Use the Head and the Body Will Not Suffer

Dependencies and Adaptations by Households in Liberia’s Informal Economy

Julia Lynn Smith
PRDU Working Paper Series

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Preface

This paper is the result of a work placement carried out with the West African Network for Peacebuilding Liberia, Monrovia as part of the Masters in Post War Recovery at the Post-War Reconstruction and Development Unit at the University of York, UK.

The West African Network for Peacebuilding is an international non-governmental organization working on issues of reconciliation, justice and human rights across West Africa. The work placement conducted was the initiation of mid-size grant between the Trust Africa foundation and the Women in Peacebuilding Network program to support rural women’s learning and leadership development. As part of this process, a baseline study was conducted and various potential partners and supervisors were contacted regarding project design and implementation. The work placement results complemented a concurrent household study conducted in the Gulf Community of the Chicken Soup Factory Junction, which was not included in the work placement final outcomes but which is relied on heavily in this paper.

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About the Author

Julia Smith is a program assistant with the International Organization for Migration’s Mission in Iraq’s Integrated Capacity Building Program and an officer on the board of Pro-Microfinance International USA. From 2006 until 2010, Julia researched and contributed to various development projects, including in Ecuador, Ghana, India, Liberia, and DR Congo. Julia holds a BA from Long Island University and an MA with distinction from the Post-war Reconstruction and Development Unit at the University of York.
Abstract

Group-based mechanisms to combat pervasive poverty and food insecurity at a community level have been important products of the informal Liberian economy since before the Liberian civil wars. They have created a fabric of close-knit associations and clubs which today serve to assist in consumption smoothing in the mid to long term in the face of low opportunities to meet nutrition needs. This paper will examine and narrate the processes and structures by which the urban and rural moderately-poor in Liberia cope with low levels of food security. Savings clubs, personal lending, cohabitation and other coping mechanisms for household food security reveal the sustainability of and dependency on coping mechanisms within the informal economy. Indigenous cooperatives are posited as widely-used coping mechanisms that accurately reflect the changing societal structures of the communities they are situated in and serve as a backbone of the informal economy, therefore being, in some ways, a more accurate indicator of development in urban and rural areas than formal economic indicators.

Introduction

The paradox in Liberia of high rates of uncultivated arable land (over 90% [GOL, 2006]) and high food insecurity (91%) reveal national infrastructural and market weaknesses and a lack of coverage by the government of basic needs, as well as the far reaching effects of a large trade deficit and heavy urban migration exacerbated by a complex political emergency from 1987–2003. As Von Hausse and Kuffe observed in 1994, ‘mass poverty tends to preserve or reinforce the existing power structures and thus also the privileges of a minority of the population.’ Long-term aid workers in Liberia indicate this may be happening by describing a feeling of ‘déjà-vu’ (Reno, 2008) as similar stabilization programs to counter corruption and monitor spending are implemented, with progress inconsistent and often defying expectations. In addition, agrarian reform and improvements are still being implemented, making Liberia’s food insecurity both a political problem and an actual agricultural sector shortcoming; with program impact too soon to judge in many instances.

Amidst these staggered inputs of development aid, civilians have systematized and refined their responses to a lack of opportunities in a largely adaptive process. This shift from coping responses to coping mechanisms, as Sue Luatze (1996) warns, may be dependency creating. If capacity-building efforts are to be prioritized – which the Government of Liberia (GOL) has called for (GOL, 2006; GOL, 2008) – then it follows that community strengths which can be reinforced or worked with can reinforce the better aspects of coping mechanisms, or assist communities to derive better alternatives (Luatze, 1996).
Methodology

Since extensive research (Reno, 1998, 2008; Atkinson, 1997, 1999; Patrick, 2004; Economic Intelligence Unit, 1992, 1993) has already been conducted on political-elite relationships in Liberia, the majority of evidence was gathered from community members on decision-making processes and welfare indicators. By the conclusion of the research period, over 200 households had been interviewed, representing both an area-intensive urban sample and a smaller, less area intensive sample of geographically distributed locations for comparison.

Surveys encompassed two sampling sets. Sample 1, the Monrovia Study, consisted of a non-random 116 head of household survey conducted in the Gulf of the Chicken Soup Factory on welfare, food security and coping mechanisms. 16 households who were beneficiaries of a microfinance program and 16 members of a rotating savings and credit association were surveyed. Added to this were 84 randomly sampled households in a cluster of locations from the community. Sample 2, the Rural Women’s study, conducted in the second month of research, served the dual purpose of finding information on the same indicators in a wider geographical sample and as baseline data for a grant report. It included the collection of 89 interviews with male and female members of the Women in Peacebuilding Network (WIPNET). Contributions from WIPNET staff were added.

AEL Liberia, LEAP, Accesbank, SHIFSD, the Ministry of Labour, and UNIFEM country directors and focal points were also interviewed for further insights on livelihood programming and capacity-building opportunities for communities, as well as NGO and INGO programming.

Causal Adaptations to Leadership and Businesses during the Civil Wars

As a small coastal state that had recently switched administrative styles from 133 years of European-sanctified rule by freed American slaves – known as Afro-Liberians – Liberia is situated in-between notoriously unstable Guinea, Ivory Coast and Sierra Leone. Much of what appeared to international observers to be an indigenous-inspired rebellion was actually the result of successive waves of engagements between warlords with inter-related familial and business interests. However, the face of the violence is perhaps best represented by the striking images of fighters inspired by traditional protection deities and chieftainship rituals.

Unfortunately, in most writing on the violence, the war has been presented in mainly statistical form, with human costs simply assumed and brutalities described in detail with a socio-religious perspective. Moreover, issues of civilian coping mechanisms have been marginalized relative to the preoccupation in the literature on the interests of state control over resources. However, the failures of leaders to maintain control over natural resource rents, the counter-
intuitive motivations of fighters who destroyed lines of production or machinery that had previously provided this rent, and the largely responsive coping mechanisms of business owners and civilians all contributed to market inefficiencies which continue to challenge development intuitions and unfortunately dominate ‘best-practices’ in urban areas today.

While over a million citizens (more than a quarter of the population) fled to neighboring countries for refuge, it is estimated that around 86% of the population was made to seek refuge or were internally displaced at least once. 2007 estimates of internally displaced persons (IDPs) reveal that over 23,000 Liberians remain registered as internally displaced with the UNHCR, demonstrating that not even the Community Reintegration Strategy program introduced in 2004 has adequately created an environment conducive to the full return of all IDPs. While some of those remaining quote intermarriages and educational opportunities as their reason for staying, declining budgets for repatriation in 2010 and a tendency for the government to only address larger groups of World Food Programme (WFP) registered IDPs, points to involuntary continued displacement for thousands of Liberians (GOL, 2006; Tamang and Parajulee, 2010).

Leaders, fighters and civilians responded differently to the changing political atmosphere during the Liberian civil wars. Coping mechanisms by all sides represented attempts by individuals to survive in competitive environments through maximizing their control over critical aspects of day-to-day activities. Samuel Doe’s failure to maintain political authority over trading networks gave rebel leader Charles Taylor an open invitation to incorporate diverse commercial networks into a de-facto administration, which eventually became an established and internationally recognized one.

Dissident militia groups fighting along ethnic clan lines represented myriad economic and social grievances; primarily the inability to escape an entrenched class system ruled by land-owning elites and a bottleneck in marriages. Business owners responded to the threat of extortion, poaching, taxation and looting through business strategies that included spatial and temporal dispersal of production, increasing transaction costs and creating markets for middle-men and traders. Civilians who were not involved in combat or business resorted to migration towards less exposed areas, often abandoning their studies in favor of petty-trading.

The loss of lives, equipment and schooling as well as the incredible amount of favor-distributions, private transactions, theft of goods and recycling of business assets decimated the economic productivity of the formal sector. How this has affected the current informal landscape in urban and rural areas and continues to contribute to low productivity, creating dependency on conflict-fueling dependencies, deserves to be further examined.
Shifting Dependencies within the Informal Market: Indigenous Cooperatives in Liberia as a Pre-war Coping Mechanism

An examination of informal finances since the end of the civil war illuminates the relatively similar structure of indigenous cooperatives, compared with the drastically different context of inter-familial and tribal relationships since the civil war. From 1967 to 1972, Hans Dieter Seibel, aided by Adreas Massing, collected samples of 80 voluntary organizations and 35 religious organizations, as well as 447 individuals representing different ethnic groups. The categories of indigenous cooperatives – where ‘goods, money, or labor services are pooled for the benefit of one member at a time in a rotating system’ – which Seibel (1974, p. 46) identifies in urban areas, broadly correspond to those still found in Monrovia today.

Siebel’s observations broadly substantiate the anthropological research of recent writers who have analyzed the structural hierarchies of pre-war Liberia as built upon complex social networks of land owning elites. Cooperatives seem to exist, as can be judged from these studies, within the lowest and lower-middle classes of Liberian society in a manner that fulfills the labor shortages of pre-war agricultural Liberia and also caters to the ability of a few key farmers to hire out services during planting and harvesting seasons, accruing prestige to group leaders and fulfilling obligatory village functions through the provision of feasts. However, the presence of cooperatives reveals something which modern writers have not yet investigated: a vehicle for local social ascension within which demonstrated skill and capacity could lead to positions of leadership and a range of favors from outside of the cooperatives.

The Financial Policy Debate: Uncovering the Real Liberian Landscape

While a similar study in scope to Siebel and Massing’s has not been conducted, indigenous cooperatives remain the most pervasive form of resource pooling in Liberia. Cooperative types found in urban Liberia through my 2010 study reflect two notable differences to Siebel’s findings: first, a tendency to participate in mixed ethnicity, cash-based cooperatives in urban Monrovia, compared to, conversely, an inability to in rural areas; and, second, low profit margins as a greater factor in work-related decisions than a shortage of labor. In addition, research has not been able to demonstrate the continuation of the same religious rituals associated with work cooperatives since the war.

Nevertheless, the special fees, officers, structures and social implications of cooperatives mirror those of pre-war Liberia. These differences are significant in their tendency to highlight the changes brought about by the civil war: the devolution of rural infrastructure, globalization and unfavorable trading conditions mean that most of these modifications to indigenous cooperatives make sense. However, the differences highlighted pale in comparison to the
differences in other spheres of Liberia since the war, for instance, cultural, political and economic changes which were exacerbated by grievous social inequities and largely absent from the democratic decision-making structures in cooperatives.

**Informal sources of credit**

**Typologies of indigenous cooperatives**

The Monrovia study conducted found that a variety of voluntary associations similar in structure and organization to Seibel and Massing’s cooperatives were quite active in the urban informal economy. The organizations participated in were mostly found to be versions of savings and loan cooperatives rather than work cooperatives as most residents of the sample were not farmers. A variety of options provided for a range of functions and fees. The following types of cooperatives were found and are referred to interchangeably as ‘clubs’ in the following discussion:

- **Nigerian susus** are characterized by the daily collection or deposit of a small amount of cash with a collector or treasurer. A box on a small cardboard marking sheet is ticked for each daily payment made to the Nigerian susu and at the end of the month the participant can request the sum total to be returned to them or they can start a new card/month. In return for the service of safeguarding the participant’s savings, the susu collector keeps one of the monthly payments for themselves.

- **Weekly susus**, also known as rotational susus, are tracked similarly to Nigerian susus except that deposits are made weekly. Deposits are the same size for all members of the susu. At the end of the month one member of the susu can receive the group sum. After their turn, the participants continue to make their deposits for the rest of the time period.

- **Clubs** are run similarly to weekly susus in that deposits are made weekly, except that members can choose how much to receive when, as well as how much to consistently put in. The withdrawal is a credit and is repaid on top of weekly payments with a 20% interest. At the end of the savings period, the entire sum that individuals have saved, as well as a fraction of the interest payments from all loans made during the period, is returned to participants. Clubs tend to be larger and therefore have several officers in charge of making decisions and tracking payments.¹

- **In-kind susus** tend to run like the weekly susus, except that a set amount of material goods are deposited instead of cash. For example, soap susus may require that all members contribute 2 bars of soap to the group pot, and the member who receives the combined total amount of soap that week is free to resell the soap or keep it as a domestic
cache. Other kinds of non-cash susus address social needs such as birthday and Christmas susus, where gifts, popcorn, and cash are combined for each individual in turn or for the group as a whole.

Importantly, membership in all cooperatives in the Monrovia study was of mixed tribes, although there was a scarcity of Muslim participation in Christian clubs. As one club officer described:

*The majority of those who are part of the club have something going for them… they have some type of business establishment: that’s what they have in common. So their counties, tribe, and origin vary… Except for maybe the Mandingo, Vai, and some of the Kpelle, because they are Muslim; so because of their religious orientation, they don’t really interact with people outside of their religious belief.*

Savings and loan cooperatives visited and observed also confirmed that most were rule governed, had administrative duties for all officers, and that administration (of financial susus) were based on transcribed records. Also, officers were: 1) guided by the rules of the cooperative; 2) increasing in competence towards the higher offices, and; 3) separated their private and official spheres of life. Records tended to be kept on stationary with the name of the cooperative printed on all booklets and officers reached a consensus on loans before countersigning loan agreements.

Cooperative membership was associated with a noticeably higher level of education than during pre-war levels, with the average cooperative member having completed high school. While membership was open to all, the participation in cooperatives seemed to represent the working class in both informal and formal sectors. Officers, who were democratically elected by members, represented an appointment by proven achievement, reputation and sometimes educational qualifications. Only treasurers may have had their appointment swayed by financial faculties. One key interview respondent described the influencing factors affecting election processes within clubs:
It’s not so much what you earn, but if you are seen as reliable and honest then people will know that you will advocate on your behalf in case there are legal troubles. Usually maybe the financial secretary will be more likely to be someone studying finances like in University. When it comes to the issue of treasurer, you will keep in mind who of the entire group has material wealth, so that if anything the group can take it from him, like a car or a house.

In addition, the collection of special fees in the case of a member’s death, as noted by Siebel and Massing, was continued by some clubs in the survey depending on how it was written into the constitution of the club and was comparable to the $120 fee-adjusted for inflation recorded in 1974:

… Then there is the $250 cost of transportation for the wake during the funeral, and the repast feast, that is the feast provided for those who attend, which is maybe another $200. So, if the person was a member of a yearly savings club, even though its not set in the constitution, but out of solidarity the rest of the group will decide to cover the $250 dollars for the transportation, as well as what the person had originally saved with the club, of course. Then another group will cover the $200 for the repast feast, maybe if the person was in a church or another association, or maybe their class at school, they will come up with that… That way, at the end of the day, everybody will feel like they had a part in sending this person off.

Savings: high participation in indigenous financial cooperatives
Evidence (outlined below) suggests that rates of saving in the informal sector in Monrovia are quite high, reaching upwards of 50%. While these results were from an urban neighborhood, with significantly higher rates of employment than in rural areas, they indicate that almost two thirds of men and almost half of women have savings, albeit through uncharted and disconnected accounts. With yearly susus or clubs being the most popular vehicle for savings and loans for both men and women, we begin to have a sense of the penetration and accessibility of community-based financial organizations.
The higher tendency of men to have savings compared to women mirrored, in general, the tendency of men to be more likely to be formally employed and have a higher level of education, providing them jobs with higher margins of returns on investments. In addition, middle-aged men (and women) tended to be more likely to have savings than younger and elderly heads of households. The age of those with savings shows a clear trend towards financial stability for men and women closer to the age of 30–40 than any other age, as outlined below:

![Figure 3: Savings Holders by Age](image)

**Loans: preference towards cooperatives and friends**

Social networks that could provide support to an individual were also heavily relied upon as back-ups to indigenous cooperatives. In fact, although the place where individuals tended to save, if existent, was invariably quoted as the first place a person would go to for credit in an emergency, the actual actions of individuals revealed a tendency to rely on a variety of social relationships. Individuals were asked which institutions or individuals they would turn to as their first choice for obtaining a loan and the results are set out below:

![Figure 4: Preferred Source of Credit](image)
Those with a bank account or a level of education beyond high school tended to say that they would ask a bank or a microfinance institution for a loan if needed. However, susus and friends remained the preferred source of credit for respondents, while banks and formal lenders were not found to have helped any survey respondents at all.

Micro-apex institutions: linkages between deposits

In a hierarchy of capacities, funds from one source could usually be deposited into another source for security or leverage. For example, occasionally officers from one type of cooperative also ran another and could dip into funds discriminately and interchangeably. In addition, it was found that larger savings clubs, known as yearly susus, could deposit their group fund into a bank account, which could be leveraged in order to access credit from a bank. Full registration of the cooperative with a bank usually required three signatories, who would be officers in a club, thus creating the possibility of on-lending, or lending pre-borrowed money from the bank in the case of a shortage of funds. These group accounts, although serving to meet liquidity needs, were seen as less ‘humanitarian’ than non linked clubs. This is because clubs, in contrast to banks, could change interest rates in favor of members when needed and were constantly accessible on weekends and times when the bank was closed, leading to the perception of linked accounts as ‘acting like a safety-deposit account’ (and used only for this purpose) for clubs that were older than a few years.

Employee credit unions for a workplace often existed for salaried workers, who could otherwise usually request an advance on their salary (or a loan from their wholesaler). Those individuals who had no savings or salaried work but required short term loans usually went to a friend in a susu or to someone with a formal, salaried job for help. The often overlapping relationships between all of these credit sources is illustrated below:
Other sources of credit included those with fast access to cash, such as Indian businessmen, money exchangers, cell-phone credit sellers and paymasters. In addition, personal and work relationships were often leveraged towards the acquisition of financial favors. ‘Play-relatives’, or a friend that was affectionately referred to as a type of relative, such as a daughter or a mother, were in some cases sources of help, especially in emergencies. These financial relationships could begrudgingly manifest themselves as loans, gifts or payments for apprenticeships.

**Everyday coping mechanisms**

Communality and an appreciation for the accumulation of social capital extended in many cases to the very structure of households and everyday consumption patterns. When these measures failed to ensure adequate access to the optimal number of goods for an individual, more extreme measures were taken.

**Household permeability: a fixed factor based on ability**

Common household arrangements were observed within a large number of respondents where children ate in a different household than their parents, usually in a neighbors or relatives house. Additionally, a number of families had adopted dependents, difficult to gauge due to the tendency of respondents to claim ‘parentage’ over dependents not biologically their offspring. Although the high prevalence of relatives lost due to the civil wars was an influencing factor on the number of dependents, the ability to care for children appeared to be a largest determinant of why children lived in houses of extended relatives. One survey respondent illuminates the changing structures of households, sometimes even on a meal-to-meal basis, by describing how:

> [My sister-in-law’s] oldest son lives over there with his fiancé. He is working and earns four times as much as his mother makes. But when he gets his salary, he cannot help her. Is it right?.. So every day [my sister-in-law] cooks for him and his girlfriend, and takes the food to them. You can see towards the end of the month she eats dry rice without any soup… We said, send your youngest son to
eat with us. He used to live with us but now he lives with her. But we said, any-
time he can sleep here.

These relationships tended to increase household size and the provider-de-
pendent ratio to as high as 10 dependents, although conversely diminishing
the number of dependents for younger, unemployed respondents (the average
ratio being 2.3 dependents to every working household member). 18% of re-
pondents younger than 35 had children who lived with other relatives instead
of them, usually with their parents.

Informal sources of credit from friends, then family
Friends were twice as likely to help financially in the instance of a shortage of
food as they were in the instance of healthcare emergencies or paying school
fees, indicating the immediacy (and accessibility) of inter-household sharing.
An analysis (see Figure 6 below) of the actual source of credit when money
was borrowed for food, which was reported as having happened in the last 3
months by 23% of respondents, reveals some of the local individuals and in-
stitutions which form the backbone of the Liberian credit economy. Relatives
took an equal part in helping in the case of healthcare-related costs as friends
did, which highlights a stronger role of family in less common difficulties (ex-
erienced by only 13% of respondents in the last 3 months) and the tendency
of respondents to call family meetings for emergencies of higher costs.
Gifts: obligatory by-products of familial and intimate relationships

Private transfers, or cash given without any formal record, also figured high in the upkeep of many surveyed households. Limited in relation to the larger number of non-cash private transfers, which conform to traditional practices in Liberian culture, they are nonetheless important indicators of the roles and consequences of power in household decision-making. For example, the most common source of a woman’s business was a cash gift from an intimate partner or spouse, while the second most common was from selling petty items for a while before expanding the business.⁷

Other common examples of private transfers encountered were so called ‘commercially viable relationships’, child support, remittances to family who resided in more rural areas, and the high costs of social functions. Remittances from relatives resettled in the United States and from salaried children also supported many households.

The belief that “I cannot visit my mother without bringing her something” created expectations of wealth distribution for salaried workers that undermined attempts at wealth accumulation from even the formal sector, contributing to the confidence of statements such as “Nobody around here makes plenty [of] money.” Although over half of respondents didn’t believe that anybody in their community received a good income, government workers were believed to be the best paid. No government workers, however, were seen to have contributed to the building of the community, whereas one NGO worker was believed to have invested in the community by building a bridge. Successful business owners and workers such as a paymaster, a driver, a construction worker, and a club owner were given the most acclaim for charitably helping the community through working for free, giving, or, most commonly, lending money to respondents. On the whole, those residing in the community were seen as embroiled in common levels of poverty, with acquaintances aiding each other to the best of their capacity and more prosperous workers largely inhabiting areas outside the one surveyed.

Several examples of the costs of family-related obligations, set out below, illustrate the relatively high costs of social obligations in the surveyed area, where even a friend’s death cost on average $20 in contribution to funeral arrangements.

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![Family Burdens](image)

**Figure 8:** Average Cost of Emergencies experienced by Respondents

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As one survey respondent explained:

*When somebody dies it can cost around US $1,000 to have them embalmed. The family is usually going to take over this cost, with the immediate family – the children, the wife – shouldering 80% of it… You would have a family meeting in this case to decide how much each extended relative should pay, because otherwise you create inequalities when one family member who maybe has more financial power ends up paying more.*

As we can see, ‘the prevention of excessive wealth is built into the process of acquiring wealth’ (Seibel and Massing, 1974) through the responsibilities accrued to formal sector and salaried workers as well as by some of the same mechanisms of pre-war community functions. However, further to this, expectations for transactions that in the past would have been paid in-kind, such as child support, were frequently paid in cash.

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**A Note on Commercially Gainful Relationships**

Some common elements and shared perspectives on the commercialization of intimate relationships deserve further attention in the discussion of Liberian coping mechanisms. The following statements were derived from middle-aged household members and members of the Motserrado Youth Network and are presented in order to highlight certain coinciding assertions.

**Statements on the change brought about by the war:**

1. “In the past, people used to bring a young girl to a chief and say that she could scratch his back, but nowadays, underage sexual intercourse is now more of a commercial transaction.”
2. “In the past, it wasn’t open like this. If you saw your daughter half naked, you would send her inside. Now anybody can wear anything.”
3. “Before people used to sleep with married men to get money, but the percentage was low. Now, the same relationships have higher financial expectations.”

**Statements on current behavior:**

4. “People use cash and put money first to put things on the table to make myself big. I will send a girl 500 to 1000, because I don’t know anymore how to stand in front of someone and say “I want you.”
5. “You can’t support a woman and she comes home anytime and you can’t say anything… Your girlfriend will come back from the market at 9:00 instead of 4:00 and the first thing she will tell you when you ask her where she was is “you’re jobless!”.”

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6. “[A girl] started loving to a [wealthy] man, the reason why she started going out with him was because her father was ill. So this man started taking care of her, he did a whole lot for her father. Really, she doesn’t intend to marry this man, but its intended to sustain her…Now, her boyfriend knows this man. Whenever this [wealthy] man comes her boyfriend needs to [leave]. It shows some kind of embarrassment for the boyfriend but he is dependent on her and she is dependent on the [wealthy] man…So, the wife came to the girl and asked her to marry her husband and become a second wife. But the girl said no since she was only with the man because of financial reasons.”

These statements bring a variety of realities into our understanding of the informal economy. First, they show that chiefs may have lost their control over marriageable women, opening the possibility to cohabitation and relationships to more men with earning power as the common factor (cf 1,3,4). Second, they indicate that the cash economy has grown in importance, perhaps overly so, creating a situation in which it is difficult to distinguish between prostitution and significant investments in relationships anymore (cf 2, 4). Third, they reveal that these situations are not only much more pervasive than ostentatious prostitution, but may in fact have been culturally assimilated to the extent that individuals are unable or unwilling to separate themselves from such activities anymore (cf 4, 5, and 6). Yet, should we believe these statements to be generalisable to the rest of the population? A MOYONET survey carried out in 2006 estimated that approximately 80% of relationships in Liberia were based on commercial gain. Whether scrutinizing the nature of heavy co-dependence may fail to take into consideration the traditional practices of the past and the otherwise high vulnerability of women to food insecurity, it does point to a very obvious product of the war that reflects changing bargaining power for both men and women.

Value added goods and ‘Z goods’

In addition to relying on friends, family and social networks for loans, childcare and income smoothing, individuals tended to employ a large range of value-addition practices in order to maximize their consumption and minimize their necessary business capital. Value added goods for home consumption, or what the economist Becker refers to as ‘Z goods’, figured in every household as a normal consumption pattern (buying raw fish and cassava for home cooked meals, in addition to canned tomato paste, magi soup cubes, vegetable oil and rice). Value-added goods also figured high in prominence outside of the kitchen, including in garages (body-shopping auto parts), second-hand clothing sales (making long sleeve shirts into short sleeves) and food sellers (selling grated cassava or half-pounded cassava, or selling cooked food). Those who
dealt with value-added goods tended to see much higher profits than those dealing with simply second-hand goods.

**Analysis and Comparison: The Composite Picture**

These resource allocation decision-making patterns reveal some of the dynamics contributing to low formal GDP and a vibrant web of local capacities which have developed through the failure of state interventions to adequately introduce effective interventions since the war.

**Coping mechanisms: from responsive, to adaptive, to chronic**

Coping strategies for Liberians largely followed textbook examples of individual actions in the face of livelihood shocks: adapting and intensifying activities, modifying consumption, postponing marriages, selling assets, migrating and entering ‘asymmetric interpersonal dependencies’. Risk, understood as the probability or likelihood of a negative outcome (Cohen, 1996), was pervasive enough in both samples to create the tendency to invest in smaller and surer outcomes, demonstrating a risk aversion strategy that was precautionary rather than responsive in many cases. Dependency, or the extreme reliance on resources beyond one’s control, was observed the most with older female members of households, while working men and women expressed equal numbers of dependents.

Relying on employers, wholesalers and influential businessmen supplemented the important and fixed role that indigenous cooperatives played in the informal credit economy. In addition, those with access to fast cash such as foreign exchange workers, paymasters and those with access to inherited money tended to become supporters and creditors of their friends’ businesses. In extreme cases, prostitution, sending children to live with the respondent’s parents and using the capital from an established business to the extent that the business was depleted, served to undermine the accumulation of respect, and were therefore a last option for some respondents. Underreported due to cultural stigma, their observed persistency indicates the fine line between chronic, sub-optimal circumstances and sustainable situations for many Liberians, suggesting an adaptive process to recurrent risks which may be replacing earlier, more skilled livelihoods.

In the urban study, changes in coping strategies during and after the war highlight changing power structures. With a loss of emphasis on family name, intimate relationships between youth became more common and tended to place a commercial emphasis on the majority of relationships, rather than being concentrated on traditionally hierarchical community leaders. Within savings and loan cooperatives, education levels and commendable reputations earned members a chance for titles, even without higher-than-average earning power. Friends, neighbors and savings and loan cooperatives of mixed ethnicity became social networks that could be depended on for consumption smoothing purposes; although family remained a major contributor in times of health-related emergencies.
In rural areas, family and tribe remained the paramount social network used by members in a largely non-cash based economy. The ability to participate in savings and loan cooperatives was limited and the ability to participate in mixed-ethnicity settings within the community was limited to participation in NGO sponsored women's groups. Poor infrastructure meant that subsistence agriculture and the petty trading of dry-goods (imported spices and domestic products) was the major supporter of most households surveyed, leading to an inability to access a diverse diet and to keep children in school. Coping strategies tended to encompass scavenging for wild foods such as crabs and crayfish, and growing extra gardens.

Undermining Total Gross Output

Notably, private transfers, value added goods, imports, household permeability and the use of informal sources of credit were relied on by almost all households in some combination, although they were more readily available in Monrovia than in rural areas. Since all of these produce no output, they represent some of the challenges to the current administration in measuring positive growth in GDP, taxation, regulation or the introduction of any deep impact interventions. In fact, by definition, private, informal and permeable sources of credit elude measurement. We can see that, although the decline in GDP in Liberia during the civil wars has been largely relied on by economists to construct models of post-war recovery applicable to other post-war contexts, informal economic activity has far from plummeted, changing in ways that in fact present positive structural opportunities through the destruction of outright, imposed traditional monopolies on purchasing power or labor.

Increasing individual bargaining power

The increase in the cash-based economy may be leading to increasing youth and female empowerment. Using household bargaining models, which assume that 'men and women will only continue to participate in the marital arrangement as long as their utilities within the arrangement exceed the utility levels they could obtain outside the arrangement' (Cohen, 1996), we can see that women who have savings will have an altered 'fall-back position' or consequences for leaving a relationship, leading to the increased bargaining power of women. In addition, the availability of goods previously produced only in the home but now on the market in urban Liberia leads to what Katz calls the reciprocal claims model: whereby previously gender specific, complementary goods can now be purchased. This de-links previously pooled budgets and creates what economist Amartya Sen calls 'the coexistence of extensive conflicts and pervasive cooperation in household arrangements' (Cohen, 1996), which we can assume leads, again in urban areas where value added goods tended to be sold, to more independence from sub-optimal coping mechanisms and a greater amount of choice. In addition, equal average earnings and an equal average number of hours worked per week by males and females in the Monrovia study indicate greater opportunities than ever for females to participate in the labor market.
Iterative, assimilated business adaptations

We can see that coping mechanisms emerging during the war have become assimilated cultural fixtures of urban Monrovia and continue to dominate some of the informal market. During the Liberian civil wars, spatial and temporal dispersal and reliance on in-house capabilities to fix mechanical problems, along with the unwillingness to carry or vend processed goods, created hyperactivity around combat frontiers during the war, increasing personnel costs for large firms and diminishing available capital. Similarly, in urban Monrovia today, a continued inability to produce processed goods locally leads to networks of vendors who work for wholesalers, selling second-hand or imported goods from neighboring countries and depositing profits into informal savings and loan clubs which are spent on more business capital. In addition, hyperactivity during the civil wars in locations along the combat frontiers have left several markets and ‘commercial cities’ intact, such as the Red Light Market, which continue to draw vendors, agriculturalists, wholesalers and commuters.

Leakages

Without engaging in value-addition practices, this creates significant leakages to neighboring countries, contributing to what appears to be at first a Keynesian paradox of thrift, or a high incidence of savings contributing to a lack of output, but is upon further examination a heavy dependency on sources of production outside of the country’s border. As savings are spent outside of the country, output within the country suffers analogous symptoms to a country that has detrimentally high rates of savings. The 2006 Human Development Report also describes this iterative cycle of the inability to invest in local production: ‘The high demand for foreign currencies to sustain imports [has] a corresponding effect on purchasing power and thus on living conditions. … the shortfall in export earnings translates into low productivity and rising unemployment.’
Poverty Traps

Clearly, the continued inability to vend locally processed goods and the resultant dependency on distributive networks mimics war-time firm adaptations, which as we saw increased informal employment out of necessity but decreased profit. An inability to extend local production profitably due to poor infrastructure and lowered social discount rates from the war, creates preferences to become involved in copycat businesses, even with diminishing returns to labor. Below, respondents from the Monrovia study illustrate the difficulty of seeing high returns to labor, which at this point saturates the market. Many salaried jobs, however, retain some of the same salaries as pre-war levels, discouraging participation in sectors such as health in favor of business.

Introducing the Next Generation: Actors and Dynamics in Government, Civil Society, and the role of Peacebuilding

Significant pre-war grievances against structurally supported labor exploitation, ageism and a control over marriageable women have been transformed, at least in urban areas, into sharing patterns that largely transcend tribal lines in favor of immediate neighbors and convenience. While inherited wealth still gives individuals an upper-hand in financial and business related matters, other avenues to wealth and prestige are now available to youth and women, leading to the burgeoning of cohabitation arrangements and nuclear families in semi-formal settlements. The amoeba-like growth of informal enterprises and trading networks since the end of the civil war have also provided a legitimate avenue for NGOs and state entities to gain a stake in ‘development’ through a variety of programs, albeit with a strong access bias. In economic terms, the administration has seen strong economic growth and structural changes since the inception of the Johnson–Sirleaf administration. Importantly, the war left sources of linkages to the global economy, such as rubber plantations, timber processing plants and diamond mines intact, while harming more locally-based and visible firms of production.

Figure 9: Diminishing Returns to Labor
Microfinance Programs: Modalities and Impact

Microfinance programs make a strong case study for the deficiency of data on NGO impact. To date, there has been no impact assessments conducted of microfinance institutions in the country. No microfinance programs have reported their financial data to the microfinance information exchange network since 2006, and no financial information on microfinance institutions is public.

Interviews with 16 LEAP (Liberian Enterprise Assistance Program) clients in Monrovia reveal similar socio-economic positions to non-microfinance clients, with similar levels of asset ownership and average levels of nutritional diversity as compared to other household survey respondents. However, upon close examination, repeated borrowers from LEAP did show an increase through their loan histories; in first, resilience to livelihood shocks, followed by second, an ability to invest in personal needs; and lastly, signs of becoming financial role models themselves to others in the community. These findings are significant in their implications of an entrepreneurial avenue to wealth and prestige that can be supported by external interventions.

2nd Loan cycle
“Our house was burnt. But because we had savings from our business, we were able to rebuild.”

4th and 5th loan cycle
“Now that my business is bigger, I have saved some money. I am buying land.”
“I recently bought cement to plaster my floor.”

8th cycle
“I was able to help my sister start a business.”

Other changes noted since joining the LEAP program included being able to eat more and attending night school.

Findings from three different microfinance institutions visited revealed the following common problems encountered: first, on the clients side, a misunderstanding of program rules and requirements and a misinterpretation of the loan scheme, coupled with a tendency to not take repayments seriously; second, on the administrative side, problems with management information software and limited consistency in accounting practices by loan officers; and, third, clients noted slowness in the disbursement of funds, and difficulty holding defaulting group members accountable, as contributive factors to discontinued participation in programs.
With government revenues fiscally based on resource rents, many local industries have remained uncompensated since the civil war and have fled the investment climate Liberia offers. Spatial dispersal, adopted during the war as a strategy to protect goods along trade routes that crossed combat frontiers, remains today an assimilated business strategy which considerably spreads the gains earned from businesses among middlemen and traders, depleting the potential for capital intensive production activities of domestic goods without outside intervention. Against this backdrop, microfinance and agricultural extension services should work with existing local capacities and connecters and recognize key urban-rural differences, in order to reduce a susceptibility towards urban and access biases and see greater program impact.

Farming cooperatives, savings and loan clubs, and church associations represent other traditional structures which have connected communities and serve to unite community members in a common struggle to meet household needs. Although numerous reports have also suggested working with these local capacities for peace, the initiatives have not yet been seriously implemented by any agency. Although linkage banking is available to savings and loan clubs, for example, for a variety of reasons it has not been widely promoted or participated in, with only two out of the five commercial banks in Liberia having any branches outside of Monrovia. Although the majority of the population consists of agriculturalists residing in rural areas, the agricultural extension staff of the Ministry of Agriculture (the most decentralized within the ministry) is still concentrated in Monrovia, with only 20 employees out of 134 outside of the city. With limited resources, program ‘success’ is easier within the confines of pre-existing programs and leadership structures, while overlooking local connecters and capacities for peace.

Unfortunately, these oversights lead to many of the negative coping mechanisms highlighted in the Monrovia study: for instance, with scholarship pro-
grams in more easily accessible areas, educational absenteeism remains highest in the most inaccessible villages. Similarly, support for income-generating activities and agricultural inputs, when concentrated in Motserrado County or larger towns, will not lead to self-sustenance of more remote villages currently experiencing labor migration.

Using Mary B. Anderson’s framework (1999: p. 69) for identifying local capacities for peace, we can see that savings and loan cooperatives, as well as work cooperatives and peace-huts, represent opportunities for NGOs to support community-strengthening mechanisms, while continued centralization of programming benefits and salaried workers may actually be replicating some of the drivers for conflict, drawing more vulnerable households into dependency-fuelling coping mechanisms such as labor migration and commercial sex-work in urban areas.

With a variety of international dependencies and influences, the current administration finds itself in a position of supply-driven rather than demand driven approaches to development. With a conclave of NGOs and INGOs, program centralization leads to an unwillingness and inability to work in less developed counties, leading to the perception that local capacities cannot handle structured programs and overlook existing community connectors. Fortunately, the framework in which the poverty reduction strategy has been designed has been appropriate given the limited solvency of the current administration and the relatively recent ability of the government to harness international political goodwill again. With impact evaluations for NGOs a variegated, uncoordinated and often underreported mechanism, it is unclear whether the foundations have yet been laid for program replication and upscaling in areas where NGOs do operate or whether there is a valid need for continued capacity building there as well. Prioritizing revenue-making activities has been one area in which the government has made efforts to build its own capacities. In the future, the extent to which more rural areas see NGO programs, working with local capacities and consistently filing impact evaluations, will no doubt see greater achievements in food security and sustainable employment. Until then, however, most of the countryside remains dependent on traditional support mechanisms.

Conclusion

The informal economy in Liberia, providing the mainstay of most households in both studies, escapes formal measurement through all existing channels of activities and resources. Private transfers, value-added and second-hand goods, household permeability, imports and an informal credit economy contribute to a low GDP through a lack of real production. In addition, savings are invested outside the country’s borders or distributed between large extended families and dependents, creating cyclical poverty traps and a paradox of thrift as investment suffers. Yet transformations within the informal economy since the end of the civil wars have not all been debilitating. Mixed eth-
nicity communities which have formed due to internal displacement during the war and labor migration since the war have replicated pre-war coping mechanisms in ways that transcend pre-war class, gender and ethnic divides, reflecting local capacities for peace and meritocratic community-level structures that alter bargaining power for participants.

With expectations for wealth redistribution among relatives and intimate partners persisting in undermining investments in larger purchases, continued purchases of imports by traders at almost all levels create cyclical financial leakages, notably through the largest mobilizer of individual deposits: indigenous cooperatives (which are not linked to the formal financial network). By not prioritizing linkage, banking between cooperatives and the formal financial sector, the administration loses a large opportunity to consolidate capital reserves. These cooperatives, which mirror pre-war cooperatives, were found to be sustainable, sophisticated and capable vehicles of savings and mobilizers of labour, in addition to being a largely overlooked capacity for peace through their functions as meritocratic, humanitarian mutual-aid resources.

While it would be possible to replicate and support some of the more worthy coping mechanisms which act as local connecters and capacities for peace, the current administration and civil society are largely pursuing other avenues, putting program and administration sustenance first in ways which centralize, consolidate and share program impact between agencies. By looking at cooperative membership criteria, education levels and the use of funds, as this research has done, the administration would see valuable nuances between pre-war cooperatives and post-war cooperatives, as well as between urban cooperatives and rural cooperatives. These could serve as indicators of local capacities and social cohesion, as well as general earning power and organizational momentum in different locations. A similar study to this, conducted after the completion to the poverty reduction period, will reveal whether development aid has actually been equitably distributed or genuinely increased local production capacities. Increased participation in cooperatives in rural areas, or increased sophistication in cooperative structures or linkages, can
serve as proxy indicators in evaluating growth or progress since the PRSP pe-
period. Until then, continued malnutrition, educational absenteeism and urban
migration will continue to indicate the absence of non-biased formal program-
mixing, low returns to labor and the resultant continued reliance on a range of
residual coping mechanisms in the informal sector.
Notes

1 While rules vary according to the clubs constitution, officers might receive
5% of the 20% interest paid on loans, or, for example, a member who borrows
$100 will repay $120 to the club, $1 of which goes to the officers (.05*.2*100).
In addition, there may be a $2.00 membership fee or stationary fee for joining.

2 Regression analysis adjusted for the fact that savings and loan cooperatives
were visited. In these charts, the data from visits to cooperatives was omitted
to represent only the randomized portion of the sampling.

3 51% of surveyed male respondents had education past high school, while only
3% of women had been educated higher than high school – and in both these
cases they were only certificates.

4 This was found in the instance of weekly susu collectors who also ran Nigerian
susu.

5 Usually, upon closer examination, they were rotational susus, which is why they
are not included in the typologies found on page 33.

6 Workplace credit unions were drawn from voluntary contributions from
member’s salaries, although in the case of an emergency the workplace
might also have a fund for workers.

7 Following this came the earnings from an apprenticeship, a salaried job from
the formal sector, or from short-term construction contracts. Only then did
loans from informal sources such as savings club and susus feature as the
source of an individual’s business. This may indicate the primary function
of susus for income and consumption smoothing purposes rather than
for actual business capital.

8 Which ranged from unemployed individuals to salaried, formal sector workers,
which posits small business owners in the middle.
Bibliography


Mission Statement
The PRDU links theory and practice for the enablement and development of war-affected societies.

The Unit’s work focuses on three core areas:

Conceptualisation:
Facilitating the development of a vision for reconstruction with participatory needs assessment, context analysis and strategy development.

Institution Development and Transformation:
Supporting the development of human resources, appropriate administrative systems and institutional responses in the transition from crisis management to long-term development programmes.

Participatory Evaluation:
Promoting people-centred evaluation of progressive goals and strategies and the dissemination of good practice.