

**Liberia Development Conference,****Monrovia, February 1, 2017:****Keynote Speech by Antoinette Monsio Sayeh****Distinguished Visiting Fellow, Center for Global Development****Distinguished Fellow, African Center for Economic Transformation**

Thank you so much for that very generous introduction Kwame, and a very good morning to all.

Honorable Members of the Legislature and Judiciary; Honorable Ministers; Members of the Diplomatic Corps, the Donor and International Community; Dean of the School of Graduate Studies of the University of Liberia; Government Officials; Distinguished Ladies and Gentlemen, Fellow Liberians:

It is truly a great honor to be here and to have been asked to deliver this keynote address. Just as I did when I began my tenure as minister of finance under President Sirleaf's leadership in January 2006, I sense that this conference is a tremendous opportunity to help craft an economic roadmap for our country. I'm most honored and energized to be a part of it and to have been a part of the most uplifting first Development Awards dinner last night. Indeed I am especially thrilled to now be able to speak directly to Liberia's economic prospects and challenges after my time leading the IMF's African Department. In line with the Fund's conflict of interest policy I was obliged to keep a distance from Liberian economic and policy issues during the past eight years. So it's good to now be unconstrained in my new think-tank world at the Center for Global Development in Washington and the African Center for Economic Transformation in Accra. And of course as always it's just great to be home again! I am most eager to learn all I can from work done on the issues before us by all the experts and from the discussions here.

*Progress, Albeit Limited*

I want to spend the bulk of the twenty-five minutes I have looking forward, sketching out how all stakeholders can work toward a more inclusive and resilient economy. But I must first give context by quickly summarizing how the economy has evolved in these last 12 years of the post-conflict period.

So, how far has Liberia come? As you all know the economic picture just after the war was one of utter devastation, with GDP having contracted by 31% in 2003 before beginning its recovery in 2004 and 2005. Per capita GDP stood at only \$163 in 2005, a 90% decline from \$1,269 in 1980. Available social indicators at the time indicated that three-quarters of the population was living on less than \$1 per day, with a third suffering from tuberculosis and about a fourth of infants dying before reaching the age of 5. When President Sirleaf's first administration began, the national

budget I helped craft and manage was a mere \$80 million or so, in contrast to the public debt stock which stood at \$4.1 billion or more than 700% of GDP. Minister Kamara is now managing a \$600 million budget and although growing rapidly in the last three years, Liberia's debt stock stood at only some 41% of GDP at end -2016.

After the devastating Ebola period and the quickly succeeding commodity price shock I know that it is most difficult to appreciate the progress achieved in the decade since Liberia's first post-war democratically-elected government took seat. But out of the ashes of war there has indeed been progress. Not recognizing it – in its totality and in its limitations -- does not help us build upon it wisely. Close to a decade of strong growth before Ebola struck permitted a 10 percentage point reduction in poverty from 64 percent in 2007 to 54 percent in 2014. Achieving such a dent in poverty over a relatively short time span makes Liberia comparable to well-performing non-fragile sub-Saharan African states. And though still falling below Millenium Development Goal targets, progress was also made in increasing literacy and primary enrollment rates before 2014 when social indicators deteriorated with the advent of Ebola. There's no question that maternal and infant mortality rates are still unacceptably high, but here again there were concrete improvements. Performance across all of these areas was facilitated by supportive government policies, donor assistance, a favorable external economic environment, and last but not least, sacrifices made by many Liberians.

But of course relative to the vast needs of the majority of Liberians, progress was limited and perhaps more could have been achieved. In any case the situation is clearly bleak for many, as recognized in the government's Agenda for Transformation (AfT). At least half of Liberia's population is still haunted by food insecurity. Where it exists, employment for most people is highly vulnerable and mostly informal. The Ebola epidemic revealed the fundamental weakness of the health system, and education quality and outcomes remain very poor.

Excellencies, distinguished participants, fellow citizens, that's in a nutshell our country's past and present. Recalling them is necessary to give proper context to our discussions. Let me now shift the lens forward to outline what lies ahead in transforming the economy.

### *Twin Shocks and Two Transitions*

With the IMF having projected a 0.5% contraction of GDP in 2016, Liberia is unfortunately not yet out of the woods. Weaker iron ore and rubber prices have had a more damaging effect than previously expected. But with appropriate policies the prospects are for average growth of close to 6% in the medium term. This is lower than expected before the crisis but is nonetheless encouraging. Significant vulnerabilities and challenges cloud the horizon however. In the near-term Liberia must grapple with two major transitions: full assumption of its own security now underway after the UNMIL drawdown (now underway) and, come next January, the first change in president since the post-war election.

With the setbacks from the twin shocks of Ebola and weaker commodity prices on the one hand, and the grandiose promises of a better day that politicians inevitably make in the run-up to elections

on the other, it's extremely important that we take time in the next two days to be clear-eyed, clear-minded, and objective about the challenges Liberia faces. We must also be sober about the feasibility of surmounting them, the trade-offs involved, and what it will take from all of us stakeholders.

#### *Four Themes*

Distinguished participants: We have before us a wide range of papers and discussions covering numerous sectors and cross-cutting issues. I'm a macroeconomist and policymaker by training and experience and will not pretend to have the sectoral expertise that the authors of these papers have ably displayed in their work. Instead I'll use the remaining time I have left to flesh out some of the common themes we'll likely see across all sectors and areas of the economy. I want to speak in particular to four inter-linked themes. Addressing them is important given their own significance but is also critical for sustained job creation -- the great imperative that results from Liberia's young demographics. Mind you, I will not be saying much that is new: aspects of these themes have been covered in the Agenda for Transformation and in earlier strategic plans. But this is an opportunity to ask how we best leverage our collective efforts to address them.

So, let's consider these four themes. The first is the *need to strengthen Liberia's resilience to shocks* through the pursuit of macroeconomic, structural, and sectoral policies that build buffers and encourage diversification. Building buffers -- or saving for a rainy day -- is not the most exciting or interesting thing to remind policymakers about during an election year -- in fact it sounds too much like the IMF! But distinguished participants, nothing best illustrates the importance of having such buffers than a shock like Ebola. That experience showed that even when development partners respond generously to such an epidemic it takes them precious time to deliver. Having some resources of one's own to help bridge the gap is essential and is possible with appropriate fiscal and monetary policies. Critical to this is containing the fiscal deficit and increasing central bank reserves. This does not question the wisdom of using the limited financing available for needed investment but underscores the need to balance channeling most resources into development projects today against reducing vulnerabilities to shocks tomorrow. Striking that balance is one of the objectives of the on-going IMF-supported program. I congratulate President Sirleaf's government for extending it through the elections, to help give stability and confidence to what is often a turbulent period for budgets and fiscal prudence.

Still on the first theme of resilience, we hear the most talk about better managing natural resource wealth and about diversification when commodity prices are lowest. So there is indeed a lot of talk about that these days, not just in Liberia but in pretty much all natural resource-dependent countries. Here the government has rightly focused on filling Liberia's huge infrastructure deficits as key to improving the country's competitiveness and diversification prospects. And with the necessary legal reforms, recent accession to the World Trade Organization could contribute to business climate improvements. But Liberia still ranked 179th out of 189 countries in the World Bank's 2016 Doing Business rating. Making tangible and enduring progress towards the diversification objective requires steadfast attention to other needed improvements in the business environment, tax policy,

and relevant structural/sectoral policies even after prices have rebounded. Only thus will the Liberian economy become more resilient to future commodity price shocks.

*The second overriding theme I see is fighting the deep-seated Liberian cancer of corruption* by building stronger institutions and demanding greater accountability. Corruption is a cancer as it eats at the labor of small hard-pressed entrepreneurs because of the bribes they must pay to get going. It's also a cancer in limiting our country's returns from natural resource exploitation. And it is a most egregious cancer in robbing poor citizens of basic health and education services which they must often "give dash" to get. It goes without saying that fighting corruption is truly hard multi-faceted work and one not completed overnight. But without irreversible steps toward better institutions and accountability, Liberia's fate will remain compromised by corruption and subject to the whims of individual leaders and politicians.

I think it's fair to say that many steps have been taken in the past decade to put various commissions in place, all with the objective of fighting corruption and improving governance. So there's the Governance Commission, the Anti-Corruption Commission, the Liberian Extractive Industries Transparency Initiative, and the Public Procurement and [Contracts] Commission, to name the major ones. But as laudable as their objectives may be, such autonomous institutions by themselves are not necessarily the answer. Indeed they are often superfluous, if not detrimental to the functioning of core ministries and institutions charged with managing and overseeing the use of public resources. With Liberia's fiscal constraints, hard questions should be asked before establishing new institutions and more attention paid to improving the functioning of existing ones. In this connection quite a bit of work on the organizational restructuring of various ministries has been done by the Governance Commission but focused attention to civil service reform and quality improvements needs a boost. In light of the many spurts we've seen in building civil service capacity over the years, I was quite pleased to see the very positive independent evaluation of the President's Young Professionals' Program or PYPP. I met with PYPP participants and graduates during my last visit to Monrovia in August last year, and I thought of how we could have benefited from such energy and drive when we worked to rebuild the ministry of finance back in 2006-2008!

Distinguished participants, many laws have also been put in place to contribute to the fight against corruption: we have the Anti-Corruption Law, the Freedom of Information Act, and the Public Financial Management or PFM Act, to name a few. All very good laws, perhaps needing amendments here and there. But more than tweaking, what they really need is compliance and implementation! More can be done to subject state-owned enterprises/public corporations to the legal PFM and procurement framework and to increase their transparency. Much can be obtained from more public outreach to educate the average Liberian citizen about the legal anti-corruption and PFM architecture and how to use it to instill more accountability in leaders and civil servants. And it goes without saying that only by their own example and strong signals from leaders across the different branches of government can a serious fight against corruption be sustained.

Forging ahead in *building human capital is the third theme* I see for this conference. Liberia's monumental human capital deficits constitute a binding constraint to sustained inclusive growth. Human capital development is therefore central to our country's economic prospects, not just in the skills it can provide the labor force to benefit from new job opportunities, but also in filling the capacity deficits that impede quality public service delivery. And of course building human capital is a potent weapon against inequality which has itself been a constant theme in Liberia's history.

What is typically a formidable education sector reform agenda in all low-income countries is compounded in Liberia by the large cohort of over-aged students left by the war. The lack of qualified teachers, high teacher absenteeism, and poor sector governance and accountability have limited progress in increasing enrollment and completion rates, especially in rural areas. The legacy of the war likely requires some use of non-traditional approaches to expand quality education. In that regard a spotlight has recently been shone on Liberia concerning its on-going experiment in the "Partnership Schools for Liberia". Assessment of this one-year pilot initiative is eagerly awaited and I am sure will make for quite a bit of discussion already at this conference. But what is clear no matter its results is the need for a continued head-on attack on governance and accountability issues including payroll irregularities, absenteeism, and over (ghost)-staffing. The fiscal space thus created can then be used to increase the low share of government funding of primary education and progressively reduce donor dependence.

The health sector's re-emergence from the Ebola crisis is still work in progress. Since a re-eruption of Ebola is a major risk to the economic and social outlook, it is understandable that mitigating this should be a foremost priority. Efforts to that end must necessarily address major health system issues which are also needed in the broader focus on basic health service delivery. As in the education sector the heavy dependence on donor financing raises questions of sustainability, and the unequal distribution of resources across counties is a major impediment to equitable human development. Reforms in health financing, human resources for health, and governance will be critical to health system strengthening and quality service delivery.

*The final theme I must speak to this morning is working to reduce inequalities*, both to facilitate social and political stability and for sustained growth itself. Recent work by the IMF on both advanced and low-income countries has shown the clear positive impact that reducing income and gender inequality can have on growth. The October 2015 Regional Economic Outlook for Sub-Saharan Africa found that the region's growth could be boosted by close to one percentage point annually if inequality was reduced to levels prevailing in fast-growing Asian economies. Beyond growth, earlier analyses have documented the role of inequality in sowing the seeds of conflict here in Liberia. Without further reduction in income, gender, and inter-county disparities Liberia's peace will remain a fragile one. Critical to this is bringing to fiscal policy a focus on making the tax system more progressive and raising the progressivity of education and health spending. While the government's commitment to reducing gender inequality has borne fruit in a strong legal framework and a number of successful initiatives in Liberia, much remains to be done to break the major barriers to equality including gender-based violence and impeded access to productive resources.

## *Getting it Done*

Let me now say a few words about feasibility. One thing that is crystal clear is that without strong leadership and political will to tackle these formidable challenges they will remain insurmountable. Having said that, how feasible is it to make tangible progress in these areas in the years ahead, and specifically in the remaining one year of the Sirleaf administration and the 6-year timeframe of the next administration? A year is short, but it is still a year to get things done, if only by the focused faithful execution of the budget and the policies underpinning it. But ideally, also other things that have been committed to in the extended Fund-supported program. For the next administration considerable advances are possible if it is committed to working in the country's interest, if the direction is clear at the outset, and if implementation is steadfast. Many "ifs" I'm afraid. In that connection one important question raised by behavior after the 2011 elections and the time lost is this one: What can be done to mitigate the adverse impact of lengthy electioneering on the pursuit of economic reform? I think this conference could make an important contribution by discussing that question and proposing practical solutions.

Distinguished participants, I want to now conclude this lengthy address by posing four questions that could be taken up in the panel sessions:

- 1) First, what are the trade-offs in the pursuit of inclusive sustained growth that Liberians are willing to accept?
- 2) Second, how do we ensure shared responsibility for traveling the path towards inclusive growth, with no tolerance for "monkey work, baboon draw" behavior?
- 3) Third, what actions should be taken to ensure that public discussions and debate on economic policy continue after the election to help promote greater accountability of Liberian leaders in all branches of government?
- 4) And fourth, what can Liberia's development partners do to leverage their support with stronger Liberian ownership and concrete enduring results?

Let me close by reminding all of us participating in this important conference of the unique opportunity we have to help chart the way forward through robust debate and discussion in the next two days. And let me also underscore the need for recommendations we make to be positive and practical.

I want to express my gratitude to everyone here for participating: the authors of the papers for sharing their expertise; USAID, other development partners, and the University of Liberia's Institute of Policy and Research Studies and their organizers for getting us together in this important gathering and for inviting me to deliver this keynote; and fellow Liberians for "coming yah." I very much look forward to our deliberations.

Thank you very much.