Statement by H.E. President Ellen Johnson Sirleaf
On "Financing Africa's Economic Growth"
At the Corporate Council on Africa
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(Delivered extemporaneously and transcribed.)

Our topic today, as I'm told, is "Financing Economic Growth."

I'm so glad to see all of you here; many of you are good old friends and know from whence we've come, and I think you know where we're headed.

One has to start with a conducive environment. A conducive environment requires a certain amount of political stability, and at the center of being able to move an economy is growth. You can't begin to talk about the financing, the investment, the promotion unless you've got the growth that enables that economy to expand. To address the social needs, address the human resource needs, you need growth.

In creating a conducive environment, we set our security sector in place. Many of you are familiar with how we started on our Poverty Reduction Strategy, identifying the four Pillars: Peace and Security; Economic Revitalization; Governance and the Rule of Law; Infrastructure and Basic Services.

Under those four Pillars, we took certain actions to get out economy moving. We revised our Investment Incentive Code to make sure that the level of regulations in the society were reduced; our laws ensured profit repatriation; clear about the sanctity of contracts, although renegotiations are part of the order where necessary; and no expropriation. We also, under the new Investment Code, have special tax waivers incentives, and that Code is available online. Many of you can see what kinds of waivers are there, and the size of investment in place.

We then needed to get our fiscal regime in order, and that meant raising the level of revenue, ensuring not only broadening the tax base but also ensuring compliance of our tax laws. Our corporate tax rate was looked at, reduced from 30 to 25 percent, bringing it in harmony with similar tax regimes in the region.

Not only did we raise revenue, but on the expenditure side, it meant more allocation in efficiency. And this year we introduced the Medium Term Expenditure Framework (MTEF),

bringing us on par with other countries, and under that did a lot of shifting from recurrent to public investment.
Again, our Revenue Code should be online; you should be able to see what revisions are in there and what applies in the business environment.

We managed to get some financial management laws in place, in particular the Public Financial Management Law that establishes our public procurement laws. Going beyond that, getting the Commercial Code that has been finalized, and establishing the Commercial Court to ensure the enforceability of contracts.

As a result of all these measures, we were able to move from 20 to 6, moving 25 places under the World Bank's Doing Business Index, and became one of the "good performers" in improving the climate for doing business.

In the area of capital accumulation, the number of commercial banks has increased to 9 today and their capitalization, as regulated by the Central Bank, also increased from $2 million to $10 million in order to broaden the base.

On direct foreign investment, as I told you, growth lies at the center of our development. Because we are a natural-resource country, we went for foreign investment and we are very pleased that over the past six years, we mobilized some $16 billion in foreign investment: in our mining sector, where we brought in some of the big players – ArcelorMittal, which restarted our very first export of iron ore in 20 years, was made in 2011. BHP Billiton has certain mining rights; a Chinese company, China Union, also has certain mining rights there. There are another two, including an Israeli company. So, we've got about five iron ore mining operations that are in the process of getting started. One has already gone out the door, so it's a question of getting the others to do the same.

In the agriculture sector, given our interest for diversity, we've brought in non-conventional investors, from Asia – Malaysia and Indonesia –who are interested in doing oil palm production. We've also now opened our forestry sector –when I come to the challenges I will deal with some of the issues that some of you can be shaking your heads at. We'll come to that.

We're very happy about direct foreign investment in a competitive world. After all, we know that we have neighbors around us whose economies are just as resource rich, who have more capacity. In this competitive world, we know that we have to go one step beyond.

Coming into how do we finance, and frankly, I think there's a little time for an exchange, so you can tell me how you can finance what we want.

The important source of financing would be the insurance sector. Our insurance sector is still very moribund. Reform by the Central Bank is now under way; we're trying to go through what are the basic requirements for them to operate, and we expect that we should see that reform process concluded.

Specialized banks – one form of financing. We have started a bank that's going to focus on agriculture – the country had an Agriculture Development Bank many years ago that also became dysfunctional – but talks are under way, and also for a Housing Bank. We're looking at being able to find partnerships in those specialized banking institutions.

Of course, at the micro level, there are two or three institutions that are doing micro-financing, but the large segment of our financing is coming from the commercial banks – commercial banks that are very liquid in local currency, but the commercial banks, except for exceptional cases, have only done trade transactions. Therefore the lending terms and conditions, given the fact that the savings habit is so inadequate, as a result they can't lend because their deposits are largely demand deposits. So, again, how do we find a way to improve savings and thereby be able to deepen, a little bit more, the financial sector.

A clearing system reform is under way, with the support of the African Development Bank, and we hope that that will reduce the time spent for clearing transactions among the financial institutions. We are going to be introducing, as a means of sopping up that excess liquidity that's there, as an intermediate step since long-term lending is still limited.

We are going to start doing government paper, and Treasury Bills will be coming out in about a month or so, and that will give the commercial banks the means whereby they can begin to put up funding that can finance certain things.

What are some of the new initiatives that will expand the potential for financing? Finally, we will enter the technology age. The ACE cable has landed, and we'll be able to see broadband and Internet transactions move at a speed that's comparable to other countries. That should be fully operational by the end of the year.

We're looking for public private partnerships and some of that is starting. We need more of that because that source is a good means of financing our growth. Obviously, despite the fact that our budget has grown and we call the figure sometimes and I wince, because when I say where we were, at $80 million a year, that's just the financing for one of your high schools; but that's where we were. Today, we are at $672 million. We've come a long way, but still that long way represents total inadequacy in financing from the public sector through the budgetary system. Public private partnerships, we think, will provide us with the opportunity. Some of that has started already, by giving long-term concession agreements. For example, the renovation and modernization of our primary port of Monrovia, we are doing that in conjunction with APM Terminals, the Danish firm. We'd like to see much more of that, and we welcome any suggestions you may have in which we can start such.

One of the major impediments, I think, to our growth and, relatedly, the financing of that growth, is the state of infrastructure – our roads, our ports, our power. In this year's budget, we are concentrating a lot of our resources on that. We also see the scope there for public private partnerships. We want to see our main international airport modernized. Certainly, the capital expenditure required to do so will be beyond our budgetary means, if we're going to meet all of the other needs – and they are many, as you know – unless we can attract private capital, working with us in that regard.

On the roads, we are looking, again, at a partnership that will involve toll roads. We've listened to the discussion that you can't have a toll road unless you've got an alternative road, but we are going to have toll roads. Once we can arrange it in such a way that the costs are kept at a level where you do not impede the mobility of people in any significant way.

We are looking at assets securitization, and we'll be talking to some investment banking houses about how one might structure some of those kinds of facilities as a means of accelerating some of the things we do.

Challenges: as I mentioned, infrastructure is a major, major impediment. While we're working on it, we still have a long way to go to get to the place where our major concessionaires, which are providing, to a large extent, their own financing, either through equity or debt, or a combination of both. If we can improve the infrastructure, their own viability, their own operation, their own efficiency and profitability will increase, and that will enable us to grow more.

Judiciary reform is one of our major challenges, not only to ensure the enforceability of contracts through the courts, but to make sure that judgment is not compromised through corrupt practices. We've had some experience with that, but we're in the process of trying to enhance our prosecutorial capacity to be able to fix that missing link of our program for addressing corruption in the society.

The shallow financial market limits what we can do. There's repatriation, and remittances are a major source of financing, but again those remittances are not, at this stage, going to major productive investment; a lot of it is going into social support, into networks, infrastructure and trade transactions. One of our aims is to see what kind of instruments we can design that will be able to trap some of these remittances, trying to channel them into investment, the housing market and all the ancillary multiplier effects in economic activity and job creation. All of those are things which we have to find the right mechanism to be able to do that.

Liberia will grow, this year, according to IMF statistics, at 8.8 percent, and that tells us that despite the global financial downturn, the potential, because of our natural resource sector and the fact that we've been able to mobilize this investment, which will begin to bring operations on-stream within the next two years, that we should be able to achieve that growth target and to keep growth at the level of not less than 7 percent, which is what one needs to be able to continue to address poverty.

Clearly, with these measures and with job expansion – jobs are again one of our big challenges, youth employment; unless we can again expand the economy through growth, through these partnerships, finding innovative financial mechanisms; that's the only way that we'll be able to achieve those targets. That's the only way we'll be able to remain competitive not only in our neighborhood, among our neighboring countries, but also competing with others.

As a matter of fact, today we are competing with you, even though we don't have the means to compete with the United States, but investors today are looking for where they can get more profits and where they can operate in the ease of business with a minimum of regulations. When people talk about China investing in Africa and whatnot, don't forget that China is investing right in this country, and lots of investments they have here.

Every country has to find the means to ensure that they keep their economy vibrant, competitive, reaching their potential of being able to address some of those social needs that are so lacking in our society: education, health, agriculture, food security – those basic things – and the only way we can do it is, again, to continue to grow the economy, to continue to attract private sector capital, to continue to mobilize investment, and to use our own resources with a kind of allocation efficiency that gets us more bang for the buck.

Thank you.