. However, the challenges Liberia has faced in recruiting talent and fully integrating them in the civil service are instructive.

- 3) *Are international efforts harmonized?* While GEMAP provides a basis for harmonization, it is only part of a much larger effort. Harmonization at the macro-level still remains a challenge. More attention should be paid to “ensuring that international support is judiciously sequenced and harmonized”.
- 4) *Is the assistance both predictable and timely?* GEMAP is not unique in its struggles to ensure that inputs (like funding and human resources) are timely and predictable. Program implementation is adversely affected when this is not the case.

Correspondingly, national authorities must ask themselves:

- 1) *Is the program targeted?* Unlike some economic recovery programs in conflict-affected states focus on broad goals like humanitarian assistance and poverty reduction, GEMAP addresses specific aspects of economic governance which support an enterprising middle class—which could be a viable engine of growth.
- 2) *Is the country building and retaining capacity?* GEMAP illustrates the challenges conflict-affected countries could face in this regard. Innovative solutions should be developed to attract and motivate technical experts, especially those in the diaspora.
- 3) *Is the program fiscally sustainable?* Liberia’s experience shows that with good management, programs like GEMAP can be sustainable. Countries should take steps to ensure that such programs should be fully funded by domestic resources.

Conclusion

Although the agreement was signed in 2005, GEMAP made notable inroads in economic governance after the Sirleaf administration assumed office in January 2006. On its own, GEMAP’s impact would have been more limited. Its achievements could be traced to Liberia’s political will to implement the program within the context of a much broader public sector reforms. Transplanting GEMAP wholesale is not a good idea. However, elements of the process and program could be helpful for other countries.

About the Authors:

This USIPeace Briefing was written by Raymond Gilpin, director, Economies and Conflict Center of Innovation, and Emily Hsu, research assistant, in the Center for Post-Conflict Peace and Stability Operations at the United States Institute of Peace. The views expressed here are not necessarily those of USIP, which does not advocate specific policies.

About the Economies and Conflict Center of Innovation and the Center for Post-Conflict Peace and Stability Operations:

USIP’s Economies and Conflict Center of Innovation works on analyzing complex economic relationships during all stages of conflict. The Center for Post-Conflict Peace and Stability Operations aims to transform societies emerging from conflict by promoting stability, democracy, economic development, and social reconstruction.

About the United States Institute of Peace:

The United States Institute of Peace is an independent, nonpartisan, national institution established and funded by Congress. Our mission is to help prevent, manage, and resolve international conflicts by empowering others with knowledge, skills, and resources, as well as by our direct involvement in peacebuilding efforts around the world.

¹ The GEMAP agreement was reached between the National Transitional Government of Liberia and bilateral partners (*including the United States, Ghana and Nigeria*) and multilateral/regional institutions (*including the United Nations, African Union, World Bank, International Monetary Fund and Economic Community of West African States*). See http://www.gemapliberia.org/files/GEMAP_Final_and_signed_by_NTGL.pdf

² Examples are: “*Liberia’s Governance and Economic Management Assistance Programme (GEMAP): A joint review by the UN Department of Peacekeeping Operations’ Peacekeeping Best Practices Section and the World Bank’s Fragile States Group*” by Renata Dwan and Laura Bailey (May 2006) http://www.gemapliberia.org/files/WB_Joint_review_of_GEMAP.pdf (accessed 04/24/08); and “*An Update on Liberia’s Progress on GEMAP*” by Friends of the Earth (May 2006) <http://www.foe.org/camps/intl/africa/GEMAP.pdf> (accessed 04/24/08)