

**A POLITICAL-SECURITY RISK ANALYSIS OF THE REPUBLIC OF LIBERIA**

**by**

**JOSEF FREDERIK FOURIE**

**A mini-dissertation submitted in partial fulfilment of the requirements for the degree**

**MASTER OF SECURITY STUDIES**

**in the Department of Political Sciences at the**

**UNIVERSITY OF PRETORIA**

**FACULTY OF HUMANITIES**

**SUPERVISOR: PROF A DU PLESSIS**

**June 2009**

## ACKNOWLEDGEMENTS

This mini-dissertation is dedicated to my wife, Anita, and my two daughters, Janke and Lana. I want to take this opportunity to express my appreciation to Anita for all her support and encouragement throughout my years of study. Anita, thank you for giving me this opportunity, at a time when we were raising a family.

I would also want to praise my Heavenly Father, to whom belongs all the honour and the glory as the source of all knowledge, for giving me the power, strength, insight and capacity to complete this study.

I would also like to thank my supervisor, Prof Anton du Plessis, for his guidance and support.

## **A Political-Security Risk Analysis of the Republic of Liberia**

by

Josef Frederik Fourie

SUPERVISOR: PROF. A DU PLESSIS

DEPARTMENT: DEPARTMENT OF POLITICAL SCIENCES

DEGREE: MASTER OF SECURITY STUDIES

This study analyses and assesses political-security risk in Liberia based on the research question: *What is the level of political-security risk posed by the Republic of Liberia for any potential foreign investor?* Political risk frameworks (often with a Western-centric bias) are mostly developed and used to analyse risk in countries (i.e. in the form of country risk or macro political risk) without specifically focusing on political-security risks and on risk in post-conflict African countries. Therefore, the aim was to develop an Africa-orientated risk analysis framework that focuses on political-security risk in post-settlement African countries. Three sub-questions underpinned the basic research problem: *What is the nature and scope of political-security risk and which risk indicators identify political-security risk in an African country that has a recent conflict-ridden history? What is the effect of foreign military intervention (e.g. in the form of multilateral peacekeeping) on the risk profile of an African country that has experienced civil war and foreign military intervention for more than a decade? What are the implications of the assessed political-security risks for policymakers and decision-makers?* These questions were addressed by determining the nature and scope of political security risk, while also identifying indicators of political-security risk; by introducing, amongst others, multilateral intervention as a risk indicator; and by evaluating the implications of the risk analysis for decision-makers (prospective investors).

As a theoretical framework, related concepts such as risk analysis, strategic forecasting and planning, intrastate conflict and foreign military intervention were investigated as a

context and point of departure for the study. Based on a clarification of the concepts risk, country risk, political risk and political-security risk, a synthesised political-security risk analysis framework was developed. This was based on generic macro political risk indicators drawn from four political risk analysis frameworks, namely Brink's framework, the International Country Risk Guide (ICRG), the Economic Intelligence Unit (EIU) and the Global Peace Index (GPI), with the addition of more specific security risk indicators and indicators. The risk indicators included the political, security and socio-economic sub-dimensions of political-security risk. The indicators of political-security risk were each allocated a risk score, the sum of which, as a political-security risk index, represented an index score of political-security risk. This summed score was interpreted on a risk scale to establish the level of political-security risk in Liberia.

The Liberian case study included a contextual overview of the country with reference to its post-independence history, socio-economic situation, infrastructure and experience of foreign military intervention, as well as a specific application of the synthesised risk-analysis framework on Liberia. Based on an index score indicative of high risk, it was concluded that Liberia is not a preferred destination for foreign investment, despite the high demand for foreign investment. The synthesised framework is mainly limited to African states in a post-settlement phase. However, it is suggested that the framework, with some adaptations, could also be used to 'measure' risk in other African states, considering that risk indicators in the framework such as foreign military intervention might not be applicable.

|   |    |
|---|----|
| <b>ACKNOWLEDGEMENTS</b>   | i  |
| <b>SUMMARY</b>  | ii |
| <b>CHAPTER ONE: INTRODUCTION</b>  | 1  |
| 1.1 BACKGROUND  | 1  |
| 1.2 AIM OF THE STUDY  | 1  |
| 1.3 LITERATURE SURVEY   | 3  |
| 1.4 IDENTIFICATION AND DEMARCATION OF THE RESEARCH PROBLEM  | 5  |
| 1.5 METHODOLOGY   | 7  |
| 1.6 OUTLINE OF THE STUDY  | 7  |
| 1.7 CONCLUSION  | 9  |
| <b>CHAPTER TWO: A POLITICAL-SECURITY RISK ANALYSIS FRAMEWORK: SELECTED THEORETICAL DIMENSIONS</b> | 10 |
| 2.1 INTRODUCTION  | 10 |
| 2.2 RISK ANALYSIS IN AN AFRICAN CONTEXT   | 11 |
| 2.2.1 Risk analysis, strategic forecasting and strategic planning                                 | 12 |
| 2.2.2 Risk analysis, intrastate conflict and foreign military intervention                        | 13 |
| 2.2.3 The African context of risk analysis  | 15 |
| 2.3 THE NATURE AND SCOPE OF RISK ANALYSIS   | 17 |
| 2.3.1 Conceptual clarification  | 17 |
| 2.3.1.1 <i>Risk</i>   | 17 |
| 2.3.1.2 <i>Country risk</i>   | 19 |
| 2.3.1.3 <i>Political risk</i>   | 20 |
| 2.3.1.4 <i>Political-security risk</i>  | 22 |
| 2.3.2 The nature of risk analysis   | 23 |
| 2.3.2.1 <i>Risk analysis and risk assessment</i>  | 24 |
| 2.3.2.2 <i>Risk management</i>  | 25 |
| 2.3.3 Types of risk analysis  | 26 |
| 2.3.3.1 <i>Country risk analysis</i>  | 26 |
| 2.3.3.2 <i>Political risk analysis</i>  | 28 |
| 2.3.3.3 <i>Political-security risk analysis</i>   | 30 |
| 2.4 FRAMEWORKS FOR RISK ANALYSIS  | 31 |



|  |   |           |
|--|---|-----------|
| <b>2.4.1</b>   | <b>Underlying assumptions</b>   | <b>31</b> |
| <b>2.4.2</b>   | <b>Selected risk analysis frameworks</b>  | <b>33</b> |
| 2.4.2.1  | <i>Brink's political risk analysis framework</i>                                    | 34        |
| 2.4.2.2  | <i>International Country Risk Guide (ICRG) framework</i>                            | 35        |
| 2.4.2.3  | <i>The Economic Intelligence Unit (EIU) framework</i>                               | 36        |
| 2.4.2.4  | <i>Global Peace Index</i>   | 38        |
| 2.4.2.5  | <i>Comparison</i>   | 39        |
| <b>2.4.3</b>   | <b>Synthesised political-security risk analysis framework</b>                       | <b>41</b> |
| 2.4.3.1  | <i>Security risk indicators (with direct political-security risk implications)</i>  | 42        |
| 2.4.3.2  | <i>Political risk indicators (with direct political-security risk implications)</i> | 44        |
| 2.4.3.3  | <i>Socio-economic risk indicators (with direct political-security implications)</i> | 46        |
| 2.4.3.4  | <i>A political-security risk index</i>  | 46        |
| <b>2.5</b>   | <b>CONCLUSION</b>   | <b>48</b> |
| <b>CHAPTER THREE: RISK CONTEXT: A COUNTRY PROFILE OF LIBERIA</b> |   | <b>50</b> |
| <b>3.1</b>   | <b>INTRODUCTION</b>   | <b>50</b> |
| <b>3.2</b>   | <b>GEOPHYSICAL AND DEMOGRAPHIC FEATURES OF LIBERIA</b>                              | <b>51</b> |
| <b>3.3</b>   | <b>GENERAL BACKGROUND INFORMATION</b>   | <b>52</b> |
| <b>3.4</b>   | <b>PHYSICAL INFRASTRUCTURE</b>  | <b>57</b> |
| 3.4.1  | <b>Roads and vehicular traffic</b>  | 57        |
| 3.4.2  | <b>Railways</b>   | 57        |
| 3.4.3  | <b>Ports</b>  | 57        |
| 3.4.4  | <b>Airports and air travel</b>  | 58        |
| 3.4.5  | <b>Merchant fleet</b>   | 58        |
| 3.4.6  | <b>Telecommunication</b>  | 59        |
| 3.4.7  | <b>Energy</b>   | 59        |
| 3.4.8  | <b>Economic infrastructure</b>  | 60        |
| <b>3.5</b>   | <b>THE POLITICAL HISTORY OF LIBERIA</b>   | <b>61</b> |
| 3.5.1  | <b>The foundation and establishment of the Republic of Liberia (1821-1980)</b>      | 61        |
| 3.5.2  | <b>The Doe government (1980-1990)</b>   | 64        |
| 3.5.3  | <b>The First Civil War (1989 -1997)</b>   | 65        |
| 3.5.4  | <b>The Taylor government and the Second Civil War (1997-2003)</b>                   | 66        |



|   |   |            |
|---|---|------------|
| 3.5.5   | The National Transitional Government of Liberia (NTGL) (2003-2006)                | 67         |
| 3.5.6   | The Johnson-Sirleaf government (since 2006)                                       | 69         |
| 3.6   | FOREIGN MILITARY INTERVENTION IN LIBERIA  | 72         |
| 3.6.1   | Economic Community of West African States Monitoring Group (ECOMOG)               | 72         |
| 3.6.2   | United Nations Mission in Liberia (UNMIL)   | 74         |
| 3.7   | CONCLUSION  | 75         |
| <b>CHAPTER FOUR: THE ANALYSIS OF POLITICAL-SECURITY RISK IN LIBERIA</b> |   | <b>78</b>  |
| 4.1   | INTRODUCTION  | 78         |
| 4.2   | POLITICAL-SECURITY RISK INDICATORS IN LIBERIA                                     | 78         |
| 4.3   | THE SECURITY RISK INDICATORS  | 79         |
| 4.3.1   | War/intra- or interstate conflict   | 79         |
| 4.3.2   | Inter-ethnic/religious/language group tension                                     | 83         |
| 4.3.3   | Relations with neighbouring states  | 86         |
| 4.3.4   | Law and order   | 88         |
| 4.3.5   | Foreign military intervention   | 90         |
| 4.4   | POLITICAL RISK INDICATORS   | 92         |
| 4.4.1   | Features of government  | 92         |
| 4.4.2   | Governance  | 94         |
| 4.4.3   | Democratisation in relation to succession, regular elections and authoritarianism | 96         |
| 4.4.4   | Government stability  | 97         |
| 4.4.5   | Human rights record   | 98         |
| 4.4.6   | The military in government  | 99         |
| 4.5   | SOCIO-ECONOMIC RISK INDICATORS  | 100        |
| 4.5.1   | The socio-economic conditions   | 100        |
| 4.5.2   | The investment climate  | 103        |
| 4.6   | EVALUATION OF THE POLITICAL-SECURITY RISK INDEX OF LIBERIA                        | 107        |
| 4.7   | CONCLUSION  | 108        |
| <b>CHAPTER FIVE: EVALUATION</b>   |   | <b>111</b> |
| <b>BIBLIOGRAPHY</b>   |   | <b>119</b> |

|           |   |     |
|-----------|---|-----|
| Table 1:  | Incremental risk scale                                    | 35  |
| Table 2:  | ICRG risk categories                                      | 36  |
| Table 3:  | Generic features of existing frameworks                   | 41  |
| Table 4:  | Index of political-security risk                          | 47  |
| Table 5:  | Incremental risk scale for investment                     | 47  |
| Table 6:  | Background information on Liberia                         | 52  |
| Table 7:  | Internal conflicts in Liberia since 1821                  | 81  |
| Table 8:  | Conflict between the central government and ethnic groups | 84  |
| Table 9:  | The Liberian investment climate at a glance               | 106 |
| Table 10: | Index of political-security risk                          | 108 |

|  |          |
|--|----------|
| African Development Bank                           | (ADB)    |
| American Colonial Society                          | (ACS)    |
| Anti-Terrorist Unit                                | (ATU)    |
| Armed Forces of Liberia                            | (AFL)    |
| Business Environment Risk Intelligence             | (BERI)   |
| Coalition for the Transformation of Liberia        | (COTOL)  |
| Comprehensive Peace Agreement                      | (CPA)    |
| Congress for Democratic Change                     | (CDC)    |
| Control Risks Group                                | (CRG)    |
| Disarmament, Demobilisation and Reintegration      | (DDR)    |
| Economic Community of West African States          | (ECOWAS) |
| Economist Intelligence Unit                        | (EIU)    |
| ECOWAS Mission in Liberia                          | (ECOMIL) |
| ECOWAS Monitoring Group                            | (ECOMOG) |
| Global Peace Index                                 | (GPI)    |
| Gross National Product                             | (GNP)    |
| Governance and Economic Assistance Programme       | (GEMAP). |
| Independent National Patriotic Front of Liberia    | (INPFL)  |
| Interim Government of National Unity               | (IGNU)   |
| International Country Risk Guide                   | (ICRG)   |
| International Monetary Fund                        | (IMF)    |
| Liberal Party                                      | (LP)     |
| Liberia Electricity Corporation                    | (LEC)    |
| Liberian International Ship and Corporate Registry | (LISCR)  |
| Liberian Telecommunications Corporation            | (LTC)    |
| Liberian Peace Council                             | (LPC)    |
| Liberians United for Reconciliation and Democracy  | (LURD)   |



|   |          |
|---|----------|
| Liberia Petroleum Refining Corporation              | (LPRC)   |
| Movement for Democracy in Liberia                   | (MODEL)  |
| National Democratic Party of Liberia                | (NDPL)   |
| National Patriotic Front of Liberia                 | (NPFL)   |
| National Patriotic Party                            | (NPP)    |
| National Transitional Government of Liberia         | (NTGL)   |
| National Transitional Legislative Assembly          | (NTLA)   |
| People's Redemption Council                         | (PRC)    |
| People's Republic of China                          | (PRC)    |
| Poverty Reduction and Growth Facility               | (PRGF)   |
| Revolutionary United Front                          | (RUF)    |
| Special Operations Division                         | (SOD)    |
| Special Security Service                            | (SSS)    |
| Staff Monitored Programme                           | (SMP)    |
| True Wig Party                                      | (TWP)    |
| Truth and Reconciliation Commission                 | (TRC)    |
| United Liberation Movement for Democracy in Liberia | (ULIMO)  |
| United Nations                                      | (UN)     |
| United Nations Mission in Liberia                   | (UNMIL)  |
| United Nations Observer Mission in Liberia          | (UNOMIL) |
| United States of America                            | (US)     |
| Unity Party   | (UP)     |

# INTRODUCTION

## 1.1 BACKGROUND

All humans are familiar with risk and what it might entail. This could, however, be a conscious awareness of risk, or a subconscious awareness because of the fact that people are constantly exposed to risk, whether they are asleep, at work or at play. Everywhere, people are exposed to risk and the level of risk that they are exposed to on a daily basis is often high, considering for example high motor vehicle accident rates. However, in many cases people's perceptions of risk are not commensurate with the real level of risk. For example, many people are afraid of flying because they regard it as unsafe and risky. When the risk involved in flying is compared to that involved in driving a vehicle, it is evident that driving is much more risky. Still, many people drive their cars every day, even if they only fly occasionally.

Risk also has an impact on decisions to invest, including investments in a foreign country. The involvement in any foreign state by an economic entity thus necessitates a process of assessing the risks that the investment poses. This risk assessment requires a tool that can be used to analyse and determine the level of risk posed by such an investment based on the economic, financial, social, political and security risks involved. Accordingly, the investor would have to obtain a thorough understanding and knowledge of the risks involved and how these affect the investment. This study focuses on only one of these risk areas, namely political-security risk, with reference to Liberia, a so-called post-settlement African country, as a case study.

## 1.2 AIM OF THE STUDY

The research topic poses a dual challenge. Firstly, it requires a distinction to be drawn between country risk (which is more comprehensive) and political risk (which is more focused). Secondly, since most existing political risk frameworks pay attention to political risk as such, with limited emphasis of security risk as a sub-component of political risk, a framework to analyse political-security risk is needed. In addition, most political risk

frameworks are generally used to analyse risk in countries without narrowing the frameworks to determine political-security risk in countries on the African continent, or more specifically to analyse political-security risk in countries that find themselves in a post-settlement phase, after a period of protracted intrastate conflict. Therefore, as a point of departure, the aim is to develop a risk analysis framework that focuses specifically on political-security risk in post-settlement African countries.

After 13 years of civil war, during which most of the country's infrastructure was destroyed, Liberia entered a post-settlement phase in 2003. Post-settlement reconstruction requires massive foreign investment, as well as the presence of foreign companies and their employees to implement these reconstruction projects. By applying the risk analysis framework, this study therefore intends to assess the political-security risks posed by the current situation in Liberia which any international actor should consider before involving itself in the post-conflict reconstruction of the country. Accordingly the overall aim of the study is to contextualise and conceptualise political-security risk, to develop a framework for political-security risk analysis and to apply this framework to Liberia.

The pursuit of this overall aim requires firstly, that a distinction be made between country risk and political risk. In the context of risk analysis, country risk is the broader concept, which requires a comprehensive analysis that includes all risks a country might face at a domestic, regional and international level (Fouché 2003:2). Country risk thus encompasses political, security, economic and financial risk (Howell & Caddick 1994:3). In terms of the risk posed to a potential investor, country risk involves a situation where the authorities do not exercise complete control over the situation inside the country and are unable to repay a loan. By contrast, political risk is a more limited concept, concerning, for example, political decision-making, where the political authorities have the means and control over the decision to repay a loan (Brink 2004:23). With political risk, individuals and private enterprises have no control over those events that lead to a loss of cross-border lending, resulting wholly or partially from the actions of the government (Nagy 1979:13).

Secondly, the development of a framework for political-security risk analysis also requires a conceptualisation of political-security risk and therefore also the identification of indicators of political-security risk. In addition, this conceptualisation and the identification of indicators have to take cognisance of the African and post-settlement context of

political-security risk, as well as the effect of foreign military intervention on both the context and the nature of the risk involved.

Thirdly, this framework for political-security risk analysis is applied to Liberia in order to determine the level of political-security risk for any potential foreign investor that intends to invest in the country. The literature and data sources consulted (as will be pointed out) provide little evidence of prior political-security risk analyses of Liberia, although more wide-ranging risk analyses have been done.

### 1.3 LITERATURE SURVEY

Academic literature in general, but more specifically security studies literature on the topic of risk and risk analysis, focuses mainly on country risk or political risk, with less emphasis on security risk or more specifically political-security risk. Due to a predominantly Western-centric origin and bias, the literature also often fails to consider the unique situation concerning political-security risk on the African continent, particularly in countries that have recently experienced internal conflict. Similarly, little consideration is given to the impact of foreign military intervention either on a country in the post-settlement phase or as a risk indicator or an indicator of risk.

There is, however, related literature on this theme. In this respect, the literature and data used in this study cover the following two areas:

- **Literature regarding political-security risk analysis:** The main theoretical source that serves as a point of departure and that provides insight into security-related risk is Vertzberger's *Risk taking and decision-making: Foreign military intervention decisions* (1998). This work not only defines risk, but also elaborates on the nature, types and texture of risk. Howell and Caddick (1994:3) in *The handbook of country and political risk analysis: Political risk services* focus more specifically on political risk, defining it as a deliberate action by political forces or decision-makers that may harm the investor or prevent the latter from making a profit. Additional definitions of risk as well as differences between country risk, political risk and political-security risk are discussed in Brink's *Measuring political risk: Risks to foreign investment* (2004), Venter's article 'The fall of Suharto: A vindication of key political risk indicators' (1999), Nagy's *Country risk: How to assess, quantify and monitor it* (1979) and Coplin and O'Leary's *The*

Robinson, in *Risks, predictions and other optical illusions: Rethinking the use of science and decision-making risk analysis* (1992), as well as Hertz and Thomas in *Practical risk analysis: An approach through case histories* (1984), focus specifically on approaches to and methods of risk analysis, rather than on types of analysis. Robinson also distinguishes between the classical and neo-classical views of risk analysis. These sources are supplemented by Fouché (2003), who associates political risk analysis with political decision-making and the way in which these processes affect the investment climate in a country.

In order to provide a point of departure to the political and security risk factors that form the basis of a political-security risk framework, the contributions of both Brink (2004) and Howell and Caddick (1994) are used extensively, particularly their detailed description of existing risk models. To provide a synthesised political-security risk analysis, as required by this study, existing models such as the Economist Intelligence Unit (EIU) and the International Country Risk Guide (ICRG) as discussed in Coplin and O’Leary in *The handbook of country risk analysis* (1994) are used. Elements from these sources are incorporated in the framework. The risk analysis framework developed by Fouché (2003) provides an additional dimension by developing a synthesised framework based on selected elements (risk factors and indicators) of existing frameworks. However, Brink’s contribution is indispensable because it provides information on what actually constitutes a risk indicator when identifying and selecting political-security risk indicators. The EIU’s Index of Democracy (Kekic: 2007) and the Global Peace Index (GPI) (EIU: 2007a) supplement the information available on risk indicators and list additional factors to be considered when developing a political-security risk analysis framework.

- **Data sources regarding Liberia:** Due to the civil war and resultant ‘failed state’ status the country endured, official information on Liberia, especially statistical information, is either dated or not available. Therefore, the risk analysis of Liberia is complicated (but not prevented) by a lack of accurate and recent data. The Internet provides extensive information on Liberia, especially concerning the contemporary situation in the country. This information mainly originates from multilateral institutions and organisations of a

Aggregated data sources, such as *Africa south of the Sahara* (Frame 2006), the Economist Intelligence Unit (EIU) (2007b) and the *World Fact Book* (2007), also provide statistical data and background information on the country. Progress reports on the International Monetary Fund (IMF) Staff Monitoring Programme and World Bank country briefs, as well as information and statistics contained in United Nations (UN) reports supplement these sources. The insights and analyses of articles in monthly publications such as *Africa Confidential* and *Africa Monitor: West Africa* add to the current data available on Liberia. Internet-based sources include the EIU country reports on Liberia, which provide a quarterly country risk assessment. Albeit limited, primary and secondary data on Liberia is available.

Due to the UN's involvement in Liberia in the form of a peacekeeping operation, the UN Secretary General submits quarterly reports to the UN Security Council on the political and security situation in the country. These reports provide further insight into the political and security situation in Liberia, as well as into recent developments concerning the role of the UN Mission in Liberia (UNMIL) in the post-settlement reconstruction processes. In addition, reports by the UNMIL command, the UN Expert Panel on Liberia and the UN High Commissioner for Refugees (UNHCR), as well as other UN inter-agency reports, are available to supplement the sources already mentioned. Hence, although they are not necessarily primary documentation, various authoritative sources are available that provide sufficient information for a political-security risk analysis of Liberia.

#### **1.4 IDENTIFICATION AND DEMARCATION OF THE RESEARCH PROBLEM**

The basic research question is the following: *What is the level of political-security risk that the Republic of Liberia poses to any potential foreign investor?* It is in the interest of post-settlement reconstruction on the African continent, and particularly of Liberia, to assess political-security risk in that country.

The following three sub-questions underlie the basic research problem: *What is the nature and scope of political-security risk and which risk indicators identify political-security risk in an African country that has a recent conflict-ridden history? What is the effect of foreign military intervention on the risk profile of an African country that has experienced civil war for more than a decade? What are the implications of the assessed political-security risks for policy-makers and decision-makers?*

It is postulated that the level of political-security risk in Liberia is high in view of its recent history of instability and state failure. Any decision-maker should take this into consideration when becoming involved or investing in Liberia. It is also contended that political-security risk emanates mainly from inside the state, although insurgency from neighbouring countries and the fact that such risk factors pose a threat to stability and good governance, should not be excluded. Against this background, the main indicators of political-security risks used to construct a framework for analysis are war, ethnic tension, law and order, foreign military involvement, government instability, corruption and the investment profile of the country concerned. In addition, it is contended that foreign military involvement reduces the risk profile, but that medium-term stability remains dependent on the presence of UN mandated peacekeepers. Against the background of the aforementioned research questions, these explanatory propositions are examined and assessed.

In addition to the above, the research problem is demarcated conceptually, geographically and temporally.

- **Conceptual demarcation:** As previously indicated, the analysis focuses on macro political-security risk. This implies that country risk and political risk in their entirety are not considered; nor are economic and financial risks. This narrows the focus to political-security risk. In addition, foreign military intervention is included as a risk factor to the extent that it has a direct impact on political-security risk.
- **Geographic demarcation:** The geographical demarcation is confined to the Republic of Liberia. External factors, more specifically regional factors, are only considered to the extent that foreign military intervention and threats emanating from neighbouring countries are concerned. Therefore, for the purpose of assessing the impact of foreign

- **Temporal demarcation:** The political-security risk analysis of Liberia involves the contemporary situation in the country. The historical background (since 1847) and the recent political history of the country are, however, also considered in order to contextualise, understand and explain contemporary political-security developments in the country. The analysis only considers events and data up to and including 2008.

## 1.5 METHODOLOGY

The methodological approach to this study, since it focuses on the security context, is rooted in international political realism as it relates to present day politics on the African continent, more specifically that of Liberia. The literature study and factual data sources, as indicated, form the basis of this predominantly descriptive-analytical study. The development of the analytical framework is based on a synthesis of existing frameworks and indices, whereas the risk assessment of Liberia as an empirical case study is done by means of an inductive process. The study focuses on a single state, Liberia. No comparative study is undertaken, due to length constraints as well as the uniqueness of the country's situation.

While there are sufficient data sources on risk, political risk and political-security risk and risk frameworks for this study, primary data sources on Liberia are limited to multilateral organisation reports of entities such as the UN, the World Bank and the International Monetary Fund (IMF). Secondary data sources include books, journal articles and yearbooks related to the topic, and are used to supplement the primary sources.

## 1.6 OUTLINE OF THE STUDY

A conventional approach was taken in the study. Hence, the study is divided into a theoretical framework, a main body, and an evaluation containing conclusions, an assessment and recommendations.

Chapter One, as a general introduction, identifies the research topic and indicates the aim of the study. The use of a synthesised framework to analyse political-security risk is

explained and justified. The formulation and demarcation of the research problem are respectively done through the formulation of research questions and a conceptual, a geographical and a temporal demarcation. A brief overview of the research methodology is given. A literature overview is also included, focusing on literature on risk and political-security risk analysis, as well as literature on Liberia.

Chapter Two serves a twofold purpose. Firstly, it provides the theoretical basis for the study with references to definitions and the clarification of the key concepts, such as country risk, political risk, political-security risk, risk analysis and foreign military intervention. Secondly, it provides a synthesised framework for political-security risk analysis. The rationale for risk analysis is discussed, especially in view of its impact on decision-making. Accordingly a framework for political-security risk analysis is developed to assess political-security risk in a post-settlement African state. As previously indicated, this framework is based on existing frameworks. The generic features of these frameworks are identified and integrated to form the basis of what is deemed to be an appropriate synthesised framework.

Chapter Three provides a historical overview and contemporary country profile of Liberia. This serves as the political-security background to and the context of the current situation in Liberia. It provides, firstly, geographical, geophysical and other infrastructural facts on the country; secondly, a brief historical overview of the country, until 1980; thirdly, a brief overview of the political history of Liberia as a background to the present situation in the country, also considering the two consecutive civil wars and foreign military involvement as part of multilateral peacekeeping and peace-building; and finally, the more recent and current political developments in the country since January 2006.

Chapter Four is an application of the synthesised framework developed in Chapter Two to analyse the political-security risks that impact on foreign investors in Liberia. The indicators of risk are applied to the present situation in Liberia in order to assess the possible risk factors. Accordingly, the political-security risks in Liberia are indicated, described and assessed. Assessing both political and security risk indicators in a single, extensive chapter is necessitated by the intermingled and interdependent nature of the political and security developments in the country.

As an evaluation, Chapter Five provides a conclusion that sets out the main findings, and responds to the research questions posed in the first chapter. The implications of the identified political-security risks are discussed and evaluated. The resultant recommendations can be considered when deciding on investment in Liberia.

## **1.7 CONCLUSION**

A risk analysis is an essential part of the process of strategic planning, especially when considering foreign investment in a country. Political-security risk analysis is encompassed by country risk analysis but involves more than just political risk analysis, as it extends beyond those matters with a political impact. Existing country risk assessment models have not been developed with Africa, and particularly a post-conflict African state, in mind. Therefore, there is a need to develop a risk assessment model, in this case a political-security risk assessment model that can be used to determine political security risk in an African country, and particularly in a post-settlement state. However, it may not be suitable to assess risk in any other Third World country that does not share a similar history. Therefore a political-security risk model is specifically developed for and applied to Liberia.

# A POLITICAL-SECURITY RISK ANALYSIS FRAMEWORK: SELECTED THEORETICAL DIMENSIONS

## 2.1 INTRODUCTION

Risk analysis forms part of the daily life of all human beings, whether it involves unconscious risk-taking, such as deciding on what clothes to wear based on a brief assessment of the day's weather through a bedroom window, or whether it involves the use of a complex risk analysis model to decide on a seven-figure investment. As science advances, even daily decisions involving risk are now facilitated by technological assistance. For example, radio stations and television programmes as well as dedicated websites and call centres provide information on expected weather conditions. As a result, taking an informed decision can reduce the level of risk. Similarly, a political-security risk analysis would provide decision-makers with information on any proposed involvement and investment in another country.

Decision-makers, be they politicians or directors of multinational corporations, take or endure risks to achieve their objectives. Risk is not only dictated by the country, the political-security situation, the economic situation, the climate and physical infrastructure, but also by factors such as cultural preferences and the abilities of the individual people who will be employed in the host country. The scope of the venture to be embarked upon will also determine the extent of a multinational corporation's exposure to an uncertain environment and therefore the size of the risk (Brink 2004:148).

In making a decision, a multinational corporation's management could use risk analysis to structure the decision-making process and to evaluate whether a business venture or any alternative to it is worthwhile. In this respect, Hertz and Thomas (1984:1) maintain that within a multinational corporation, there is a close relationship between decision-making and risk analysis and that the latter adds strategic thinking to a particular decision. Risk analysis also encourages entrepreneurial activity, since it allows a proper understanding of risk, and it implies that there are structured processes in place to deal with any strategic problem emanating from these risks and the strategy chosen to deal with it. Accordingly

the use of risk analysis in the business and government environments is justified by the fact that it forms a basis for operational and strategic planning in these environments (Venter 1999:75).

The majority of risk analysis models make provision for 'measuring' either more inclusive country risk or more specific political risk. These risk analysis frameworks include, amongst others, the Business Environment Risk Intelligence (BERI) model, the Control Risks Group (CRG) model, the EIU model, the ICRG model and the political risk model developed by Brink (2004). By investigating these frameworks, it is possible to assess the value of each and to extract those factors that would most accurately indicate political-security risk, and to draft a more specific political-security risk analysis framework. As a point of departure, it is necessary to clarify the concepts concerning political-security risk and its assessment.

## **2.2 RISK ANALYSIS IN AN AFRICAN CONTEXT**

It is contended that risk analysis represents the first attempt at problem-solving or understanding a particular situation (Hertz & Thomas 1984:11). As such risk analysis is used to provide a thorough analysis of a situation or a country. The risk analysis process should therefore employ a framework most suited to risk analysis in order to meet the expectations and requirements of a 'client' (in the case of this dissertation, potential investors in Liberia). If there is no suitable risk analysis framework, for example to specifically measure political-security risk in a post-settlement African country, one should be constructed (Brink 2004:10).

Anyone doing a risk analysis in an African context faces several challenges, such as a lack of documented information on the political situation and political developments on the continent; incomplete economic data bases; having to contend with diverse political, economic and judicial systems that are, in most cases, based on that of the former colonies; and the fact that African countries are vulnerable to external developments such as global economic crises fluctuations in commodity prices, climate change and pandemics such as HIV/AIDS (Hough 2008:13).

## 2.2.1 Risk analysis, strategic forecasting and strategic planning

The concepts of risk analysis, strategic forecasting and strategic planning are not synonymous, but they are related. For example, although Asher and Overholt (1983:2) use the terms 'forecasting' and 'analysis' interchangeably, they imply that forecasting is a product of the analysis process. Similarly, risk analysis does not constitute a forecast or more specifically a prediction *per se*, but forecasting could be built into a risk analysis, therefore increasing its value. However, being a residual benefit, the inclusion of forecasting is not a requirement for a risk analysis. Political forecasts are furthermore generally subjective and difficult to make, regardless of the forecasting method employed. Despite claims by early mathematical risk analysis models that political change could be predicted, the lack of a theoretical basis, unreliability and the absence of validity of these quantitative models have undermined such claims. The structured nature of economic forecasting is, however, an essential element that supplements political forecasting (Hough 2008:12).

In order to achieve investors' objectives, which involve putting assets at risk, investors require a country or political risk analysis before making a decision on an investment in a specific country. Thus, a risk analysis would provide a multinational corporation with the information required to decide on the extent of the company's exposure to risk in an uncertain environment (Brink 2004:148).

It is essential to understand the concepts of strategy and strategic planning in order to fully appreciate the role that risk analysis plays in these processes. Strategy involves setting long-term goals and objectives, and putting in place a plan of action (a strategic plan) in order to reach the stated goals (strategic goals). An analysis of the environment, especially a political and social analysis, forms part of a broader strategy formulation process. A risk analysis of the country targeted for investment will have an impact on the future mission, vision and strategic decisions of the enterprise, as well as on the strategic management of the company (Malherbe 1990:4-7).

Alkhafaji (2003:153) holds a similar view, stating that in the strategic planning of a company, the externalisation of operations starts with an assessment of the international environment. By implication, investment in a country would require and involve the same process. As a first stage, the international evaluation involves an analysis of the economic,

political, technological, societal and ecological environments, collectively called the external environment; and this is tantamount to a country risk analysis. The environmental analysis is followed by a second stage involving an evaluation of the company's capacity to exploit the potential opportunities presented by the foreign markets and to manage risks successfully. As a third stage, a company has to determine to what degree it will internationalise its operations, followed by the formulation and development of international corporate strategies. As a final stage, before entering the international market, a comparative study of competitors would allow a company to benchmark its strengths and weaknesses, further assisting it in its final decision on future investment and on the region where this investment will be made. The position of risk analysis in strategic planning is therefore evident. It is not only a first step in the planning process, but it also determines whether or not the planning will continue, whether or not the investment will go ahead, or whether or not the risks posed by the external environment are of such a nature that there is reason to discontinue (Alkhafaji 2003:153-163). Therefore, a risk analysis should be made available to decision-makers, on the basis of which the latter take a decision on a course of action and on whether or not the identified risks will be ignored or steps will be taken to manage the risks (Howell 1998: 7).

### **2.2.2 Risk analysis, intrastate conflict and foreign military intervention**

Although there are different types of foreign involvement in practice, this study focuses on foreign military intervention that aims to restore peace and stability in the national territory of a country experiencing intrastate conflict. Geldenhuys (1998:6) defines foreign intervention as "the calculated action of a state, a group of states, an international organisation or some other international actor(s) to influence the political system of another state (including its structure of authority, its domestic policies and its political leaders) against its will by using various means of coercion (forcible and non forcible) in pursuit of particular political objectives". These actions are in the majority of cases in pursuit of a peaceful resolution of an intra- or interstate conflict, while post-conflict assistance facilitates the reconstruction process.

Since the end of the Cold War there has been an increase in foreign military intervention especially in the context of peace support operations, with humanitarian goals and conflict resolution as the main considerations. This represents a move away from the use of foreign military intervention in pursuit of limited national interests, for example to achieve a

state's goals of self-protection or territorial enhancement (Haus 2003:1). At the same time, the nature of conflict has also changed. In recent years, wars on the African continent have been mainly intrastate wars, where the belligerents are of the same nationality. The main interstate aspects of these wars were the use of the territory and infrastructure of neighbouring states as a springboard for attacks or insurgency and to obtain logistical support.

Furthermore, cognisance has to be taken of the fact that foreign military intervention always takes place within a political, military and ethical context. The political context concerns the domain from whence it originates and where it intends to conclude, also considering the political aims and objectives involved. For example, the post-Cold War era, during which the civil wars in Liberia took place, witnessed significant changes in the world order, notably an increase in the activities of non-state actors, as well as the marginalisation of the Third World, where several states have also become institutionally weak. In addition to these tangible factors, the post-Cold War era has also brought about interventions aimed at alleviating human suffering, with a growing reluctance on the part of most states to become involved in a situation that does not serve their narrower national interest. Nonetheless, the weakness of states, the uniqueness of post-Cold War conflicts, the global dominance of a single superpower and the growing demand for natural resources have increased the incentives for foreign military intervention (Du Plessis 2000: 15-20).

As far as the military context is concerned, it is evident that the nature of warfare has also changed since the end of the Cold War, with militia-based warfare becoming more common. This type of warfare is associated with viciousness and high civilian casualties. Due to the risks involved, especially in contemporary conflicts, any state that intends to participate in foreign military intervention will only agree to do so if there is a clearly defined exit strategy. By its very nature, foreign military intervention is an instrument of foreign policy that serves the goals of foreign powers, although ostensibly it intends to resolve instability and reduce political complexities, while also playing a humanitarian role. Finally, any decision on foreign military intervention must take cognisance of the moral dilemmas involved, especially in view of the norms and principles that regulate international relations, such as sovereignty, territorial integrity and self-determination. The justification of intervention requires consideration of the above issues and has to take

cognisance of historical realities and how the target country will respond to the intervention (Du Plessis 2000:20-26).

When deciding to intervene, decision-makers should also consider the type of intervention and whether or not it will enjoy the support of national and international allies and will have the desired outcome. While diplomatic intervention carries a lower level of risk, economic and military intervention carries a higher level of risk, since both aim to alter the balance of force in a conflict. For example, the deployment of troops is expected to benefit one of the sides in the conflict, while economic sanctions might similarly hurt only one of the belligerents (Reagan 2003: 2-7).

Foreign military intervention with the aim to resolve conflict originates mainly in a multilateral environment where organisations such as the UN or the African Union (AU) decide to intervene. A risk analysis of foreign military intervention, which forms part of the planning of the force deployment, is done to establish the level of intervention, the size of the force and the mandate required. It also allows for a regular review of the situation in respect of the deployment, with a conclusion advocating either an extension of the mandate or the downscaling or increase of the force levels, depending on the situation. However, in the context of political-security risk analysis, it is not the risk of foreign military intervention as such which is at issue, but the extent to which (multilateral) foreign military intervention constitutes a risk for, or increases or decreases that risk for potential investors.

### **2.2.3 The African context of risk analysis**

Desta (1993:27) contends that analysing political risk in less developed countries requires the analysis to be viewed as a function of how certain risk factors interact within the operational environment of a multinational company. These factors that could have a negative impact on the profits of foreign-owned enterprises include, amongst others, the current national environment, future changes to governance, the level of integration in society, the general welfare of the population, the socio-economic development planning of the authorities and externally provoked developments. A political risk analyst should therefore take these factors into consideration when preparing the framework for the analysis of a less developed country.

As far as country risk analysis is concerned, Hawkins (1996:2) argues that country risk analysis has performed poorly since a country cannot be assessed in isolation. The globalisation of markets and international portfolio investment have diverted attention away from country risk analysis. Therefore, in addition to a country specific analysis, a regional risk analysis should be considered. Furthermore, a political-security risk analysis of a country on the African continent also has to consider external influences at a global level as part of the analysis, also considering that organisations such as the UN, the World Bank or the IMF have a direct influence on policy within that country. External influences to which the African continent is vulnerable include fluctuations in commodity prices, increases in crude oil prices and events such as a global economic meltdown. Therefore, in the context of risk analysis, these external factors add to the risk profile of African countries, given their sensitivity to the previously mentioned changes in the international system (Hough 2008:13).

Apart from the unique vulnerabilities of the African continent, there is often a general external bias against the continent that does not celebrate its uniqueness, but rather regards it as a place of constant crisis where poverty, corruption, famine, violence and disease are the order of the day. This biased perception of the continent has an undeniable impact on the assessment of business opportunities and it therefore has a negative effect on the possibility of foreign direct investment (Musila 2008:160). Even when considering the risk indicators used in risk analysis models, a degree of Western bias is evident. For example, concerning corruption, whereas an African who receives a bribe to allow a foreign company to do business in his or her country is regarded as corrupt, the person who is paying this bribe is not necessarily regarded as corrupt. On the contrary it may be argued that the source of corruption in this case is not the person who receives the bribe, but the one who offers the bribe. However, in terms of the Western-centric way risk is perceived, the concern is rather with the person who is being corrupted than the one who is corrupting (Ndinda 2008:86).

The impact of existing risk analysis frameworks on the way the African continent is perceived is evident in the results of analyses which generally identify African countries as high risk areas, based on risk analysis models developed from a predominantly Western perspective. This contributes indirectly to the impoverishment of the continent, since a lack of foreign direct investment (based on the level of risk allegedly posed by the internal situation) results in countries having to borrow more money in times of economic

recession and therefore being forced to pay higher interest. Consequently, there is a need for the development of a revised approach to risk analysis that is not only aware of the challenges facing the African continent, but that ameliorates the bias against Africa that is evident in the existing risk analysis frameworks. The aim would be to take this approach forward with the development of a political-security risk framework for post-settlement African states.

## **2.3 THE NATURE AND SCOPE OF RISK ANALYSIS**

Risk analysis is a process where reliable information, with the assistance of analytical processes, is used to come to some understanding of or to gain insight into the risks associated with a certain situation or event (Fouché 2003:18). The outcome of such risk analysis is an important aspect of planning and forecasting as well as the management of uncertainty as far as the risks have a direct bearing on foreign investment.

### **2.3.1 Conceptual clarification**

This section will define and describe the concepts risk, country risk, country risk and political-security risk, in order to indicate how these concepts relate to and provide a context for the study.

#### **2.3.1.1 Risk**

Vertzberger (1998:22) defines risk as “the likelihood that validly predictable direct and indirect consequences with potentially adverse values will materialise, arising from particular events, self-behaviour, environmental constraints, or the reaction of an opponent or third party”. He also emphasises the difference between risk and uncertainty, because these phenomena are often confused. Uncertainty arises when a decision-maker has no information on possible outcomes, while risk exists when some knowledge is available on the possible outcomes of a particular situation or event. However, Vertzberger (1998:21) distinguishes between cases where uncertainty involves all dimensions of risk (descriptive uncertainty) and cases where the challenges faced are known, but the level of the challenge is not known (measurement uncertainty). Nevertheless, there is some relation between risk and uncertainty, but risk cannot be

equated to uncertainty. The level of risk is, however, quantifiable as a combination of the potential loss and the probability of its occurrence (Nagy 1979: 34).

For practical purposes, the concept of 'risk' can be divided into three types: real, perceived and acceptable risk. Real risk is tangible risk that occurs as a result of a situation or development regardless whether any person is aware thereof. Perceived risk arises where decision-makers attribute a certain level of risk to a development or a situation. Acceptable risk is found when decision-makers are comfortable with a level of risk and intend to sustain that level in pursuit of their goals. These three types of risk are not identical and cannot be compared. The risk types are segments of a decision-making process where, based on real risk, a decision is made on how to proceed by weighing perceived risk against acceptable risk. This allows a decision-maker to decide to go ahead or not with the planned action or intervention. Personal perceptions or views, as well as environmental factors and cultural background, also have an impact on how risk is perceived, and on the level of risk posed by a situation. The term 'risk' could be simplified by stating that risk equals danger; and therefore high risk would mean a lot of danger (Vertzberger 1998:18-20).

Being aware of or acknowledging risk assists in reducing risk and leads to a more cautious approach by those facing a specific risk (Giddens 1999:5). There is still a danger that risk could be compartmentalised, for example, by separating political risks from security risks without considering their holistic impact and therefore not realising what the real level of risk is, resulting from a combination of the two dimensions (Harris 2006:1).

Two other categories of risk are external risk, which comes from the outside, mainly posed by tradition or nature, and manufactured risk, which is the result of the impact of humanity's development. Risks such as drought, floods and plagues are external in nature, while risks such as global warming and its impact are manufactured risk. External risks are predominantly confronted by traditional or pre-modern societies and are easier to calculate, while manufactured risk has a dimension of expansion that is not always possible to calculate (Giddens 1999:4).

Risk, therefore, has an impact on an entity's ability to achieve certain objectives within specific boundaries of cost, schedule and technical constraints. The consequence of the impact of risk is failing to achieve this expected outcome: a situation that points to the

intricate relationship between risk and consequence. While this study does not investigate and analyse the consequences of political-security risk, these are critical factors that have to be considered in drawing conclusions and advising what the level of risk involved is in as far as investment in a certain sector within a country is concerned (ACC 2007:1).

The emphasis on harm or the undesirable outcome of a future event heightens the requirement for developing some tools that would empower an entity to identify, avoid, manage or limit risk. This risk could involve danger, which could be a threat to life or something undesirable, such as being stuck in traffic and therefore missing a booked flight. (In the latter case, listening to traffic news, knowledge of routes to avoid and alternative routes could limit the risk of being late.)

### 2.3.1.2 *Country risk*

In the risk analysis context, country risk is a broader concept. It requires a comprehensive analysis of all the risks a country might face at a domestic, regional and international level (Fouché 2003:2). The scope of country risk therefore encompasses political, security, economic and financial risk (Howell 1998:3).

Nagy (1979:13) defines country risk as “exposure to a loss in cross border lending, caused by events in a particular country, events which are, at least to some extent, under the control of the government but definitely not under the control of a private enterprise or an individual”. Here the emphasis is on the cross-border nature of the risk and the fact that, regardless of who is involved, the risk occurs in a certain state where the situation is under the control of the local government. The scope of risk is far broader than just lending to the government: individual and private entities are also included in the risk, as they could also default on the repayment of a debt. Finally, the events that pose the risk are under the control of the government, be it partially or completely.

For example, the ICRG framework measures country risk considering political, economic and financial risk indicators (PRS Group 2007:2). While no provision is made for security risk as an independent category in the ICRG framework, the political risk indicators considered include security risk indicators such as external conflict, the military in politics and civil war (Howell & Caddick 1994: 248). Nagy (1979:14) contends that country risk can

manifest as political, social and economic events, but warns that these factors can only be regarded as country risk indicators if they pose a risk to borrowers in that country.

Similarly, the country risk assessments done by the EIU Country Risk Service involve a combination of political risk (referring to political stability and governance), economic policy risk, economic structure risk and liquidity risk. In the case of political risk, the EIU distinguishes between political effectiveness (which translates to issues concerning governance) and political stability, including matters of stability such as war and social unrest (Brink 2004:59). Political, social and economic conditions most frequently manifest as country risk through events such as war, foreign occupation, riots, disorder caused by ethnic rivalry, trade union radicalism, the unequal distribution of wealth, religious fanaticism, tension between strata of society, a drop in export earnings, no or a low Gross National Product (GNP) growth, strike action, a decline in export earnings and a sudden increase in the cost of living. Country risk can also be classified with reference to a specific country which is responsible for the loan; to the nature of the event that leads to the risk manifestation, such as political developments; to the rationale behind the loan; and to borrower action that could result in loss and whether it is low, medium or high risk (Nagy 1979:14).

In conclusion, country risk involves all political, security, economic and social risk factors that could pose a risk to any potential investor or borrower. A single event or a combination of events or factors contributes to a country's being regarded as risky to external role players, although it would be important to be informed about whether the risk is national or just restricted to a certain area or sector.

### 2.3.1.3 *Political risk*

Political risk is defined in respect of the risk that political variables pose to investments within a specific country. Political risk properties exclude macro-economic risk indicators, but include political instability and political uncertainty. Political uncertainty is the result of inadequate information. It contributes to an inability to make an unbiased assessment of the situation. Political instability refers to unforeseen changes in respect of succession or policy and it is therefore a criterion for the possible occurrence of political risk (Brink 2004:19). Political risk does not ignore macro-economic trends as a factor that can

contribute to political risk; however, this is an area where the distinctive nature of political risks disappears as it enters the domain of country risk (Hough 2008:7).

Common ground among the definitions of political risk is the influence of political developments or decisions on investments in a country resulting in financial loss to the investor. Hence, Howell & Cadick (1994:3) defines political risk as “the possibility that political decisions or events in a country will affect the business climate in such a way that investors will lose money or not make money as they expected when the investment was made”. Similarly, Investorwords.com’s (2007) definition states that political risk is “the risk of loss when investing in a given country caused by changes in a country’s political structure or policies, such as tax laws, tariffs, expropriation of assets, or restriction in repatriation of profits”. Therefore political decisions involving policy changes, even macro-economic policy, constitute political risk.

The role of the host government is undeniable as far as political risk is concerned. Its actions have a direct bearing on any investing company’s chances of making a profit. Two divergent positions exist in respect of the influences that result in a loss of profit. The first views political risk as being based on the influence of the host government or sovereign interference in foreign business operations, also bearing the conviction in mind that the environment created by the host government is a determinant of political stability as well. Areas where government actions may be detrimental to business operations are trade restrictions, exchange restrictions, restrictions on the repatriation of proceeds, government’s negation of external debt, restrictions on production and confiscation with no intention to compensate (Desta 1993:4). In contrast to the emphasis on sources of political risk emanating from government action, the second position contends that political risk arises from instability within a state. A *coup d’etat* (successful or failed), ethnic tension and conflict, intra- or interstate war, ideological changes and changes to trade policy are all sources of political risk within a state (Desta 1993:7).

Most definitions of political risk emphasise the threat of political instability to a foreign investor. It is essential to note that political instability does not always equate to political risk, for example, in Italy, where there have been more than 40 changes in government since 1945. These changes of government did not necessarily pose any risk or even any threat to foreign investors in the country. The danger nevertheless exists that political uncertainties can be transformed into political risks. In order for change to be regarded as

a risk, a sudden change is required, since subtle or incremental change over the long term is part of the normal political process. Therefore a change in the political *status quo*, be it an event, a discontinuity or a policy change that has a direct bearing on the investment environment, constitutes a political risk (Fitzpatrick 1983:250).

It is apparent that political risk exists when the government of the country that is receiving the investment can decide to nationalise, expropriate or evict the company, or enterprise without offering any compensation. However, foreign subsidiaries are unlikely to be confronted with the risk of eviction, nationalisation or expropriation if they are viewed to contribute to capacity building and economic growth (Desta 1993:30). In the context of this study, political risk is explored with the aim of ascertaining what influence political developments have on planned investment in a particular country.

#### 2.3.1.4 *Political-security risk*

The *South African White Paper on Intelligence* (Republic of South Africa 1995:4) states that the post-Cold War period has introduced a new era for national security, with the emphasis shifting from physical security and the protection of the territorial integrity of the state towards human security and development. At present, the national security agenda of states includes a range of political, economic, military, social, religious, technological, ethnic and ethical factors. Thus, it is evident that the nature and scope of security has changed. Mathur (1996:304) concurs with this view by stating that security also refers to the preservation of the liberty, life, property, honour and culture of individuals and the enhancement of an atmosphere of peace and tranquillity in the environment. Security also implies freedom from any danger. National security is furthermore more associated with survival and with the ability to protect and preserve a chosen way of life and to protect and maintain vital interests. Therefore, threats to national security include activities, phenomena, or events that pose a threat to the survival of the state or the people within this state. Buzan (1991:60) adds that for the purposes of security analysis, the concept 'state' includes the internal dynamics of the way in which the territory, the government and society relate to one another.

While states face different national security problems, they are vulnerable to different kinds of threats. These threats include military, political, economic, social and environmental threats. They confirm that national security has many dimensions and that

the concept does not only relate to military insecurities (Buzan 1991:97). Whereas First World states deem national security threats in the form of military threats to originate mainly from outside the country, the national security of Third World states remains vulnerable to forces from within the state. Where they are evident, external threats to Third World countries are mainly the result of the spill-over effect of intrastate conflicts to the extent that these can lead to the involvement of external forces (Ayoob 1995:7).

A threat to a country's security does not necessarily imply that it is a security risk. Conversely, a risk may constitute a potential threat to a prospective foreign investor. Therefore, the response of a government to a national security threat could pose a security risk to both internal and external role players. Fouché (2003:18) defines a political-security risk as: "those vulnerabilities that flow from the political risks (policy responses to security threats) that are found in a specific country". Therefore actions that the host government could take, such as passing unpopular legislation concerning the banning of trade unions or opposition party activities, could lead to civil unrest and even civil war. The knock-on effect of this includes socio-economic deterioration, poor governance in the executive and polarisation of communities along ethnic lines.

### **2.3.2 The nature of risk analysis**

Risk analysis is the process through which available information is used to determine the regularity and impact of certain events. Since the events are usually undesired, to the extent that they are risky, it is necessary to establish their causes and their consequences (Abie 2007:2). In its most basic form, the risk analysis process involves the projection of historic and present developments into the future, and using this projection for decision-making. Apart from projection, the process of risk analysis could also involve a more systematic process through which a risk index is calculated with the assistance of weighted variables. These variables are given a risk value that determines their influence as risk factors (Howell 1998:5).

As has been pointed out, risk analysis undeniably plays a role in forecasting, strategic planning, environmental scanning, scenario construction and the management of improbability. Risk analysis also plays a significant role in terms of investment risk. It is in this field where it has become the most acceptable, since it is here that a decision could have a negative result, such as financial loss. Risk analysis therefore has an undeniable

role to play in terms of strategic thinking, especially where decision problems occur (Hertz & Thomas 1984:2).

Risk analysis should distinguish between objective risk and perceived risk. While perceived risk is a distorted view of risk by uninformed people, objective risk is deduced after a risk assessment has been done. The latter is a more informed and accurate view.

A further distinction is made between classical and neoclassical risk analysis. Classical risk analysis refers to a scientific process that is objective and managed by experts in the field of the risk subject. What is noticeable in the process is that it is not influenced by the value system of its intended clients, who are, in most cases, political decision-makers. The neoclassical approach to risk analysis recognises the role that cooperation between the public, risk assessors and risk managers or decision-makers plays in the analysis. The reason for this is that not only objective risk needs to be considered but also perceived risk, since the latter could influence the decision-maker(s). Objective risk can be regarded as the product of a technical analysis of the situation, whereas perceived risk would include other dimensions in respect of control, legitimacy, trust and credibility. Perceived risk would therefore concretise and make an analysis more comprehensible to those that are concerned with this risk (Robinson 1992:240-243).

### *2.3.2.1 Risk analysis and risk assessment*

Hertz and Thomas (1984:2) define risk analysis as "the methods which aim to develop a comprehensive understanding and awareness of the risk associated with a particular variable or interest". While risk analysis is generally understood to be involved in investment decision-making, it has a broader application as the vehicle used for the examination of data in any environment where there is a decision problem. The latter approach aims to move away from limiting the application of risk analysis to the business environment. Risk analysis also adds value in strategic management processes through inputs such as risk forecasting, risk positioning and scenario development.

In addition, risk analysis is also deemed to be a technical process in which the probabilities and consequences of developments and decisions are scientifically assessed. It can therefore be deduced that risk assessment is the overall process that includes risk analysis, risk evaluation and risk management. The link between risk

analysis and risk management is that risk analysis provides the information that will be used to develop a strategy in respect of investment in a foreign country, while risk management is the implementation of this strategy (Abie 2007:1). Hough (2008:6) expresses a similar view, stating that risk assessment is a systematic process of both assessing and managing the risks involved in foreign direct investment.

### 2.3.2.2 *Risk management*

Risk management is the art of managing risks, whether it involves making a fire to chase away wild animals when sleeping in the open or taking out comprehensive insurance for a modern merchant fleet. Valsamakis, Vivian and Du Toit (1999:22) define risk management as “a managerial function aimed at protecting the organisation, its people, assets, and profits against the physical and financial consequences (adverse) of event risk. It involves planning, coordination and directing the risk control and the risk financing activities in the organisation”. The emphasis is on the notion that risk should be managed through continuous monitoring and evaluation within the context of the planned or existing operations.

Vertzberger (1998:17) distinguishes between risk in politics and risk in business, contending that business risk-taking has been thoroughly researched, while politicians tend not to delineate levels of acceptable risk prior to taking a decision. In business, there are defined parameters of acceptable risk and it is possible to distinguish between the ‘gamblers’ and the ‘conservatives’ in terms of risk-taking. However, the same does not apply to politics, where this distinction is more diffuse. It is therefore argued that this distinction explains why it is difficult to ascertain what constitutes ‘good’ and ‘poor’ political decision-making. In the absence of a recognised framework to ascertain a benchmark, it is imperative to fill this void.

Risk management strategies involve risk acceptance, risk reduction, risk containment, risk avoidance and risk sharing. A common form of risk management is to obtain political risk insurance from the host government. This process could involve the investor’s negotiating the protection of the security forces in an insecure or high security risk environment (Hough 2008:5).

Risk management in Third World countries is more challenging than in First World countries, due to the volatility of Third World markets, while risks that are unlikely to occur in First World countries have an increased likelihood in Third World countries. Furthermore, the risk management techniques used in First World countries might not work effectively in a Third World environment. A major challenge in the risk management process is the identification of a risk, since risks that have not been identified are unlikely to be managed. The awareness of risk identified through a risk analysis should be translated into action in order to be effective. The risk management process involves the establishment of a coherent strategy, an effective risk management framework and the determination to implement the framework (Olsson 2002:209-211,233).

### **2.3.3 Types of risk analysis**

There are several different types of risk analysis, but for the purposes of this study and based on the earlier conceptual distinction, only country risk analysis, political risk analysis and political-security risk analysis are described.

#### **2.3.3.1 *Country risk analysis***

Country risk analysis is based on the definition of the concept of country risk, which does not only consider political events, but also involves the impact of social and economic factors. Nagy (1979:13) states that country risk analysis is the process of recording, classifying, investigating and analysing risks that might pose a risk to the activities, assets or personnel of a company operating in a foreign country. Country risk analysis therefore aims to establish, by evaluating collected information, whether a certain country will experience difficulties that would lead to debt service defaulting and what the likelihood is that the situation will improve or deteriorate. The incapacity or inability to service debt is brought about by specific economic, political and social aspects in the state in question (Nagy 1979:17). In country risk analysis, the scope of the analysis extends beyond mere political factors and also involves social and economic risk factors and how these would affect the operations of foreign investors.

Country risk analysis therefore aims to consider the impact of the partially known or even unknown environment in a foreign country on the profit performance of a bank or a multilateral financial institution. The aim of the management of such establishments is to

have maximum returns within the confines of factors such as ethical behaviour, investment in the socio-economic development of communities, fair labour practices and adherence to bank policies. In extreme cases, country risk analysis aims to preserve the assets of a bank and avoid losses resulting from expropriation or nationalisation without the payment of sufficient compensation. The emphasis, when conducting a country risk analysis, is on the impact of macro-economic developments on the profit margins of a bank, although micro-economic, political and social factors should not be ignored so as to prevent the analysis from being too narrow (Haner & Ewing 1985:3).

Firstly, a country risk analysis has to establish the likelihood of a certain event, such as the possibility that a civil war may break out in the country under consideration. It is equally important to establish when this anticipated event might take place. It would also be important to establish what the impact of this event would be and if a risk, such as the inability of the country to service debt, would materialise. Lastly, it is important to ascertain whether the event will manifest in policy terms, leading to actions such as a possible decision to nationalise assets and processes. The projection of a country's long-term capacity to service debt is inevitably a key question; and the impact of a change in government should not be left out of the equation (Nagy 1979:37).

However, changes since 1990 in the nature of infrastructure service provision and trade have led to an increase in the involvement of the private sector in the Third World, because governments, especially in emerging economies, have been unsuccessful in this regard. The private sector has also become more prominent in the provision of financing for these services. Privatisation and financial deregulation have added to improved performance by up-and-coming economies. These changes have implications for country risk analysis, as sovereigns no longer dominate international borrowing due to the closer links between domestic and international markets. The spectrum of choices between financiers has increased significantly, thus introducing a new type of risk that is justified by the involvement of Export Credit Agencies and multilateral organisations. The rise in short-term capital flows has increased the possibility of balance of payment unpredictability. The profile and composition of external debt has changed – it is no longer concentrated among international banks, but is instead spread among a heterogeneous group of financiers that are more focused on returns and on their responsibilities to their shareholders than on a long-term lending relationship with a sovereign entity. Macro-economic developments have threatened the viability of trade finance and infrastructure development projects, with

the reliability of governmental commitment becoming increasingly questionable. The global shift is currently towards the larger emerging markets that are undergoing both political and economic transitions (Sheikh & Heimans 2004:43).

Consequently, in refining a country risk analysis, it is necessary to ascertain whether the risky consequences of a decision are understood or whether they remain ambiguous. The severity of the situation needs to be assessed against the seriousness and the possible damage of the potential consequences of the decision or the situation. The possibility that any adverse outcome can actually materialise needs to be considered. It has to be established when these adverse consequences will materialise. The complexity of the risk analysis model has to consider the intended client, as an overly complex framework would result in flawed decision-making, with the decision-maker focusing on the dimensions that the decision-maker considers the most pertinent, with the result that some may be left out. The impact of such an omission, as well as the possibility that a risky decision can be reversed, can be considered. Consequently, answers have to be provided about whether the risk that has been generated by a decision can be controlled or contained. Finally, the decision-maker could be held accountable by the public for adverse consequences, such a situation that would require an evaluation of the magnitude of the personal political cost the decision-maker has to deal with (Nagy 1979:26,27).

### 2.3.3.2 *Political risk analysis*

Political risk analysis is based on the definition of the concept of political risk and has a narrower meaning than country risk analysis. Brink (2004:11) defines political risk analysis as the process that “aims to anticipate and calculate the probable size and magnitude of loss a potential investor might incur by envisioning the flow of interwoven circumstances under which such losses might occur”. The ever-changing nature of political dynamics requires that a political risk analysis framework has to be updated regularly to adapt to the changing investment climate in a country. The aim would be to provide decision-makers with the most recent analysis (Brink 2004:10). Political risk analysis also involves finding answers with regard to uncertainty about what to expect in countries where there is no history of trade or little evidence of other interactions. This requires a process that will filter through all information available on a country in order to draw some conclusion on political developments, without discounting the implications of political decisions in as far as the economic, social and security sectors are concerned. In this respect, the subject of politics

involves the behaviour of those in control of the state, the legislation created to control and regulate, and how the latter two relates to the population, the reaction of the population to governance and the ability of the country to adjust to an ever-changing world (Howell & Caddick 1994:4).

Furthermore, political risk analysis involves examining and explaining the possibility that interrelated aspects originating from a government's policy decisions, actions, reaction or even lack of action or any other unforeseen events will have an impact on the business climate in such way that it could result in a loss of profit. The political risk analysis process involves the isolation of the risk indicators that will be used to do the analysis. A political risk analysis would consider the policy relevance and the nature of an investment, as that would dictate how the needs of clients can be met by considering risks relevant to the industry in question. Essentials have to be considered in any political risk analysis. For example, without allowing for an investigation of the political and economic situation in a country, it would not be possible to predict the reactions of the authorities in the state to internal developments or external influences. A key aspect here is to identify any vulnerability, even at times when the political situation can be considered ideal. Dependence is a type of vulnerability that should not be ignored, even under ideal circumstances, as it could prove to be crucial in future, especially dependence on single commodities such as gold, a history of inter-group tension or reliance on imports to fulfil energy requirements. These vulnerabilities would not necessarily influence the risk rating of a country, especially when the majority of the vulnerabilities are either average or there is just a single major vulnerability. The conclusion would generally be one of moderate risk (Brink 2004:25-26).

The tools required for political risk analysis usually include some form of forecasting in order to arrive at a conclusion about what the future holds. However, it is critical in the risk analysis process to ensure that predictions of risk are logical and that they can be justified. A distinction should also be made between macro risks, which involve the entire political situation, and micro risks, which involve risks in a specific industry. These predictions result in the need for action to be taken. In addition, in the political risk analysis process, forecasting would serve little purpose, since even early warning will have no or little value if no action can be taken in order to exercise some control over the political environment. Knowledge concerning possible future outcomes creates the opportunity of making a choice between different policy alternatives. The aim with the available choices is to

realise a preferred outcome. Unquestionably, not only should the choice be logical, but the decision-maker should also be in a position to defend it as the best option to achieve its goals in the present circumstances (Venter 1999:75,76).

In order for a political risk analysis to be accurate, different levels of analysis should be done. These levels involve the individual level, which concentrates mainly on the leadership of the executive and specifically on what this person or these persons agree to and if they respect the separation of power in government. At the group level, the focus is on tension between the different social groups in society and the existence of any racial or ethnic friction. The economic policies of the country represent the national level, while foreign policy has an influence on interstate relations. Globally, the trade policies of a country would be the most notable indicator. A cross-cutting effect between the different levels of analysis should definitely not be left out of the equation since a head of state could have a personal interest in the foreign policy of his or her country and could be the main proponent thereof. The same could be true for a head of state representing the interests of a specific ethnic group that aims to influence the trade policies of the country in order to protect the interests of that individual or group (Brink 2004:37,38).

### 2.3.3.3 *Political-security risk analysis*

Political-security risk analysis involves an analysis of the political and security dimensions of risks that are part of the country and political risk assessment processes. The aim would be to determine what impact the actions of a government will have on the security situation in a country or what the security implications of political events may be (Fouché 2003:24).

In terms of the definition of political risk that broadly supposes that a foreign investor will earn less money or suffer profit losses as a result of the actions or lack thereof by the political role players in a country and more specifically the government of that country, the actions of the political role players mainly involve policy decisions, while these decisions or reactions to these decisions pose a security risk to the investor (Brink 2004:18). Political-security risk analysis therefore specifically looks into security risks resulting from the political risks in a specific country. However, an assessment of security risks *per se* is also required. The most pertinent political actions that could have a security impact include unpopular legislation, restrictions on political parties or trade unions that could lead to civil

unrest, civil war or terrorism. These could also result in deteriorating socio-economic conditions, poor governance and even discrimination against certain ethnic or religious groups (Fouché 2003:25).

While all countries face military threats in whatever format and scale, matters of national security are posing bigger threats to stability and are not easy to contain as would be the case with any internal or external military force (Buzan 1991: 97). In this respect, governments are facing challenges like economic collapse, overpopulation, mass-migration, ethnic rivalry, political oppression, terrorism, crime and disease, which represents a move away from narrowly defining security in just military terms (Republic of South Africa 1994: 1).

In conclusion, country risk is generally, although not exclusively, confined to host government actions and inaction. Political risk not only involves host government actions, but also the action of other actors, such as terrorist organisations and foreign governments. Country risk analysis is a broader type of analysis, while political and political-security risk analysis are both components of and complementary to country risk analysis (Fouché 2003:25). Therefore, political risk analysis usually does not include economic risk factors, although it does not disregard the impact that politics has on the economic and social environment. Similarly, political-security risk analysis could be based on the broader definition of national security, as it involves an analysis of the non-military and non-political dimensions of security. In this study, the focus is limited to political-security risk.

## **2.4 FRAMEWORKS FOR RISK ANALYSIS**

This section considers the underlying assumptions of the risk analysis process, after which four selected frameworks are briefly examined for the purpose of identifying generic factors on the basis of which a political-security risk analysis framework can be constructed.

### **2.4.1 Underlying assumptions**

Political risk analysis, and therefore also political-security risk analysis, faces the challenge of dealing with hard-to-quantify non-economic variables. Furthermore, since the

process has no clearly defined boundaries and is open-ended, there are no clear guidelines on how it should be approached. Additionally, political risk is deemed to be too subjective and amorphous for it to be subject to systematic quantitative analysis. Guidance is required to conceptualise the measurement of political-security risk in order to make it more empirical, thus moving away from the social science challenge that holds that problems should be resolved with quantifiable measurement (Brink 2004:5).

Brink's opinion is supported by Vertzberger (1998:28) who admits that the quantification of political risk is regarded with suspicion, since the risk indicators involved are difficult to measure. Political risk analysis does not have a quantifiable and abstract structure allowing for its expression in an abstract mathematical model. The choice of risk indicators provides the coordinates within which a specific situation will be described. The key to the accuracy and completeness of the risk analysis would be to rely on information, imagination and motivation. These three determinants are interdependent, as information without motivation or imagination will not result in a risk analysis that would meet the expectations of decision-makers. The absence of any of the three factors would result in a risk analysis that is self-serving, paranoid and not much more than fantasy.

The ill-defined nature of problems in the political domain is due to the open-ended characteristics of these problems. These problems lack adequate and clearly defined parameters, since they have often not been defined before. As a result, an analyst is required to develop a structure within which the problem has to be addressed, leaving it open to subjectivity, driven by personal convictions on the matter at hand. Analysts are also faced with challenges such as determining what information would be relevant in the risk analysis; a situation that could result in uncertainty, since crucial facts could be left out as a result of a difference in interpretation. The challenge, regardless of subjectivity, is to choose the most objective way to analyse risk (Vertzberger 1998:31-32).

It is critical that the political problem is structured and constrained, since failing to do so could lead to not solving the problem. The analyst should therefore take charge of this process without allowing a multitude of decision-makers to become involved in structuring the problem. The challenge for the analyst is to define the most basic or 'substantive problem'. In order to do this, the problem should be solved in stages, namely problem search, problem definition, problem specification and problem sensing. After completing this process, the analyst is in a position to formulate a 'formal problem', taking on board

policy considerations (Dunn 1994:147,150). The task of the decision-maker can be made easier by reducing uncertainty by providing information on the future, by assessing all possibilities, and by assessing all those possibilities in a systematic manner. Regardless of the support provided, no decision-maker can be absolved from his or her decision (Frei & Ruloff 1989:13).

Brink (2004:5) touches upon the following points with respect political risk, which are also applicable to the political-security risk analysis process, particularly to the formulation of the problem:

- It is essential to ensure that the concept of political-security risk is exact and understood.
- It must be realised that some of the existing political risk analysis models are insufficient to analyse political-security risk.
- The empirical measuring of political-security risk indicators could pose challenges.
- A newly created risk analysis framework could be difficult to operationalise.
- The importance of information sourced for the risk analysis cannot be overemphasised in view of its impact on risk management decision-making.
- The management of the risk by the decision-makers, regardless of the circumstances is critical.

The challenge is now to implement the aforementioned criteria through the depiction and assessment of selected risk analysis frameworks.

#### **2.4.2 Selected risk analysis frameworks**

There are several risk analysis frameworks that make use of quantitative and qualitative methods. Five general categories of political risk analysis frameworks can be distinguished, namely the rank ordering approach (quantitative and qualitative), the decision-tree approach (qualitative), multiple regression analysis (quantitative), the judgement of experts (quantitative) and discriminant analysis (quantitative) (Fouché 2003:28; Desta 1993:13). This study makes use of four applicable risk analysis frameworks, from which a comprehensive synthesised quantitative framework for political-security risk analysis is developed. These frameworks represent a hybrid of the above categories since they employ both qualitative and quantitative processes.

#### 2.4.2.1 *Brink's political risk analysis framework*

Brink (2004:6) states that her political risk analysis model is adaptable and that it takes into consideration the most recent information, technology, updated risk indicators and formulas and combines these with the intuition and judgement of a foreign investor. The model has a broad application and is not only meant to service foreign investors and lending governments, but could also be used by private firms. The rationale for this model is that political dynamics and ever-changing business climates constantly influence and change investment opportunities and profitability.

The model is chosen as a source for constructing a political-security risk framework on account of its vast number of political risk indicators (37), economic factors of investment risk (41) and social factors of political risk (25), which provide a broad basis to work from. The comprehensiveness of Brink's model, coupled with the sheer complexity of the rating of each political, economic and social risk indicator, has led to the decision not to use the rating system itself in this study. However, for the purposes of developing a new political-security risk assessment framework, some of the risk indicators in the framework are incorporated due to the very specific purpose of the new model. Brink (2004:81) nevertheless maintains that the use of all risk indicators would allow for accurate comparative studies, even if some factors would highlight stark contrasts in findings during the study. However, for the purpose of a country specific study, the exclusion of some and use of selected risk indicators best suited to analyse the country is recommended.

Brink (2004:88-98) identifies 37 political risk indicators, namely the political system, separation of powers, openness of the political system, public accountability of the government, economic planning issues, form of government, racial, ethnic, religious, nationality, language issues, border disputes/external conflict and international relations, political terrorism, militarisation, legitimacy issues, government behaviour, consequences of social revolution, political (in)stability, civil war, state of emergency, economic expectations and reality, leadership succession issues, the military in politics, the status of the media, the country's human rights record, the quality of the bureaucracy, a lack of political will, involvement of international organisations, geographic position and geopolitics, contract repudiation, selective discrimination, political violence and elections.

The weighting of Brink’s model involves the sum of the political risk indicators (which amounts to 50 per cent), the sum of the economic risk indicators (that is 30 per cent), and the sum of the social risk indicators (that is 20 per cent) of the total. The number of risk indicators applicable to each category is calculated as a percentage of the total and the sum of the three categories provides a risk index score out of 100, which is interpreted in terms of an incremental risk scale (see Table 1).

**Table 1: Incremental risk scale**

| Percentage chance that political risk might occur | Incremental scale        | Risk indication |
|---|--------------------------|-----------------|
| 0 %-10 %  | Highly advisable         | LOW RISK        |
| 11 % -20 %  | Advisable                |                 |
| 21 % -30 %  | Very low risk            |                 |
| 31 % -40 %  | Relatively low risk      | MODERATE RISK   |
| 41 % -50 %  | Low to moderate risk     |                 |
| 51 % -60 %  | Relatively moderate risk |                 |
| 61 % -70 %  | Moderate to high risk    | HIGH RISK       |
| 71 % -80 %  | Relatively high risk     |                 |
| 81 % -90 %  | Unadvisable              |                 |
| 91 % -100 %                                       | Highly unadvisable       |                 |

(Brink 2004:119)

Brink also weighs each of the risk indicators individually and provides an explanation or probable weight for each factor, depending on its severity or level of occurrence. For the purposes of this study, such a complex mathematical model is not envisaged, although Brink’s model assists in terms of developing a method that can be utilised in weighing each risk indicator. The challenge remains to develop a model that can be easily applied by social scientists.

#### 2.4.2.2 *International Country Risk Guide (ICRG) framework*

The ICRG was developed by the editors of *International Reports* as a framework for forecasting political, financial and economic risk. A statistical model was developed to calculate risks and support an analysis to meet the needs of clients. The ICRG model allows clients, mainly foreign investors, to calculate how political, financial and economic

risks could affect planned investments. Although the framework was developed in the 1980s, it has been updated repeatedly to adapt to changing international circumstances (Howell & Caddick 1994:247).

The ICRG framework comprises five financial, 13 political and six economic risk indicators. The 13 political risk indicators have been given double the weight (100) of respectively the financial (50) and economic risk indicators (50). The political risk assessment scores are based on the analysis of available information (Erb, Harvey & Viskanta 1996:30). A point score is assigned to each of the 13 political risk indicators, with the allocated weight being within the six to 12 point range. The political, economic and financial risk indicators are weighed and added to calculate the level of risk of a country. There are five ICRG risk categories that range from very high to very low (see Table 2) (Howell & Caddick 1994:248). The overall risk as rated by the ICRG risk categories makes use of the inverse scoring system, which involves the lowest score translating to the highest risk, while the highest score translates to the lowest risk.

**Table 2: ICRG risk categories**

| <b>Risk category</b> | <b>Composite score range</b> |
|----------------------|------------------------------|
| Very high            | 0 – 49.5                     |
| High                 | 50.0 – 59.5                  |
| Moderate             | 60.0 – 69.5                  |
| Low                  | 70.0 – 84.5                  |
| Very low             | 85.0 – 100.0                 |

(Erb 1996:31)

The ICRG political risk indicators include government stability, socio-economic conditions, investment, internal conflict external conflict, corruption, military in politics, religious tension, law and order ethnic tension, democratic accountability and bureaucracy quality (Howell 1998:185-194). The political, economic and financial risk indicators employed by the ICRG make provision for country risk analysis, but the political risk indicators can be considered in the development of a political-security risk model. The scoring system is not complicated; and since individuals can use it to rate a country, this cue should be taken in order to ensure that the envisioned political-security risk analysis framework is user-friendly.

### 2.4.2.3 *The Economic Intelligence Unit (EIU) framework*

The EIU's Country Risk Service (CRS) has the objective of providing an international comparable and updated country risk analysis for 100 highly indebted and poor countries and to generate an evaluation of their relative level of risk from a macro-economic and financial point of view. As far as possible, the CRS model attempts to identify and quantify the risks which institutions that lend money cross border will encounter. The CRS assesses country risk through four types of risk to potential investors, namely political risk, economic policy risk, economic structure risk and liquidity risk. Of the total of 100, political risk constitutes 22 per cent, economic policy 28 per cent, economic structure risk 27 per cent and liquidity risk 23 per cent. The political risk component is subdivided into two categories, namely political stability and political effectiveness. Five indicators resort under political stability, namely war, social unrest, orderly political transfer, politically motivated violence and international disputes. The six indicators resorting under political effectiveness include a change in government orientation, institutional effectiveness, bureaucracy, transparency/fairness, corruption and crime. The determinants of economic policy risk are monetary policy, fiscal policy, exchange rate policy, trade policy and regulatory environment. The economic structure risk factors include the global environment, growth, current account, debt and financial structure groupings. Ten variables are used to cover liquidity risk (Howell 1998:101).

A point-based scoring system is used to allocate a numeric weight ranging between 3 and 20 to each variable. The political variables include bad neighbours, authoritarianism, staleness, illegitimacy, generals (the military) in power and war/armed insurrection. The social variables are urbanisation pace, Islamic fundamentalism, corruption and ethnic tension (Howell & Caddick 1994:77-78):

The EIU's CRS has some shortcomings, especially concerning political risk. Factors such as threats to law and order are included, but the presence of radical groups is not considered, although both pose a risk to the activities of foreign investors. Another risk indicator not included is the investment profile, which, on its own, would provide some indication of whether investment would be advisable or not. The allocated weight for the political and social variables adds up to 64 points, which makes it complicated to calculate and assess. The maximum scores for the groups of variables are not equal and the skewing of the index is a possibility. The points awarded to each risk indicator differ

significantly; for example, war is awarded 20 points, while ethnic tension is only awarded 4 points. Although war is an important factor, ethnic tension could also pose high levels of risk, especially among the ethnically heterogeneous populations of the majority of African countries.

Despite these problems, the CRS is a useful risk assessment framework, especially since the risk indicators that are used are crucial for designing a synthesised framework. The CRS risk indicators basically cover the same areas as those of Brink and could be called universal, therefore providing some useful assistance in the development of a new framework (Fouché 2003:32).

#### 2.4.2.4 *Global Peace Index*

The GPI has its origins in an initiative by Steve Killelea, Chairman and founder of Integrated Research Ltd., to launch a project to compile an index that would rank 121 countries according to their comparative state of peace. This project was done with the assistance of experts from the EIU who were tasked to develop the framework that would be used to compile the index. The GPI is composed of 24 indicators divided into three categories that cover ongoing domestic and international conflict, societal safety and security, as well as militarisation. The GPI measures both internal and external peace in a country by using the same 24 factors. It is important to note that 60 per cent of the weight is applied to measure internal peace; and 40 per cent is applied to measure external peace. The argument is that the higher the level of internal peace, the greater the chances are of peace with neighbouring countries.

Although the GPI is not a risk analysis framework as such, its value and inclusion lies therein that it suggests indicators of risk that could be useful for purposes of developing a synthesised framework. The indicators used by the GPI are the following (Killelea 2007:33-35):

- The indicators of ongoing domestic and international conflict are the number of external and internal wars fought, estimated deaths for external conflict, number of deaths from organised conflict (internal), level of organised conflict and relations with neighbouring countries.
- The measures of safety and security in countries include the level of distrust of other citizens, the number of displaced persons as a percentage of the population, the

- The indicators of militarisation are the military expenditure as a percentage of the GDP, the number of armed services personnel per 100 000 of the population, the volume of transfers of major conventional weapons (imports) per 100 000 people, the volume of transfers of major conventional weapons (exports) per 100 000 people, the UN deployments (percentage of total forces), the non-UN deployments (percentage of total forces), the aggregate of number of heavy weapons per 100 000 people, the ease of access to small arms and light weapons and the military capability/sophistication.

For purposes of this study the indicators of militarisation, specifically the references to the number of UN peacekeepers deployed and the present size of the armed forces would be utilised in the synthesised framework for a post-conflict African country.

#### 2.4.2.5 *Comparison*

The four frameworks that have been analysed above share a large number of risk indicators that can be used to indicate and to measure and/or analyse political-security risk. These frameworks also have certain commonalities, which illustrate their comprehensive nature over and above their unique factors. These unique factors are used to enhance the comprehensiveness of the envisaged framework, while the overlapping factors are assessed and integrated in order to ensure inclusiveness. A comparison of the different frameworks illustrates the existence of the common or generic features and indicates the overlapping nature of these frameworks (see Table 3).

All of the selected frameworks consider war, whether inside the country (intrastate) or between countries (interstate), as a risk indicator (or political risk indicator). Brink refers to 'civil war' and 'border disputes/external conflict and international relations'; the EIU uses the terms 'war/armed insurrection'; the GPI refers to the 'number of external and internal wars fought'; while ICRG calls it 'internal conflict' and 'external conflict'. Brink, the EIU and ICRG all refer to inter-ethnic/religious/language group tension, with Brink also referring to 'radical, ethnic, religious, nationality, language issues', whereas the EIU and ICRG models refer to 'ethnic tension'. Features of government in Brink's model include a cluster of

matters such as the 'political system', the 'separation of powers', the 'form of government', 'government behaviour', 'political stability' and the 'unconstitutional change of power'. Brink, the EIU and ICRG all refer to corruption, but Brink extends the concept by also referring to the 'state of bureaucracy' and adding the dimension of 'nepotism'.

Authoritarianism, which is identified by the EIU, can be linked to progress concerning democratisation and matters relating to 'succession', which originates from Brink. All these frameworks, except the GPI, have identified the involvement of the military in government as a risk indicator. Government stability is identified by Brink and the ICRG – the ICRG refers to it as 'government stability' while Brink prefers the concept 'political (in)stability'.

The investment profile of a post-settlement state is not purely political in nature, but is also influenced by political decisions and developments. The investment profile will, therefore, as a result of political decision-making, have an impact as a political-security risk indicator on any new investor. The ICRG listed the investment profile, but although it is not explicitly mentioned by Brink, there is a cluster of factors in her model that describes the investment climate, such as 'discrimination against foreign business', 'level of government intervention', 'degree of protectionism', 'privatisation', 'foreign ownership stake', 'nationalisation of key industries', 'degree of liberalisation' and 'confiscation and expropriation'. These factors do not refer to economic factors as such, but are indicative of the influence of political decision-makers on economic matters. Brink and the ICRG note the impact of law and order as a political-security risk indicator, with Brink calling it a 'law tradition', which mainly refers to the rule of law in a society, the culture of lawlessness and whether an investor can expect protection under the sovereign laws of a country.

Relations with neighbouring states could, to some degree, be integrated with war, and specifically interstate war, as a risk indicator, although the intention here is more to refer to whether interstate relations are cordial or whether they are characterised by tension. Brink and the GPI identify the country's human rights record as a risk indicator, based on the impact it will have on investment, since a poor human rights record could have implications for foreign investors and their (expatriate and locally recruited) employees.

Brink refers to the 'the role of international organisations', while the GPI refers to 'UN deployments (percentage of total forces)' and 'non-UN deployments (percentage of total forces)', which is, for the purposes of this dissertation, a factor that definitely has an

influence on the stabilisation of a post-settlement state. International peacekeepers are assisting the post-settlement authorities to establish control, but continued dependence on their presence would affect long-term stability.

The comparison of the existing models examined above is summarised in Table 3.

**Table 3: Generic features of existing frameworks**

| Indicator   | Brink | GPI | EIU | ICRG |
|---|-------|-----|-----|------|
| War/intra- or interstate conflict   | X     | X   | X   | X    |
| Inter-ethnic/religious/language group tension                                       | X     |     | X   | X    |
| Features of government  | X     |     |     |      |
| Governance, such as quality of the bureaucracy, corruption and nepotism             | X     |     | X   | X    |
| Democratisation in relation to succession, regular elections, authoritarianism etc. | X     |     | X   |      |
| Military in government  | X     |     | X   | X    |
| Government stability  | X     |     |     | X    |
| Investment profile  | X     |     |     | X    |
| Law and order   | X     |     |     | X    |
| Socio-economic conditions   | X     |     | X   | X    |
| Relations with neighbouring states  |       | X   | X   |      |
| Foreign military intervention   |       | X   |     |      |
| Human rights record   | X     | X   |     |      |

### 2.4.3 Synthesised political-security risk analysis framework

The existing risk assessment frameworks differ in nature and scope and in their ability to assess risk. Some are more useful in providing an early warning to decision-makers, but since none of the frameworks under consideration meet the requirements of a political-security risk analysis framework, a synthesised framework is developed.

In respect of political risk analysis, Venter (1999:77) suggests that a decision should be made concerning micro- or macro-political risk analysis. Whereas micro-political risk analysis deals with changes that are industry-specific, macro-political risk analysis deals with the entire political situation and therefore has an impact on all companies. On the same basis of and similar to the macro-approach to political risk analysis, this study also makes use of a macro-risk analysis.

As far as political-security risk indicators are concerned, three groups of indicators can be identified. Respectively, these include security, political and socio-economic risks as used by Fouché (2003: 44). The first group of political-security risk indicators are those that have been identified with regard to the aforementioned frameworks as generic in nature. These generic factors specifically pertain to those risk indicators that have a direct security impact, namely war/intra- or interstate conflict, inter- ethnic/religious/language group tension, relations with neighbouring states, law and order, and foreign military intervention. The second group of political-security risk indicators are those that are unambiguously of a political nature and have a direct political impact. They include features of government, governance (for example, quality of the bureaucracy), corruption and nepotism, democratisation in relation to succession, regular elections and authoritarianism, government stability, the country's human rights record and the military in government. The third group includes those factors that are mainly of a socio-economic nature but that constitute a political-security risk, for example, socio-economic conditions and investment profile. The aforementioned political-security risk indicators are generally related to the result of the actions and inaction of government rather than the actions or inaction of non-state actors.

Points allocated to each of the risk indicators constitute the scoring system of the political-security risk analysis framework. The scoring ranges from a predetermined maximum score of 4, 6 or 12 allocated to each of the risk indicators. The score allocated to each risk indicator depends on its impact or on the extent to which it poses a political-security risk. Logically, these factors have the biggest impact on the internal situation of the country and are therefore expected to have a similar negative impact on foreign investment. These factors would therefore be regarded as the main determinants of risk.

The scoring system of the synthesised framework will employ the analogy system (the higher the score, the higher the risk), and not the inverse scoring system of most existing frameworks. For example, Howell (1998:189-190) states that the highest risk is indicated by a 0 score, and as the points increase, so the level of risk declines. The logic of employing the higher score indicating the higher level of risk is further motivated by the endeavour to ensure that the synthesised framework is easily understood.

#### 2.4.3.1 Security risk indicators (with direct political-security risk implications)

The indicators of security risk are the following:

- **War/intra- or interstate conflict:** War as an indicator refers to both intra- and interstate conflict. In intrastate conflict, the authorities are involved in an armed conflict with internal groups or forces. The conflict is usually of a non-conventional nature and the opposing forces usually aim either to destabilise the country or certain parts of it, or to overthrow the government by force. An important dimension of recent African intrastate conflicts is the use of a second or even a third country's territory to launch attacks from. In addition, neighbouring states are often parties to these conflicts. Interstate conflict is usually conventional in nature, involving two states as the belligerents. An interstate conflict could involve more than two states and in some cases an entire region or group of states may be fighting each other. In both intra- and interstate conflict, the conflict may also involve systematic violence against the population. The maximum score for this factor is 12, with no distinction between the scoring of intra- or interstate conflict.
- **Inter-ethnic/religious/language group tension:** This indicator refers to the deep divisions that exist in a plural society where different ethnic, language and religious groups coexist. The danger expressed by this risk indicator is that ethnicity, language or religion could become determining factors in allowing an individual or a group to be employed by government, the defence and security forces, the civil service and the formal economy. The risk here is that certain groups are allowed to monopolise political, economic and military power. The maximum score for this factor is a 12.
- **Foreign military intervention:** This indicator refers to the actions of regional and international role players in stabilising (or destabilising) a country that is experiencing intra- or interstate conflict. In the context of peace support operations, the peacekeepers are generally deployed to oversee the implementation of a ceasefire agreement signed by the belligerents and the normalisation of the situation in a country. They are also tasked to play an active part in post-conflict reconstruction. In exceptional cases, peacekeepers are tasked with peace enforcement with the aim of bringing the conflict to an abrupt end. The involvement of peacekeepers could lead to dependence on the part of the authorities on these peacekeepers to maintain peace and stability. The number of international peacekeepers in relation to the number of members of the armed and security forces would be a useful indicator of whether the post-settlement authorities are in a position to maintain peace and security. The

- **Law and order:** The emphasis of this risk indicator is both law and order, with law representing the strength and impartiality of the legal system, while order refers to the popular observance of the law of the land. Any discrepancy between the two components (law and order) is risky; for example, even a strong and well-developed judicial system cannot restore order if citizens embark on illegal strike action or if they are propagating lawlessness. It is imperative to score law and order separately, with 3 points each, adding up to the maximum score of 6.
- **Relations with neighbouring states:** The emphasis of this risk indicator is negative relations with neighbouring states or any state in the (sub-) region, especially involving territorial disputes over resource-rich areas. This indicator also involves relations with foreign powers. Any negative relationship could lead to possible intervention by foreign powers, which may have a negative impact on investment, to the extent that the state's sovereignty and territorial integrity are undermined. The maximum score for this factor is 4.

#### 2.4.3.2 *Political risk indicators (with direct political-security implications)*

The indicators of political risk are the following:

- **Features of government:** This risk indicator involves the (in)stability of the government as a result of actions taken by government, the openness of government to participation by all groups in the political processes, the separation of powers (legislature, executive and judiciary) and the form of government (elected, an interim government or undemocratically constituted). The maximum score for this factor is 8.
- **Governance, e.g. the quality of the bureaucracy, corruption and nepotism:** This risk indicator involves the ability of the political authorities to govern effectively by executing their mandate through transparency, accountability and constitutional governance. Poor governance has a direct impact on an investor, since a malfunctioning bureaucracy and activities such as corruption and bribe-seeking that exceed the bounds of domestic or international acceptability would be a major cause of concern. Nepotism that results in power being centred among a narrow band or small group of persons, or even persons from mainly one ethnic group, would raise concerns

- **Democratisation in relation to succession, regular elections and authoritarianism:** This factor considers the degree to which progress has been made with inclusive governing, where provision is made in the constitution for regular elections. In addition, freedom of association is entrenched in the constitution, allowing individuals and political parties to organise and mobilise. Furthermore, there is a clear demarcation of powers between the legislature and the executive, so that the head of state and government are not allowed to rule by decree. The elected officials are democratically accountable. The tenure of the head of state and government are constitutionally limited, with a clear succession plan for the head of state. An additional advantage would be if succession planning within the political parties, especially the ruling party, considers national constitutional stipulations in this respect. The tendency for unconstitutional actions by government would be a main area of concern. The maximum score for this factor is an 8.
- **Government stability:** There are several factors that could affect the stability of the government and especially its ability to execute its mandate. An inability to execute its mandate could result in a change of policy that may impact negatively on bilateral and multilateral agreements. Political instability is a deterrent to any potential investor, as it constitutes a major political risk. The maximum score for this factor is 8.
- **Human rights record:** Although most countries are signatories to human rights conventions and accords, they do not always adhere to or implement them, especially when dealing with political opponents or during conflict. There may be selective discrimination against certain ethnic or religious, language groups, so that non-adherence to human rights criteria is a source of tension. The entrenchment of human rights in a constitution paves the way for adherence. A poor human rights record does not only have a negative impact on nationals, but can also severely affect foreigners and therefore have a direct bearing on any investment. The maximum score for this factor is 8.
- **The military in government:** The involvement of the military in government is either direct, usually when members of the armed forces have staged a *coup d'état* and placed themselves in government, or indirect, through the influence that the armed forces exert on a civilian government. In the majority of cases, the involvement of the military in government can be attributed to a historical relationship between those in power and members of the military that has resulted in some interdependence

#### 2.4.3.3 *Socio-economic risk indicators (with direct political-security implications)*

The indicators of socio-economic risk are the following:

- **Socio-economic situation:** This risk indicator includes all indicators that refer to socio-economic aspects with direct political-security implications such as *per capita* income, employment rates, education and literacy rates, health and health services provision, population growth, urbanisation rate, the life expectancy of different groups, the state of infrastructure and the general quality of life. In the majority of cases, socio-economic problems in a country can be attributed to the actions of government. Socio-economic circumstances have a direct and indirect impact on decisions pertaining to investment. For example, poor infrastructure influences a decision concerning investment that is dependent on proper infrastructure. Similarly, sub-standard education results in a poor quality labour force that would also affect a decision to invest. The maximum score for this factor is 6.
- **Investment climate:** The ideal is that the host country makes itself as attractive as possible to foreign investors. The aspects that a investor will consider are the degree of economic liberalisation, any history of expropriation, the degree of protectionism, nationalisation of key industries, the level of privatisation, the level of government intervention, discrimination against foreign business and the size of the stake in the business that a foreigner can own. The aforementioned are the result of policy decisions made by the host government. The maximum score for this factor is 6.

#### 2.4.3.4 *A political-security risk index*

Based on the aforesaid political-security risk indicators, a political-security risk index (see Table 4) was drafted. A five-point interpretation scale (see Table 5) with 20-point intervals is used to interpret the index score and to indicate whether investment should be considered or not. The third column of the scale indicates the level of risk, differentiating between three levels, namely high, low and medium risk. The two extremes on the

incremental scale are paired with either high or low risk, while the median is paired with medium risk. On the risk points scale, one per cent to 40 per cent represents low risk, 41 per cent to 60 per cent represents medium risk and 61 per cent to 100 per cent represents high risk. The use of the incremental scale of investment and a risk indication combines two separate elements to convey a message about whether a potential investor should consider continuing with the planned investment or whether the risk is too high and it is therefore highly inadvisable to continue.

**Table 4: Index of political-security risk**

| <b>Indicators</b>   | <b>Maximum points</b> |
|---|-----------------------|
| <b>Security risk indicators</b>   | Sub-total: 42         |
| War/intra- or interstate conflict   | 12                    |
| Inter-ethnic/religious/language group tension                                     | 12                    |
| Foreign military intervention   | 8                     |
| Law and order   | 6                     |
| Relations with neighbouring states  | 4                     |
| <b>Political risk indicators</b>  | Sub-total: 46         |
| Features of government  | 8                     |
| Governance e.g. quality of the bureaucracy, corruption and nepotism               | 8                     |
| Democratisation in relation to succession, regular elections and authoritarianism | 8                     |
| Government stability  | 8                     |
| Human rights record   | 8                     |
| The military in government  | 6                     |
| <b>Socio-economic risk indicators</b>   | Sub-total: 12         |
| Socio-economic situation  | 6                     |
| Investment climate  | 6                     |
| Total (risk index score)  | 100                   |

**Table 5: Incremental risk scale for investment**

| <b>Percentage chance that political-security risk might occur</b> | <b>Incremental scale of investment</b> | <b>Risk indication</b> |
|---|--|------------------------|
| 1 % - 20 %  | Highly advisable                       | LOW RISK               |
| 21 % - 40 %   | Worthwhile                             |                        |
| 41 % - 60 %   | Advisable                              | MEDIUM RISK            |
| 61 % - 80 %   | Reconsider                             | HIGH RISK              |
| 81 % - 100 %  | Highly inadvisable                     |                        |

## 2.5 CONCLUSION

The aim of this chapter was to develop an understanding of risk in a general and more specifically in an African context. Accordingly the different forms of risk and risk analysis were investigated in order to develop a political-security risk analysis framework based on an examination of existing risk analysis frameworks.

Risk is commonplace in daily life and, similarly, country, political or political-security risks are deep-seated and unique to every country and to every phase in a country's history. Amongst other policy-related processes, risk analysis provides decision-makers with policy-relevant information needed to decide on future action. In this respect, multinational corporations use risk analysis for purposes of strategic planning and to decide on future investments.

Country risk is a broader term than political risk and encompasses political, security, economic and financial risk. Country risk results from the actions or inaction of a government that leads to its failure to service a loan. As a sub-section of country risk, political risk is a more limited concept that relates to political decision-making, where the political authorities can exercise their authority and power to decide whether or not to repay a loan. As a sub-section of political risk, political-security risk involves those policy decisions or actions that would pose a security threat to the presence and operations of a foreign investor.

Several country and political risk analysis frameworks are available to assess risk, but none have been developed exclusively to assess political-security risk in a post-settlement African country. The crafting of such a framework requires the use of several known risk analysis frameworks, from which selected generic risk indicators are extracted as the basis of a synthesised framework. The risk assessment frameworks of Brink, the EIU's CRS and the ICRG, supplemented by the GPI provided the generic indicators of security, political and socio-economic risk. The risk indicators that have a direct security impact are war/intra- or interstate conflict, inter-ethnic/religious/language group tension, relations with neighbouring states, law and order and foreign military intervention. The risk indicators that have a direct political impact are features of government, governance (e.g. quality of the bureaucracy, corruption and nepotism), democratisation in relation to succession, regular elections and authoritarianism, government stability, the country's human rights

record and the military in government. The socio-economic risk indicators include socio-economic conditions and the country's investment profile. Each risk indicator is assessed and scored individually. The total points allocated per risk indicator are summed as an index score that provides an overall indication of risk for any prospective investor. The total number of points allocated equates with the level of risk, in other words, the higher the score, the higher the level of risk, while lower scores translating to a lower level of risk. A five-point incremental risk scale for investment is used to interpret the level of risk based on political-security risk index namely the total score of all risk indicators. As a next step, a country profile is presented that serves as the political-security background to a political-security risk analysis of Liberia.

### RISK CONTEXT: A COUNTRY PROFILE OF LIBERIA

#### 3.1 INTRODUCTION

Liberia is an African country that was never colonised. The freed American slaves that were resettled on the African continent since 1821 were the founders of a state that still maintains close ties with the United States of America (US) after more than 180 years. Liberia's close association with the US is also reflected in the design of the Liberian flag, which resembles that of the US. The national coat of arms and its motto acknowledges the settler status of the freed slaves. Liberia was declared an independent state in 1847 and has been ruled by the descendants of the freed slaves, also known as Americo Liberians or Americos, until the *coup d'état* by Samuel Doe in 1980.

The country has a history of instability, as evidenced by the 1980 *coup d'état*, the failed counter-*coup* in 1985, and the two successive civil wars of 1989 to 1997 and 1999 to 2003. The 1989 - 1997 civil war required foreign military intervention to bring it to an end, as was the case with the 1999 - 2003 civil war that culminated in post-settlement elections in 2005 and the election of Ellen Johnson-Sirleaf as president. Neither the Unity Party (UP) that President Johnson-Sirleaf heads, nor any other party has a majority in the legislature. Although this situation allows for transparency in governance, it complicates policy and the legislative processes. The country is currently in a process of post-conflict reconstruction that involves rebuilding the economy and the infrastructure that was destroyed during the successive civil wars. A nearly 15 000-strong UNMIL force provides security in the country; and thousands of former combatants, who have been disarmed but not integrated into society, continue to pose an indirect threat to stability.

The recent history of Liberia necessitates taking cognisance of and assessing the existing and potential risks that confront any potential investor in the country. Accordingly, a political-security risk analysis is done using the synthesised framework developed in the previous chapter. However, before this can be done, but also in order to do this, it is necessary to provide a country profile of Liberia that will serve as the background to the subsequent political-security risk analysis. To this end, attention is paid to the geophysical and demographic, general background, infrastructural, and political features of Liberia.

### 3.2 GEOPHYSICAL AND DEMOGRAPHIC FEATURES OF LIBERIA

Liberia, sometimes referred to as the 53<sup>rd</sup> state of the US, is situated on the west coast of Africa between Sierra Leone in the northwest, Guinea in the north, Côte d'Ivoire in the east and the North Atlantic Ocean to the southwest and south. The country lies between 7° 40' W and 11° 20' W from east to west and extends between 8° 30' N and 4° 40' N from north to south, covering a total of 111 370 square kilometres (World Factbook 2007:2). The Mano River, which forms the border with Sierra Leone, and the Cavally River, which forms the border with Côte d'Ivoire, are the main waterways in the country, while the Lofa, St John, St. Paul, Cestos and the Farmington Rivers are other major rivers (Defence Language Institute Foreign Language Centre 2006:4).

The Atlantic coastline is characterised by powerful surf, rocky cliffs and lagoons, bordered by a flat inland coastal plain, which is between 15 and 55 kilometres wide. The coastal plain consists mainly of forest and savannah. The interior, which rises to about 360 metres above sea level, is made up of flat sandy areas and small mountain ranges covered by evergreen (in the south) and semi-deciduous rainforests (in the north). The highest mountain range is the Nimba Mountains at 1 752 metres above sea level. There are two rainy seasons in the south of the country, but the rest of Liberia has a single rainy season with rainfall averages ranging between 2 240 millimetres and 4 650 millimetres per annum. The average temperatures are more extreme in the interior than at the coast, where temperatures can range between 9°C and 44°C, while the coastal temperature averages 26°C, with an absolute high of 33°C (Europa Regional Surveys of the World 2007:646).

Although no reliable population census has been done since 1984, the estimated Liberian population is 3 750 000 (UN estimate June 2006). Respectively, indigenous Africans represent 95 per cent, the Americo Liberians 2.5 per cent, and the Congos (descendants of freed slaves originating from the Caribbean) 2.5 per cent of the population (World Factbook 2007:5). The main ethnic groups are the Kpelle (19.4 per cent), Bassa (13.9 per cent), Grebo (9 per cent), Gio (7.8 per cent) Kru (7.3 per cent), Mano (7.1 per cent), Loma (5.6 per cent), Mandingo (5.1 per cent), Gola (4 per cent) and Kissi (4 per cent) while the Gbandi, Vai, Dei, Bella, Krahn and Mende are smaller groups (Pham 2004:14). There are also small expatriate communities of Lebanese, Indian, European and other West African nationals. The Liberian population has been internally and externally displaced by the two civil wars, with up to an estimated 700 000 persons fleeing the conflict in the interior and

resettling in Monrovia. After the departure of most refugees, Monrovia's present population is estimated to be less than 600 000, but there has been an influx of former combatants looking for employment since 2004. More than 170 000 Liberians fled the country during the two successive civil wars and the return of these refugees only commenced in 2004, with Liberian refugee communities remaining in Guinea, Sierra Leone, Côte d'Ivoire and Ghana (Europa Regional Surveys of the World 2007:646).

English is the official language, but various indigenous languages, such as Kpelle, Bassa, Krahn, Mandingo, Gio, Mano, Grebo, Gola, Gbandi, Loma, Kissi, Vai, Dei, Bella and Mende, are also spoken (EIU 2007b:3). Monrovia, named after US President James Monroe, is the capital, with other prominent towns being Buchanan, Harper, Greenville, Zwedru, Gbarnga, Voinjama, Tubmanburg and Robertsport. The country is divided into 15 counties or provinces (World Factbook 2007:1,5).

### 3.3 GENERAL BACKGROUND INFORMATION

Most factual information on Liberia is either dated or incomplete. This poses a major challenge to an accurate country profile required for a political-security risk analysis. The basic political, economic, industrial, foreign relations and security features of the country are summarised in Table 6.

**Table 6: Background information on Liberia**

| Data   | Sector  |
|--|---|
| <b>Political</b>                                 |   |
| Form of state                                    | The Republic of Liberia is, according to the 1986 constitution, a unitary republic and a multiparty democracy (EIU 2007:3).   |
| System of government                             | Liberia has a presidential system of government and the term of the elected president, who is both head of state and head of government, commences on the third working Monday of January of the year following the elections. The presidential term is limited to two six-year terms per elected president (TLC Africa 1986:14). The legislature consists of two chambers. Liberians aged 25 years and older can be elected to the House of Representatives, while a person aged 30 and older can be elected as a senator. The Senate consists of 30 seats and the House of Representatives of 64 seats (Constitution of the Republic of Liberia 1986:10; EIU 2007:3). |
| Latest election results (October 2005 elections) | Congress for Democratic Change (CDC) – 28.3%<br>Unity Party (UP) – 19.8%<br>Liberal Party (LP) – 13.9%  |



|                              |  |
|------------------------------|--|
|                              | <p>National Democratic Party of Liberia (NDPL) – 9.2% Coalition for the Transformation of Liberia (COTOL) – 7.8%<br/>National Patriotic Party (NPP) – 4.3%<br/>(EIU 2007:8)</p>  |
| Main political organisations | <p>The main political parties are the Congress for Democratic Change (CDC), Unity Party (UP), Liberal Party (LP), National Democratic Party of Liberia (NDPL), Coalition for the Transformation of Liberia (COTOL) and the National Patriotic Party (NPP) (EIU 2007b:8).</p>   |
| <b>Economic</b>              |  |
| Economic policy              | <p>Liberia has a history of poor economic policy formulation and implementation. The country's post-settlement status requires economic policy to focus on development and reconstruction, with the main priority areas being national security, social infrastructure, economic infrastructure and governance. The country remains dependent on foreign financial and technical assistance to implement these policies. The involvement of the donor community is dictated by progress made with public finance management and governance with the assistance of the Governance and Economic Assistance Programme (GEMAP). This appears to be successful in reducing endemic corruption and the programme will continue in the foreseeable future with the aim of replacing the international experts with trained Liberians. The majority of the technical and financial assistance comes from the World Bank and the IMF, with the successful implementation of a staff monitored programme (SMP). The latter was intended to evolve into a poverty reduction and growth facility (PRGF) by the end of 2008. Debt relief under the heavily indebted poor countries (HIPC) programme is also in the offing, provided the performance under the SMP contributes towards external debt relief. Monetary policy is aimed at containing inflation at a single digit level, while fiscal policy has to consider growth in revenue, and is expected to become more expansionary. The increased revenue will mainly be spent on restoring public services, while civil service salary arrears and domestic arrears have to be paid off (EIU 2007b:7-8).</p> |
| Gross Domestic Product (GDP) | <p>The real GDP increased with 9% during 2007, as a result of donor support for the reconstruction and rehabilitation of some economic sectors. Agriculture remains a strong performer, with timber and rubber production also on the increase. While manufacturing does not enjoy the same growth due to the high cost of raw materials, diamond and iron ore mining is displaying modest growth. Growth in the mining sector is expected to grow, because prospecting for mineral deposits has increased (EIU 2008:9).</p>   |
| Origin of GDP                | <p>Liberia's GDP is made up of agriculture, which represents 69.8%, manufacturing equalling 5.6% and services 24.6%. Historically, mining used to be a huge component of the GDP, but with a ban on the export of diamonds and the negative impact of the civil wars on the rest of the mining sector (gold and iron), its contribution (based on 2005 estimates) is currently zero (EIU</p>   |



|  |   |
|--|---|
|  | 2008:4).  |
| Principal exports                        | Principal exports are rubber (US\$126,7 million) and cocoa (US\$300 000) (EIU 2008:4).  |
| Main destinations of exports             | The main destinations of exports are Germany (23,3 percent), South Africa (16,1 percent), Poland (15,7 percent) and the US (11,3 percent) (EIU 2008:4).   |
| Principal imports                        | The principal imports are petroleum products (US\$91 million), food and live animals (US\$68,2 million), machinery and transport equipment (US\$32,6 million) and manufactured goods (US\$27,3 million) (EIU 2008:4).   |
| Main origin of imports                   | The main origins for imports during 2006 were South Korea (40,2 percent), Singapore (16 percent), Japan (13,6 percent) and China (8,7 percent) (EIU 2008:4).  |
| Foreign reserves                         | Foreign reserves with the IMF amount to US\$50000, while reserves in foreign exchange US\$71 940 000, which amounts to a total of US\$71 990 000 (Europa Regional Surveys of the World 2008:666).   |
| Exchange rate                            | The Liberian dollar (L\$) was officially held on par with the US dollar (US\$) until 1998, after which it was floated on the free market. The instability in the country during the second civil war led to a depreciation of the Liberian dollar to L\$61.8:US\$1 in 2001, with its value fluctuating between L\$55-L\$62.5:US\$1. It since stabilised on an average of L\$60:US\$1 in 2007 (EIU 2008:4; EIU 2007b:35).                      |
| Inflation                                | The inflation rate for 2007 was 8%. The Liberian economy is not expected to escape the ascendant international inflationary trends, as the country remains dependent on imported goods. The prices of imported goods that increased as a result of the inflationary effect of the rise in the international crude oil price will only edge down during 2009 (EIU 2008:9).   |
| Chamber of commerce                      | The Liberian Chamber of Commerce is situated in Monrovia and is headed by Emmett C.A. Gooding (Europa Regional Surveys of the World 2007:672). The Liberian Business Association, a private sector initiative, is situated in Monrovia and is headed by Samuel Mitchell (National Investment Commission 2007:41).   |
| <b>Industrial and related activities</b> |   |
| Industry                                 | The main elements of industry in Liberia are beer (6 420 000 tonnes), palm oil (42 000 tonnes) and cement (40 000 tonnes). Liberia used to produce approximately 540 million Kilowatt hour electricity, but this capacity was destroyed during the 1999 - 2003 civil war (Europa Regional Surveys of the World 2007:666).   |
| Industrial associations                  | The government-owned Liberian Produce Marketing Corporation was established in 1961 and is involved in the export of Liberian produce, the provision of industrial facilities for the processing of agricultural produce and in agricultural development programmes. The Liberian Resources Corporation (LIBRESCO) controls the country's mineral resources and is 60% government-controlled (Europa Regional Surveys of the World 2007:672). |



|                           |  |
|---------------------------|--|
| Government agencies       | The Budget Bureau and the General Services Agency (Europa Regional Surveys of the World 2008:672).   |
| Development organisations | The Forestry Development Authority is responsible for forest management and conservation; and the National Investment Commission (NIC) negotiates investment incentive agreements on behalf of the government. The Liberia Industrial Free Zone Authority (LIFZA) manages the free trade area (Europa Regional Surveys of the World 2007:672).   |
| Minerals                  | Iron ore, gold and diamonds are the most common minerals found in Liberia. While an agreement was signed with Mittal Steel in 2005, the project requires the rehabilitation of infrastructure before operations can commence. During the civil wars, gold and diamonds were mostly illegally mined by artisanal miners. However, the Liberian authorities plan to formalise mining and trade. Offshore oil and gas exploration has started, but no significant discoveries have been made (EIU 2007b:27-28).   |
| Agriculture               | Rubber remains the most important cash crop, with 30% being produced by smallholders. Multinational companies such as Firestone produce the balance. However, in the last few years, production has been negatively influenced by the illegal tapping of rubber by unemployed former combatants. The output in 2006 was over 100 000 tonnes. The lifting of sanctions on the timber sector is expected to lead to a resumption of production, including the review of concessions in an attempt to prevent illegal activities. The Liberian government also aims to improve the regulation of the timber industry. The case-by-case review of concessions forms part of the process of improving accountability. Food production has reached a low with the yields of rice expected only to reach full potential when all internally displaced persons have returned home and started production. Cocoa production has edged closer to the pre-civil war levels of over 2 000 tonnes <i>per annum</i> (EIU 2007b:25-27). |
| Corruption                | Governance in Liberia has been characterised by rampant and institutionalised corruption in the public sector. A critical challenge has been securing the revenue-generating agencies of the government and ensuring that these are under proper management. Additionally, the allocation of contracts or concessions has also been problematic. The launch of GEMAP has curbed corruption, while judicial action against high profile perpetrators signals the government's anti-corruption commitment. Despite the Johnson-Sirleaf government's efforts to curb corruption, it has been accused by its opponents of being as corrupt as its predecessors (AllAfrica 2007a:1-2). In the Transparency International (2007:27) <i>Annual Report 2007</i> , Liberia is rated the 150 <sup>th</sup> most corrupt out of a possible 179 states, which emphasises the level and serious nature of corruption in the country.  |

| <b>International relations</b> |   |
|--------------------------------|---|
| International                  | Liberia belongs to the following international organisations: the |

|                                    |  |
|------------------------------------|--|
| organisations                      | African Union (AU), African Caribbean and Pacific countries (ACP), the African Development Bank (ADB), ECOWAS, the Food and Agricultural Organisation (FAO), the G-77, the International Atomic Energy Agency (IAEA), the International Labour Organisation (ILO), the International Monetary Fund (IMF), the International Migration Organisation (IMO), Interpol, the International Olympic Committee (IOC), the Manu River Union (MRU), the Non-aligned Movement (NAM), the UN and affiliates of the organisation (World Factbook 2007:7; EIU 2007b:38).  |
| Diplomatic representation          | The following countries are represented in Liberia: Algeria, the People's Republic of China, the Democratic Republic of Congo, Cuba, Egypt, Ghana, Guinea, Lebanon, Libya, Morocco, Nigeria, Russia, Senegal, Sierra Leone and the US (Go Abroad.Com 2008:1).  |
| <b>Defence and Security Forces</b> |  |
| Defence force                      | The Armed Forces of Liberia (AFL) is undergoing a Security Sector Reform (SSR) programme that started with the demobilisation of 13 770 members of the former AFL. A reconstructed AFL that will be reconstituted and trained by 2010 will consist of a 2 000 troop strong brigade (23 <sup>rd</sup> Infantry Brigade), comprising two battalions (1 <sup>st</sup> and 2 <sup>nd</sup> Battalion), an engineering company, a military police company, a brigade training unit and a band platoon (Malan 2008:29-37).   |
| Security forces                    | The security forces of Liberia are undergoing SSR with the aim of establishing a trained Liberia National Police (LNP) force of 6 000 members. The training of the LNP is being done with the assistance of the UN Police (UNPOL) unit stationed in Liberia as part of UNMIL (Malan 2008:50-53).   |
| Foreign military intervention      | UNMIL, established by UN Security Council (UNSC) Resolution 1509 (2003), was mandated to implement the ceasefire agreement between the warring factions; provide protection to UN staff, facilities and civilians; support human humanitarian and human rights assistance; assist with SSR; and support the implementation of the peace process. The force has an authorised strength of 15 000, although provision was made for a temporary increase to 15 250 in 2005. Force reduction commenced in 2008, with the planned withdrawal of the first 1 000 troops. A gradual downsizing is planned, but this will be considered against progress with the training of the AFL and the LNP. A complete withdrawal is only expected after 2010. Lieutenant General Chikadibia Obiakor (Nigeria) is the current commander of UNMIL and 50 troop-contributing countries are represented in the force. UNMIL also includes 1 115 UNPOL officers that assist with general policing and the training of the LNP (UNMIL 2007:1-2). |

## **3.4 PHYSICAL INFRASTRUCTURE**

A return on foreign direct investment is dependent on physical infrastructure. The state of the physical infrastructure of Liberia is deplorable, given the lack of maintenance during the civil wars and the general destructive impact of the two consecutive civil wars.

### **3.4.1 Roads and vehicular traffic**

The roads in Liberia are in a poor state, with only 657 kilometres of paved roads out of an estimated national total of 10 600 kilometres (World Factbook 2007:11). Two main paved roads in the country link the capital to Freetown in Sierra Leone via the Mano River Bridge, and a second road links Monrovia to Ganta in Nimba County towards the north-east. No main paved roads link the capital to the south and south-east of the country. Coastal shipping remains the main alternative mode of transport. Road infrastructure created by the logging companies as an offset for tax liabilities are mainly secondary unpaved roads to which some upgrading has been done. The activities of the logging firms have also resulted in the creation of other road infrastructure, which serves this industry (Europa Regional Surveys of the World 2007:661).

### **3.4.2 Railways**

There is no passenger or freight railway service in Liberia. The existing 500 kilometre single track infrastructure has fallen into complete disrepair and was partially dismantled during the civil wars. The three routes that did exist linked Monrovia with Mano River (145 kilometres), Monrovia and the Bong Mines (78 kilometres) and the harbour of Buchanan and the Yekepa Mine (267 kilometres). The iron ore sector was the main operator of the railway system, and its demise compounded in the aforesaid state of events. The envisaged rehabilitation of the railway system will take place with the assistance of Mittal Steel (Europa Regional Surveys of the World 2007:661).

### **3.4.3 Ports**

The four main ports in Liberia are the Monrovia Freeport, Buchanan, Greenville and Harper. The 1989 - 1997 civil war first interrupted the activities of these ports. Subsequently, there was a significant drop in the 200 000 tonnes of general cargo and

400 000 tonnes of petroleum imports that were going through these ports prior to 1989 (EIU 2007b:18). Since 2006, activity has picked up at the Freeport, while the other three ports remain inactive. In 2006, the World Bank approved a grant to upgrade the Freeport, which will also include the removal of wrecks that have hampered operations (Europa Regional Surveys of the World 2007:662). The investment by Mittal Steel in the iron ore sector also includes plans for the rehabilitation of the Buchanan port, which will play a key role in the export of iron ore (EIU 2007b:18).

#### **3.4.4 Airports and air travel**

There are two paved airports in the country, namely Robertsfield International Airport (RIA), which is situated 56 kilometres east of Monrovia, and the smaller James Spriggs Payne Airport at Monrovia (Europa Regional Surveys of the World 2007:673). At present, Liberia has no national airline. Although air traffic to the country has increased since 2005, flights to Liberia remain irregular, with mainly smaller regional airlines in West Africa flying to RIA. There are a total of 51 smaller airports with unpaved runways, of which 80 per cent are shorter than 1 000 metres (World Factbook 2007:10). With the assistance of the UN Civil Aviation Authority, the elected Liberian government is reforming the civil aviation industry and improving air traffic control and surveillance. The number of direct international flights to Monrovia remain limited – only SNBrussels (a Belgian airline) and Asraeus (a United Kingdom airline) provide this service. The remainder of inbound flights involve West African national and commercial carriers (EIU 2007b:19).

#### **3.4.5 Merchant fleet**

After Panama, Liberia has the world's second largest flag of convenience in tonnage terms. The Liberian-registered merchant fleet consists of 1 653 vessels of 1 000 gross registered tons or more. Despite a drop in the number of registered vessels since its peak in 1982, the Liberian registry remains reputable, even in the face of growing opposition to this type of business. The two civil wars in Liberia have had little impact on the registry, as it is managed by the Liberian International Ship and Corporate Registry (LISCR) which is based in Virginia (US). Despite allegations that the LISCR was involved in purchasing arms in 2000, the company was not subjected to UN sanctions. As a result of its being unaffected by the civil wars, the registry has been a steady source of revenue, with an annual income of US\$13.5 million, representing 20 per cent of the national revenue. The

contribution has, however, declined since 2005 and the Liberian government announced a review of the agreement with the LISCR in 2007 (Europa Regional Surveys of the World 2007:661).

### **3.4.6 Telecommunication**

The Liberian Telecommunications Corporation (LTC), a parastatal entity, is the only provider of fixed-line telecommunication services. The 1989-1997 civil war damaged most of the LTC installations, resulting in fixed-line subscriptions being down from a former 10 000 to a mere 6 800. Efforts have been made since 2001 to restore some of the infrastructure, but renewed fighting in Monrovia during 2003 led to further damage. The unreliable fixed-line service and the introduction of mobile cellular services to the market have resulted in a shift towards cellular services (EIU 2007b:19). The estimated density of telephone services in Liberia is among the lowest on the African continent, with two fixed-line services per 1 000 inhabitants, while the mobile cellular services were 49 per 1 000 inhabitants in 2007. LiberCell has launched a wireless internet service which is substantially faster than any other internet service in Liberia, but internet services are limited to Monrovia only (EIU 2007b:19).

### **3.4.7 Energy**

The energy sector has gone the same route as most of the infrastructure – damaged or in some cases destroyed during the civil wars. The majority of power generating plants were looted and destroyed – whole grids were disassembled and sold as scrap metal. Before 1989, the Liberia Electricity Corporation (LEC) and the iron ore mining companies operating in the country were responsible for the generation of electric power. The LEC operated two main networks, the Monrovia Grid and the Rural Electrification Network. Another 11 isolated grids powered by diesel generators served the rest of the country. The total electricity generation capacity of the public sector was an estimated 790 000 kilowatt hour before 1989, but dropped to a single diesel generator generating only 7 megawatt until 2006. In the absence of a national electricity generation capacity since 1989, private diesel generators provided the majority of the 320 kilowatt hour generated, with fluctuations in production depending on the availability of fuel and generators. Since 2006, the Johnson-Sirleaf government has secured the assistance of the People's Republic of China (PRC) to restore the Mount Coffee Hydroelectric plant to its capacitated output of

64 megawatt. As a symbol of its efforts to restore electricity supply from a public utility, electricity supply was restored to parts of Monrovia in June 2006, with the lease of four generators with a combined output of 2 665 kilovolt ampère (Europa Regional Surveys of the World 2007:662).

Liberia imports all its petroleum products. Its five companies, Aminata, Sirmex, LibAfric, Monrovia Oil Trading and Mobil Liberia, are active participants in this trade. More than 38 per cent of the imported oil is used for electricity generation, while domestic energy demands are attended to by alternative sources such as paraffin, charcoal and wood (EIU 2007b:20). Deposits of offshore hydrocarbons were discovered as early as 1968, but they remain unexploited. Exploration is set to continue, and the Johnson-Sirleaf government has granted additional licences to exploration companies to continue operations. The size and economic viability of the sources discovered are not known (Europa Regional Surveys of the World 2007:660).

### **3.4.8 Economic infrastructure**

The manufacturing sector of the Liberian economy has always been limited and has at best contributed 7.4 per cent to the GDP. This sector consisted mainly of small firms, each usually controlled by a single owner. Large iron and rubber processing plants traditionally dominated the manufacturing sector, while the smaller businesses produced goods such as food, beer, cigarettes, clothing, furniture, soap and basic industrial chemicals (EIU 2007b:28). The only two major industries were the 125 000 ton cement-producing factory owned by the Liberian Cement Corporation (now taken over by Norwegian firm Scancem) and the Liberia Petroleum Refining Corporation (LPRC). Until it ceased operations in 1982, the LPRC was mainly responsible for the importation of refined petroleum products. Prior to the 1989 civil war, the tertiary sector (which includes transport, utilities, construction, commerce, private services and public administration) was the main contributor to the GDP, at 49.1 per cent. Thereafter its contribution dropped to 20.1 per cent in 2005. Transport, construction, commerce and private services dominate informal employment, while the public sector is currently the largest employer, with an estimated 58 500 employees (Europa Regional Surveys of the World 2007:660).

The national infrastructure of Liberia is in a state of disrepair and prospects for significant improvement in the foreseeable future are slim, given the level of destruction.

Rehabilitation projects are, however, currently being undertaken. The biggest concern is that nearly all infrastructure was affected. Prospective investors should choose their area of involvement and their sector very carefully, since the infrastructural problems will pose challenges to any kind of operation.

### **3.5 THE POLITICAL HISTORY OF LIBERIA**

The political history of Liberia can be subdivided into consecutive stages, namely the foundation and establishment of the Republic of Liberia (1821-1980), the Doe government (1981-1990), the first civil war (1989-1997), the Taylor government (1997-2003), the second civil war (1999-2003) and the Johnson-Sirleaf government (2006 to the present).

#### **3.5.1 The foundation and establishment of the Republic of Liberia (1821-1980)**

The Portuguese were the first Europeans to set foot on Liberian soil during the 15<sup>th</sup> century. They were mainly interested in acquiring African pepper and later, slaves for trade in Europe (Defence Language Institute Foreign Language Centre 2006:5). In December 1821, 86 freed African-American slaves, assisted by the American Colonial Society (ACS)<sup>1</sup>, arrived on board the *USS Alligator* at the coast of what is now known as Liberia, to establish a settlement under the management of the ACS and with the support of the US government. The settlers, with the assistance of Dr Eli Ayres, an ACS agent accompanying them, negotiated the first purchase of an island off Cape Mesurado from Dei and Bassa traditional leaders and concluded a deal to purchase land on 24 December 1821. This agreement, also known as the Doukor contract, provided the foundation for the establishment of Monrovia, as a first settlement. Liberia was officially founded four months later, in 1822, when two further groups of settlers joined the first and the ACS negotiated a further purchase of land (Pham 2004:5-11). For the next 40 years, the ACS was involved in the resettlement of some 6 000 freed slaves. The arrival of this number of persons was soon met with resistance when local tribes attacked the settlers. The first skirmish, known as the Battle of Crown Hill, was the start of long-term antagonism between the settlers and the native tribes and is regarded as a key contributing factor to the first civil war in 1981 (Defence Language Institute Foreign Language Centre 2006:5).

---

<sup>1</sup> The ACS was also known as the American Society for Colonising Free People of Colour.

The ACS remained a participant in Liberia's governance even after the declaration of independence on 26 July 1847. The independence declaration came at a time when the freed slave 'colony' on the Liberian coast failed to obtain international recognition, and the US government stipulated that it was no longer prepared to officially commit itself to the entity. Joseph Jenkins Roberts, a former ACS-appointed governor, was elected as the first president of the independent Liberia. Roberts, realising that the mere declaration of independence would serve no end if the state was not officially recognised, embarked on a visit to Europe in 1848, where he obtained recognition from the UK. The next president, Stephen Allen Benson, elected in 1855, continued efforts to obtain international recognition for Liberia's independence by successfully establishing diplomatic relations with Belgium, the US, Italy, Sweden, Norway and Haiti. Successive presidents after Benson were mainly involved in efforts to improve the economy of Liberia, but their efforts were hampered by several conflicts that broke out between the government and indigenous tribes, with harsh punishment being meted out to those tribes that openly opposed the authorities in Monrovia. The election of Anthony Gardener as president in 1878 marked the start of a 102-year period of dominance of Liberian politics by the True Whig Party (TWP) and consolidated the hold on power by the settlers (Pham 2004:17-26).

Concerning bilateral relations with its neighbours, border disputes with the British in Sierra Leone and the French in Côte d'Ivoire plagued the first decades of Liberia's existence. The situation came to an end through treaties with the UK in 1885 and France in 1892, although the dispute with the French only ended in 1919, when Liberia agreed to cede 3 200 square kilometres to the French. The Liberian authorities also expanded the national territory through treaties with the local communities in the interior. Land was also seized from some local communities during conflicts (Defence Language Institute Foreign Language Centre 2006:6). Successive presidents during the late 19<sup>th</sup> century and early 20<sup>th</sup> century employed different methods to subdue the interior to the authority of the central authority in Monrovia. At first, troops were deployed and garrisons erected to establish the authority of the central government, which resulted in ongoing wars and clashes with the tribes in the interior. Subsequently, a more pragmatic approach was followed, with the recognition and co-opting of the tribal authorities as a form of indirect rule (Pham 2004:30-31). The aim of the Liberian government was to incrementally integrate the indigenous tribes into Liberian society, based on their acceptance of the Christian religion, and the cultural traits and societal practices of the settler community. The indigenous communities responded differently to the imposition of Liberian state

authority – most chose to accept it as a means of protection against the more threatening French and British colonial expansion (Sawyer 2005:14).

The main impact of World War I on the Liberian economy was the departure of German business from the country after the decision of the Liberian government to declare war against Germany in support of its US ally. In reaction, German submarines blocked maritime traffic to the country's ports, leading to a decline in trade with foreign countries and a shortfall in government revenue (Pham 2004:26). The country was a founder member of the League of Nations, but Liberia's prominence as a state only came to the fore in 1926 when the country signed an agreement with the Firestone Company to tap rubber from a 1 million acre concession, a strategic development at the time when automobiles became an established mode of transport (Defence Language Institute Foreign Language Centre 2006:6).

Another significant event during the 20<sup>th</sup> century was the decision by President William Tubman to declare war on the Axis powers in 1944, which resulted in closer relations with the US. Liberia remained an important African ally of the US during the Cold War. Tubman further started a process of eliminating laws that discriminated against the indigenous tribes as second-class citizens. Liberia's next president, William Tolbert, adopted a more non-aligned foreign policy approach by establishing diplomatic relations with several countries in the former Soviet bloc. Liberia was a founder member of ECOWAS in 1975 (Defence Language Institute Foreign Language Centre 2006:6-7).

A fundamental mistake made by the settlers in the drafting of the first constitution was the establishment of a constitutional order based on inequality and discrimination. The declaration of independence and the motto of the state 'The love of liberty brought us here' proclaimed that the state was established by and for the Americo Liberian settlers (Pham 2004:20). This problem of inequality and injustice led to the eventual decay of the Liberian state through a *coup d'état* in 1980 and the two consecutive civil wars (1989 - 1997 and 1999 – 2003). Dr Boima Fahnbulleh, a leading Liberian political scientist, remarked that the Americo Liberian settler domination in Liberia, which was brought to an end by the violent 1980 *coup d'état*, was held together by freemasonry, which was used as a fraternity to secure political and economic domination. Inter-marriage between the political elite was another factor that made for loyalty and co-option, while the church was

manipulated to condemn the sinfulness of those of a lower social order and their uncivilised ways (Williams 2002:49-50).

As an ACS-established 'colony' with ties to US, Liberia was never a typical colonised African country. However, the early history of the country laid the foundation for the violent period that followed the 102 years of the TWP domination. Liberian society was based on a divide between the Americo Liberian settlers and the indigenous tribes and the suppressive approach of the settler communities to the local tribes. The US involvement in the early history of the country was also not typical of that of a coloniser, although American cultural influence remains evident throughout the history of the country.

### **3.5.2 The Doe government (1980-1990)**

The 133-year rule by the Americo Liberian settlers contributed to deep-seated resentment and divisions in Liberian society, which the reforms introduced by Tubman and Tolbert failed to address. On 12 April 1980, Master Sergeant Samuel Kanyon Doe, of Krahn origin, lead a successful *coup d'état* against Tolbert's government. Tolbert, along with 26 occupants of the Executive Mansion and 13 senior members of the TWP were executed in the aftermath of the *coup*. A People's Redemption Council (PRC) was formed. Doe co-opted members of the TWP and opposition into his government to retain some broad support. Doe's leadership was marked by continuous bloodshed, as he ordered the killing of more than 50 rivals. Until his eventual demise in 1990, Doe survived 38 assassination and *coup* plots, of which the most prominent was the attempt by his former colleague and friend, General Thomas Quiwonkpa, who failed to overthrow Doe's government in November 1985 (Adebajo 2002:19-29).

Doe's determination to legitimise his hold on power resulted in his rigging the October 1985 presidential election by announcing himself as the winner with 50.9 per cent of the vote. The election victory against Jackson Doe (a Gio from Nimba County) and the failed *coup* by Quiwonkpa (who also originated from Nimba County) resulted in the bloody repression and killing of an estimated 1 500 Nimba members of the population. The continued financial support of the US and its recognition of the 1985 election assisted Doe's hold on power, despite concerns about his brutality. Rampant corruption and the complete exclusion of certain groups from power did not set Doe apart from his TWP predecessors, although not having access to the same political resources. Doe ended up

becoming one of the first Liberian warlords, who lost the monopoly over military power with the outbreak of the 1989 civil war (Ellis 1999:54-65).

### 3.5.3 The First Civil War (1989-1997)

The National Patriotic Front of Liberia (NPFL), headed by Charles Taylor, launched the first Liberian civil war with an attack on Nimba County from Côte d'Ivoire on 24 December 1989 (Europa Regional Surveys of the World 2008: 647). The invasion of Liberia took place with the assistance of the governments of Libya, Burkina Faso and Côte d'Ivoire. The NPFL combatants' numbers were made up by Gio and Mano<sup>2</sup> civilians joining the rebellion as it moved through Nimba County and the areas to the south of Monrovia. The NPFL was notorious for recruiting child soldiers who were organised into Small Boy Units (Ellis 1999:72,78-79). The existence of other smaller rebel groups such as the United Liberation Movement for Democracy in Liberia (ULIMO)<sup>3</sup>, the Liberian Peace Council (LPC) and the Independent National Patriotic Front of Liberia (INPFL) added to the chaos in the interior, massive civilian displacement and the loss of civilian life. Five months after the outbreak of the rebellion, the NPFL was in control of 90 per cent of the country, with the exception of Monrovia (Levitt 2005: 206).

When Doe first attempted to defeat the rebels in Nimba County by military means, the AFL was continuously pushed back by advancing rebels, which prompted Doe to settle for the defence of Monrovia through massive recruitment of Krahn and Mandingo civilians in the capital city. These recruited AFL units were responsible for some of the atrocities committed during the war. Doe also called for assistance from the US, but when naval ships and 2 300 marines arrived in May 1990, their mission was merely to evacuate US and other foreign nationals (Williams 2002: 88-91).

A takeover of Monrovia by the NPFL was prevented by the intervention and arrival of ECOMOG in August 1990. With the assistance of the INPFL, ECOMOG pushed the NPFL out of Monrovia. This event also marked the start of collaboration between ECOMOG and the anti-NPFL factions (Europa Regional Surveys of the World 2006: 647). Doe was captured and killed by INPFL troops in Monrovia on 10 September 1990 (Williams 2002:

---

<sup>2</sup> Human rights organisations described the 1989-1997 war as closely resembling genocide, with the Gio and Mano on the one side and the Krahn and Mandingo on the other.

<sup>3</sup> ULIMO had split into two factions, namely ULIMO-J, headed by Roosevelt Johnson, and ULIMO-K, headed by Alhaji Kromah.

130). After the signing of a ceasefire agreement in Bamako (Mali) in November 1990, an Interim Government of National Unity (IGNU) was inaugurated, headed by Professor Amos Sawyer.

An uneasy calm was maintained until 1992, when renewed fighting broke out among the different rival tribal-based factions<sup>4</sup> and splinter groups, as well as ECOMOG and what was left of the AFL, fighting against the NPFL. Several attempts to negotiate peace in Benin, Ghana and Nigeria took place between 1992 and 1996, with an eventual breakthrough in Abuja (Nigeria) in 1997. The *Abuja Agreement* resulted in the withdrawal of the armed groups from Monrovia and an agreement to hold elections in 1997 (Europa Regional Surveys of the World 2006: 648). Taylor's control of the interior of Liberia allowed him to accumulate considerable wealth, as he controlled trade in diamonds, iron ore, timber and rubber. These funds were used to purchase arms, and pay the salaries of his commanders and give incentives to political supporters, but never to pay the salaries to troops. It is estimated that Taylor had access to more than US\$75 million *per annum* in taxes alone (Ellis 1999: 90).

#### **3.5.4 The Taylor government and the Second Civil War (1997-2003)**

Taylor won the 19 July 1997 general election with 75.3 per cent of the vote, while his National Patriotic Party (NPP) won majorities in the Senate and the House of Representatives. His inauguration as president on 2 August 1997 culminated in the lifting of the ECOWAS economic sanctions, but a UN arms embargo remained in place. Taylor appointed opposition politicians and faction leaders to his first government, but some left the government within a year after coming under attack by Taylor's security forces. Taylor's presidency was characterised by a proliferation of security agencies such as the Anti-Terrorist Unit (ATU), the Special Security Service (SSS) and the Special Operations Division (SOD) to name but a few. Concurrently, state departments, private businesses and rich individuals employed private security forces. These forces consisted mainly of former combatants. Taylor's relations with the US were strained by his alleged support of Al Qaeda, while his support of the Sierra Leone rebel group, the Revolutionary United Front (RUF), led to his eventual indictment for supporting war crimes perpetrated in Sierra Leone (Europa Regional Surveys of the World 2006: 649-650).

---

<sup>4</sup> NPFL, INPFL, ULIMO-K, ULIMO-J, Lofa Defence Force (LDF) and the Liberian Peace Council (LPC).

Taylor faced another armed conflict on the Guinea/Liberia border in April 1999, as remnants of the ULIMO-K faction encountered Liberian forces in cross-border attacks. This new armed group, known as the Liberians United for Reconciliation and Democracy (LURD), at first concentrated attacks on the border areas with Guinea, but, by 2002, LURD reached the outskirts of Monrovia. Although it was driven back by the AFL, LURD continued operations in the interior and enlarged the territory under its control.

On 9 April 2003, a new rebel group, the Movement for Democracy in Liberia (MODEL) emerged close to Monrovia. Taylor was now under attack from two sides by rebel groups receiving support from the Guinea (LURD) and Côte d'Ivoire (MODEL) governments respectively (Levitt 2005: 216-223). The deteriorating situation in Liberia forced Taylor to start negotiations with LURD and MODEL. Attacks on Monrovia continued during the negotiations, with both rebel groups demanding Taylor's resignation. Taylor suffered another setback when he was indicted for war crimes committed through his assistance to the RUF in Sierra Leone. By July 2003 he agreed to vacate office and accepted asylum in Nigeria.

Peace was restored in Monrovia with the deployment of the ECOWAS Mission in Liberia (ECOMIL) on 4 August 2003. The government of Liberia and the rebel groups signed a Comprehensive Peace Agreement (CPA) on 18 August 2003, which paved the way for the inauguration of the National Transitional Government of Liberia (NTGL) (Europa Regional Surveys of the World 2006: 652-653).

### **3.5.5 The National Transitional Government of Liberia (NTGL) (2003-2006)**

The signing of the CPA and the departure of Charles Taylor paved the way for Charles Guide Bryant to be sworn in as Chairman of the NTGL on 14 October 2003. The three years of NTGL rule was overshadowed by strife within the LURD rebel movement, which was also a participant in the NTGL, preparations for the 2005 elections and the dismissal and replacement of the Speaker of the National Transitional Legislative Assembly (NTLA), George Dweh. The reputation of the NTGL was also tainted by allegations of corruption, which resulted in some high profile corruption court cases against senior members of the NTGL, including Bryant. The poor governance of the NTGL also resulted in the international community's forcing Bryant to sign the GEMAP agreement that would lead to external oversight in the revenue management of the NTGL, but also for a government to

be elected in October 2005. The NTGL also witnessed the start to the Disarmament, Demobilisation and Reintegration (DDR) of former combatants. While 101 000 former combatants were disarmed between December 2003 and March 2005, the large disparity between the number of combatants and small arms (28 000) recovered remained a source of concern (Europa Regional Surveys of the World 2006: 653-654).

The planning of the election campaigns for the October 2005 presidential and legislative elections were in place as early as May 2005. The majority of the candidates and parties focused their campaigns on the more densely populated areas of the Montserrado, Bong, Margibi and Nimba counties that housed nearly 70 per cent of the electorate, and the area in and around Monrovia (ICG 2005:3). After successive conflicts, the election was the first since 1997. The departure of Taylor left the presidential elections race open, as none of the candidates had participated or fared well in previous elections. There was also concern that the influence and support that Taylor enjoyed would be a factor, as he remained in regular contact with his associates. The preparations for the elections proceeded smoothly, but slowly, in view of the logistical challenges posed by a country devastated by civil war (ICG 2005:9).

With 11 October 2005 drawing closer it became apparent that George Weah was the most popular candidate, especially among the youth, who identified with his iconic status as an internationally recognised footballer and the fact that he was of indigenous origin (Europa Regional Surveys of the World 2006:655). None of the candidates in the presidential elections secured an outright majority and it had to go to a second round of elections between Johnson-Sirleaf and Weah. The legislative elections had a similar outcome and none of the parties secured an outright majority. This meant that the president would have had to collaborate with opponents in the legislature, thus forcing him or her to consider coalition or cooperation agreements with other parties. On 8 November 2005, Johnson-Sirleaf won the second round of the presidential elections, with nearly 60 per cent of the vote. Weah and his supporters contested the outcome, but Weah conceded after regional leaders exerted pressure on him. The second round, however, reopened old wounds, as Weah fought his campaign using his indigenous status and his dissociation with previous governments. Johnson-Sirleaf attempted to bridge this divide by emphasising that she is of both Americo Liberian settler and indigenous background and that her experience and education would be an added advantage. On 16 January 2006, Johnson-Sirleaf was

inaugurated as the first elected female President of Liberia and on the African continent (Europa Regional Surveys of the World 2007:655).

### **3.5.6 The Johnson-Sirleaf Government (since 2006)**

Johnson-Sirleaf's inaugural address called for national reconciliation in Liberia and she offered opposition parties positions in government as a gesture in this respect. Weah, however, declined. Although the newly appointed government consisted of technocrats, the majority of appointed persons were experienced administrators, but with little or no experience in governance. Furthermore, the composition of cabinet did not reflect the composition of the population. The appointment of mainly Americo Liberian settler descendants as ministers was also a cause of dissatisfaction. The emphasis of the new government was mainly on economic development and economic governance reform (Europa Regional Surveys of the World 2006:655). The first major challenge that Johnson-Sirleaf faced was the extradition of Taylor to the Special Court for Sierra Leone. The request to extradite Taylor was made to the Nigerian government, after which Taylor absconded from his residence in Calabar (Nigeria). Taylor was arrested on 29 March 2005 on the border of Cameroon, after which he was extradited to Liberia. He was then transferred to Freetown and later to The Hague (Netherlands). Taylor was charged for war crimes, crimes against humanity and violations of international humanitarian law in Sierra Leone (UNSC 2006a:1).

From the outset, Johnson-Sirleaf implemented measures to address institutionalised corruption. All appointed members of the executive had to declare their assets, and the government subscribed to GEMAP. As a next step, an audit of the NTGL was ordered, while contracts and concessions signed by the NTGL were reviewed. This resulted in the arrest in December 2006 of the NTGL Minister of Finance, Lusine Kamara, the Deputy Finance Minister, Tugbeh Doe, and the Minister of Commerce, Samuel Wlue, on charges of corruption. Bryant was arrested in February 2007 for the alleged embezzlement of US\$1 million (Europa Regional Surveys of the World 2007:655). While the trials of former officials indicted for corruption continued in 2008, the president attempted to pass legislation that would allow for the freezing and confiscation of the assets of the close associates of Taylor, as mentioned in UN Security Council Resolution 1532 (2004) (UNSC 2008:2). Despite efforts to curb corruption and to probe former officials, opposition parties and the independent Auditor General have accused the present government of corruption

superseding the levels of the NTGL. Although no immediate tangible proof could be provided of the allegations made, the government of Johnson-Sirleaf has not been able to curb corruption (UNSC 2007b:2).

The initial relationship between the executive and the legislature has been characterised by tension. This tension can be attributed to the fact that the president's Unity Party (UP) does not enjoy a majority in the Senate or in the House of Representatives and therefore any legislative process that requires a vote poses challenges to the president to secure its adoption. The inclusion of only a few members of the opposition in cabinet has not helped in this respect (UNSC 2006b:2). The prospects for cooperation between the executive and the legislature improved as the animosity between the UP and the opposition abated. By 2008, the situation had improved to such an extent that several important bills such as the *Governance Commission Act* were passed, while several other important pieces of legislation were also considered. The treatment meted out to individuals suspected of corruption remains a major dividing factor. Opposition members believe that the government treats them unfairly when prosecuted for alleged involvement, arguing that the decision to prosecute is informed by tribalism and political affiliation (UNSC 2008:2).

From the outset, the Johnson-Sirleaf government faced the challenge of national recovery, reconstruction and development. The general devastation of infrastructure as a consequence of the civil wars, and the state of disrepair of existing infrastructure coupled with limited sources of revenue, have left the Liberian government dependent on UN agencies, non-governmental organisations and bilateral assistance to rehabilitate and reconstruct the infrastructure. In this respect, during 2006, the Liberian government developed a 150-day action plan that aimed to address the most immediate needs of the population concerning the restoration of electricity, the repair of roads and the rehabilitation of government infrastructure (UNSC 2006a:2). The government was able to meet 65 per cent of the 150-day plan targets within the stated time frame – the most notable achievement was the restoration of electricity to parts of Monrovia. While bilateral partners such as China, the US, the UK, Germany and the Scandinavian states are all crucial international collaborators, multilateral assistance from the World Bank, the IMF and the African Development Bank (ADB) is imperative. The role of UNMIL and the other UN agencies cannot be discounted, as they continue to have the most practical impact on reconstruction and rehabilitation through small, quick impact projects in local communities (UNSC 2006b:11).

Progress in economic recovery and reconstruction was evident with the increase of the economic growth rate in 2007 to 7.9 per cent from 5.3 per cent in 2005. While the rest of the country's economic indicators continue to be a reminder of the devastation of the civil wars and the impact of institutionalised corruption, more attention has been paid to employment generation, especially targeting former combatants as part of the reintegration process. Infrastructure rehabilitation, especially road repairs and construction, is a major source of employment (UNSC 2007b:11).

The Johnson-Sirleaf government has prioritised the task of national reconciliation. The civil wars left the population not only divided and suspicious of one another, but also struggling to come to terms with the events that occurred during these wars. The Truth and Reconciliation Commission (TRC) was launched on 20 February 2006, starting its first task of collecting information on atrocities and human rights abuses committed during the civil war. The Commission only had a two-year mandate. It has struggled to get going, despite assistance and support from UNMIL and other UN agencies deployed in Liberia (UNSC 2006a:8). By August 2007, the TRC had only recorded 5 000 out of an estimated 30 000 statements, with just over a year left before its mandate was to expire. The effectiveness of the Commission was further hampered by governance problems, which had to be overcome with external assistance (UNSC 2007b:10). The public hearings of the TRC started in Monrovia during January 2008, after which it continued in the remaining 14 counties since February 2008. An average of 30 persons in each county were to testify during these public hearings, resulting in a total of less than 500 testimonies heard (UNSC 2008:11).

More than a century of TWP rule and Americo Liberian settler dominance failed to establish the basis for a resource-rich country to prosper, also considering that their policies of exclusion laid the foundation for events such as Doe's *coup d'état* and the repressive nature of his government, as well as the brutality and destruction of the two civil wars. After 25 years of political instability and the conclusion of a peace process, a post-settlement government was elected to turn around a country that was classified as a failed state.

### **3.6 FOREIGN MILITARY INTERVENTION IN LIBERIA**

Involvement in the form of foreign military intervention was required, during the two successive civil wars, to stabilise the situation in Liberia.

#### **3.6.1 Economic Community of West African States Monitoring Group (ECOMOG)**

Liberia's first encounter with foreign military intervention was the deployment of an ECOWAS intervention force that landed in Monrovia on 24 August 1990. The deployment of ECOMOG followed the adoption of the ECOWAS Peace Plan for Liberia by the ECOWAS Standing Mediation Committee during a meeting on 7 August 1990 in Banjul (Gambia). The four main aims of the peace plan were the implementation of a ceasefire, the deployment of a peacekeeping force, a negotiated political agreement and elections within one year from deployment. All 15 members<sup>5</sup> of ECOWAS did not support the deployment of ECOMOG, as divisions between English- and French-speaking countries on the deployment were evident. Côte d'Ivoire and Burkina Faso in particular were opposed to the deployment. Nigeria, through its president, General Ibrahim Babangida, took the lead in the deployment of ECOMOG, a force that comprised 3 000 troops mainly from English-speaking West Africa (Nigeria, Ghana Sierra Leone and Gambia) with Guinea as the only French-speaking troop-contributing country. The US decided against direct military involvement in Liberia and rather encouraged the deployment of a regional peacekeeping force by providing assistance for the deployment of ECOMOG (Williams 2002:120-123).

During its initial deployment, ECOMOG was greeted by heavy shelling from Taylor's NPFL rebels, as a manifestation of Taylor's opposition to a mainly Nigerian presence (Williams 2002: 125). This initial deployment of ECOMOG was characterised by poor planning, as the forces were assembled in a hurry, without any ceasefire in place, and the force also arrived without any updated maps of Liberia. The effectiveness of the force was further undermined by logistical, financial and communications problems, as some contingents arrived without basic equipment such as firearms; and, when contingents had equipment, it was incompatible with that of the other contingents. In addition, the force lacked proper intelligence. It had difficulty communicating with its political leaders, as well as with the

---

<sup>5</sup> ECOWAS comprises of Nigeria, Niger, Benin, Togo, Ghana, Burkina Faso, Mali, Côte d'Ivoire, Liberia, Sierra Leone, Guinea, Guinea-Bissau, Senegal, Gambia and Cape Verde.

ECOWAS headquarters. From the outset, ECOMOG clashed with the NPFL, which was locked in battle with the INPFL at the time. The INPFL later joined ECOMOG in its battle against the NPFL. While ECOMOG hoped that the NPFL would flee when encountering professional troops, the opposite was true. Some ECOMOG nationalities, particularly the Guineans, proved to be incapable of fulfilling tasks assigned to them by the ECOMOG command, leading to further tension between the contingents from the different nationalities. In addition, Taylor took advantage of his access to the media, depicting ECOMOG as 'armed bandits' that intend to 'colonise' Liberia. ECOMOG was called a 'club of dictators', as of all the intervening countries, only the head of state of Gambia was elected. Taylor was especially critical and fiercely opposed to the role played by Nigeria in the deployment of ECOMOG (Adebajo 2002: 75-77).

Although ECOMOG was initially welcomed by Liberians as having the potential to end the war, public opinion in Liberia turned against the force, especially against the Nigerian component, which became involved in looting, profiteering and corruption. Cynical Liberians referred to ECOMOG as 'Every Car Or Moveable Object Gone', as the force was deemed to compete with the warring factions in exploiting the resources and economic potential of the country (Pham 2004: 137).

Although ECOMOG was originally planned as a peacekeeping force, its mandate was changed within the first month of its deployment, after it continuously came under attack of the NPFL. Subsequently, a new peace enforcement mandate was implemented under the command of General Joshua Dogonyaro from Nigeria, removing General Arnold Quainoo from Ghana as the force's commander. In order to sustain the new more aggressive approach, the ECOMOG troop strength was doubled on 29 September 1990 to 6 300, when two additional battalions from Nigeria and Ghana arrived in Liberia (Adebajo 2002: 79-80). The ECOMOG offensive stretched the force to the limits and the force found it difficult to sustain the scale of attacks, thereby allocating certain areas to its INPFL allies to defend. The offensive against the NPFL had the military defeat of the organisation as its objective, but Taylor, realising that he faced military defeat, called a unilateral ceasefire (Williams 2002: 136).

Taylor launched an attack codenamed 'Operation Octopus' on Monrovia in October 1992, but his forces were repulsed by ECOMOG. The resultant loss of life and general destruction led to UN intervention in the form of an imposed arms embargo against all

warring factions. On 22 September 1993, the UN Security Council passed Resolution 866 (1993) which by February 1994 led to the deployment of 368 military observers as part of the UN Observer Mission in Liberia (UNOMIL) to monitor the implementation of an ECOWAS-mediated peace agreement signed in Cotonou (Benin) in July 1993. The deployment of ECOMIL was the first where a UN peace mission was co-deployed with a regional peacekeeping force namely, ECOMOG. The opportunism of the armed factions led to several violations of the peace agreement as inter-factional fighting persisted. Several ceasefire agreements were negotiated between 1993 and 1996.<sup>6</sup> The *Abuja Agreement* of 19 August 1995 made provision for a comprehensive ECOMOG deployment to oversee disarmament and reintegration. The participation of Charles Taylor in the negotiations in Abuja contributed to the qualified success of the *Abuja Agreement*. Although heavy fighting again interrupted it, a flawed disarmament process managed to disarm 28 819 combatants and collect a paltry 13 167 small arms (Gberie 2005: 59-61). After overseeing the elections in 1997, the ECOMOG force was scaled down with the sole intention of creating capacity, although the latent tension between the factions created a climate for the resumption of conflict in 1999, which lasted until 2003 (Berman & Sams 2000: 110).

The deployment of the ECOWAS-mandated peacekeeping force ECOWAS Mission in Liberia (ECOMIL), in August 2003, was preceded by the signing of a *Agreement on Ceasefire and Cessation of Hostilities* (ACCH) by all belligerents and the NTGL on 17 June 2003 (Tawiah & Aboagye 2005: 74). UN Security Council Resolution 1509 (2003), of 19 September 2003, transformed ECOMIL into a more substantive UN Security Council mandated force, UNMIL (Gberie 2005:64).

### **3.6.2 United Nations Mission in Liberia (UNMIL)**

In view of the changed circumstances brought about by the UNMIL deployment, after the signing of the CPA, its mandate, set out in UN Security Council Resolution 1509 (2003), dictated that the force should provide support for the implementation of the ceasefire agreement, humanitarian and human rights assistance, and the SSR programme, and should oversee the implementation of the peace process (see Table 7 for more detail on UNMIL). UNMIL was especially instrumental in the 2004 DDR process, where it

---

<sup>6</sup> The peace agreements signed by the belligerents include the *Akosombo Agreement* of September 1994, the *Accra Agreement* of December 1994 and the *Abuja Agreement* of August 1995.

supervised the disarmament of 101 449 former combatants. As was the case with the previous disarmament process, a disparity between disarmed persons and the number of weapons handed in was again evident, as only 27 000 small arms and 6 153 631 rounds of ammunition were handed in. However, what distinguishes this DDR process is that it evolved beyond disarmament, allowing combatants to choose a career for which UNMIL would provide them with the required training as part of the reintegration programme. Similarly, UNMIL remain involved in the SSR programme, with the retraining of the LNP and the AFL (see Table 7 for more detail on these processes) (Aboagye & Bah 2005:101-109).

Foreign military intervention assisted to stabilise the situation in Liberia on two occasions. The UN Security Council-mandated UNMIL enjoyed the support of an international multilateral organisation with its expertise and funding, which contributed towards the implementation of its mandate. UNMIL had the advantage of drawing from the ECOMOG experience. By contrast, ECOMOG was the first multilateral regional peacekeeping operation launched in West Africa. From the outset, the force faced challenges, particularly in the form of opposition among regional states concerning its deployment. It was deployed at short notice; the deployment was poorly planned and had to overcome logistical challenges. ECOMOG was not a neutral force, as it co-opted some of the rebel groups as its allies. Members of ECOMOG also became involved in looting, which further damaged the reputation of the force. Nevertheless, ECOMOG contributed to bringing an end to the 1989 to 1997 civil war, while UNMIL did so in respect of the 1999 to 2003 civil war.

### **3.7 CONCLUSION**

A political-security risk analysis of a country where investment is contemplated has to involve the application of an assessment framework to the situation in the country that is being studied. In order to provide the required background against which such an assessment will be done, a comprehensive overview of the basic features of the country in question's history is required. In this case, an overview of the main features of the history of Liberia was presented with the aim of providing an indication of political-security risks that could have an impact on future foreign investment in the country.

A salient factor in the history of Liberia, before and after independence in 1847, has been the continuous and violent power struggle between the ruling Americo Liberians settlers and the indigenous ethnic groups. The upper class Americo Liberians settlers and their descendants, and specifically the TWP, have, with the exception of 11 years, ruled the country throughout its entire existence. Doe's *coup d'état* brought an abrupt end to Americo Liberian settler rule, but misrule by him and his Krahn tribesmen, together with the rigged 1985 election, led to the 1989 - 1997 civil war. The second civil war (1999 – 2003) was an attempt by the Krahn and Mandingo to remove Taylor from power. The two consecutive civil wars were responsible for the destruction of infrastructure, the internal and external displacement of large portions of Liberia's population, and the collapse of governance and the economy. These events resulted in deepening divisions in Liberian society, not only between the Americo Liberian settlers and the indigenous ethnic groups, but also between the indigenous groups themselves. Even in a post-settlement situation, the inter-ethnic tensions have not been resolved and the possibility of a resumption of hostilities cannot be discounted.

Another salient factor is the impact of the two civil wars on the physical and economic infrastructure of the country, as most of this infrastructure was destroyed or became dysfunctional due to a lack of maintenance. Lastly, the two civil wars could only be brought under control through foreign military intervention. Liberia was labelled a failed state, which is evident, as even after the 2005 post-settlement election, foreign military intervention is required to maintain peace and security. UNMIL also plays an indispensable role in preparing the country and especially the defence and security sector to function independently after its departure.

Any potential foreign investor requires knowledge of the geographic and geophysical features and demographics of the country under consideration. Similarly, an investor would also need to be well versed with regard to the political system and the political leadership, the security situation and all factors that could have an impact on security, as well as the economic and socio-economic system and situation in the country. Knowledge of the local political and economic governance system, especially organisations involved in industry, could have significant value. In this case, a background overview of the role and impact of foreign military intervention in Liberia has to be considered. The information in Chapter Three therefore aimed to provide a background overview or country profile.



Based on this profile Chapter Four uses the synthesised political-security risk analysis framework to assess the political-security risks posed by the present situation in Liberia.

## **THE ANALYSIS OF POLITICAL-SECURITY RISK IN LIBERIA**

### **4.1 INTRODUCTION**

The first three chapters of this study focused on contextualising and describing political-security risk as well as different methods to analyse and measure risk. The role and function of political-security risk analysis in risk management and planning investment in a foreign country were also investigated. A synthesised political-security risk analysis framework was developed and is applied to Liberia in this chapter for the purpose of an assessment. The contemporary situation in Liberia was assessed, without discounting factors from the country profile, using the risk indicators as identified in the aforesaid analytical framework. The aim is to establish to what extent the present situation in Liberia poses political-security risk for a potential investor.

### **4.2 POLITICAL-SECURITY RISK INDICATORS IN LIBERIA**

In the discussion to follow the political-security risk indicators identified as part of the political security risk framework, under the rubric of security, political and social risk, are correlated with the contemporary situation in Liberia. The present situation in Liberia is quantitatively assessed and a score is awarded as a quantified indication of the level of risk. Thereafter the points awarded to the different risk indicators will be summed, resulting in a risk index score that is interpreted using the incremental risk scale for investment. The latter produces a risk interval that indicates the level of risk involved and whether or not investment is advisable.

A main challenge in the assessment process is to guard against generalisation, especially in terms of the quantification of political-security risk in a particular country. For example, one political risk indicator might score high, but that is not supposed to translate to the country being rated a high risk for foreign investors. Brink (2004:39-40) warns against committing ecological fallacies or over-generalisation where an observation that was made at a general level is applied to every individual of the population in the country. By contrast, an individualistic fallacy occurs when an observation is made at the individual level and is incorrectly generalised. The danger of over-simplification and over-elaboration

should also be avoided in the analytical process. Over-simplification leads either to one aspect of a political situation being viewed in isolation, ignoring other aspects that are equally important, or to the analyst preferring to see what he or she wants to see. Over-elaboration or over-complication also poses unique challenges; and therefore the analyst has to decide on which line of action to take to avoid providing an analysis that does not meet the needs and expectations of the intended client (Brink 2004:41).

Vertzberger (1998:44) mentions that risk judgement and the selection of information are influenced by the vividness and salience of the risk, risk management planning and commitment to a certain course of action. Individually, the aforesaid affects the risk indicator, the weight allocated to it and determining which risk indicator is dominant when policy decisions are taken. These aspects have to be considered when assessing risk and awarding points in accordance with the scoring system. Risks about which details are known also tend to be more prominent than those that are not well known. Risks that are expected to materialise soon are more salient than those that will take place in the distant future. Situations that are irreversible pose a higher risk than those that can be reversed. Risks that appear all at once are more prominent than those that appear in a piecemeal fashion (Vertzberger 1998:45-47). Not all risks are given the same level of attention, as those that are salient and vivid tend to be more prominent. Risks analysis therefore tends to pay more attention to those risks that are more salient, vivid and immediate. The aforesaid is considered and factored into the risk assessment to follow.

### **4.3 THE SECURITY RISK INDICATORS**

In terms of the political-security risk framework, the following political-security risk indicators (ones with mainly a security impact), namely war/intra- or interstate conflict, inter-ethnic/religious/language group tensions, relations with neighbouring states, law and order and foreign military intervention, are considered in relation to Liberia to establish the risk posed.

#### **4.3.1 War/intra- or interstate conflict**

This risk indicator was extremely prevalent in the past two decades of Liberia's history. However, the history of the country, even prior to its official foundation, was marked by low intensity intrastate conflict involving the indigenous tribes on the one hand and the

Americo Liberians on the other (see Table 7 for an account of all the major conflicts between the settlers and the indigenous tribes). Liberia's recent history between 1989 and 2003 has been characterised by two devastating civil wars, with only a two-year break from conflict between 1997 and 1999. The first civil war, which started on 24 December 1989, saw Taylor taking up arms against the Krahn-dominated government of Samuel Doe. The NPFL progressed rapidly towards Monrovia and, by April 1990, it was controlling 90 per cent of Liberian territory, with the exception of Monrovia. The Doe government collapsed, as it failed to garner support from its former backers, the US or even the UN. By December 1990, the country had descended into chaos, with several thousand Liberian civilians killed. The inaction of the international community (a key feature of the first civil war), especially the UN, prompted ECOWAS to take action. On 24 August 1991, the first ECOMOG troops arrived in Monrovia. Doe was killed a month later by INPFL troops. The war was brought to an end in 1997, after 15 resolutions on Liberia had been passed in the UN Security Council and ECOWAS and other organisations had brokered 14 peace accords between the warring parties from 1991 to 1996 (Levitt 2005:206-210).

This did not serve as a long-term solution, as the second civil war started in April 1999, with armed incursions from Guinea. The main source of troops was members of the Mandingo-dominated ULIMO-K faction, which had not been completely disarmed by ECOMOG's botched disarmament programme. Taylor attempted to bring the conflict under control by diplomatic means, but failed, as the Guinea authorities responded that Liberian fighters that had entered Guinean territory had perpetrated the attacks. However, the LURD was known to have received support from the Guinean government, which allowed some of the LURD leadership to stay in the country and benefited from trade in cocoa, coffee and diamonds with the rebels. The attacks from Guinea coincided with the final withdrawal of ECOMOG troops from Liberia in October 1999, leaving the country vulnerable. The isolated border incursions soon escalated into a full-fledged rebellion. The rebellion spread mainly from Lofa County is inhabited by the Mandingo, who were continuously harassed by Taylor's security and armed forces as they were associated with armed groups opposed to Taylor. The presence of Krahn fighters among the LURD fighters should, however, not be discounted. By January 2002, the LURD was only 80 kilometres away from Monrovia and when Taylor's forces pushed it back, it shifted its focus to other strategic towns towards the south of the country. By April 2003, a new armed group came to public attention, as MODEL started to attack refugees close to Monrovia. MODEL was made up of the Krahn members of the late Doe's armed forces

(Levitt 2005:223). The war ended after the signing of the CPA on 18 August 2003 and the departure of Taylor from Liberia.

**Table 7: Internal conflicts in Liberia since 1821**

- Dei-British/Settler battle: 1822
- Dei-Settler war: 1822
- Dei–Gola-Settler war: 1832
- Bassa-Settler war: 1835
- Kru-Settler (Fish conflict): 1838
- Vai-Settler battles: 1839-1840
- Bassa-Government war: 1851-1852
- Kru-Government war: 1855
- Grebo-Maryland war: 1856-1857
- Gedebo Reunited Kingdom Revolution: 1875-1876
- Grebo-Government war: 1893
- Kru-Government battles: 1909
- Grebo-Government war: 1910
- Kru-Government conflict: 1912
- Kru Confederacy-Government war: 1915
- The Samuel Doe *coup d'état*: 1980
- The first civil war: 1989-1997
- The second civil war: 1999-2003

\*Note that the term 'battle' is used to identify low intensity random conflict, while the terms 'war' and 'conflict' are used interchangeably.

Source: Levitt (2005:6)

After the second civil war came to an end, Liberia entered a new phase of its history, facing a new challenge – the removal of the legacy of the two successive civil wars through the DDR process, which will not only disarm all combatants and collect their weapons, but also equip them to start a new life. In addition, the Liberian armed and security forces had to undergo an SSR process in order to undo the effect of the wars on these forces. These undertakings were all part of a process to prevent conflict from restarting. The DDR process disarmed 103 018 persons, of which 11 per cent were children. The slow start of the process, which had been planned to last a few months, was

due to the fact that UNMIL initially only prepared to demobilise 38 000 combatants. Another challenge was that there were no baseline figures against which the number of combatants or weapons or ammunition could be measured in order to form a picture of how successful the process was. The process further faced a US\$58 million shortfall due to the underestimation of the number of combatants. The donor community, however, showed its commitment to the process through the additional release of funds (Edo 2005:9-11).

The DDR process improved the security situation in Liberia. The final group of 8 700 combatants that have to undergo reintegration started their final one-year programme in December 2007. This represents the last of the former combatants who will be prepared to reintegrate into society through training which aims to enhance their employability. UNMIL has also continued with the collection and destruction of arms and ammunition that are voluntarily surrendered or found during search operations. The UNDP has been involved in a similar programme, involving cooperation with local communities (UNSC 2008a:7). Although there are no statistics against which the success of the programme can be measured, the involvement of UNMIL and other UN agencies has assisted in removing the means of war from society, especially taking into consideration that a similar exercise took place at the end of the first civil war (although the success of that programme remains in doubt). Participation in the DDR programmes does not guarantee employment, but it provides alternatives to the ways of daily survival known to combatants, such as looting and theft.

Isolated incidents of inter-group clashes resulting from intra-community disputes or armed robbery, especially in Monrovia, are common features of the present security situation in Liberia, with no indications of planning or preparations for war. Events such as the activities of the TRC or the court case of Taylor in The Hague could be sources of tension, as they reopen the wounds of the two civil wars. The challenge for the present Liberian authorities is to address the root causes of the two civil wars such as the completely opposing principles on which the Americo Liberian settlers and the indigenous communities were founded, inter-ethnic wars, competition for the control of land and resources, the involvement of foreigners and a lack of respect for territorial integrity and sovereignty, authoritarianism and the centralisation of power, and the establishment of rules and legislation for coercive purposes (Levitt 2005:246-247). The present government is fully aware of the aforesaid pitfalls: its actions have to remain cognisant of these

constraints, since the majority of actions taken by the elected government are measured or perceived against the background of the preceding points.

Although war as a risk indicator was historically highly salient in Liberia, the end to the civil war in 2003, the DDR process, efforts at national reconciliation, the 2005 elections, efforts to restore peace and stability in neighbouring states, improved economic growth and the continued presence of UNMIL are all conducive to peace and stability. However, factors such as the Taylor court case, especially considering his influence in Liberia and the fact that the present authorities extradited him, the large number of former combatants that have yet to be absorbed by the formal economy, slow progress in re-establishing state authority in the entire national territory, historic ethnic divisions, the future scaling down of UNMIL, as well as the availability of small arms in the West African region, raise concern that war and especially intrastate war cannot be completely ruled out. Therefore a score of **eight points** out of a possible maximum of 12 is awarded.

#### **4.3.2 Inter-ethnic/religious/language group tension**

Inter-ethnic tension is a central feature of Liberia's history and was a major root cause for the successive civil wars in Liberia (see Table 8 for a breakdown of the number of wars involving the Liberian government and indigenous Liberians). The EIU (2007b:12) states that Liberian history was dominated by two struggles, of which the first was the struggle between the Americo Liberian settlers and the indigenous tribes. The second was the struggle between the indigenous tribes as part of the desire to avenge past grievances, as well as the ambition to secure political and economic power, which they had been denied by the successive TWP governments. The Doe *coup* of 1981 brought an end to Americo Liberian settler dominance of governance in Liberia, but it was mainly members of the Krahn ethnic group who benefited from Doe's rule and misrule. This led many ethnic groups to support Taylor when he started his quest to overthrow the Doe government in 1989. The second civil war followed a similar pattern, when Mandingos and later Krahns took up arms against Taylor's Gio and Mano-dominated government.

The inter-ethnic struggle in Liberia should also be regarded against the background of the position taken by the Americo Liberian settlers *vis-à-vis* the indigenous tribes. The Americo Liberian settlers governed the country uninterrupted for more than a century, while the indigenous tribes were disadvantaged. Americo Liberian settlers enjoyed the

benefits of the system, in terms of the allocation of resources and the provision of services such as healthcare, education, water and sanitation. Some parallels could even be drawn between the Americo Liberian settler elite and the European settlers who were present in other African states. A further source of tension was that indigenous Liberian were only granted citizenship in 1904 and received voting rights only in 1946 (Lamin 2005:231-232).

**Table 8: Conflict between the central government and ethnic groups**

| Group | Conflict                                    |
|-------|---|
| Dei   | Dei-Settler 'Water Battle' of 1822          |
|       | Dei-Settler wars of 1822                    |
|       | Dei/Gola-Settler War of 1832                |
| Bassa | Bassa-Settler War of 185                    |
|       | Bassa-Government War of 1851-1852           |
| Kru   | Kru-Settler 'Fish' War of 1838              |
|       | Kru-Government War of 1855                  |
|       | Kru-Government Battles of 1909              |
|       | Kru-Government Conflict of 1912             |
|       | Kru Confederacy-Government War of 1915      |
| Grebo | Grebo-Maryland War of 1856-1857             |
|       | Grebo Reunited Kingdom Revolution 1875-1876 |
|       | Grebo-Government War of 1893                |
|       | Grebo-Government War of 1910                |
| Krahn | 1980 <i>coup d'état</i> of Samuel Doe       |
|       | The first civil war of 1989-1997            |
|       | The second civil war of 1999-2003           |

Source: Levitt (2005:254)

Following the fighting during the two civil wars, the NTGL did not serve to ease the inter- and intra-ethnic tension in the post-second civil war situation in Liberia, as members of the former warring factions quarrelled in their quest to be employed by the NTGL. Changes in leadership within factions like the LURD added to the intra-ethnic tension as Mandingos clashed in the north-west of the country, fighting for supremacy in the organisation, which would translate to positions within the NTGL (Europa Regional Surveys of the World 2007:654).

The ethnic factor again featured in the closely contested presidential race of 2005, where Johnson-Sirleaf and Weah used, amongst other ploys, their ethnic background as part of their campaign strategies. It was expected that Weah would be the second indigenous president of Liberia, although only the first to be elected. Johnson-Sirleaf also used her hereditary background in her campaign, as it can be viewed as reconciling Americo Liberians and the indigenous groups. Promises of an inclusive administration that would serve to ease the tension after November 2005's second-round presidential elections did not meet the expectations of those groups that were not given representation at the executive level. Johnson-Sirleaf mainly opted to include only those political party leaders that supported her during the second round. She offered Weah only the position of Minister of Youth and Sports, which he declined (Europa Regional Surveys of the World 2007:655). The return of refugees after the inauguration of the Johnson-Sirleaf government has also resulted in heightened ethnic tension, as returnees reclaimed their land and the houses they had vacated before the war. The tension exhibited the prevailing ethnic tension in the country during 2006, as Gio and Mano youths who were Taylor loyalists, mobilised to fight Mandingo returnees from Guinea. This has resulted in the worst fighting in the country since the end of the second civil war (IRIN 2006:1).

Inter-ethnic conflict in Liberia is a legacy of historical structural faults in the political system, which was not designed or restructured to accommodate the will of the majority of the population (Levitt 2005:257). Minority rule based on ethnicity and class led to a history riddled with conflict, the most recent examples of which were the 1980 *coup d'état* and the two civil wars. The 2005 elections, the TRC and other efforts aimed at national reconciliation have so far not addressed the legacy of ethnic exclusion, particularly the need to ensure equal opportunities for all groups in both the public and private sectors. The events since 2005 do not serve as an instant solution to inter-ethnic tension, but rather represents, for the first time in the history of Liberia, a shift away from exclusion based on ethnic background. Inter-ethnic tension in Liberia is therefore regarded as latent (under present circumstances) and since the Third Republic does not immediately assist in addressing the injustices of the past, this risk indicator is given a score of **ten points** out of a possible 12.

### 4.3.3 Relations with neighbouring states

Since the establishment of the Liberian state, relations with neighbouring countries have had an impact on the internal situation. This was evident with the tension between Liberia and the British and French concerning the demarcation of borders during the 19th century. However, it was only with the outbreak of the first civil war in 1989 that the impact of neighbouring countries on internal stability became more evident. Taylor launched the first civil war from Burkina Faso's territory, but it became clear in the first years of the conflict that Côte d'Ivoire also supported the NPFL. The support by French-speaking West African states sent shockwaves through the region, as English-speaking countries became concerned that an NPFL government, which was supported by revolutionaries from their own countries, would be used to destabilise Nigeria and Ghana. In response to a Nigerian initiative to deploy a regionally backed peacekeeping force, both Burkina Faso and Côte d'Ivoire increased support to the NPFL. This follows after both objected to the planned deployment of ECOMOG (Ellis 1999:161-162). Ivorian support for the NPFL was also designed to get back at Doe for executing Tolbert and his son, Benedict Tolbert, who was married to a foster child of the late Ivorian President Felix Houphouet-Boigny (Williams 2002:123).

Relations with Sierra Leone were negatively influenced by the invasion of Sierra Leone by a combined NPFL/RUF force in 1991, in revenge for the support given by the Freetown government to the deployment of ECOMOG. In the years to follow, Sierra Leone became entangled in its own civil war, with the RUF and NPFL becoming involved in looting the country's diamond fields (Williams 2002:155-156). The proximity of the Liberian war also affected Guinea, as some groups were allowed to use Guinean territory to launch rebel organisations such as ULIMO and the Lofa Defence Force (LDF). In addition, the presence of Mandingo, Kissi, Kpelle and Loma on both sides of the border led to a spill-over of clashes between these groups onto Guinean territory. President Lansana CONTE of Guinea was also a known supporter of ULIMO. He also hosted the leadership of the LURD during the second rebellion. Cross-border trade between the two countries involved looted goods entering Guinea in exchange for weapons (Ellis 1999:179).

The fact that Liberia and Côte d'Ivoire are neighbours, the end to the conflict in Liberia, the large number of former combatants without any economic livelihood and the slow progress in the DDR process in Liberia made Liberia an ideal place for the recruitment of

combatants for the 2002 Côte d'Ivoire civil war. Recruiters from both the government forces and the *Forces Nouvelles* (FN) used the poorly policed border between the two countries to move recruits. Efforts were even made by the FN to provide combatants with Ivorian identity papers that would allow them to participate and benefit from another round of DDR (Global Witness 2005:28). However, the official end of the war and the departure of Taylor from Liberia in 2003 had a positive impact on relations with neighbouring countries, especially in view of the cross-border destabilisation of Sierra Leone and the impact of instability in Liberia on the situation in Guinea. In addition, Taylor was either supported or opposed by his neighbours (Guinea and Sierra Leone opposed him, but he received support from Côte d'Ivoire). The end to the war in Sierra Leone and the outbreak of the rebellion in Côte d'Ivoire again changed the situation, as discussed above.

The presence of several UN-mandated peacekeeping forces in West Africa and particularly in Liberia, Sierra Leone and Côte d'Ivoire proved to be beneficial for peace in the sub-region, as operations between the forces were coordinated to curb the movement of former combatants and weapons across national borders. Joint patrols by UNMIL, the UN Mission in Sierra Leone (UNAMSIL) and the UN Operation in Côte d'Ivoire (UNOCI) served to reduce the cross-border impact (UNSC 2005:6).

Continuous efforts were made between Liberia, Guinea and Sierra Leone to restart cooperation between the member states of the MRU.<sup>7</sup> These efforts included regular consultations between the heads of state, during which matters such as strengthening the secretariat of the MRU, as well as cooperation to improve food and physical security in the region, are discussed (*Inquirer* 2008:1). The MRU was eventually re-launched on 3 May 2007, when the heads of state of the three member states met in Monrovia to put the past behind them and find ways for future cooperation (Africanpress 2007a:1). While there are definite efforts from the Liberian government to improve relations with its neighbours, especially with Sierra Leone and Guinea, through the MRU, instability in Guinea cannot be ignored, as it will impact on Liberia's stability. Similarly, the conflict in Côte d'Ivoire has come to an end and the peace process has progressed significantly, a situation that is reducing the chances of any future spill-over of conflict into Liberia. The cooperation between the UN missions in the region also assists in reducing tension. However, with no

---

<sup>7</sup> The MRU was formed in 1973 by Liberia and Sierra Leone, and Guinea was added to this grouping in 1980. The two consecutive civil wars in Liberia as well as the cross-border nature of the conflict led to an end to the activities of the MRU as the countries were backing different groups in the Liberia and Sierra Leone civil wars.

guarantees for future stability in Guinea and the fact that elections in Côte d'Ivoire have yet to be held, this risk indicator is given a score of **three points** out of a possible four.

#### 4.3.4 Law and order

As with the majority of its statutory structures, the criminal justice system in Liberia also requires reform. The 14 years of civil war have left the system in disarray, as there was no oversight during this time and Liberians in general are uninformed of their rights. Court facilities have been destroyed and correctional centres are in a state of disrepair. Powerful individuals have used the justice system to legitimise and exercise power, thus eroding confidence in the system. In 2003, UNMIL was mandated to take responsibility for the reform of the justice system, as part of effort to re-establish statutory control over the country (ICG 2006:1).

The Liberian judicial system includes a Supreme Court, circuit courts, magistrates' courts and justice of the peace courts. The latter group represents one of the main problem areas in the Liberian justice system, as there are 300 courts run by justices of the peace. More than 75 per cent of the justices of the peace are illiterate, which implies that they have had no formal legal training. In addition, many are corrupt and are meting out justice far beyond their jurisdiction. In 2006, the majority of justices of the peace were practising law illegally, as their appointment has to be ratified by the President and only a small group reapplied. The situation concerning the country's 130 magistrates in charge of the magistrates' courts was no better, since only three magistrates had undergone formal legal training. In addition, the magistrates did not have access to legal texts and courts are therefore run based on an improvisation of existing statutory law. The courts were usually run without the required court personnel or any of the other required infrastructure. Circuit courts that have the jurisdiction to hear rape, murder and serious assault cases have also been dysfunctional, so that the majority of the counties did not have a single functional circuit court. Besides infrastructural challenges, many appointed circuit court judges failed to take up office in areas outside Monrovia (ICG 2006:3-5).

Since taking up the task of judicial system reform, UNMIL has trained 336 magistrates, 220 justices of the peace, 226 prosecutors, 147 magistrates' court clerks and 53 circuit and Supreme Court clerks. At the same time, nine courthouses have been refurbished; work is ongoing at another four (UNSC 2007a:9). Despite this progress, confidence in the

Liberian legal system remains low. Due to the poor working environment and low salaries, very few students are attracted to a career in law. The majority of prison inmates are pre-trial detainees who are languishing in jail while waiting for a trial date (UNSC 2008a:10).

Law enforcement and policing has also undergone a complete make-over with the recruiting and training of a completely new LNP force. Some 3 662 police officers had completed basic training by March 2008 and the deployment of officers authorised for the counties has started. Policing operations are hampered by a lack of infrastructure and police equipment, which have resulted in persistent absenteeism from police posts. The LNP continues to face disciplinary problems. The international partners of the Liberian government are providing assistance for the renovation and equipment of police stations. Three main police stations have already undergone this process (UNSC 2008a:5).

The performance of the newly trained LNP is difficult to evaluate in a country where there are no authoritative statistics to measure crime over time (Malan 2008:52). Apart from the fact that petty crime is high as a result of the prevailing poverty levels, the occurrence of armed robbery and gender violence is also high. Public disturbances, mainly protests by certain interest groups such as retired security sector or former LDF members, have the tendency to turn violent. Due to the quick reaction from the LNP and UNMIL, the situation has so far been kept under control (UNSC 2008a:3). LNP performance is constrained by the absence of a coherent national security and national crime combating strategy. Moreover, the general sense of insecurity in Monrovia illustrates that policing has yet to become effective. The response of the LNP to calls from the public for assistance is slow – when it reacts and arrests are made, crime scene investigation and case preparation are extremely poor, resulting in a very low conviction rate (Malan 2008:55).

The absence of proper law enforcement for the entire duration of the two civil wars, the progress made with the restructuring of the judicial and security sector and the prevailing sense of insecurity of citizens attest to the fact that law and order has yet be restored in a country that has been awash with small arms and where more than 100 000 former combatants have to enter an economy that is not ready to absorb them. In view of these findings, this risk indicator is given a score of **five points** out of a possible six.



#### 4.3.5 Foreign military intervention

Foreign military intervention has been a prominent feature in Liberia since August 1990, with the deployment of the first ECOMOG troops in Liberia. The deployment of ECOMIL in 2003 and its replacement by the UN-mandated UNMIL in the same year represent the latest multilateral attempt at restoring peace and stability in Liberia. Although not authorised at a multilateral level, another dimension of foreign military intervention in Liberia that should be mentioned is the role that African states played in supporting the Liberian rebel groups. The governments of Burkina Faso, Libya, Côte d'Ivoire and Guinea provided logistical and material support to the NPFL, the LURD, the ULIMO-K and the MODEL. Other dimensions of foreign military intervention were the use of West African mercenaries from Burkina Faso, Mali and Guinea, and the involvement of private individuals and companies that provided weapons and training to the NPFL and later to the Taylor government (Adebajo 2002:55; Williams 2002:405-438).

Nevertheless, despite its role as a peacekeeping force with a Chapter VII mandate, UNMIL continues to play a pivotal role in post-conflict Liberia. The integrated approach to peace support leads to UNMIL's impact extending far beyond its mandated DDR and SSR programmes and the re-establishment of state authority over the national territory. Its role in assisting humanitarian work and enforcing respect for human rights contributes to ending years of human rights violations and the humanitarian crises that resulted from the war. The deployment of UNMIL and the subsequent improvement of the security situation in the country have allowed UN agencies, such as the UN High Commissioner for Refugees (UNHCR), the World Food Programme, (WFP), the UN Children's Fund (UNICEF), the UN Development Programme (UNDP), the World Health Organisation (WHO) and the Office for the Coordination of Humanitarian Affairs (OCHA) to commence or resume humanitarian work in Liberia (Fiawosime 2005:166). Five years since its inception, UNMIL remains the second largest UN mandated peacekeeping force on the African continent. The UN Security Council has, however, put in place a 'draw down' strategy that will see the gradual reduction of UNMIL as the situation in Liberia improves. Progress with the four identified benchmark areas which include security, rule of law and governance, economic revitalisation and the provision of basic services and infrastructure will dictate the pace of the force reduction process that started after the consolidation phase which ended on 31 December 2007. The force was reduced by 2 450 troops by the

end of September 2008, decreasing the mission strength to 11 691 troops (UNSC 2008a:14).

The impact of UNMIL on Liberia has, in general, been positive, although the mission's reputation was dented by disciplinary challenges posed by personnel that became involved in serious misconduct, such as the sexual exploitation of minors. The mission nevertheless continues to have a positive impact on the situation in the country. The security situation in Liberia was stable during 2008, with only isolated events that required the intervention of UNMIL in support of the LNP to bring the situation under control (UNSC 2008a:3). Concerning the securing of the national borders, joint patrols and operations with the Guinean and Sierra Leonean armed forces, as well as UNOCI, aim to curb the flow of arms into Liberia and the recruitment of Liberian mercenaries by the Côte d'Ivoire belligerents. The progress with the SSR programme includes the completion of the training of 3 662 LNP officers and the commencement of the training of the first 90 members of a 500-strong LNP Emergency Response Unit. The deployment of LNP members to all the counties and the rebuilding of police infrastructure with the assistance of the donor countries continue. Although UNMIL is not directly involved in the retraining of the LDF, which is done by two private United States-based concerns, DynCorp and Pacific Architects and Engineers (PAE), UNMIL is monitoring progress in that respect (UNSC 2008a:4-7).

Progress made with the DDR programme has already been reported above, but in summary, UNMIL has started with the integration of the final group of 8 700 registered former combatants that have not yet benefited from the DDR programme. Simultaneously, UNMIL continues its efforts to reduce the number of small arms and ammunition in circulation, while also supporting a similar initiative by the UNDP. The consolidation of state authority continues, with UNMIL facilitating the rehabilitation of county administrative buildings. The operations of Liberian officials deployed in these areas are still hampered by a lack of communication and office equipment, accommodation, vehicles and paved roads. UNMIL, in cooperation with the UNDP, the World Bank and the Liberian Ministry of Public Works, is providing short-term employment opportunities to Liberians through road rehabilitation projects (UNSC 2008a:7-10).

For the foreseeable future, UNMIL remains an essential and integral part of ensuring long-term peace in the country. The present status of the LNP, LDF and the judicial system

justify the continued presence of UNMIL, especially in view of the support that UNMIL gives to the rehabilitation of these structures, the continued ‘on the job’ support and mentoring given to the LNP by UNMIL personnel, and the fact that UNMIL has assumed the responsibilities of the LDF in the protection of the territorial integrity of the country. The protection and support given by UNMIL to other UN agencies to fulfil their tasks add to the present level of dependence on the role and presence of UNMIL. Since the exit strategy of UNMIL is gradual and the withdrawal of troops is justified only when certain criteria are met, complete withdrawal will only take place over the long term. The presence of large numbers of unemployed youths and former combatants, together with the fact that their former commanders remain present in Liberia poses a threat to national security. Since 2003, foreign military intervention has had a positive impact on the situation in Liberia, and therefore it is given a score of **four points** out of a possible eight.

#### **4.4 POLITICAL RISK INDICATORS**

The following political-security risk indicators with a mainly political impact are applied to the present situation in Liberia with the aim to establish the level of risk posed, namely features of government, governance, democratisation in relation to succession, regular elections and authoritarianism, government stability, human rights record and the military in government.

##### **4.4.1 Features of government**

The current Liberian government was elected during October and November 2005 and was inaugurated in January 2006. The 2005 elections were the first post-settlement elections in the country that were declared free and fair by international and local observers. Johnson-Sirleaf won the presidential election, but no party won an outright majority in either the upper or lower house of the legislature. The legislative election results do not guarantee a stable government, as the relationship of the president and the UP with other the parties represented in the Senate and House of Representatives, is characterised by tension. Given that Liberia has previously been classified a failed state in view of the status of all statutory structures, the infrastructure, the economy and the divisions among the population as a result of the war, the elected government had to take certain steps that would involve some element of risk to address these challenges. The most noticeable of these decisions so far has been the extradition of Charles Taylor to the

Special Court in Sierra Leone (Europa Regional Surveys of the World 2007:655). While the decision was taken under immense pressure from the international community, the reaction in Liberia to the arrest and extradition of Taylor was mixed. Many Liberians welcomed it, but others expressed concern that Taylor's extradition could harm efforts at national reconciliation (UNSC 2006a:2).

Another risky action taken by Johnson-Sirleaf was the decision to act against institutionalised corruption, which has increasingly become a source of international concern, and dissatisfaction with the way revenue has been managed. The NTGL agreed to the implementation of GEMAP in 2005 to enforce external oversight in the financial affairs of the Liberian government, after it failed to implement reforms that would have curbed corruption, the lack of transparency and accountability, as well as the misappropriation of state revenue (Europa Regional Surveys of the World 2007:654-655). Johnson-Sirleaf took the process a step further by charging members of the NTGL for their role in corruption. Most notable was the trial of Guyde Bryant, which made the implicit statement that nobody will escape prosecution and that the government is prepared to institute high profile cases.

The Third Republic reintroduced the separation of power between the executive, legislature and the judiciary, as is stipulated by Article 3 of the Liberian constitution (TLC Africa 1986:2). The elections of 2005 made provision for the election of a bi-cameral legislature and an executive president who appointed a cabinet. The executive has made the fight against corruption a main policy priority, which has prompted the arrest and charging of senior officials for their role in the embezzlement of state revenue (Europa Regional Surveys of the World 2007:655). These events could be interpreted as the executive's manipulation of the judiciary, since the judiciary is driving this policy position. However, the assertive action rather represents efforts by the Liberian executive to prove to the international community that it is able to manage its own financial affairs and that GEMAP, as a long-term solution, is therefore not required. The improvement of cooperation between the executive and the legislature, the progress made with the rebuilding of the justice system and the consistent pressure from the international community to implement certain policy positions collectively indicate that the Liberian government has been able to remain stable and in control of matters of state. Not all the decisions that have been taken enjoy popular support, but in a heterogeneous community such as Liberia, this is to be expected. The Liberian government has been able to

establish itself amid the challenges presented by the political, security and economic situation in the country. Accordingly, a score of **five points** is allocated out of a possible eight.

#### 4.4.2 Governance

Institutionalised corruption poses a real threat to the rebuilding of Liberia, while it deters any company or government from investing in the country. In the case of Liberia, poor governance is regarded as a root cause of the outbreak of the first civil war, as all institutions of revenue collection, accountability and the provision of social services had collapsed (Abiodun 2005:129). The *Global Witness* (2005:10) identified the corruption and the poor governance of the NTGL as the biggest threats to stability in Liberia. The NTGL misappropriated large sums of money, engaged in obscure dealings involving the country's natural resources and state-controlled assets, which means that the NTGL has essentially mortgaged the country's future for short-term personal monetary gain. Similarly, Sawyer (in Adebajo 2002:31) stated, with reference to the Doe government, that 'graft and corruption were also perceived as normal business'. During the first civil war and its aftermath, Taylor and the leadership of the NPFL benefited from the vast resources of the country with estimates of income looted at the time ranging between US\$75 and US\$100 million *per annum* (Ellis 1999:91). Another example in this respect was the conduct of ECOMOG, which engaged in looting the country. Many Liberians became cynical and despondent with the looting, especially by the Nigerian contingent (Pham 2004:137).

The 2008 Ibrahim Index of African Governance<sup>8</sup> (Mo Ibrahim Foundation 2008:1) has recorded an improvement in the overall performance of Liberia in respect of governance since 2005. In 2008, the country was identified as the 'fastest riser' on the index, by improving its index score with 10.4 points to an average of 48.7 out of 100, which ranks it 38<sup>th</sup> out of a possible 48 sub-Saharan African countries. Liberia has also improved its position among the ECOWAS states by getting a rating of 13 out of a possible 15, which is further proof that the situation concerning governance is improving, although the country has a long way to go in this regard.

---

<sup>8</sup> The Ibrahim Index of African Governance is a comprehensive ranking of sub-Saharan African nations according to governance quality. The index assesses national governance against 57 criteria that capture the quality of services provided to citizens by governments. South Africa is ranked fifth.

The levels of corruption during the tenure of the NTGL drew international attention. A gathering of the main international stakeholders in Liberia concluded in May 2005 that the NTGL had demonstrated an unwillingness to take any action to address rampant corruption, misappropriation and the lack of transparency and accountability. At the time, it was agreed to institute an action plan that provided for detailed international oversight of Liberia's state revenue, expenditure, contracts and concessions, as well as to implement measures to curb graft. GEMAP was signed into law in September 2005 (Europa Regional Surveys of the World 2007:654).

In her inaugural address, Johnson-Sirleaf committed her government to the implementation of GEMAP, while also announcing that all persons to be appointed to high office in the country would have to declare their assets (Europa Regional Surveys of the World 2007:654). Since 2006, the Liberian government started the review of 186 contracts. This resulted in the acceptance of 52, while 14 had to be renegotiated and 29 were rejected. The remaining 91 could not be reviewed due to a lack of technical expertise or the absence of sufficient documentation. The impact of GEMAP on revenue collection was also noticeable, as the collected revenue in 2006 increased from US\$77 million in 2005 to US\$114 million (UNSC 2007a:12). Other progress made in 2007 included the submission of a draft act on the establishment of an anti-corruption commission to the legislature, while the appointment of experts in positions of revenue control was a priority (UNSC 2008a:11). An anti-corruption commission was finally launched on 22 August 2008 (Reuters 2008:1). Another action that served to improve governance was a census of the civil service, which aimed to remove all 'ghost workers' from the civil service payroll (UNSC 2005:11).

As part of the commitment to governance and to curb future graft, the Liberian government did not refrain from taking legal action against officials from the NTGL who were involved in the embezzlement of state funds. Several senior officials of the NTGL, including Bryant, Luseni Kamara, the former Minister of Finance, David Zalree, former Budget Director in the Ministry of Finance and Samel Wlue, the former Minister of Commerce, and his Deputy, Tugbe Doe, have been arrested (EIU 2007a:13). Poor governance, especially corruption that has become institutionalised, poses major challenges to authorities that want to eradicate it. In the case of Liberia, noticeable progress has been made and the government has put in place structures and legislation to curb poor governance and corruption. Success in this respect depends on the

commitment of officials to transparency and accountability. The degree to which government can ensure the regular payment of officials' salaries and annual increases in salaries will further assist in this respect. Although it has improved significantly since 2006, governance remains an area of high risk and is awarded a score of **seven points** out of a possible eight.

#### **4.4.3 Democratisation in relation to succession, regular elections and authoritarianism**

The Third Republic has returned constitutional rule to Liberia. The 1986 Liberian constitution makes provision for legislative and presidential elections every six years. Presidential terms are limited to two. All Liberian citizens who have reached the age of 18 can vote in the elections. In case of the incapacitation or death of the president, the vice-president, who is also an elected official, will assume the duties of president. In case both the president and vice-president can no longer fulfil their duties, the speaker of the House of Representatives shall be sworn in as president and elections will have to be organised within 90 days to elect a president and vice-president. Although freedom of association is entrenched in the constitution, only political parties that meet the requirements are allowed to register and operate (TLC Africa 1986:14-22). The EIU's Index of Democracy rates Liberia 98<sup>th</sup> out of a possible 167 countries. Although elected, the present government is regarded as a hybrid regime, which is neither a full democracy nor an authoritarian government. The low rating is as a result of the poor functioning of the present government, as especially other areas of measurement such as electoral process and pluralism were rated high (EIU 2008b: 7).

The Liberian government that was elected in 2005 remains committed to constitutional rule. History has illustrated the impact of authoritarian rule and the centralisation of power in a single ethnic group – they resulted in the two successive civil wars. The next elections are only due in 2011, with the elected officials only taking office in January 2012, which will be the second election of the Third Republic. Although Liberia is the oldest Republic on the continent, it is a newcomer to democracy. However, in view of the commitment to constitutional rule, the level of risk in this risk indicator is given a score of **three points** out of a possible eight.

#### 4.4.4 Government stability

Since 2007, the political situation in Liberia has been relatively stable: the leadership of Johnson-Sirleaf has had a positive impact on political stability and economic recovery. The government's economic recovery plans are ambitious and will only materialise over the long term, but management of public finance has improved significantly, resulting in improved accountability and transparency. Despite the reform plans, many members of the political elite want to retain the *status quo*, which has largely contributed to the vast wealth they accumulated. Progress in the government's reform agenda also relies on support from other parties in the legislature, as a result of the relatively small support base of the UP in the legislature. Government stability has also been largely dependent on the presence of 15 000 UNMIL peacekeepers, due to slow progress with the retraining of the defence and security forces. UNMIL has started a downscaling and withdrawal process, but the tempo of the process will remain dependent on the UN's assessment of Liberia's stability (EIU 2007a:6).

Economic growth is also contributing to stability. Particularly positive is the growth rate of nine per cent. Revenue collection has also exceeded expectations. Debt forgiveness amounting to US\$1.5 billion adds to an improved economic outlook for the country. Rebuilding infrastructure and delivery of basic services are important to the government. The US continues to be the most important external partner of Liberia, through support for reconstruction, education, SSR as well as peacekeeping in the country (UNSC 2008a:1-2).

It is not possible to assess the level of stability of the Liberian government based on the information available. This, however, increases the prominence of this risk indicator, since it is not possible to make an informed judgement on the level of government stability. The general impression is that government is gradually improving in this respect, given the type of legislation that it is passing at present, for example, the launch of the anti-corruption commission, in comparison with the slow progress during the first year in office. This risk indicator is rated **five points** out of a possible eight.

#### 4.4.5 Human rights record

Human rights abuses under the Doe government included the execution of political opponents, a general purge of ethnic Manos and Gios serving the AFL, as well as attacks on civilians in Nimba County, the detention of opponents on trumped-up charges, the ordering of the assault of civilians by AFL troops and the gagging of the opposition media (Adebajo 2002:27-29). During the rule of the Taylor government, similar abuses were committed – those perpetrated by the militia under Taylor’s control during the first and second civil wars and in Sierra Leone and for which he is facing charges in the International Criminal Court (ICC) can be classified as war crimes and crimes against humanity. The treatment of indigenous Liberians by their Americo Liberian settler counterparts since independence also included human rights abuses such as discrimination against all persons of indigenous origin, besides those already mentioned.

The improvement of the country’s human rights situation was one of the main tasks assigned to UNMIL as part of its mandate in Liberia (Aboagye & Bah 2005:103). While efforts are being made to improve the human rights situation in the country, the following problems remain prominent: ritualistic killing and death from mob violence, maltreatment by the LNP, arbitrary arrest and detention, poor prison conditions, lengthy pre-trial detention and the absence of fair public trials, gender violence, human trafficking, and child labour (Bureau of Democracy, Human Rights and Labour 2006:1). Amnesty International (2007: 1) maintains that the Liberian government can use the TRC as a way to bring justice to the victims of the human rights violations that took place during the country’s civil wars. The prosecution of those responsible for human rights abuses would serve as a deterrent for its future recurrence. The TRC would further end the impunity associated with the crimes committed during the two civil wars in Liberia (Amnesty International 2008:3).

Although the human rights situation continued to improve in 2008, areas that require improvement include corruption among law enforcement and judicial officials, poor detention facilities and long periods of pre-trial detention without a court hearing. Sexual violence against women continues, despite the ratification of the *Rape Amendment Act* in 2006. The absence of proper forensic facilities hampers the prosecution of sexual violence court cases and out-of-court settlements between the victim and the perpetrator’s families

are undermining the justice process. The planned enactment of a national human rights commission would add to addressing the human rights situation (UNSC 2008a:10).

The human rights violations and crimes against humanity committed during the civil war, as is evident from the charges brought against Taylor by the ICC in The Hague, will not stop overnight, as the main perpetrators of these acts of violence remain free. Even the activities of the TRC will not bring closure to the situation, as thousands of combatants were involved in human rights abuses and only a select few will appear in front of the commission. The weak criminal justice system and unprofessional conduct of law enforcement agencies and members of the judiciary will not address the situation in the short to medium term. In view of the aforesaid, this risk indicator is given **seven points** out of a possible eight.

#### 4.4.6 The military in government

Liberia's history of *coups* and *coup* plots started in 1980, with the Doe *coup d'état*, which was also the introduction of the members of the armed and security forces to government. The first military government of Liberia, appointed by Doe, the PRC, consisted of 27 soldiers (Ungar 1981:7).

The Liberian National Security Agency (NSA – civilian intelligence service) uncovered a *coup* plot on 22 August 2007 involving disgruntled former members of the AFL, namely Colonel Andrew Dorbor, Colonel Wolo Nagbe, General Charles Julu, George Koukou and a Lebanese financier, Jacob Kaarah (Africanpress 2007b:1). Arrests followed after joint operations between the Liberian and Ivorian security services uncovered a meeting to plan the *coup* that took place in Guilo, Côte d'Ivoire ((EIU 2007a:11). The trial of the *coup* plot accused is controversial, since a retrial of Dorbor and Julu was announced when the jury in the first trial found them not guilty, while Koukou was given clemency by the president, since his involvement was not as clear as that of the rest of the accused. Dorbor, however, claimed that he was tortured by the NSA and forced to implicate a group of 31 persons, which included several prominent opposition politicians. His claims could not be proved, and the prosecution and defence lawyers agreed that the matter would not be pursued further, despite claims that it was not fully investigated (EIU 2008:12).

Despite the progress with the DDR and SSR programmes, the threat posed by former security and armed force personnel has not abated. The SSR process has resulted in the dissolution of all the former defence and security structures of the country, leaving former members of the LNP, ADF and all the Taylor security structures unemployed and dissatisfied with the abrupt termination of their services, as well as with meagre severance packages or none at all. In addition, the majority of these people remain in contact with those that served in their units, whereas many are also concerned about their personal situation in view of what has happened to Taylor, since they could still be implicated in his trial. In addition, no decision has been taken on the way forward concerning the TRC, as many of those responsible for atrocities could be charged to face a trial for their involvement in gross human rights violations, war crimes and crimes against humanity. In addition to this, there are 101 000 former combatants in the country who have found it difficult to adapt to civilian life. For them, there are few prospects of securing a livelihood under the present economic circumstances. Therefore, the possibility of a *coup d'état* cannot be discounted, although this is unlikely to happen while UNMIL is deployed in Liberia. However, the departure of UNMIL and the relatively small size of the newly trained LNP and AFL in comparison to the number of former combatants, leaves the country vulnerable. This risk indicator is therefore prominent under the present circumstances and is given a score of **five points** out of a possible eight.

#### **4.5 SOCIO-ECONOMIC RISK INDICATORS**

The following political-security risk indicators with mainly a socio-economic impact were applied to the present situation in Liberia to establish the level of risk they pose, namely socio-economic conditions and investment climate.

##### **4.5.1 The socio-economic conditions**

Liberia remains one of the least developed countries globally with an unemployment rate of 85 per cent. Access to health services, education, safe drinking water and sanitation is limited to a small percentage of the population in the major urban areas. Both physical and social infrastructure (schools, health facilities, public latrines, feeder roads, water and sanitation) in Liberia are in a state of disrepair as a result of the consecutive civil wars. There are no electric power and no piped water in the rural areas – unprotected open water sources are used. While the prevalence of HIV/AIDS among the population is not

known, the World Health Organisation has estimated it to be low, at 8.2 per cent of the population, but malaria is endemic, with 56.9 per cent of the population suffering from the disease (Government of Liberia 2004:9-11). The non-existence of or poor healthcare facilities are illustrated by the infant mortality rates that are higher than the Sub-Saharan Africa average with 134 deaths out of 1 000 live births (World Health Organisation 2005:3). The deteriorating socio-economic situation is further illustrated by the decrease in the life expectancy of Liberians – it has dropped from 55 years in the 1980s to 48 years in 2005 (World Health Organisation 2005:3).

Other characteristics of the Liberian health care situation are the gross inequities between the rural and the urban areas, the absence of preventative services and the major role of the private sector in health care provision. While there were 30 hospitals, 130 health centres and 330 clinics before 1990, the war led to the destruction of 90 per cent of these facilities. At present, there are about 200 NGO-supported clinics and eight hospitals that are functioning (World Health Organisation 2005:8-10).

At a national level, 86 per cent of Liberian households have been displaced during the civil wars, with only 66 per cent of households staying in a privately owned dwelling (Republic of Liberia 2006:16). The levels of poverty in Liberia are high, since 76.2 per cent of the population survives on less than US\$1 per day. Indeed, 52 per cent of the population are extremely poor, living on less than US\$0.50 per day. This translates to 1.4 million Liberians living in abject poverty (Government of Liberia 2004:13). Only 8.6 per cent of the Liberian population is food secure (Republic of Liberia 2006:41). This is explained by the fact that sources of income for households vary from food crop production (15 per cent), to palm oil production (14 per cent), to petty trade (12 per cent), to contract labour (10 per cent), to a combination of food crops and palm oil (8 per cent), to rubber tapping (7 per cent), to charcoal producing (7 per cent), to cash and food crop production (6 per cent), to hunting (5 per cent), to formal employment (5 per cent), to fishing (4 per cent) and to skilled labour (3 per cent). The majority of the households rely on a combination of at least three different sources of income to make a living, which further explains the extent of poverty in the country, as well as the poor economic situation (Republic of Liberia 2006:19).

The civil war has also disrupted the education system: children had restricted access to schooling and education was interrupted by the conflict. In the post-settlement situation, it

was discovered that the average age of those going to pre-school, primary school and secondary school was seven, 14 and 22 years of age respectively. This implies that many children and young adults have either not started or not completed their education (Republic of Liberia 2006:25). The majority of schools are in a state of disrepair and lack proper teaching materials and properly trained staff. School enrolment percentages remain low, with only 56.2 per cent of children of school-going age being enrolled after the war, which represents a drop from 78 per cent before the war broke out in 1989. The majority of children do not finish primary school, as only 31.2 per cent of those starting Grade One continue with school after Grade Five. This explains the low literacy rate of persons between the ages of 15 and 24 years, which is only 34.7 per cent (Republic of Liberia 2004:17). The main reasons that more than 30 per cent of children are not enrolled in school are indicated as not having enough money to pay school fees (57 per cent); no school in the community (26 per cent); schools are too far away (12 per cent); the need for children to work in and around the house (8 per cent); child pregnancy or marriage (6 per cent); and the claim that children have to work to supplement household income (3 per cent) (Republic of Liberia 2006:26).

As another indicator of poor socio-economic development, gender inequality remains endemic in Liberian society, with inequality starting with the access to schooling, where boys enjoy an advantage. This marginalisation is maintained throughout society, even in employment, where most women rely on self-employment to generate income, as opposed to being formally employed. Until the election of Ellen Sirleaf-Johnson and the appointment of several women in cabinet and other prominent positions, the exclusion of women was also evident in national political decision-making processes (Republic of Liberia 2004:19-20).

The economic outlook for Liberia remains positive, with real GDP growth reaching 9 per cent in 2007, with a forecasted growth of 9.5 per cent in 2008 and 10 per cent in 2009. Agriculture, rubber and timber are expected to be the main areas of growth, based on progress with general recovery in these sectors, while industries such as palm oil and iron ore are expected to become future areas of growth. Despite rising commodity prices and a general increase in the cost of living, inflation in Liberia is expected to remain under 10 per cent per year until 2009. The main contributors to inflation are the prices of imported goods. The exchange rate of the Liberian dollar (L\$) is expected to remain steady at an average of L\$60.00 to the US dollar (EIU 2008:9). The national budget for 2007/8 of

US\$298 million represents growth of over 40 per cent from the previous budget. The infrastructure rehabilitation programme of the government, particularly the rebuilding of roads, has created an additional 60 000 employment opportunities. The assistance of external partners in rebuilding the economy remains an integral part of economic growth, as set out in the national poverty reduction strategy for the period from 2008 to 2011. Four pillars for future stability and growth were identified and include consolidating peace and security, revitalising the economy, strengthening governance and the rule of law and rehabilitating infrastructure and developing basic services. This programme will cost in the region of US\$1.6 billion, of which the government of Liberia will provide US\$500 million (UNSC 2008b:5-6).

Although the available information does not indicate to what degree the socio-economic situation in Liberia has deteriorated, the information available points to a situation of disrepair with little prospects of improvement in the short to medium term. The poor socio-economic situation could easily become a tool to mobilise the population, leading to social unrest, as improvement of the situation has been slow due to the devastation suffered during the conflict. The poor socio-economic situation therefore involves both threats and opportunities for any potential investor, since many persons of an economically active age are without employment, but the present level of education also shows that there is a shortage of schooled and skilled labour. This risk indicator poses high risk and it is therefore given **five points** out of a possible six.

#### **4.5.2 The investment climate**

The Johnson-Sirleaf Liberian government has been improving the investment environment in Liberia through its fight against corruption, which involves the requirement that senior officials must declare their assets publicly upon assuming office. A code of conduct for public servants was also drafted. The fight against corruption also involves the revisiting of contracts signed by the NTGL, such as the more than US\$1 billion contract with Arcelor Mittal that was renegotiated in order to ensure that it meets the transparency standard. Liberia has qualified for two preferential trade agreements, the EU's 'Everything But Arms' (EBA) and the US-sponsored African Growth and Opportunity Act (AGOA). Although they have not yet been approved, the Liberian government is considering further incentives to attract foreign investors such as tax concessions, which any investor would qualify for as long as the investment is more than a minimum of US\$100 000, Liberians are employed

and trained as part of the particular company's workforce and mainly Liberian raw materials are used to manufacture the product (Voice of America 2007:1-2)

Apart from the destroyed infrastructure, the recent history of instability and the damaged economy, other factors that indirectly affect the decision to invest in Liberia are the size of the market, which is only 3.75 million people; the absence of any hydrocarbons; and a *per capita* income of US\$110. However, the latter figure is misleading, considering that Liberians in the diaspora transferred up to US\$200 million *per annum* to relatives in the country, influencing spending patterns such as the purchasing of luxury items that could not have been purchased under any other circumstances. The majority of the goods on offer in Liberia are sold by small businesses that charge exorbitant prices. There are tremendous opportunities for larger companies with an efficient supply chain to gain a market share (*Perspective* 2005:1).

In view of the improved investment climate, examples of recently agreed investments are a US\$20 million contract to rehabilitate the Ducor Hotel; the signing of a US\$30 million Liberia Enterprise Development Fund, which is backed by the US Overseas Private Investment Corporation (OPIC); a US\$20 million Buchanan Renewable Energies venture that will create hundreds of jobs; and the renegotiated agreement with Archelor Mittal. Liberian mineral deposits have also attracted attention, such as the Bomi Hills mines that attracted companies like BHP Billiton and Rio Tinto, while interest in gold and diamonds has also grown (All Africa 2007b:1-2). In collaboration with the Corporate Council of Africa (CCA), Liberia also hosted a Liberia Private Sector Investment Forum in Washington during February 2007, which led to an Open Skies Framework agreement between the US and Liberia, a bilateral Trade and Investment Framework (TIFA) and US\$400 000 for the development of hydro-electricity, particularly the reconstruction and expansion of the Mount Coffee Hydro Plant (*Perspective* 2007:1). In addition to the above, the International Financial Corporation (IFC) has identified Liberia's palm oil sector as having the potential to attract investment and improving on the present output of the sector, which plunged to 7 000 tons in 2005 (AllAfrica 2008:1).

The World Bank has drawn up an international ranking system that categorises 178 countries globally according to the overall 'Ease of doing Business' in that country. In 2008, Liberia was given the overall ranking of 170 out of 178, which implies that the present situation in Liberia is not conducive to doing business. The areas that drew the

most attention and could even be regarded as the most problematic areas concerning doing business in that country are dealing with licenses (176/178), registering property (167/178), enforcing contracts (165/178), closing a business (144/178), starting a business (141/178), protecting investors (138/178) and getting credit (135/178) (World Bank Group 2008: 1).

The National Investment Commission (2007:15) states that the priority areas for investment in Liberia are those that offer special incentives to investors. The investment code of 1973 identifies the following areas that would qualify in this respect: manufacturing and assembling of finished and semi-finished goods; agriculture, forestry and fishing; mining; construction; electricity, gas and water; transport and communication; a service sector that would provide services to the above; and a service sector for the tourism sector (National Investment Commission 2007:15). A Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis is presented in Table 9.

Agriculture as an area for investment has considerable potential, since it is the most dominant sector in the economy, contributing half the GDP and 70 per cent of employment. Land devoted to agriculture can potentially be extended threefold, because the country has ample rainfall, and is close to European markets. Liberia is an importer of its staple rice, but the country can potentially increase its present production of rice, coffee, cocoa, maize and sugar cane. The processing of these food products is another possible area of investment. The production of fruit and vegetables has similar potential, but the export of any of these products would require facilities for post-harvest storage, quality control and effective transport that can ensure that the quality of these products meets export standards. Rubber is another agricultural product that has significant potential, considering that the biggest rubber plantation in the northern hemisphere is in Liberia. The Liberian government hopes to attract foreign direct investment in that sector. The fishing industry is another potential area of investment, given the 570 kilometre coastline and the estimated 20 000 km<sup>2</sup> fishing grounds that have been under-utilised. However, all facilities in this industry, such as freezers, cold storage and processing equipment, were destroyed during the war. With the lifting of UN sanctions, forestry has again become a prominent earner of foreign currency, since the 240 different tree species found in the Upper Guinean Rainforests include the highly valued African Mahogany (National Investment Commission 2007:15-17).

Besides iron ore, Liberia has substantial deposits of gold, manganese, bauxite, uranium, zinc and lead. Recent discoveries of seven Kimberlite pipes, the most important source of mined diamonds, also confirmed substantial deposits of diamonds. Electricity generation is another potential area of investment, especially for independent power products (IPPs) that can be connected to the national grid. The construction of housing involves an initial project of building 400 units in Monrovia to the cost of US\$1.8 million, with a five year plan that involves the construction of 470 housing units in each of the 16 counties at a cost of US\$188 million. Tourism and manufacturing are other possible areas of investment. In order to attract investment, incentives are offered to investors such as exemptions from trade taxes, income tax and other benefits such as leases at preferential rates (National Investment Commission 2007:19-25).

**Table 9: The Liberian investment climate at a glance**

|  |  |
|--|--|
| <p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• A democratic government committed to governance and reconstruction.</li> <li>• The support from and interest of the international community.</li> <li>• Natural resources such as timber, rubber, diamonds and iron ore.</li> </ul>                     | <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Export industries for raw products such as rubber, timber, iron ore, gold and diamonds.</li> <li>• The production of agricultural products like rice, cocoa, coffee, palm oil, fruits and vegetables for the local and international markets.</li> <li>• The construction of infrastructure.</li> <li>• Light manufacturing such as food processing for local and regional consumption.</li> <li>• Development of tourism infrastructure with regard to the beaches, wildlife parks and fishing.</li> </ul> |
| <p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• The state of the infrastructure, especially electricity, ports, roads and railways.</li> <li>• The country is institutionally weak, with limited administrative capacity.</li> <li>• The majority of the work force has a low skills level.</li> </ul> | <p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Petty crime as a result of the level of unemployment and the years of civil war in the country.</li> </ul>  |

(National Investment Commission 2007:28)

Investment in Liberia has enormous potential, with investment opportunities available in many sectors in the country, as there is a general need for investment (see Table 9 for a summary of strengths, weaknesses, opportunities and threats in respect of investment, as identified by the Liberian government). However, the security situation in the country has

yet to be resolved – there are large numbers of former combatants who are unemployed, not all weapons have been handed in, and the defence and security forces are still undergoing retraining, so that stability depends on the presence of UNMIL. The World Bank rating of Liberia in a publication called the ‘Ease of doing Business’ highlights the challenges, especially administrative challenges, which in many cases are the most discouraging. Destroyed infrastructure and the absence of services such as electricity and water increases the challenges posed. Therefore, while Liberia offers enormous investment potential, the investment climate in the country is very risky. A score of **five points** is given out of a possible six.

#### **4.6 EVALUATION OF THE POLITICAL-SECURITY RISK INDEX OF LIBERIA**

The implementation of the political security risk index (see Table 5) has resulted in a risk index figure for Liberia based on the summed scores allocated for each risk indicator in the aforementioned evaluation (see Table 10 for the complete political-security risk index of Liberia).

Although the security, political and socio-economic risk indicators all score high, above 70 per cent and higher, socio-economic risk indicators scored the highest with ten points out of a possible twelve, translating to 83 per cent. The security risk indicators were allocated a total score of 30 out of a possible 42 points and political risk indicators scored 32 out of a possible 46 points, followed by the socio-economic risk indicators, which scored 10 out of 12. The high socio-economic risk score indicates that the country is facing numerous socio-economic challenges resulting from the devastation of the two consecutive civil wars; and that the investment climate in the country has yet to return to the situation before 1981. While the security risks are considerable, the post-settlement status of Liberia to some degree explains the high score, especially with regard to the reassuring presence of UNMIL as opposed to the presence and activities of the large number of unemployed former combatants. The political risk indicators were allocated the lowest total score, but this risk remains high, which illustrates that the political situation has yet to stabilise, although the first elected post-settlement government has made some progress towards normalising the political situation. The total political security risk index score for Liberia is 72 out of a maximum of 100. According to the incremental risk scale for investment (see Table 4), 72 points falls in the category of 61 to 80 points, which

constitutes high risk and suggests that any investment should be reconsidered before a final decision is made.

**Table 10: Index of political-security risk**

| Indicators  | Maximum points | Allocated score for Liberia |
|---|----------------|-----------------------------|
| <b>Security risks</b>   |                |                             |
| War/intra- or interstate conflict   | 12             | 8                           |
| Inter-ethnic/religious/language group tension                                     | 12             | 10                          |
| Foreign military intervention   | 8              | 4                           |
| Law and order   | 6              | 5                           |
| Relations with neighbouring states  | 4              | 3                           |
| <b>Total</b>  | <b>42</b>      | <b>30</b>                   |
| <b>Political risks</b>  |                |                             |
| Features of government  | 8              | 5                           |
| Governance, e.g. quality of the bureaucracy, corruption and nepotism              | 8              | 7                           |
| Democratisation in relation to succession, regular elections and authoritarianism | 8              | 3                           |
| Government stability  | 8              | 5                           |
| Human rights record   | 8              | 7                           |
| The military in government  | 6              | 5                           |
| <b>Total</b>  | <b>46</b>      | <b>32</b>                   |
| <b>Socio-economic risks</b>   |                |                             |
| Socio-economic situation  | 6              | 5                           |
| Investment climate  | 6              | 5                           |
| <b>Total</b>  | <b>12</b>      | <b>10</b>                   |
| <b>Total (risk index score)</b>   | <b>100</b>     | <b>72</b>                   |

The general devastation of the two civil wars and the impact they had on the country, in respect of the political, economic and security situation, remain evident. Furthermore, the poor physical infrastructure and the slow reform of the civil service and all other institutional structures that might influence investment require caution because difficulties will be encountered when deciding on investment in Liberia.

## 4.7 CONCLUSION

A decision on investment in a country is more convincing if it is taken with the knowledge essential for such a decision. The availability of such information gives the decision-maker an advantage and provides an opportunity to weigh all risks before a final decision is taken. Liberia was assessed using the 12 political-security risk indicators identified in the political-security risk analysis framework. Each of these risk indicators was assessed and a score was allocated depending on the severity of the situation and the maximum score possible in the framework. The calculated scores provided a risk index score which is an indication of the level of political-security risk in Liberia.

The situation in Liberia has improved from being a failed state, to a post-settlement country that has started its long journey towards recovery. The magnitude of the destruction and the impact of two civil wars on all sectors in the country mean that it will take years before Liberia will again reach the level of investment that existed before 1981. Inter-ethnic/religious/language group tension has characterised the history of the country and led to the 1981 *coup* and the civil wars – these tensions collectively remain the single biggest factor hampering peaceful cohabitation. In the post-settlement situation, a breakdown of law and order and a weak criminal justice system pose a threat to stability. The most recent UN-sanctioned foreign military intervention stabilised the internal situation in the country, but there is a great deal of dependence on the presence of UNMIL to ensure stability. The quality of the bureaucracy and corruption involves unique challenges for investors, despite efforts from the government to curb endemic corruption and improve the service delivery of state institutions. Despite efforts from UNMIL, the human rights record of the country remains problematic, as even the authorities cannot guarantee that human rights will be upheld. While the involvement of the military in government forms part of the recent history of the country, the *coup* plot uncovered in 2007 is a source of concern, signalling that the country has yet to move away from the legacy of the consecutive civil wars, which involved unconstitutional changes of government. The socio-economic situation is precarious, due to the destructive nature of the civil war, with even the quality of the workforce being poor due to the disruption of all government services, including education. While there are many opportunities for investors to become involved in Liberia, the present investment climate in the country will remain a deterrent to many a potential investor.

The possibility of political-security risk is 72, which represents high risk. Investment in Liberia is therefore, for the present, a high risk venture, with the country a long way away from becoming a preferred destiny for foreign investment. The need for investment is, however, high, given that the infrastructure and economy will have to be rebuilt before the quality of life of Liberians will improve and the authorities will be able to deliver the services expected from them.

### EVALUATION

This study aimed to analyse macro political-security risk in Liberia as a post-settlement African state. The following research question emanated from this aim: *What is the level of political-security risk posed by the Republic of Liberia for any potential foreign investor?* The study posed dual challenges – firstly, drawing a distinction between country and political risk, and, secondly, using existing political risk frameworks to develop and apply a political-security risk framework with the emphasis on countries on the African continent and specifically those in a post-settlement phase, to Liberia.

Three sub-questions were formulated based on the primary research problem: *What is the nature and scope of political-security risk and which risk indicators identify political-security risk in an African country that has a recent conflict-ridden history? What is the effect of foreign military intervention on the risk profile of an African country that has been at war for more than a decade? What are the implications of the assessed political-security risks for policymakers and decision-makers?* The three sub-questions were also answered by, firstly, establishing which factors constitute political-security risk and which of those would apply to an African country in a post-conflict phase; secondly, looking into foreign military intervention as a political-security risk indicator; and, thirdly, advising decision-makers on the way forward concerning investment in Liberia.

Starting out, risk analysis in an African context was considered by emphasising that the process of risk analysis is the first of step in understanding a situation and problem-solving. Decision-makers who intend to invest should develop a strategic plan. A risk analysis of the potential country of investment forms part of this strategic plan. Risk analysis is the first process that needs to be undertaken when deciding on future action in respect of investment. When a decision is taken on foreign military intervention, a risk analysis forms part of the decision-making process to decide on the level of intervention, the force strength and the mandate of the force.

The wars in Liberia took place at the end of the Cold War, which led to several changes in respect of conflict. Conflict has become increasingly intrastatal and more militia-based than conventional conflicts. This type of warfare involved in intrastate conflict is known for

its level of violence and viciousness, which is also aimed at members of the civilian population.

Risk analysis in a Third World context should take cognisance of the entire national environment (political, security and socio-economic factors), as well as the immediate external environment which will not only involve neighbouring countries, but also the broader context of the international community and particularly of multilateral organisations.

Risk was identified as referring to the predictable consequences and outcomes of events that can be predicted from certain events or circumstances evolving from the environment, self-behaviour or reaction to the actions of a third party. While there is a relation between risk and uncertainty, the two cannot be equated, since risk involves a situation where information is available on what can be expected, while uncertainty implies that little or no information is available. Risk can rather be regarded as equal to danger, with high risk equating high levels of danger. Risk should be considered in its entirety, and not only the individual factors that comprise risk. Tools can therefore be developed to manage risk and minimise it.

Country risk is a broader term and encompasses all levels of risk that a country can face (political, security, economic and financial) as these risks are posed by the internal and external environment. Country risk emanates mainly from the actions of the government and no individual or private enterprise has control over it. While in general it refers to a combination of events, even one single event in a country could be regarded as risky. Political risk includes political properties such as political instability and uncertainty. It is defined as the impact that political developments may have on any potential investment.

This study has analysed risk with a smaller scope than country or political risk, focusing on those political risks that include or may lead to security vulnerability. In Third World countries, political-security risks emanate mainly from the internal arena and to a lesser degree from the external environment. They mainly involve risks posed to the national security of a country.

Risk management is a process used by the decision-makers of a company to protect the company in its entirety against any physical or financial consequences. Risk management

is essential in investment in Africa, and particularly in a country with a recent history of instability such as Liberia. The risk management process would require that all risks be identified, as no action can be taken against any risks that are not known.

The processes of country, political and political-security risk analysis are used to establish risk at different levels – i.e. what risks are posed to involvement in the country of choice (in the case in this study, in Liberia)? The nature of political risk analysis and therefore political-security risk analysis means that it is not quantifiable, and the subjectivity of the analyst could be regarded with suspicion. As a result, the choice of risk indicators refers to the coordinates within which a specific situation will be described, while the accuracy and completeness of the analysis would rely on information, and the analyst's imagination and motivation.

There are several existing frameworks to analyse political and country risk, but existing political-security risk analysis frameworks are limited to the synthesised framework developed by Fouché. A macro-political-security risk analysis would require a synthesised risk analysis framework, which has resulted in the use of four existing political risk analysis frameworks to synthesise a single framework. Drawing up a synthesised framework required that salient factors that are indicators of political and security risk in existing frameworks should be used. For the purposes of this study, four existing frameworks that have a known record of usefulness and are known to contain elements pertaining to political and security risk were used: Brink's political risk analysis model, the, the EIU's CRS, ICRG and the GPI framework.

These frameworks were evaluated and several generic elements were identified. These elements were categorised in three groups, namely political risk indicators, security risk indicators and socio-economic risk indicators. The security risk indicators identified were war/intra- or interstate conflict, inter-ethnic/religious/language group tensions, relations with neighbouring states, law and order, and the foreign military intervention. The political risk indicators were features of government, governance (for example, the quality of the bureaucracy), corruption and nepotism, democratisation in relation to succession, regular elections and authoritarianism, government stability, a country's human rights record and the military in government. The socio-economic risk indicators identified were socio-economic conditions and the investment profile. A risk score was allocated to each risk indicator, which reflected a maximum value for each, amounting to a grand total of 100.

During evaluation each risk indicator was allocated a score that was calculated to obtain the total risk index score. An incremental risk scale for investment was developed to interpret the allocated risk index score, indicating the scale for investment and level of risk.

Concerning Liberia, a study was done of the geophysical and demographic features, the political history of the country, a brief background on the economy and the socio-political situation in the country. The prevailing circumstances in the country were assessed against the political-security situation. In view of the current situation, Liberia was allocated a risk index score of 72, which, according to the incremental risk scale for investment constitutes high risk. This implies that any plans to invest in the country should be reconsidered. Against this background, Liberia is therefore not the best destination for investment or foreign involvement. The findings do not mean that no investment should be made, or that the country as an investment destination should not be considered at all. It was evident that any investment or involvement will carry a high risk and should therefore be approached with circumspection. What adds to the high risk profile of Liberia is that the internal situation is volatile, despite efforts by internal and external role players to address those areas that pose threats to internal stability. Additionally, the situation in the country is currently kept stable by the presence UNMIL, but its inevitable exit from the country will leave it vulnerable. In addition the state's institutional weakness does not provide a positive outlook in respect of improvement with regard to governance, especially in the absence of an external peacekeeping force.

Since all the political-security risk indicators can have an impact on the security dimension, a change in any of the risk indicators could result in a rapid deterioration of the security situation in the country, with a knock-on effect resulting in instability in the entire country. The onus thus rests on the Liberian government and all institutions of the state to exercise its political will for change, restructuring and reform, which would contribute to an improved situation in the long term. The danger with a situation such as that in Liberia is that all the policies that the government institutes are not likely to be popular, especially when they address matters such as institutionalised corruption. The government has to maintain consistent application of the policy while also removing reasons for corruption through actions such as the regular payment of salaries, regular increases to keep up with inflationary trends and the payment of incentives for good service.

The investment environment in the country has to be improved by the reduction of existing risks as pointed out in the risk analysis. While the Liberian government is required to play a fundamental role in this respect, it will require external assistance to speed up the process, since the funds available to the government can hardly cover the costs of the daily governance, let alone the rehabilitation of infrastructure and the rebuilding of the economy. Economic development would be the single biggest factor that would improve the prospects for stability, given the current high levels of unemployment, which also involve former combatants and dismissed members of the LNP, AFL and other security structures and the civil service.

In respect of security risks, there are no indications that the civil wars of the past two decades will resume, although the legacy of the civil wars in terms of divisions in the Liberia society, the devastation of the national infrastructure, institutional weakness and the destroyed economy is evident. The population is, in general, war-weary, although government expresses concern that the threat posed by the former combatants has not subsided and that the combatants continue to keep their structures intact, even after the DDR process. Inter-ethnic tension is the single biggest factor that contributed to the Doe *coup d'état* and the two consecutive civil wars. Although the government is aware of the threat the aforesaid poses, it is attempting, through the TRC and a general policy of non-tribalism, to erase the legacy of a tribal monopoly in power. Liberia's relations with neighbouring states have improved vastly and the Johnson-Sirleaf government has made an effort to improve relations with the countries of the MRU and maintain cordial ties with Côte d'Ivoire. The cooperation between UNMIL, UNOCI and the armed forces of Sierra Leone and Guinea also contributes to improved relations and the curbing of any cross-border developments that could pose a threat to the security of any of the neighbouring states. While foreign military intervention by ECOWAS did not have a positive impact the first time in 1990, the deployment of UNMIL has led to the stabilisation of the internal situation. The integrated nature of the operation has several advantages: UNMIL is not only a peacekeeping force but has had an impact on all aspects of rehabilitation and reconstruction. The eventual withdrawal of UNMIL is inevitable, but the phased draw-down process provides some guarantee that the force will only finally depart once circumstances permit it to do so. The absence of law and order remains a legacy of the civil war, as all judicial infrastructure was also damaged and neglected. The overhaul of the criminal justice system has started with the assistance of UNMIL, and progress in that respect

would enhance the capacity of the government to spread its authority in the national territory.

With regard to political risks, the elected government will have to continue on its present route of consensus governance, since it contributes to restoring calm. The tempo with which legislation is being passed suggests improved cooperation between the parties that make up the government and that the hostility that marked its first year, has decreased. The parties have also accepted the leadership of the president, despite Liberia's being a patriarchal society. The 2005 election was the first free and fair democratic election in the country, as well as the first since the end of the civil wars. The present government is expected to continue with democratisation until the election planned for 2011.

Given the history of the country, the human rights record remains an area of concern, especially when abuses happen at the hands of those who have been retrained, such as members of the LNP, or as a result of an ineffective system, which is the case with the criminal justice system. The effective outcome of the TRC and its deliberations could have a positive outcome, leaving Liberians more conscious of human rights and their protection.

The uncovered *coup* plot of 2007 confirms the latent threat posed by former combatants in both the statutory and non-statutory forces. While there is no real solution to the threat posed by these persons, the presence of UNMIL and vigilance of the security and defence forces remain the only way to protect the present democracy.

Concerning socio-economic risks, the socio-economic situation in the country remains precarious – no immediate improvements are expected. The Liberian government is institutionally weak and lacks the capacity to deliver social services. While the economy is growing at a steady pace, the basis from where it is growing is low and therefore the impact will take time to become evident. Since the majority of Liberians live in poverty and below the acceptable US\$1 per day, purchasing power in the country is low. Any potential investor should accept that a venture in Liberia should focus on the export rather than the local market. While the Liberian government is attempting to portray Liberia as a country with many investment opportunities, the present condition of the institutions in the country tends to dampen any potential investor's efforts to become involved. The present state of the national transport, water and electricity infrastructure all contribute towards investors' reconsidering involvement.

The risk associated with investment in Liberia is high and is situated at the upper end of the investment risk interpretation scale. The recent history of instability and the devastation of the two consecutive civil wars will most likely deter the majority of prospective investors, unless they are invited to invest by the government and the government provides guarantees in respect of overcoming the challenges highlighted in the study.

Emanating from the posed research problems, this study aimed to develop a synthesised political-security risk framework and to apply it to Liberia. This process has resulted in an understanding of risk in an African context, which was achieved while clarifying concepts such risk analysis, and country, political and political security risk. This led to examination and critical evaluation of existing frameworks to extract the generic risk indicators of political-security risk in a post-settlement African state (the process was completed). A synthesised political-security risk framework was constructed and was applied to the detailed country profile completed on Liberia. Once this had been achieved, the next step was the completion of a political-security risk analysis of Liberia.

Although the framework was specifically created to assess political-security risk in a post-settlement African state, the applicability of this framework is transferable to African countries, given the number of African states that have experienced recent instability. A modification of the framework for application to another country cannot be excluded. The value of the framework is that regular update assessments, every six months, would give a proper indication of whether the situation in a country is improving or deteriorating, or whether the *status quo* is maintained. The situation in a country could show that other risk indicators that are not part of the present framework have to be added in order to accommodate what constitutes risk as it arises in that specific country. The risk analysis framework is a tool that invites its regular use, allowing for proper risk management.

To conclude, this study was able to respond successfully to the main research problem concerning the political-security risks posed by present-day Liberia to any prospective investor, by means of the development and application of an appropriate framework to address such risks. In addition, the existing political risk and country risk frameworks have been shown to be too comprehensive in respect of political-security risk analysis and should therefore be discounted for such purposes, especially when the subject is a post-

settlement African country. The synthesised framework can be applied to most African countries, with some modifications, if required.

Abie, H. 2007. *Risk analysis, risk assessment, risk management*.

<http://www.nr.no/~abie/RiskAnalysis.htm> (accessed 15 February 2007).

Abiodun, B. 2005. The mechanics of rebuilding a failed state: The governance challenge in Liberia. In Aboagye, F. & Bah, M. S. (eds). *A tortuous road to peace: The dynamics of regional, UN and international humanitarian interventions in Liberia*. Pretoria: Institute for Security Studies.

Aboagye, F. & Bah, Alhaji M.S. 2005. Synergies of regional and UN interventions: The contribution of the UN Mission in Liberia to civilian protection. In Aboagye, F. & Bah, M.S. (eds). *A tortuous road to peace: The dynamics of regional, UN and international humanitarian interventions in Liberia*. Pretoria: Institute for Security Studies.

Acquisition Community Connection (ACC). 2007. *What is risk?*

<https://acc.dau.mil/CommunityBrowser.aspx?id=17736> (accessed 6 June 2007).

Adebajo, A. 2002. *Liberia's civil war: Nigeria, ECOMOG and regional security in West Africa*. London: Lynne Rienner.

Africanpress. 2007a. *Mano River union leaders rekindled relationship, settles dispute between Guinea, Sierra Leone*.

<http://africanpress.wordpress.com/2007/05/03/mano-river-union-leaders-rekindled-relationship-settles-diapute-between-guinea-and-sierraleone/> (accessed 28 August 2008).

Africanpress. 2007b. *The Liberian National Security Agency (NSA) Wednesday released a video: Showing alleged on coup plotters*.

[http://africanpress.wordpress.com/2007/22/the-liberian-national-security-agency-\(nsa\)-wednesday-released-a-video-showing-allegedon-coup-plotters/](http://africanpress.wordpress.com/2007/22/the-liberian-national-security-agency-(nsa)-wednesday-released-a-video-showing-allegedon-coup-plotters/) (accessed 29 August 2008).

Alkhafaji, F.A. 2003. *Strategic management: Formulation, implementation and control in a dynamic environment*. New York: Haworth.

AllAfrica. 2007a. *Liberia: Corruption rampant in government.*

<http://allafrica.com/stories/200707051103.html> (accessed 30 July 2007).

AllAfrica. 2007b. *Liberia: Significant new investment deals signal economic turnaround.*

<http://allafrica.com/stories/200710181023.html> (accessed 29 August 2008).

AllAfrica. 2008. *Liberia: Investment potential in country's palm oil sector, IFC study reveals.* <http://allafrica.com/stories/200808080882.html> (accessed 29 August 2008).

Amnesty International. 2007. *Liberia: Government doing little to ease pain of haunted past.*

<http://web.amnesty.org/library/Index/ENGAFR340032007?open&of=ENG-LBR>

(accessed 3 June 2007).

Amnesty International. 2008. *Liberia: Towards the final phase of the Truth and Reconciliation Commission.*

<http://web.amnestyusa.org/document.php?id=ENGAFR340022008> (accessed 27

August 2008).

Asher, W. & Overholt, W.H. 1983. *Strategic planning and forecasting: Political risk and economic opportunity.* New York: John Wiley and Sons.

Ayoob, M. 1995. *The Third World security predicament: State making, regional conflict, and the international system.* Boulder: Lynne Rienner.

Berman, E.G. & Sams, K.E. 2000. *Peacekeeping in Africa: Capabilities and culpabilities.* New York: United Nations.

Brink, C. 2004. *Measuring political risk: Risks to foreign investment.* Aldershot: Ashgate.

Bureau of Democracy, Human Rights and Labour. 2006. *Country reports on Human Rights practices.* <http://www.state.gov/g/drl/rls/hrrpt/2006/78742.htm> (accessed 26 March 2008).

Buzan, B. 1991. *People, states and fear.* 2<sup>nd</sup> edition. Hertfordshire: Harvester Wheatsheaf.

Coplin, W.D. & O'Leary, M.K. (eds.) 1994. *The handbook of country risk analysis.* New York: Printer Publishers.

- Defence Language Institute Foreign Language Centre. 2006. *Liberia in perspective: An orientation guide*. <http://www.lingnet.org/areStudies/perspectives/liberia/liberia.pdf> (accessed 26 March 2007).
- Desta, A. 1993. *International political risk: Assessment for foreign direct investment and international lending decisions*. Needham Heights: Ginn.
- Du Plessis, A. 2000. Military intervention: Nature and scope. In Du Plessis, L. & Hough, M. (eds). *Managing African conflicts: The challenge of military intervention*. Pretoria: HSRC.
- Dunn, W. N. 1994. *Public policy analysis: An introduction*. 2<sup>nd</sup> edition. Englewood Cliffs, New Jersey: Prentice-Hall.
- Economist Intelligence Unit (EIU), 2007a. *Liberia: Country report: March 2007*. <http://www.eiu.org> (accessed April 2007).
- Economist Intelligence Unit (EIU), 2007b. *Liberia: Country profile 2007*. <http://www.eiu.org> (accessed May 2008).
- Economist Intelligence Unit (EIU), 2008. *Liberia: Country profile 2008*. <http://www.eiu.org> (accessed August 2008).
- Economist Intelligence Unit (EIU), 2008b. *The Economist Intelligence Unit's index of democracy 2008*. <http://a330.g.akamai.net/7/330/25828/20081021185552/graphics.eiu.com/PDF/Democracy%20Index%202008.pdf> (accessed 15 March 2009)
- Edo, A. 2005. *The challenges and opportunities of security sector reform in post-conflict Liberia*. [http://www.dcaf.ch/docs/op09\\_security\\_sector\\_reform\\_liberia.pdf](http://www.dcaf.ch/docs/op09_security_sector_reform_liberia.pdf) (accessed 26 March 2007).
- Ellis, S. 1999. *The mask of anarchy: The destruction of Liberia and the religious dimension of an African civil war*. New York: New York University Press
- Erb, C.B., Harvey, C.R. & Viskanta, T.E. 1996. Political risk, economic risk, and financial risk. *Financial Analysis Journal*, November/December: 29-45.

- Europa Regional Surveys of the World. 2006. *Africa south of the Sahara 2007*. 36<sup>th</sup> edition. London: Routledge.
- Europa Regional Surveys of the World. 2007. *Africa south of the Sahara 2008*. 37<sup>th</sup> edition. London: Routledge.
- Europa Regional Surveys of the World 2008. *Africa south of the Sahara 2008*. 38<sup>th</sup> edition. London: Routledge
- Fiawosime, A. 2005. An integrated approach to peace support operations: Overview of UN and international humanitarian agencies in Liberia. In Aboagye, F. & Bah, M.S. (eds). *A tortuous road to peace: The dynamics of regional, UN and international humanitarian interventions in Liberia*. Pretoria: Institute for Security Studies.
- Fitzpatrick, M. 1983. The definition and assessment of political risk in international business: A review of literature. *Academy of Management Review*. 8(2):249-254.
- Fouché, P.J. 2003. *A political-security risk analysis of Uganda*. Mini-dissertation. Pretoria: University of Pretoria.
- Frei, D. & Ruloff, D. 1989. *Handbook of foreign policy analysis: Methods for practical application in foreign policy planning, strategic planning and business risk assessment*. Dordrecht: Marthinus Nijhoff.
- Gberie, L. 2005. Liberia war and peace process: A historical overview. In Aboagye, F. & Bah, M.S. (eds). *A tortuous road to peace: The dynamics of regional, UN and international humanitarian interventions in Liberia*. Pretoria: Institute for Security Studies.
- Geldenhuis, D. 1998. *Foreign political engagement: Remaking states in the Post-Cold War world*. London: Macmillan.
- Giddens, A. 1999. *The 1999 Reith Lecture Runaway World – Risk Part 2*.  
[Http://www.fortunecity.com/emachines/e11/86/reith992.html](http://www.fortunecity.com/emachines/e11/86/reith992.html) (accessed 6 June 2007).

- Global Witness. 2005. *Timber, Taylor, soldier, spy: How Liberia's uncontrolled resource exploitation, Charles Taylor's manipulation and the recruitment of ex-combatants are threatening regional peace.*  
[http://www.reliefweb.int/library/documents/2005/gw\\_lbr\\_15jun.pdf](http://www.reliefweb.int/library/documents/2005/gw_lbr_15jun.pdf) (accessed 10 November 2005).
- GoAbroad.Com. 2008. *Embassies and consulates in Liberia.*  
<http://www.embassiesabroad.com/embassies-in/Liberia> (accessed 28 November 2008).
- Government of Liberia. 2004. *The Millennium Development Goals Report 2004.*  
<http://www.lr.undp.org/Liberia%20MDGR%202004.pdf> (accessed 6 June 2007).
- Haner, F.T. & Ewing, J.S. 1985. *Country risk assessment: Theory and worldwide practice.* New York: Praeger.
- Harris, S. 2006. *Risk management strategies: Understanding risk.*  
[http://searchsecurity.techtargget.com/tip/1,289483,sid14\\_gci1158732,00.html](http://searchsecurity.techtargget.com/tip/1,289483,sid14_gci1158732,00.html)  
(accessed 6 June 2007).
- Haus, C. 2003. *Military intervention.*  
[http://www.beyondintractability.org/essay/military\\_intervention/](http://www.beyondintractability.org/essay/military_intervention/) (accessed 28 March 2007).
- Hawkins, T. 1996. *Country risk profiles with a specific reference to Southern Africa.* Institute for Security Studies. Pretoria: University of Pretoria.
- Hertz, D.B. & Thomas, H. 1984. *Practical risk analysis: An approach through case histories.* New York: John Wiley.
- Hough, M. 2008. An introductory context of the methodological, conceptual, and theatrical frameworks of risk analysis. In Adar, K.G., Iroanya R.O. & Nwonwu, F. (eds). *Towards African-oriented risk analysis models: A contextual and methodological approach.* Pretoria: Africa Institute of South Africa.
- Howell, L. D. & Caddick, B. 1994. Models of political risk for foreign investment and trade. *Columbian Journal of World Business*, Fall :70-85

- Howell, L.D. 1998. Country and Political Analysis: Foundations for Foreign Direct Investment. In Howell, L.D. (ed) *The Handbook of Country and Risk Analysis (2<sup>nd</sup> edition)*. New York: Political Risk Services
- International Crisis Group (ICG). 2005. *Liberia's elections: Necessary but not sufficient*. [http://www.crisisgroup.org/library/documents/africa/west\\_africa/098\\_liberia\\_s\\_elections\\_necessary\\_but\\_not\\_sufficient.pdf](http://www.crisisgroup.org/library/documents/africa/west_africa/098_liberia_s_elections_necessary_but_not_sufficient.pdf) (accessed 27 June 2008).
- International Crisis Group (ICG). 2006. *Liberia: Resurrecting the justice system*. [http://www.crisisgroup.org/library/documents/africa/west\\_africa/107\\_liberia\\_resurrecting\\_the\\_justice\\_system.pdf](http://www.crisisgroup.org/library/documents/africa/west_africa/107_liberia_resurrecting_the_justice_system.pdf) (accessed 26 March 2007).
- Investorwords.com. 2007. *Political risk*. [http://www.investorwords.com/3733/political\\_risk.html](http://www.investorwords.com/3733/political_risk.html) (accessed 26 March 2007).
- Inquirer*. 2008. MRU leaders, continue with the dialogue. [http://theinquirer.com.lr/editorial\\_details.php?recordID=5326](http://theinquirer.com.lr/editorial_details.php?recordID=5326) (accessed 28 August 2008).
- Integrated Regional Information Networks (IRIN). 2006. *Liberia: Ethnic tension high as returnees claim homes, land*. <http://www.irinnews.org/report.aspx?reportid=59081> (accessed 30 July 2007).
- Kekic, L. 2007. The Economist Intelligence Unit's index of democracy. [http://66.102.9.104/search?a=cache:uFf3iJlLinOJ:www.economist.com/media/pdf/DEMOCRACY\\_INDEX\\_2007\\_v3.pdf+EIU](http://66.102.9.104/search?a=cache:uFf3iJlLinOJ:www.economist.com/media/pdf/DEMOCRACY_INDEX_2007_v3.pdf+EIU) (accessed 18 June 2007).
- Killelea, S. 2007. *Global peace index*. [www.visionofhumanity.com](http://www.visionofhumanity.com) (accessed 18 June 2007).
- Lamin, A. R. 2005. Truth, justice and reconciliation: Analysis of the prospects and challenges of the Truth and Reconciliation Commission in Liberia. In Aboagye, F. & Bah, M.S. (eds). *A tortuous road to peace: The dynamics of regional, UN and international humanitarian interventions in Liberia*. Pretoria: Institute for Security Studies.
- Levitt, J.I. 2005. *The evolution of deadly conflict in Liberia: From 'Paternalitarianism' to state collapse*. Durham: Carolina Academic Press.

- Malan, M. 2008. *Security sector reform in Liberia: Mixed results from humble beginnings*. <http://www.StrategicStudiesInstitute.army.mil> (accessed 16 June 2008).
- Malherbe, F.J. 1990. *Die invloed van politieke scenarios op strategie-ontwikkeling vir 'n onderneming*. Unpublished MBA dissertation. Pretoria: University of Pretoria.
- Mathu, K.I. M. 1996. *Crime, human rights and national security*. New Delhi. Gyan Publishing House.
- Mo Ibrahim Foundation. 2008. *Liberia shows most improved performance in latest Ibrahim Index of African governance*. [http://www.moibrahimfoundation.org/index-2008/pdf/press\\_release/Liberia.pdf](http://www.moibrahimfoundation.org/index-2008/pdf/press_release/Liberia.pdf) (accessed on 5 December 2008).
- Musila, G. 2008. Representations of Africa in the Western imagination. In Adar, K.G., Iroanya R.O. & Nwonwu, F. (eds.). *Towards African-oriented risk analysis models: A contextual and methodological approach*. Pretoria: Africa Institute of South Africa.
- Nagy, P. 1979. *Country risk: How to assess, quantify and monitor it*. London: Euromoney.
- National Investment Commission. 2007. *The investor's guide to Liberia*. [http://web.worldbank.org/external/projects/main?pagePK=64256111&piPK=64256112&theSitePK=40941&menuPK=115635&entityID=00020953\\_20070524092934&siteName=PROJECTS](http://web.worldbank.org/external/projects/main?pagePK=64256111&piPK=64256112&theSitePK=40941&menuPK=115635&entityID=00020953_20070524092934&siteName=PROJECTS) (accessed 3 June 2007).
- Ndinda, C.M. 2008. Risk analysis indicators used by Transparency International. In Adar, K.G., Iroanya R.O. & Nwonwu, F. *Towards African-oriented risk analysis models: A contextual and methodological approach* (pp. 75-89). Pretoria: Africa Institute.
- Olsson, C. 2002. *Risk management in emerging markets: How to survive and prosper*. London: Pearson.
- Perspective*. 2005. A critical analysis of Liberia's attractiveness to foreign investment. <http://www.theperspective.org/articles/1222200502.html> (accessed 29 August 2008).

- Perspective*. 2007. Liberia private sector investment forum: Strategies for facilitating follow-up, scaling expectations, and actualizing opportunities. <http://www.liberiaitech.com/theperspective/2007/0825200702.html> (accessed 29 August 2008).
- Pham, J.P. 2004. *Liberia: Portrait of a failed state*. New York: Reed.
- Political Risk Services (PRS) Group. 2007. *ICRG methodology*. [http://www.prsgroup.com/ICRG\\_Methodology.aspx](http://www.prsgroup.com/ICRG_Methodology.aspx) (accessed 26 March 2007).
- Reagan, P.M. 2003. *Civil wars and foreign powers: Outside intervention in intrastate conflict*. Ann Arbor: University of Michigan Press.
- Republic of Liberia. 2006. *Republic of Liberia: Comprehensive Food Security and Nutrition Survey (CFSNS)*. [http://www.reliefweb.int/rw/RWFiles2006.nsf/FilesByRWDocUNIDFileName/RMOI-6VK3RV-wfp-lbr-oct.pdf/\\$File/wfp-lbr-oct.pdf](http://www.reliefweb.int/rw/RWFiles2006.nsf/FilesByRWDocUNIDFileName/RMOI-6VK3RV-wfp-lbr-oct.pdf/$File/wfp-lbr-oct.pdf) (accessed 29 August 2008).
- Republic of South Africa. 1995. *White Paper on Intelligence*. <http://www.info.gov.za/whitepapers/1995/intelligence.htm> (accessed 3 June 2007).
- Robinson, J.B. 1992. Risks, predictions and other optical illusions: rethinking the use of science and decision-making. *Policy Sciences*, 25:237-254.
- Reuters. 2008. *Liberian leader sets up Anti-Corruption Commission*. <http://africa.reuters.com/top/news/usnBAN331074.html> (accessed 26 August 2008).
- Sawyer, A. 2005. *Beyond plunder: Toward democratic governance in Liberia*. Boulder: Lynne Rienner.
- Sheikh, K. & Heijmans, P. 2004. New developments in country risk: The new anatomy of crises, rising public debt burdens and Basel II. In Wilken, S. (ed.). *Country and political risk: Practical insights for global finance*. London: Risk Books.
- Tawaih, T. & Aboagye, F.B. 2005. Synergies of regional UN interventions: The ECOWAS Mission in Liberia and protection of civilians. In Aboagye, F. & Bah, M.S. (eds). *A tortuous road to peace: The dynamics of regional, UN and international humanitarian interventions in Liberia*. Pretoria: Institute for Security Studies.

TLC Africa. 1986. *Constitution of the Republic of Liberia*.

<http://www.tlcafrica.com/constitution-1986.htm> (accessed 26 June 2008).

Transparency International. 2007. *Annual report 2007: Measuring corruption*.

[http://www.transparency.org/publications/publications/annual\\_reports/annual\\_report\\_2007](http://www.transparency.org/publications/publications/annual_reports/annual_report_2007) (accessed 29 September 2008).

Ungar, S.J. 1981. *Liberia: A revolution, or just another coup?*

<http://www.theatlantic.com/issues/81jun/ungar.htm> (accessed 29 August 2008).

United Nations Mission in Liberia (UNMIL). 2007. *Liberia – UNMIL – Facts and Figures*.

<http://www.un.org/Depts/dpko/missions/unmil/facts.html> (accessed 3 June 2007).

United Nations Security Council (UNSC). 2005. *Ninth Progress Report of the Secretary-General on the United Nations Mission in Liberia*.

<http://daccessdds.un.org/doc/UNDOC/GEN/N05/625/97/PDF/N0562597.pdf?OpenElement> (accessed 3 June 2007).

United Nations Security Council (UNSC). 2006a. *Eleventh Progress Report of the Secretary-General on the United Nations Mission in Liberia*.

<http://daccessdds.un.org/doc/UNDOC/GEN/N06/377/20/PDF/N0637720.pdf?OpenElement> (accessed 3 June 2007).

United Nations Security Council (UNSC). 2006b. *Twelfth Progress Report of the Secretary-General on the United Nations Mission in Liberia*.

<http://daccessdds.un.org/doc/UNDOC/GEN/N06/642/20/PDF/N0664212.pdf?OpenElement> (accessed 3 June 2007).

United Nations Security Council (UNSC). 2007a. *Fourteenth Progress Report of the Secretary-General on the United Nations Mission in Liberia*.

<http://daccessdds.un.org/doc/UNDOC/GEN/N07/263/61/PDF/N0726361.pdf?OpenElement> (accessed 3 June 2007).

United Nations Security Council (UNSC). 2007b. *Fifteenth Progress Report of the Secretary-General on the United Nations Mission in Liberia*.

<http://daccessdds.un.org/doc/UNDOC/GEN/N07/447/68/PDF/N0744768.pdf?OpenElement> (accessed 5 July 2008).

- United Nations Security Council (UNSC). 2008a. *Sixteenth Progress Report of the Secretary-General on the United Nations Mission in Liberia*.  
<http://daccessdds.un.org/doc/UNDOC/GEN/N08/271/20/PDF/N0827163.pdf?OpenElement> (accessed 5 July 2007).
- United Nations Security Council (UNSC). 2008b. *Seventeenth Progress Report of the Secretary-General on the United Nations Mission in Liberia*.  
<http://daccessdds.un.org/doc/UNDOC/GEN/N08/456/03/PDF/N0845603.pdf?OpenElement> (accessed 5 July 2007).
- Valsamakis, A.C., Vivian, R.W. & Du Toit, G.S. 1999. *Risk management*. Sandton: Heinemann.
- Venter, A. 1999. The fall of Suharto: A vindication of key political risk indicators? *Strategic Review for Southern Africa*, 21(2):73-99.
- Vertzberger, Y.Y.I. 1998. *Risk taking and decision-making: Foreign military intervention decisions*. Stanford: Stanford University Press.
- Voice of America. 2007. *Reforms strengthen investment climate in Liberia*.  
<http://www.voanews.com/english/archive/2007-03/Reforms-Strengthen-Investment-Climate-In-Liberia.cfm> (accessed 29 August 2008).
- Williams, G.I.H. 2002. *Liberia: The heart of darkness*. Victoria: Trafford.
- World Bank Group. 2008. *Doing business in Liberia*.  
<http://www.doingbusiness.org/ExploreEconomies/?economvid=111> (accessed 29 August 2008).
- World Factbook, The. 2007. *Liberia*.  
<https://www.cia.gov/cia/publications/factbook/geos/li.html> (accessed 26 March 2007)
- World Health Organisation (WHO). 2005. *Liberia: Interagency health evaluation: September 2005*.  
<http://www.unhcr.org/research/RESEARCH/456ac0682.pdf> (accessed 29 August 2008).