Liberia and Sierra Leone: Sustainable Paths to Development?

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Liberia and Sierra Leone: Sustainable Paths to Development?

Adam Howe


Abstract

Over a decade removed from devastating civil wars in Liberia (2003) and Sierra Leone (2002), both states have unsurprisingly placed a strong emphasis on post-conflict economic development. Despite a streak of impressive GDP growth in both states, a host of underlying structural deficiencies are readily apparent. Long-term natural resource reliance subjects both economies to the boom and bust cycle of global commodity markets while simultaneously encouraging rent-seeking behavior. More specifically, Liberia’s growing iron ore sector and Sierra Leone’s diamond exports have generated pockets of wealth, though the profits have not trickled down to the public at-large. The purpose of this paper is two-fold. I first explore how two very similar countries have approached post-conflict development. Secondly, I analyze the opportunities and obstacles to sustainable economic development in both states. The preliminary evidence presented in this paper suggests that Liberia’s pursuit of good governance policies through the Governance and Economic Management Assistance Program (GEMAP) places it in a relatively better position to attract both foreign direct investment and bilateral aid in the coming years. Conversely, Sierra Leone’s unwillingness to seriously combat institutional corruption will likely serve as an impediment to stable economic development. While development in both states could very well be mitigated by a host of exogenous factors (environmental catastrophe, conflict-spillover, disease), this paper advances the argument that good governance and economic diversification must remain top priorities.

Keywords: Liberia, Sierra Leone, post-conflict development, sustainable development
Introduction

The similarities between Liberia and Sierra Leone are striking. As neighboring states in West Africa, Liberia and Sierra Leone feature geographic, climatological, and natural resource commonalities. This of course, has a profound impact on the opportunities for economic development in both states. Historically, Liberia was established as a haven for freed American slaves in 1824, with a formal declaration of independence in 1847. As a result, it became the first independent state in Africa. Though Liberia was never formally colonized by a European power, a powerful argument can be made that the native population underwent de-facto colonization. According to Sessay, Ukeje, Gbla and Ismail (2009), “The Americo-Liberians, who constituted only five percent of the population, controlled every facet of life in Liberia until 1980.” (p. 71). As a distinct social class, Americo-Liberians dominated the political and economic landscape through the True Whig Party. The Liberian state’s marginalization of the majority indigenous population had profound political consequences, culminating in Sergeant Samuel Doe’s 1980 military coup.

Sierra Leone was also established as a refuge for former slaves. In 1787, the capital, Freetown, was founded to accommodate freed slaves living in the United Kingdom and Canada. Sierra Leone eventually became a British Protectorate and did not declare its independence until 1961. Much like Liberia, Sierra Leone’s freed slave population constituted an elite economic group. Sessay et al (2009) write, “Due to early exposure to European culture and education, the Creoles, a minority, dominated the professions, including law, medicine, teaching, and the civil service” (p. 19). Unlike the Americo-Liberian elite, Sierra Leone’s Creoles kept their distance from political participation until dictator Siaka Stevens took power in 1968.

Volumes have been written on the civil wars in Liberia and Sierra Leone. Therefore, the purpose of this section is simply to provide an overview of the two wars and the associated implications for post-conflict economic development. Under Samuel Doe’s military rule, Liberia’s indigenous community had hoped that the new government would correct the abuses committed by over one hundred years of Americo-Liberian rule. Instead, it became clear that Doe was more concerned with consolidating his own control over the country’s rubber, timber, and mining resources. In 1985, Doe refused to step down after losing the presidential elections, creating popular unrest and tension within his government. Four years later, Charles Taylor, a former cabinet

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member, launched an invasion from the Liberian-Cote D’Ivoire border. What followed was a fourteen year civil war, infamous for its brutality toward the civilian population. John Ohiohenu-an (2009) writes, “By the time a cease-fire was reached in 2003, the country had experienced economic regression, severely deteriorated infrastructure, social decay, disintegrated institutions, and corroded governance procedures” (p. 121).

The seeds for Sierra Leone’s civil war were planted by the single-party rule of Siaka Stevens and his All People’s Congress (APC). Like Doe, Stevens’ rule was characterized by nepatrimonial policies. Fredline M’ Cormack-Hale (2010) writes, “Prior to 1991, Sierra Leone was ravaged by wide-scale corruption and inefficiency, with weak infrastructure, crippling debts, and poor economic infrastructure” (p. 97). Politically, Stevens introduced a single party constitution in 1978 bequeathing him with the title of “President for Life” (Sessay et al. 2009). The 1978 constitution effectively banned political opposition and contributed to an even greater centralization of executive power. Stevens finally left office in 1985 after 18 years in rule, and turned over the presidency to his hand-picked successor Joseph Saidu Momoh, former Commander of the Armed Forces (Sessay et al, 2009, p. 33). Momoh proved to be as incompetent as his predecessor, and was eventually chased from power in 1992. Political repression combined with flagrant economic mismanagement created favorable conditions for the germination of rebel groups. The civil war in Sierra Leone, which began with an incursion by the Charles Taylor supported RUF rebels in 1991, came to an end with the UNAMSIL Peacekeeping intervention (1999-2002). The eleven year war was characterized by a series of military coups, the use of child-soldiers, and diamond smuggling as a source of rebel income.

Protracted violence coupled with gross resource mismanagement left Liberia and Sierra Leone in tatters. In the immediate post-war environment, the international community intervened to provide basic services to the war-weary population. Meanwhile, transitional governments in Liberia and Sierra Leone were tasked with reconstructing a government bureaucracy, re-integrating ex-combatants into society, and rebuilding political legitimacy and trust. As a measure of political stability has been attained over ten years after the cessation of hostilities, it now appears less likely that either state will slip back into civil war. As Paul Collier (2007) writes, “the experience of having been through a civil war roughly doubles the risk of another conflict. Only around half of the countries in which a conflict has ended manage to make it through a decade without relapsing into war” (p. 27). In this respect, Liberia and Sierra Leone have been successful. Yet, Collier (2007) also notes that poor, commodity-dependent countries are at a higher risk of getting caught in the conflict trap (p. 34).
Therefore, post-conflict development is important for political, economic, and security reasons. Through the analysis of macroeconomic data and governance reform programs the remainder of this paper will examine whether or not Liberia and Sierra Leone have put themselves in a favorable position for future economic success.

**Literature Review**

If one were to simply examine post-war macroeconomic data from Liberia and Sierra Leone, it would be tempting to conclude that both states are on their way toward achieving middle-income status. Since 2003, GDP has grown at an impressive pace in both states. The most recent figures from the World Bank indicate that Liberia’s GDP grew by 8.1 percent in 2013, while Sierra Leone’s rose by 13 percent (World Bank, 2014). Similarly, GNI in Liberia and Sierra Leone increases annually, though it must be mentioned that both states still rank below the Sub-Saharan average (World Bank, 2014). Despite recent economic growth, it is evident that many of the benefits have not reached the general population. According to the UNDP’s Human Development Index (2014), which measures life expectancy, educational attainment, and income, Liberia ranks 175th and Sierra Leone 183rd out of 187 countries (UNDP, 2014). In addition, 63.8 percent of Liberia’s population lives at or below the national poverty line compared with 52.9 percent in Sierra Leone (World Bank, 2014).

Explaining rapid economic growth in both states is relatively simple, but understanding the relationship between GDP growth and widespread poverty proves to be a more complicated endeavor. The cessation of violent conflict and high commodity prices explain much of the macroeconomic growth in Liberia and Sierra Leone over the past decade. The first explanation remains controversial in the economics literature as it is harder to quantify than the simpler relationship between high commodity prices and GDP growth. Bellows and Miguel (2006) write, “The net long-run effects of war are ambiguous from the point of view of economic theory. To the extent that war impacts are limited to the destruction of capital, the neo-classical model predicts rapid economic growth postwar converging back to steady-state growth” (p. 394). Collier (2007) argues that while post-conflict states often experience economic growth in the first decade of reconstruction, due to the relative ease of instituting new reforms, sustaining these reforms proves to far more difficult (p.72). Despite the difficulties inherent to maintaining peace in a post-conflict country, the economic data suggests that a positive correlation between peace and economic growth exists. This may result from the state cutting military spending following a civil war, it can also be attributed to the reintegration of former combatants in the formal economy.
In this respect, post-conflict societies can be viewed as major opportunities for transformation (Collier, 2007, p.73).

A direct relationship between high commodity prices and robust economic growth exists in resource-dependent states. The linkage between oil-exporting African states and economic volatility have been well documented in the literature\(^2\). Yet, the problem does not seem to be that commodity exporting states are unaware of the potentially adverse consequences of such economic behavior. Rather, when commodity prices are high, the government lacks incentive to pursue economic diversification. For the political and economic elites in African states, rents collected from resource revenue also contribute to domestic income inequality. Joseph and Gillies (2009) write, “It stands to reason that if 90 percent of a country’s export earnings derive from petroleum, as has been the case for decades in Nigeria, Gabon, and Congo-Brazzaville, then oil revenues will skew the pursuit of economic advancement of much of the society unless bold countervailing actions are taken” (p. 257).

With regard to Liberia and Sierra Leone, iron-ore and diamond exports have had a disproportionate impact on recent economic growth. According to the African Development Bank’s (2013) African Economic Outlook, “the mining sector made real GDP growth leap from 6 percent to 16.7 percent, with support from agriculture, services and construction” (p. 274). As for Liberia, “post-war economic growth was sustained in 2012 led by the first full year of iron-ore exports, construction, and strong performance in the service sector, but these positive trends are subject to fluctuations in commodity prices, FDI, and overseas development assistance” (p 242). Therefore, as commodity prices remain high, it is reasonable to expect corresponding GDP growth. However, it must be said that both states remain on shaky economic ground. In Liberia and Sierra Leone, the growing service and construction sector is funded mainly through foreign aid. As a result, the durability of these sectors remains an open question. Currently, over 45 percent of Liberia’s labor forces is employed in construction and services. What will these employees do if aid dries up?

The question of aid efficacy remains a perennial source of contention among scholars\(^3\).

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Though it is well beyond the scope of this paper to engage in that particular debate, it is appropriate to briefly examine the aid regime in Liberia and Sierra Leone. The end of civil war brought with it the promise of greater international economic assistance. Along with the ubiquitous presence of non-for-profit organizations within the respective states, official donors stepped up their aid commitments. According to the OECD, in 2012, Liberia received $571 million dollars in Official Development Assistance from the World Bank and IMF. In the same year, the United States provided Liberia with $181 million aid dollars. As a result, Liberia now receives three-times more ODA than the Sub-Saharan average (Organization for Economic Cooperation and Development [OECD], 2014). During the same year, Sierra Leone received $443 million in ODA, with $87 million coming from its largest bilateral donor, Great Britain (OECD, 2014). Sierra Leone has traditionally received less aid than Liberia. In both cases, the vast majority of aid money went to social sector support and debt management. Additionally, both states in 2006 became entitled to generous debt forgiveness under the World Bank/IMF HIPC initiative (World Bank, 2014). The combination of high commodity prices, generous foreign aid, and debt forgiveness begs the question of whether aid in Liberia and Sierra Leone are providing opportunities for development, or acting as another type of economic rent.

A direct answer to the aforementioned question is unavailable, absent from gaining access to independent government audits. However, in this case, corruption indicators serve as a reasonable proxy. According to Transparency International, Liberia improved its position on the global corruption index in 2013 to 83rd out of 177 countries. In contrast, Sierra Leone ranked 119th in the same year (Transparency International, 2013). The disparity in these cases is largely explained by differences in political will between the respective regimes. When Ellen Johnson-Sirleaf assumed office in 2006 as Liberia’s and Africa’s first female president she remarked, “The new government will use all conceivable legal resources to tackle corruption forcefully and effectively to recapture state resources for national development” (Ohiorhenuan 2009, p.121). In contrast, Sessay et al (2009) argue, “the undisputable reality is that Sierra Leone cannot effectively embark upon any credible post-war reconstruction initiatives in the absence of local capacity and resources, human and material”. However, “It is already obvious that local and international goodwill is progressively waning in the light of government’s inability to curb the scourge of corruption” (p. 68). Therefore, it becomes apparent that cracking down on corruption builds domestic and international trust, important in the first case for political legitimacy and in the latter for future FDI and aid distribution.
African political leaders, regardless of ideology or regime-type frequently declare their commitment to curb domestic corruption, usually in a very public way. Unfortunately, few leaders actually follow through on their promises. In many cases, the problem can be attributed to the existing economic incentive structures within the state, coupled with the government’s inability to root out localized corruption outside of their sphere of influence. Yet, in some instances a regime can actually make significant progress in this challenging area of governance. From 2005-2010, Liberia, in cooperation with several international actors instituted the Governance and Economic Management Assistance Program (GEMAP). According to Liberia’s “Agenda for Transformation” strategy paper, the purpose of this program was to reconstitute Liberia’s economic framework, reform key institutions, and promote transparency and accountability (Government of Liberia, 2013). The following section will evaluate whether or not this program attained its objectives, and ultimately put Liberia on a better path to sustainable development.

Evaluating the Governance and Economic Management Assistance Program (2005-10)

The international community had expressed interest in monitoring Liberia’s finances well before the Johnson-Sirleaf administration was elected into office. In 2004, the initial framework was presented to the National Transitional Government of Liberia (NTGL) on behalf of the United States, the World Bank, IMF, ECOWAS and the African Union. Following the exile of Charles Taylor and the implementation of the Comprehensive Agreement in 2003, the international community saw an opportunity for economic intervention. Unfortunately, as many members of the transitional government had reaped illicit benefits from the civil war, domestic leadership lacked the political incentive to engage in such a program. Sessay et al (2009) write, “the interim government and its chairman, Charles Gyude Bryant, were widely believed to be comprised of self-serving individuals keen on pursuing their own ends and lacking any serious commitment to instituting positive and enduring changes in the country” (p. 46).

In September 2005, GEMAP was signed and later implemented by the Johnson-Sirleaf administration. GEMAP was intended to provide technical assistance to government institutions, monitor official government expenses, and assist in budgetary decision-making. The most important and controversial feature of GEMAP pertained to its co-signing authority in key government institutions. As a result, policies enacted by Liberia’s Ministry of Finance, Ministry of Lands, Mining and Energy, and Budget Bureau were all subject to GEMAP approval.

4For a short video on GEMAP, please visit www.gemap-liberia.org.
For example, the IMF placed a key administrator in Liberia’s Central Bank, while the Economic Governance Steering Committee was overseen by Ellen Johnson-Sirleaf and U.S. Ambassador to Liberia, Donald Booth (GEMAP-Liberia, 2014).

The effectiveness of the GEMAP program is subject to various interpretations. According to Ohiorhenuan (2009), GEMAP helped boost revenue collection throughout the state. For example, GEMAP reforms targeted at the Forest Development Authority helped set up checkpoints intended to crackdown on illegal logging. In a similar vein, GEMAP placed more emphasis on bolstering enforcement of the Kimberley process as a means of reducing illegal diamond smuggling (p.132). According to the official GEMAP website, the program helped to double revenue collected at Roberts International Airport (GEMAP-Liberia, 2014). GEMAP also conducted an evaluation of Liberia’s rubber plantations. One tangible result of these reforms was the lifting of international sanctions on Liberian diamonds in 2007 (Ohiorhenuan 2009, 132-33).

The African Development Bank provides a more sober estimate of GEMAP’s success in Liberia. In the 2013 Country Strategy Paper, the AFDB writes, “Liberia scores high on indicators of governance that show the availability of de jure instruments, indicating that initial steps have been taken to improve the legal framework for governance and accountability. But it scores very low on indicators measuring de facto existence of practices and institutional behavior” (AFDB, 2013, 4). Furthermore, Liberia “received a grade of D+ in budget and financial reporting, the extent of unreported Government operations, weaknesses in internal and external auditing, effectiveness of tax collection, and donor reporting”(AFDB, 2013, 4). Therefore, despite efforts undertaken by Johnson-Sirleaf and GEMAP it appears that there is a real disconnect between the creation of reform policies and their implementation.

Despite the challenges and shortcomings inherent to crafting a comprehensive reform program, it is clear that GEMAP, at the very least, bolstered the Liberian government’s international legitimacy. Foreign investors and aid organizations want to see states tackle corruption. Accordingly, Liberia’s 2014 position on the IFC/World Bank’s Doing Business index improved to 144th in the world, from 149th in 2013 (IFC/World Bank, 2014). While Liberia has received more FDI as a result, much of the investment remains targeted at the mining sector. With new offshore oil discoveries, it will be important to see if FDI will shift in that direction. In either case, Liberia continues to face considerable obstacles to sustainable development.
While Sierra Leone never participated in any program resembling GEMAP in size or scope, it has taken some initiatives to improve domestic governance. Under President Kabbah, Sierra Leone launched the National Good Governance and Public Service Reform Program in 1997. According to Sessay et al (2009), the program “recognized local government administration as the cornerstone for providing basic services to the majority of people, in order to kick start economic growth in rural areas and spread participatory democracy to the grassroots” (p. 60). In 2004, the Kabbah government established the Anti-Corruption Commission (ACC). However, it was largely perceived as a failure since the government refused to prosecute any high-level cases. Current President Bai Koroma, has also promised to crack down on corruption, though ironically his family has been embroiled in its own scandals. Koroma’s political opposition has charged his sister with maintaining an illegal relationship with an Indian construction firm in Sierra Leone. Meanwhile, Koroma is attempting to distance himself from allegations that he bought a home in London worth over 2 million pounds. (Cham, 2012).

Though corruption itself is not always an impediment to economic growth, as was the case with the United States and East Asia’s paths to development, it seems evident that corruption has mostly hurt African economies. Perhaps rapid industrialization in the U.S. and East Asia led to the growth of an independent bourgeois class capable of putting a check on corruption. There is also an argument to be made that corruption may have a more negative impact in weak states where the government cannot fully control the patronage system. Therefore, half-hearted attempts to improve governance may deceive international aid organizations who wish to be deceived in order to justify their monetary disbursements. However, it is unlikely that toothless reform policies will deceive new investors who are free to take their money elsewhere.

**Future Obstacles to Growth in Liberia and Sierra Leone**

Although Liberia and Sierra Leone feature abundant natural resources, coastline access, ten plus years of relative peace, and rapidly growing economies, it appears unlikely that either state will attain middle-income status anytime in the near future. Apart from possible aid and commodity dependence, coupled with weak governance, there are a whole set of additional challenges to development. Rural poverty, high youth unemployment, and conflict spillover act as potential impediments to sustainable growth in both states. Similarly, the recent Ebola crisis in West Africa has put a severe strain on the region’s economy.
According to World Bank figures, over 70 percent of Sierra Leone’s labor force is employed in agriculture (World Bank, 2014). The vast majority of these are subsistence rice farmers, and the remainder produce export crops like palm oil, coffee, and cocoa. Unfortunately, subsistence farmers are vulnerable to climate change as a dry year could destroy an annual rice crop. Cash crop producers are not only threatened by irregular weather patterns, but also global price shocks. In Liberia, the country’s most profitable exports (timber, iron ore, and rubber) are largely foreign owned. As a result, very few Liberians actually benefit from their involvement in these industries. It should not come as a surprise that illegal logging and alluvial diamond smuggling are attractive options for rural Liberians.

High levels of youth unemployment pose an economic and security threat to both states. Sierra Leone and Liberia feature an entire generation of young people who had their education interrupted during the respective civil wars. As a result, many potential employees lack the skills required to make positive contributions in the formal economy. While some former combatants underwent job training as part of reintegration programs in Liberia and Sierra Leone, their children lacked access to education during the immediate post-conflict reconstruction period. Though both states are currently in a relatively stable security situation, a large pool of unemployed men serve as fodder for prospective militia groups.

Finally, conflict spillover represents another obstacle to sustainable development in Liberia and Sierra Leone. Though the civil wars in both states weren’t explicitly based out of ethnic or tribal grievances, certain factions tended to be divided along tribal lines. Concerning the Liberian war, Mark Huband (2003) writes, “The purpose of the war was clearly not tribal, in that the motive behind Charles Taylor’s invasion of northern Liberia in December 1989 was not specifically to overthrow one tribe and replace it with another…. Yet, “Tribal loyalties did play an important role in determining which side individuals chose to fight for” (p. 147). Political violence in neighboring Cote D’Ivoire and ethnic conflict in Guinea have the potential to spread into Liberia and Sierra Leone. Whether or not a hypothetical regional conflict would take on an ethnic dimension is purely speculative, but not out of the realm of possibility. While it is abundantly clear that any combination of the aforementioned obstacles to sustained development could negatively impact Liberia and Sierra Leone, it does not mean that either state should take a fatalistic approach toward economic development. Sound economic policies can work to offset exogenous threats to progress.
Evaluating Liberia and Sierra Leone’s Prospects for Sustainable Development

Despite the massive amounts of aid money that have flowed into Sub-Saharan Africa over the past 30 years, it seems evident that aid by itself cannot create economic development for African states. Rather, a persistent lack political will and deeply embedded neo-patrimonial governance systems often negate the potential benefits aid confers on an impoverished state. While smart aid strategies are preferable, when aid dispersion is contingent upon governments hitting certain performance benchmarks, there is little incentive or just cause for the aid community to abandon poor people who happen to live in a corrupt state. Therefore, Sierra Leone will continue to receive aid money despite its deplorable ranking on Transparency International’s corruption index. However, annual aid receipts will not put Sierra Leone on a path toward sustainable development. Rather, aid in Sierra Leone may act to reinforce bad governance, and eventually lead to the political disintegration of the current regime.

In contrast, the Liberian government’s decision to take tangible steps toward curbing corruption immediately places them one step ahead of Sierra Leone. In the eyes of the business community, Liberia appears to be a better investment. However, it would be a mistake to suggest that improved governance alone will lead to more economic development. As Collier’s (2007) research indicates, “in the presence of large surpluses from natural resources, autocracies outperform democracies, and the effects are large” (p. 43). Therefore, if one is to acknowledge that transparent democratic governance is a worthy pursuit, it needs to also be accompanied by a commitment to economic diversification.

The Liberian government’s 2012 “Agenda for Transformation” country strategy paper demonstrates a commitment toward both infrastructure and human development (Government of Liberia, 2012). Unfortunately, as both of these ambitious initiatives demand massive investment, the Liberian government will need to be selective in allocating resources. Currently, poor physical infrastructure is placing a significant strain on economic activity, especially outside of Monrovia. According to the African Development Bank (2013), “55% of the population cannot access an all-season road within 5 kilometers, and 27% cannot reach one within 30 kilometers” (p. 9). Bad infrastructure has a negative impact on both local and national economic activity, making the cost of doing business prohibitively high.
At the heart of Liberia’s development struggles isn’t a lack of natural resources or access to foreign aid. Rather, weak institutional capacity have caused a ripple effect throughout the entire economy. An inefficient civil service sector needs to be reformed. The African Development Bank (2013) writes, “The necessity of enacting extensive legislative reforms while facilitating institutional effectiveness and building rule-of-law society is overwhelming the available institutional capacity” (p.10). Therefore, despite the current government’s commitment to governance reform and economic development, the successful implementation of new policies is hampered by poorly trained bureaucrats bogged down by a myriad of new reform policies.

Finally, human capital constraints have slowed Liberia’s progress toward economic diversification. Low school enrollment, coupled with poor access to credit, limits opportunities for domestic private sector development. Therefore, much of the service sector is dominated by foreign companies that import their own skilled labor. Unfortunately, an undiversified economy acts as self-reinforcing phenomenon; expansion in already profitable sectors creates few incentives for workers to develop new skills elsewhere. Microcredit and government-sponsored job-training programs have important roles to play in Liberia’s future development.

While Sierra Leone faces many of the same human capital, infrastructure, and institutional restraints, its path to sustainable development is also constrained by a disproportionate number of subsistence farmers. Although the government of Sierra Leone has acknowledged this issue and embraced its lot as an agricultural economy, more needs to be done to ensure that its rural population attain a higher quality of life. The 2009 World Bank “Poverty Reduction Strategy Paper” recommends that Sierra Leone “encourage greater private sector participation in the provision of agricultural inputs and equipment as well as extension services” (p.7). Additionally, the World Bank recommends crop diversification, to reduce rural farmers’ dependence on rice. As government capacity in Sierra Leone remains low, one international investment group has attempted to fill the void. Addax & Oryx Group, a risk-capital group based in Sweden has been developing Sierra Leone’s bioenergy sector since 2011. According to the official website, Addax and Oryx offers unskilled workers “more than twice the average minimum salary” along with job-training. Since 2010, Addax has helped to inject $128.95 million into Sierra Leone’s economy (Addax, 2015). While more initiatives of this nature are needed, Sierra Leone has struggled to attract FDI outside of its highly profitable mining sector. As with Liberia, rural engagement will need to be a critical feature of Sierra Leone’s future development activity.
The World Bank has also recommended government decentralization as an important component of economic development in Sierra Leone. Regional imbalances, specifically between the capital and the rural interior, have created wide disparities in service economy access. According to the World Bank’s Sierra Leone Poverty Reduction Strategy paper (2009), “Staffs recommend that the regulatory framework be further strengthened to ensure effective devolution from the central to the local government particular on human resource management” (p.10). Ideally, decentralization would distribute more resources to traditionally neglected regions. Yet, there are also costs associated with decentralizing an already weakened state. While the national government may lack the ability to effectively distribute resources, it remains unclear whether regional authorities are better able to deliver services. Additionally, given Sierra Leone’s reputation for corrupt governance, it is plausible that decentralization would simply re-enforce traditional tribal or ethnic patronage systems. Therefore, it appears that state-building and decentralization may be at odds with one another, especially in post-conflict states where state devolution could re-ignite old patterns of regional competition.

Conclusions

Though the obstacles to sustainable development in Liberia and Sierra Leone are formidable, these states also feature great untapped potential with coastline access, bountiful natural resources, and a growing labor force. As the overall tenor of this paper has been one of skepticism, it is fitting to conclude with a dose of cautious optimism.

Strong post-war GDP growth coupled with HIPC debt forgiveness has allowed both states to commit more resources toward rebuilding human and social capital. While ensuring equitable distribution of state income has been hampered by corruption and poor institutional capacity, Liberia has taken steps to improve governance. Liberia’s participation in GEMAP sent a strong message to the international community that it was ready to manage resources in a more responsible manner. For Sierra Leone, political rhetoric has not translated into meaningful action. Despite strong FDI in the country’s mining sector, most international investors have shied away from Sierra Leone. This is evident in the latest data, as FDI inflow for Liberia in 2013 was $1.4 billion compared to $740 million in Sierra Leone (heritage.org, 2014). In this respect, Liberia has put itself on a better track to sustainable development than its neighbor.

Both states understand the need to diversify their commodity-dependent economies. Liberia has done a better job with respect to developing its services sector, while Sierra Leone has placed emphasis on modernizing its agricultural economy.
However, as much of Liberia’s service sector is subsidized by aid money, the sustainability of future growth, especially outside of Monrovia, remains unclear. Whether recent oil discoveries in both states provide an opportunity for economic diversification or further commodity dependence also remains an open question.

Finally, Liberia under the leadership of Ellen Johnson-Sirleaf has embraced a reform agenda. Yet, there are questions regarding the durability of her political agenda when her second six-year term ends in 2017. Will the next Liberian administration continue to pursue difficult reforms, or be tempted to extract rent from an expanding economy? In Sierra Leone, Ernest Bai Koroma’s 2012 electoral victory was meant to usher in an era of government transparency. Instead, the President has behaved a lot like his predecessor, Ahmad Kabbah. Sierra Leone’s next presidential election is scheduled for 2017, and it will be important to see whether the next president institutes meaningful reform, or participates in the same system of corruption deeply embedded in Sierra Leone’s political tradition.

Liberia and Sierra Leone have appeared to escape from the conflict trap that continues to plague much of Sub-Saharan Africa. In this respect, both states now have the opportunity to engage in sustainable development. Yet, in the critical area of human development, Liberia and Sierra Leone rank behind Sub-Saharan Africa as two of the poorer states in the world. Sustainable development will require domestic political competence, international cooperation, and favorable luck. Though Liberia is far from attaining global middle-income status, it is in a better position relative to Sierra Leone with regard to the first two attributes. However, until Liberia effectively combats catastrophically high levels of poverty, recent macroeconomic gains can be easily sabotaged.

Finally, as a natural experiment in post-civil war economic development, Liberia and Sierra Leone serve as a reference point for scholars who aim to better understand the correlation between economic growth and conflict. While a preponderance of evidence indicates that wealthy, and even middle-income states don’t fight civil wars, more research must be conducted to demonstrate the durability of this relationship. More specifically, scholars must attend to the question of how post-conflict states can improve their economic circumstances. In order to avoid the pitfalls of economic determinism, it is important to emphasize that a wide variety of material and ideational factors likely explain how post-conflict states overcome legacies of violence. However, it is also important for academics and policymakers to identify a handful of risk factors inherent to post-conflict relapse. Future comparative research in this area should yield promising results.
References


