

"Moving Ahead with Support in Fragile States"
Statement by Her Excellency Ellen Johnson Sirleaf
President of the Republic of Liberia
To the First Replenishment Meeting for ADF-13
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President Kaberuka;
Mr. Coordinator;
ADF Deputies;
Senior Management Staff of the Bank;
Distinguished Guests;
Ladies and Gentleman:

It is a particular pleasure for me to address this group this morning as a continuation of the conversations I began yesterday with Senior Management and the Directors of the Bank.

I can say, at the outset, with no hesitation, that the support that the Bank Group has provided Liberia has made a critical difference in my country as we have come out of conflict. We met a collapsed economy, dysfunctional institutions, destroyed infrastructure, and virtually a people with little hope in the future. Your institution, your support, was one of the first to demonstrate the confidence that Liberia, indeed, could come back. President Kaberuka visited in 2007, and started the process, working, of course, with many of our other partners to jump-start the start of recovery, the process of rebuilding.

For a country in such a position, financing targeted at their unique condition is not simply important, it could go a long way in deciding success or failure. This is especially true when, in the first years after war, there is rising expectations among the people. They want to reap the peace dividends. They want to see tangible benefits of an elected government and the new peace.

In the case of Liberia, funding from the African Development Fund and the Fragile States Facility enabled us to double the resources through the ADF-12 Facility. We deeply appreciate the role our partners, including the African Development Bank, for the role they played in assisting Liberia to negotiate debt relief of more than US\$4.6 billion, including the US\$258 million from the ADB itself. The Bank's interventions have helped Liberia address some of our significant governance and infrastructure challenges. The Bank's flexible approach has also helped meet immediate, unexpected needs, with emergency programs to combat a caterpillar infestation, assistance for refugees, and its targeted assistance window of the Fragile States Facility supporting revenue modernization, public financial management reforms, and our participation in the Liberia Extractive Industries Transparency Initiative. We are grateful to the Bank for that support in helping us to raise resources, in helping us with its advice, and particularly the assistance that has come to us through the Fragile States Facility.

But I am here this morning not only to celebrate the successes I've mentioned, or to congratulate and express gratitude to all of you for that support, but to stress how important it is, not only for Liberia, but for Africa as a whole, that we have a strong Fragile States Facility and a contribution from the African Development Bank Group.

It is therefore important that the Bank remains in a position where it can continue to provide strong support for the entire continent, especially fragile states. This is important to us in the Mano River Union countries where every member – all of our four countries – is considered a fragile state. To do the job, the Bank will need resources. But, of course, it will also need to deepen the way in which assistance is designed and delivered.

We believe that the special circumstances of fragile states need to be addressed. They are simply not the same as countries that are normal. The capacity of fragile states is weak, resources are scarce, and the imperatives of urgency are more intense because whatever you do is to ensure that you begin to consolidate those gains and begin to deliver to people in a much more

timely fashion to manage expectations to prevent any chance of slipping back into conflict.

It is for this reason, and a sense of the importance of this work, that I accepted the request of President Kaberuka to chair the High-Level Panel on Fragile States that he has put together to help bring the Bank's support to fragile states to the next level.

Where We Have Come From

There are, no doubt, challenges in support for fragile states. However, it may be useful to review where we have come from. The approach that the Bank took in its new strategy, in 2008, was a major step forward.

Prior to that, the Bank had made some important efforts to bring countries coming out of conflict back into the fold, especially in the area of debt, where ways needed to be found to accommodate the requirements of international debt relief programs such as HIPC. But there were also important obstacles, including an allocation system that penalized countries that were only just coming out of conflict because they had not already demonstrated macroeconomic performance and their portfolios had not been cleaned up. Thus, at the very time when extra help was needed, it was not available, or not in ways or amounts that could have brought extraordinarily high returns.

Fortunately, with your support, the 2008 strategy moved to address these gaps. First, in resources, through the extra resources available through Pillar I of the Fragile States Facility, which have been substantial. Second, in the assurance of arrears clearance, through the resources available through Pillar II. And, third, in the specific advice and capacity building that Pillar III has brought to a number of cases. The Units of Account 1.4 billion the Bank has made available through the Fragile States Facility may seem modest in relation to the total Bank envelope, but I assure you it is huge for those countries that are benefiting.

I know, in the case of my own country, and I've seen the figures for others, that the countries benefitting from the Fragile States Facility have seen improvements in their security and peace situation, reconstruction and expansion of infrastructure and basic services, stabilization, if not strong recovery, in their economies.

Challenges Ahead

Let me now turn to what I see as some of the key challenges ahead. There are seven that come readily to mind.

First, the challenge of partnership and alignment. We have long understood the multiple problems of donors pulling in different directions, imposing high costs on countries that are supposed to be beneficiaries. This issue has been taken up through various fora and resulted in the Paris Agenda and its follow-up. The lessons of the need for effective partnership behind common programs apply even more to fragile situations, where countries' capacities have been compromised, and the risks of failure intensified as a result of entry of multiple foreign agendas. These issues fortunately were tackled in the New Deal for Engaging in Fragile States.

The Ban – your Bank – has the opportunity, and I daresay the responsibility as the premier African development institution, to take on increasing leadership among donor partners. The explicit goals should be to ensure effective partnership practices, alignment of programs with country-led state-building and peace-building strategies.

Second, is to orient programs to address the roots of fragility through inclusive growth strategies. It will not do to simply look at macroeconomic management without looking at the impact on society. It is not enough today to define development in conventional growth terms. This means a much stronger political economic analysis needs to underpin the support.

Third, it is clear that the regional dimensions of conflict and potential conflict need to figure more strongly in the approach to development. We saw this in

my region, where conflict easily spilled over national boundaries – boundaries that for well-known historical reasons were never devised on the basis of local, physical or social conditions, and are, in any case, not subject to easy enforcement. We have seen conflicts that have become multi-country because they are in fact regional or sub-regional, as we have seen in the Sahel, in the Horn of Africa, and in central Africa. It is time to go beyond regional integration initiatives, as important as they are, and also consider seriously the regional dimensions of fragility.

Fourth, I would suggest that the Bank takes a further look into the way it goes about programming, to help address the issues I have just mentioned. Country programming, where regional issues are also so important, may be becoming a somewhat outdated term, even if many of the policy dialogues and legal dimensions of operations are country-based. At the very least, in fragile states, an integrated program that is coherently focused on conflict issues will be the key.

Fifth, some of the mechanisms and modalities of financing may need a further look. Procedures and techniques designed for non-fragile situations, such as auditing standards, bidding procedures, designed to address fiduciary risks, may serve to undermine the timely implementation and thereby create even more risk. Perhaps we should be optimizing and managing those overall risks.

Sixth, I would strongly encourage further decentralization and the build-up of local capacities, both country capacities and Bank capacities in the field. We need you there, we need you on the ground, not just on the way or on the plane, even with the use of modern communications technology.

Seventh, rapid and flexible decision-making with proper accountability can only enhance effectiveness. I surely hope that when a situation arises, such as has sadly happened in Mali, the international community, with a strong role from the Bank, will be able to respond in a timely, forceful and relevant way.

Mano River Union Initiative

Let me now turn towards a special initiative on the Mano River Union that I would like for you to consider. Liberia is at the heart of the Mano River Union, bordering the three other countries – la Côte d'Ivoire, Guinea, Sierra Leone – all fragile states. Each country has recently exited from conflict, and the region is now at peace, but the risks to this peace continue. Liberia is transitioning from post-conflict emergency reconstruction toward long-term sustainable growth and development. But the ravages from years of conflict and poor governance have left Liberia, and the Mano River Union as a whole, to face enormous challenges. Let me point to some of them.

First, the majority of the road network in the Mano River Union remains in poor condition. The share of paved roads is very low: 10% in Guinea, 9% in Sierra Leone, 8% in Côte d'Ivoire, 6% in Liberia. The share is higher in our ECOWAS neighbors, for example 15% in Nigeria, and in all of Africa, 18% of roads paved. We, in the Mano River Union, risk being left behind unless we act collectively with our partners.

In Liberia, less than half of our people (47%) have access to an all-season road within 5 kilometers. More than one third of our population (37%) cannot reach an all-season road within 30 kilometers. This lack of roads effectively cuts off the capital from most of the country during our heavy rainy season, let alone from our neighbors. This constrains private sector development, cross-border trade, impedes progress in agricultural production, presents a risk for food security, and does not allow government service to reach far outside of the capital.

Second, electricity provision is nearly non-existent in the three poorest Mano River Union countries. While almost half (47%) of Côte d'Ivoire can access electricity, the access rate is extremely low in the rest of the MRU countries – 13% in Guinea, 7% in Sierra Leone, and, woefully, only 2% in Liberia. This leads to some of the highest cost of electricity in the world; in Liberia, for example, 54 cents per kilowatt hour, more than three times the average cost in the rest of Africa. Small-scale manufacturing and agricultural goods processing

cannot emerge without increased access to energy at a lower cost, and this electricity must also reach our rural areas.

The main engine of growth in MRU economies is natural resources extraction, which creates substantial risks. First, it does not create many jobs on its own but instead can lead to increased income inequality. Secondly, it does not help to diversify the economy without strong investment and policies from the government itself. Thirdly, it increases governance risks and the potential for corruption. There's a strong risk that our economies, very natural-resources rich, could end up in the "resource curse" without increased investment in roads and energy that will allow for inclusive private sector development, improved agriculture productivity that will enable our economies to diversify, while also increasing our institutional capacities to manage government resources transparently and efficiently, and the development of human capital.

Moreover, each of our economies in the Mano River Union is small, allowing us limited opportunities for economies of scale that would allow us to diversify and attract investment across borders. Only through increased regionalization and planning on a regional scale can the sort of diversification occur, leading to increased value added, increased employment and sustainable development. But to increase regional integration, our countries need to plan our infrastructure jointly, to increase transportation of people and goods between, and within, countries, to reduce exclusion and instability, and increase economic opportunity.

I therefore call upon you to consider our call for a special Mano River Union initiative that would increase funding to develop our substantial gaps in transportation and energy infrastructure. By funding key transportation and energy infrastructure priorities through a regional initiative, it increases integration – both within and across countries – while also freeing up resources to improve governance, capacity building, and other initiatives that are more appropriately addressed at a national level.

All of our countries have benefited from debt relief, and we are committed to maintain our debt stocks at sustainable levels that can be properly serviced in

the future. In the case of Liberia, we have implemented stringent rules to limit debt accumulation to 4% of GDP per year, and we have a total debt ceiling of 60% of GDP. This will ensure that we never have to ask the world again for debt relief. But in the face of an enormous infrastructure deficit, the cost to fill this gap will test our debt capacity, while we cannot afford to neglect other critical investment needs in governance, health, education and security. We therefore call for an appropriate blend of loan and grant financing to allow this initiative to move forward.

It is vital that the gap not widen between poorer MRU countries and our neighbors, as this could lead to future instability that could once again spill across borders. This initiative would accelerate the stabilization of the region and ensure that it does not fall further behind its ECOWAS neighbors. Increased investment in integration will serve to prevent even more costly conflict in the future.

While we have achieved the peace, we must continue to address the underlying causes of the conflict. Each country is making effort to transition towards sustainable, inclusive economic development, increased job creation for our thousands of unemployed and untrained youth, as these are the true means to reduce the risk of conflict.

HLP and ADF13

Let me mention, in closing, that it's timely that the ADF13 process and the work of the High-Level Panel, which I am honored to chair, are in sync. It is not always that a review commission, or its equivalent, is so closely aligned with the leadership of an organization and the decision-making apparatus of its funders.

I look forward to the work of the Panel in the months to come, and urge that your deliberations are successful in supporting an even stronger African Development Bank and Fund, in the work in all of our countries, especially in countries like my own, that have experienced extraordinary political conflicts and challenges.

As you also know, I'm one of three Co-Chairs of the High-Level Panel on the Post-2015 Development Agenda, which has as a mandate, through research, analysis and formulation through rigorous consultation, to put forth priority ideas that will succeed or build upon the Millennium Development Goals.

We are pleased that African institutions, with your support, African stakeholders, including the private sector and civil society organizations, have fully participated in what will be Africa's priorities. The African Development Bank has been a major contributor to the research, analysis and formulation of the African position that will lead to the African Agenda in the new global compact.

The outcome of the work of your High-Level Panel on Fragile States will be fully considered and integrated into the new global agenda through work of the Post-2015 High-Level Panel.

Let me say to you that Africa is rising! Africa is transitioning! Africa continues to be committed to those processes that will lead to rationalization of its own natural resources to accountability, transparency, to mutuality and responsibility.

Thank you for your support for African development.