

**Keynote Address Delivered by Hon. Augustine KpeheNgafuan,
Finance Minister of the Republic of Liberia at the UN Economic
and Social Council's High Level Symposium in Luxembourg**

Mr. ShaZukang, Under Secretary General of the UN and Secretary General of the Conference on Sustainable Development (Rio+20);

Marie-Josée Jacobs, Minister for Development Cooperation and Humanitarian Affairs, Grand Duchy of Luxembourg;

Fellow Participants at this High Level Symposium;

One and All

“Aiming to be Non-Dependent on Aid by 2030.”

Thank you very much for your kind invitation to speak at this event. It is a pleasure to be welcomed in this historic and charming country and an even greater one to represent Madam President, Nobel laureate Ellen Johnson Sirleaf at this conference. Her Excellency would have loved to personally be here, but as you all are aware, Liberia is presently engrossed in elections and Her Excellency is seeking the mandate of the Liberian people for another six years to continue the good work of bringing credibility and development to a country that had gained notoriety for being an epicenter of conflict and human misery in West Africa after more than fourteen years of bloody conflict.

The story of Liberia's recovery begins with our recent ugly history. The cost of a 14-year war for Liberia was devastating: our national income fell by more than 90%, our infrastructure and institutions were destroyed, and people's trust in one another was weakened. Businesses left, taking capital and skills with them. The human suffering and losses resulting from the war are immeasurable – when one puts numbers on them, they are in the hundreds of thousands of deaths and displaced, and these numbers only begin to describe the losses our people experienced over those lost decades. Yet, rising from the ashes, we have proven to the world that we have resilience and resolve. That said, resolve alone cannot reconstruct a society. As our people say, it is easier to tear down than to rebuild. So, eight years into peace and six years into a democratically-elected government, our journey to recovery is still young.

For our part, we have begun to recover from that loss; we have started to retrain our people in new, useful skills; to reinvest in infrastructure, education, private enterprise, and healthcare. We continue to strengthen our governance and rule of law and the provision of government services, and we have made significant efforts in making our country more transparent and accountable.

Liberia is coming to the end of the period of the first Poverty Reduction Strategy which, building on two shorter, emergency-focused plans, has defined our development strategy for the last six years. Our PRS is undergirded by four pillars: Security, Economic Revitalization, Infrastructure and Basic Services, and Governance and the Rule of Law. The National Budget is aligned with the objectives set in the PRS and development partners have been urged to also align their development assistance with the PRS. We have made multiple, visible achievements: with the generous help of the international community, and great efforts on the part of the Government to reform, we reached HIPC completion point in record time, clearing our balance sheet of huge liabilities. We have laid the foundation for the diversification of the economy: signing multiple concession agreements and have begun the rehabilitation of the major ports; over the next decade we hope to see over \$10 billion dollars in foreign direct investment reach our shores. And let me remind you, Liberia is not a large country. With a population of 3.5 million, we have a small economy valued between US\$ around 1.5 billion and a budget approaching US\$ 500 million, up from US\$ 80 million in 2005. This is a government reform-minded enough, and an economy small enough, to benefit from relatively modest injections of foreign aid and investment.

And let me be clear. We would not have made such significant progress without our international partners: total donor support to our national recovery efforts

and development agenda over the past five years surpasses \$1.1 billion dollars. That aid has gone to improve our governance institutions including strengthening our supreme audit institution; it has also gone to attract qualified human capacity from home and abroad, to help improve revenue mobilization and increase the efficiency and transparency of expenditure execution, to help restore power and water to our capital, to build roads, to build schools and develop our basic health services. However, while helping to solve the problems from our troubled past, aid produces new challenges for a nation finding its position in a new, globalizing world. In making aid truly effective there is no gainsaying the fact that we need to improve donor harmonization and alignment with our domestic vision, improve mutual accountability between our government and donors, as well as continue to impress on donors the need for timely execution of donor-financed projects. Ultimately, we need to reduce our dependency on foreign aid, raising our own revenue and being our own technical experts, but we also need to prepare our young workers for the markets of the future, not just the reconstruction of today.

The United Nations peacekeeping transition will present one of the largest challenges in the medium term: both security wise and fiscally – as we must cover the security and logistics that the peacekeepers have been providing. Yet we recognize these challenges and have begun to take steps to address them.

In her 2011 Annual Message to the National Legislature H.E. President Sirleaf outlined a plan to make Liberia less aid dependent by the end of the next decade. We plan to have all major cities in Liberia connected by paved roads and a network of all-weather secondary and feeder roads with adequate drainage across the country. This will help to boost trade across the nation but more importantly boost agriculture productivity because the absence of good roads is major disincentive to our farmers wanting to produce for the market. We plan to have bus systems that will link our cities as well as cities in neighboring Sierra Leone, Guinea and Cote d'Ivoire; we plan to have our domestic airports increasing in efficiency and air traffic, and an effective transport system which will allow people more mobility, not only via roads but also through our extensive waterways. We intend to harness the St Paul River, which has the potential to generate 1,000 MW of electricity and to develop mini-hydro plants as well, bringing power to towns and villages. Presently, one very serious structural impediment to the vibrancy of the Liberian private sector is the astronomical cost of power – Liberia only relies on diesel generators for power, thereby making the cost of electricity in Liberia to be among the highest on the continent.

We will ensure that every major city has a health centre fully capable of providing primary and secondary health care and that every town or village is within reach of a major health centre. With the help of our key international

partners we have trained a new army and a new police force and the full responsibility of bankrolling the new army was devolved upon our shoulders nearly two years ago. We look forward to reaching a stage where our security services will be fully trained and equipped to handle any security threat, internal or external at which time we will no longer be dependent on others for our national security and UNMIL (the UN Peacekeeping outfit in Liberia) will be able to withdraw in all safety. We will increase the abilities of the police to solve crimes and ensure the Coast Guard have appropriate watercraft to patrol and protect our maritime borders.

All of these goals cannot be achieved by without the help of donors in the next 10 years or so, but through continued foreign development assistance, we will reach the point where we will be able to sustain ourselves, with aid representing only a small fraction of investment in our country. We are developing a successor Poverty Reduction Strategy to take our country beyond the next ten years and into the future. This plan, Liberia Rising 2030, will be a result of nationwide consultation. This document will guide us as we move from aid dependency to self-sufficiency, from poverty to prosperity and from a low income country to a middle income one by the year 2030.

In order to move Liberia from aid dependency to self-sufficiency by the end of 2030, there are many steps this Government intends to take, to ensure that

the resources of the country are used to the maximum benefit of the people of Liberia, that the private sector expands and overtakes the public sector and foreign development assistance as the main source of growth in the country and that the conditions are right in the country for trade and domestic businesses to flourish. Only through increasing the capacity of the Liberian economy to produce for itself will we be able to reduce our dependency on large aid flows, and grow through profits from our ample resources and private business, rather than from foreign development assistance.

First, we are trying to make the most of the emerging prospects to expand the economy. This will allow the funds for development in Liberia to come from private-sector activity happening within our borders. More important, by generating economic growth it can reduce the poverty that aid is here to address. Much of our economic expansion in the next few years will come from the activity generated by the full operation of new investments in the natural resource sector. We have the prospect to build further on this: we can create secondary industries from the primary production, developing a manufacturing sector and a service industry catering to the concessions. The financial sector has expanded in recent years with new bank branches opening across the country and the expansion of corporate loan facilities as well as microcredit: all of these provide an opportunity for growth. With increased financial resources, more small and medium sized enterprises will be able to start, register and expand – purchasing the capital they need to create profit and jobs. The recent launching of mobile money will allow the government and businesses to pay

employees more easily, and allow remittances to reach family members in the farthest-flung villages in our nation.

We will use tax revenue from the resource sector to build roads and pay teachers, and in so doing make firms in the non-resource sectors more competitive. In addition, improved compliance with the tax code and increased business registration will improve the yield on business taxes. The other option for funding our development through non-aid sources is borrowing to finance our Public Sector Investment Program. Reaching HIPC completion point has allowed us the opportunity to borrow again, at concessional rates and within a prudent debt management framework, to finance urgent investments in our country.

The future of Liberia's fiscal policy is going to revolve around three key areas: continued reforms to institutions and business processes; the sensible management of debt and the proper planning of investments. We have prepared the groundwork and have made significant strides to rebuild our shattered economy. Now is the time to take advantage of the huge opportunities our country has, and to maximize the benefits for all Liberians. We will concentrate on acquiring more preferential trade terms with potential trading partners, and moving to promote the manufacture of products within Liberia. In order to do this we will need to have a skilled labor force and a competitive tax regime, as well as the transport infrastructure to allow

completed products to be shipped elsewhere. With this in mind, it is the aim of our government to continue the efforts to rebuild the primary road network until each county capital is connected to Monrovia; and Monrovia to the borders. This will also create jobs and training opportunities for young people throughout the country in the construction sector, which will see rapid growth as both public and private infrastructure is rebuilt. It is our aim to add to the achievements already made in rehabilitating the Freeport of Monrovia and Buchanan Port by dredging the Greenville Port and hence providing a trade connection for the forestry industry.

We plan to simplify our tax structure and harmonize with the ECOWAS Common External Tariff. This will ensure that firms can more easily comply with our tax regime. We have already automated custom collections at our major port of entry; we are introducing an Integrated Tax Administration System (ITAS) and are increasing efficiency with the introduction of a modern business registry. We will work to rehabilitate our hydro-electric facility at Mount Coffee, increasing the supply of electricity at a more affordable cost, and to develop other options to acquire electricity including through the World Bank-led West African Power Pool. We intend to continue to develop and maintain an enabling environment for business investment: we have overseen increased access to microfinance, maintained a stable and low inflation environment and are rebuilding infrastructure to open up new markets and allow rural areas to benefit from investment. Liberia's trade with the rest of the world has been growing, we have trading relationships with the United States,

Europe, Asia and around Africa – we already have rubber exports in the hundreds of millions, and have just exported our first iron ore shipment in decades.

The medium-term future of Liberian prosperity will, in large part, be dependent on the appropriate management of our natural resources. Resources must be used for the benefit of our whole society and across generations. Oil resources in particular have been, in many countries, mismanaged. As companies explore for oil off our shores, Liberia must learn from the mistakes of the past and ensure that local communities impacted by oil extraction are compensated with government investment, with social development funds and with the corporate social responsibility activity of concession firms. We will therefore remain committed to the principles of the Extractive Industries Transparency Initiative (EITI) in which we were the first African country to be validated as compliant.

The large amount of revenue expected to be generated by foreign investments in the resource sector means that it has become extremely important to upgrade the government's capacity to monitor these industries. That is why we are establishing an autonomous Bureau of National Concessions and a small mining concessions tax assessment team in the Ministry of Finance. We combine steps like these, to ensure the Liberian people receive the revenue from their natural resources, with strategic policies about how to invest our tax revenue well and finally with careful improvements to improve the success of the business environment and the function of government.

Ladies and gentlemen, the peace dividend Liberia received from the international community was enormous: debt relief of \$ nearly 5 billion, official ODA on the order of \$500 million a year. But these figures are not the same as building \$6 billion in roads, schools and health facilities, not the same as training teachers, doctors and nurses. The reason is that much of the initial investment in rebuilding a state is in intangibles: you can't eat debt relief, you can't eat the strengthening of justice institutions, you can't – tangibly – touch policy development. Moreover, the foreign development assistance that has gone to infrastructure and systems has also gone to a country where the private sector is not yet ready to be the implementer of these enormous reconstruction opportunities. So Liberia's peace dividends have been invested in systems, and in the future.

For us not to be dependent on aid in by 2030 we must make sure that these intangibles come to fruition and that investment going forward is strong in both physical infrastructure and in human capital. We must make sure that the systems we have set up and the balance sheet the country now enjoys are actively employed in making those initial investments successful. Over the next ten years, we will need continued foreign aid to complete those first investments and build physical infrastructure and help Liberian businesses take part in and enjoy the reconstruction boom. As our natural resource

revenues come on stream, particularly with a positive find in oil, we expect to take over the financing of these investments, and we expect to complete the overhaul of the intangibles of the Liberian state, putting our unique stamp on the vision. We look forward to reaching the point when Liberia's systems are self-reinforcing, when the nation's natural resources are being leveraged to sustain the financial investments going forward, and when Liberia's physical infrastructure and government service delivery allows our citizens to reach their fullest potential.

Distinguished ladies gentlemen, as I conclude, let me on behalf of the Government and people of Liberia, say how grateful I am for this opportunity to deliver the keynote address at this high level forum. As we deliberate over the next two days on how we all can work together "to increase the development impact of aid", it is my trust that these deliberations will be productive and will lead to the carving up of concrete proposals that will make every dollar of aid spent will impact more meaningfully on the lives of millions of impoverished people around the world.

Thank You.