

# Steering a high-growth economy

## INTERVIEW WITH AMARA KONNEH

MINISTER OF FINANCE, ECONOMY AND PLANNING, REPUBLIC OF LIBERIA



**AMARA KONNEH** is a graduate from the John F. Kennedy School of Government at Harvard University where he earned a Master's degree in Public Administration. He was appointed Minister of Planning and Economic Affairs on completion of his studies at Harvard and has also served on the board of several state-owned enterprises.

### What have been your main achievements since coming into office?

What we have achieved so far is, firstly, to support the President in implementing the first three-year development programme for the country – the Poverty Reduction Strategy – in the first term of the current administration. That laid the foundation for the kind of sustained growth that is projected in Liberia this year and in the medium term. This programme has stabilised the economy. It is important to note that the Liberian economy had collapsed when President Joseph Salib became President. It was in complete disarray. So the Poverty Reduction Strategy's primary goal was to stabilise the macro-economic environment and create stability. We did that by drafting and implementing prudent macro-economic policies that led to a debt waiver of about US\$5 billion; and by strengthening our government institutions and putting in place sound policies we were able to open Liberia's doors to foreign investment. We have been able to attract FDI of around US\$18 billion, mainly in our traditional sectors – mining and forestry. And that's the low-hanging fruit for us. Now the focus is shifting from attracting FDI in big numbers to investing in electricity, in building roads, and in agriculture so that we can diversify the economy. That way we can protect it from shocks in the prices of the extracted commodities.

### What immediate measures are being taken to bring the very high number of unemployed youth in Liberia into the workforce?

This is a very good question. Our most immediate task right now for this government and for the entire country is to address the issue of unemployment. Unemployment is a serious problem. As you may know we have been registering strong growth numbers over the past 6 years, averaging 7 per cent annual growth. But that growth is disconnected with employers; the economy is not creating jobs. So what we are doing right now is to invest in programmes that will build the skills of our young workers to prepare them for the new economy. At the same time we must invest in the sectors that do not require specialised skills for employment; for example water and sanitation to keep our cities clean. We are investing US\$50 million in a programme that will be employing about 10-12,000 young people annually

over the next five years. This is an intervention from the public sector side. We are also renovating our technical and vocational schools, the major one being the Monrovia Vocational and Technical Training Centre, that will now train young people in skills that can prepare them for either a job in the private sector or for them to become young entrepreneurs. The civil war in Liberia affected young people the most. They became unproductive. And, as you know, when people sit idle for too long, they lose the interest to gain skills. So those are the immediate things that we are doing. At the same time the big companies that we've attracted are gradually creating jobs for people. But most jobs are being created in agriculture and this is why the agriculture buy-back programme, which the government is financing through private sector actors, is actually keeping young people interested in agriculture because they are beginning to get rewards from their labour.

### Liberia has a substantial informal economy. How are you tackling this?

What we need to do is to work with people so that they can begin to move from the informal sector to the formal sector. It's not going to happen automatically. We've got to review the tax regime, review the process of registering businesses, and review the penalties that these people are afraid of. For example, one of the big informal sectors is furniture and wood-making. There are lots of wood-making companies around the country, and people are buying wood, but they don't pay taxes. At the same time they are using natural resources to do this, so we need to find a way to assist them to be organised in a way that they can increase their own technology and skills, as well as the quality of their furniture. So we now have a fiscal rule from the government to buy from them, as a condition for their becoming formal. These are creative ways that we are working on this. But you're right, the informal sector is large and this is also a factor of unemployment because people just get out there and do things, and the purchasing power of the consumers is not high. So, the little they are getting they tend to protect by not registering their businesses. For this reason it will take us some time but I think we've started the process, especially with the wood and furniture industry, to begin that transition.

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**Taxation is a big contributor to any national budget. What steps are you taking to make that your fiscal system will become more efficient?**

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Our goal this year is to expand our tax base by 10 per cent by focusing on real estate and by introducing value added tax. We want to introduce this in a way that doesn't confuse the consumers and tax payers. We also want Liberians to know that in order to grow, in order to develop, you also have to pay taxes. We are doing extremely well in collecting taxes on trade, but real estate taxes are still difficult because people don't want to pay. As we speak, we are investing heavily in building the capacity of the real estate tax unit in the Ministry of Finance. We're going to introduce programmes such as revenue sharing with major centres across the country so that it's a built-in incentive for these cities, to help the authorities raise more money, and we can leave a share of that there for development work – for schools, for hospitals, for roads and so on. But as you know, when you go through more than a generation of conflict and chaos and poor institutions, it takes a while for you to get back. But the good news is that we have completed the policy processes; we're now investing in our institutions. And our goal is that by the end of 2013 we will have increased our tax base by 10 per cent and people will begin to pay real estate taxes again, and we'll look for opportunities in other areas.

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**How do the security and political circumstances in Liberia affect the economy?**

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That's a very good question. I will start with security first. Given our recent history, security is a key determinant of economic growth in Liberia. I have to say that we're in our ninth year of peace, thanks to the international community, particularly the United Nations. They've helped us to stabilise our environment and to train our own security forces to begin to take over some of the responsibilities here. But our country is still very fragile because all four countries in the Monrovia Union experience some form of conflict at some point. So in addition to the situation in Côte D'Ivoire, Guinea is still in transition from the long period of President Conté to this period; there is still some fragility there. In terms of Liberia specifically, we are investing in our security institutions, particularly the police so that they can begin to take over the vacancies that will be left by the UN. The UN is still here for another 2 years and we are working very hard on the transition plan that will put more Liberian police on the streets as well as more training, more logistics. We can't tell the security future of the country but we know that we have done sufficient work on our institutions to the extent that they are perhaps in a position now to provide security for Liberians. On the issue of political stability, we've

had 2 successive elections and several by-elections. That's a first in Liberia. Liberian elections in the past were just one person, and now you have several political parties. I think you will see a lot of mergers here in Liberia but the political situation is such that we probably need to invest more in educating citizens that politics is not about ethnicity but rather policies and issues, and we still have a long way to go with that. But I see a greatly improved political climate. I see that people are more concerned about the country vis-à-vis personal interests. I think we need to encourage that.

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**If a European businessmen who is working elsewhere in West Africa suggests that Liberia is not yet ready for investment, what would be your response?**

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My response to that businessman is first of all to urge him to look at Liberia's performance over the past six years among the countries in West Africa. We're next to Ghana in terms of control of corruption. We're also number three on the list of improved governance. In doing business – we're next to Rwanda on the continent in terms of improvement. So I would ask them to look at those indicators. I would also ask them to assess the risk of doing business here; perhaps talk to those who have already come. I know we are a post-conflict country, there are still some risks here in Liberia, but this is a business-friendly government. We will work with whoever is interested in investing in Liberia to make that decision easier for them. We will do everything to protect their investment here in Liberia. We have incentives for businesses. If they want to do certain things, we'll ask them to go to the National Investment Commission's website and look for those incentives.

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**How do you envisage the economic relationship between the UK and Liberia developing?**

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First of all, the UK is a key partner of Liberia and has been with us since we started our reconstruction programme. The UK Department for International Development (DFID) is supporting our health programmes: the President announced free primary healthcare for mothers and children, and the UK is financing some of that. Beyond the humanitarian assistance we would very much like to build a business relationship to attract companies from the United Kingdom to Liberia. Historically the UK has done a lot of work in former British colonies in West Africa but we believe that we have the same type of business environment, business climate, and commodities, that would be attractive to UK companies, and we would encourage them. Overall we want to increase our trade volume and our business relationship with Europe, and we believe that the UK could be the epicentre for this activity. E

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