



Liberty Party

Reconciliation, Justice, and National Growth under the Rule of law

**LIBERTY PARTY'S ADDRESS
ON
THE ECONOMY/DRAFT NATIONAL BUDGET**

July 25, 2008

The Chairman and Members of the Liberty Party Legislative Caucus; Members of the Executive Committee and Partisans of Liberty Party; the Fourth Estate, Fellow Liberians.

Liberty Party extends gratitude to Almighty God for his continuous blessings upon the Leadership and entire membership of our party, especially in light of what would have turned out to be a replica of the notorious Flanzamaton drama of 1984. Thank God for the wisdom of Judge Peter Gbenewelleh of Criminal Court "A". It was through his professional handling of the case involving Col. Andrew Dorbor and General Charles Julu, that the Leadership of our party did not fall victim to those who wish us evil.

On the merits of the Court's verdict, we believe two fundamental principles of justice were upheld: i) the right to a fair trial before a competent and impartial court and ii) an accused is innocent until the evidence proves him guilty. We want to acknowledge that a modicum of hope is being restored to our system of jurisprudence.

Commitment to the rule of law, irrespective of whose interest is involved, is a foundation stone for the attainment of a stable society, and by extension, a necessary condition for increased international goodwill in the face of our nation's plight.

But the focus of our gathering here today is more than what we have just mentioned. We have called you, ladies and gentlemen, to once more draw attention to the difficult living conditions of the majority of us, and the vexing chorus that is being heard about **WORLD MARKET PRICE**.

The poor and less fortunate make up more than 60 percent of our society¹--that is almost two out of every three Liberians live in poverty. Our life expectancy has dropped. We can now expect to die by the time we reach 42 years old. Only 15 percent of those who are seeking jobs find employment. Our women and children have the highest death rates

¹ IMF, Liberia Poverty Reduction Strategy Paper (PRSP); July 2008

in the world². One out of every three children under five years old is stunted or too small for his/her age. This means these children might never grow into healthy and productive adults; so our future is under threat.

In truth and fairness, all of these problems did not emerge over the past two years of the Unity Party government. They are largely a consequence of almost three decades of conflict, civil war, and economic decline. So then, what is our concern?

Our concern is that the hardship faced by the majority of Liberians continues to increase. So, where is our peace dividend? The Unity Party government reports record revenue growth--at times exceeding their targets.³ We are also told that the economy (GDP) is growing at the rate of 9 percent—among the fastest growth in the world.

Every week there is an announcement of a new assistance or debt cancellation program from the international community. These indicate that when conditions are compared to the immediate past government, there should be more and better jobs, better health, better education, more money to spend on social measures, and considerable progress in reducing poverty.

While all the information above are true, the Unity Party government is giving us an incomplete picture of our economic governance for its own political gain. GDP might grow by 9 percent in 2008, but inflation is 13 percent⁴. This means that the cost of the goods and services we buy is growing faster than the economy. The real GDP per capita grew from US\$121 in 2006 to \$126 in 2007⁵. In simple layman's terms, this means only US\$5 was added to the average amount of money each Liberian can get in a year—a 4 percent growth.

Moreover, our current account balance (excluding grants) has grown from a deficit of US\$41 million in 2003 to US\$66.2 in 2007⁶--a 61 percent growth. This, in lay man's terms, also means that we are buying from the world market much more than we are selling. Eventually, all the debt that has been cancelled will bring very little benefit because we will have to borrow much more again to meet basic needs of Liberians.

But, we do not need all these economic statistics to understand what is happening. The cost of living for the majority of Liberians continues to go up. The price of gasoline, notwithstanding the poor quality sold on the Liberian market in comparison to other countries around us, is almost US\$ 5.00; A 100lbs bag of rice (Liberia's staple) has taken a leap from between US\$ 19.00-US\$22.00 during the Gyude Bryant Transitional Regime to an astronomical hike of US\$30-US60 in the new administration; A bundle of zinc previously sold between US\$45-US\$75 is now being sold US\$75-US\$145, conservatively; ect.

² IBID

³ Ministry of Finance; QII Fiscal Outturn; March 28, 2008

⁴ IMF, Press Release No. 08/98; May 2, 2008

⁵ IMF, Staff Monitored Report

⁶ IBID

This is more than the common person can afford: For example, a distance that earlier cost LD\$5.00 is now LD\$10-15 by taxi or bus, depending on what the driver chooses; where LD\$20.00 was paid, it now takes LD\$50-60 to get there.

A civil servant living on the outskirts of Monrovia must therefore pay between LD\$100-\$120 daily to get to and from work. Multiplied by five (5) days, you are talking about LD\$500-600 weekly. Considering a four week month, a civil servant pays up to LD\$2,000-LD\$2,400 per month (This is about US\$32-39).

If this same civil servant has to buy a bag of rice, and he must, at the current government-approved price of US\$35.00, he winds up spending US\$74.00 on transportation and a bag of rice alone, reflecting a deficit of US\$4.00 in relation to his monthly salary as proposed.

We are told that much of the hardship is due to world economic conditions and world market prices. That much is also true. Since 2007, we have seen a surge in world market prices for fuel and food. The short term outlook is continuing high prices and considerable uncertainty in the world supply of food and fuel as the world economies adjust to rising demand in emerging economies such as China, restrictive policies for rice, and increase in biofuels production.⁷

Nevertheless, countries the world over are taking on the challenge by providing alternative policy measures to lessen the unbearable burdens that their citizens would have faced if left to address the situation by themselves. For instance, in some countries, substantial pay rise is put forward as a realistic first step in the direction of addressing the world wide food crisis.

In the United States, economic stimulus checks are being sent out to taxpayers. In others, steps have been taken to drop tariffs and taxes on basic goods. Some are taking long term measures to address the food crisis by ramping up mechanized farming. After all, responsive governance is an indicator of good governance.

We want to speak well of the Unity Party government for the overall improvement in the fiscal environment. The leadership and partisans of Liberty Party recognize that a tremendous amount of work has gone into changing our fiscal and budgetary outlook.

At the same time, we believe it is the failure to understand the global trends in the Unity Party government that will prolong and deepen the hardships of ordinary Liberians. Much more could be done to improve living conditions. The question you might want to ask then is: How would we deal with these hardship issues if we were the government?

Our responses to the current situation would have come in these areas and we are putting these forward for adoption by the Unity Party government for the good of the Liberian

⁷ IMF, Food and Fuel Prices-Recent Development, June 30, 2008

people. All of our policy recommendations are based on a review of the Unity Party government own fiscal and budgetary reports:

1. Fiscal and budgetary measures

- a. Revenue remained strong in the second quarter of the 2007 to 2008 fiscal year—US\$36 million was projected and US\$45 million was realized (23% more than expected). This follows a trend from the previous fiscal quarter. The Unity party government should submit a supplementary budget request to increase allocation to social expenditures after consultation with our international partners. This would entail providing more subsidized health and education services. This will include more in/out patient care at public facilities, additional fee reductions at public schools, and more grants to the private school system to head off potential increases in tuition and fees; and more grants to service agencies like the Monrovia Transit Authority to provide lower cost transport fares.
- b. At the same time, the Unity Party government must put measures into place to accelerate expenditure. Allocations already provided in the approved budget are not being used. Of the US\$93 million approved for the first and second quarters of the fiscal year, only US\$77 million was used—creating a budgetary surplus at the time when Liberians are in desperate need.
- c. That being said, allocations in the budget for county development must move quickly to the county level. While we appreciate the need for proper accounting for government funds, the many layers involved in the existing process means that funds are not made available at the county level in a timely manner. The process needs to be reviewed with the goal of accelerating the transfer to where funds can be used locally to benefit the people.
- d. If revenue is at record levels and we are experiencing budgetary surpluses, then we can afford to waive some taxes and fees associated with the importation of basic consumer commodities like rice, cement, and gas. The rice stabilization fund needs to be suspended in its entirety and the market opened for any potential supplier. Similar measures need to be taken for cement and gas imports.
- e. Over the long term and to minimize potential threats to reaching the revenue goals agreed with the international community, we must accelerate the effort to broaden our tax base. To start, the Unity Party government should consider moving towards a simple flat-rate tax regime--one tax rate for all imports making it easier for the taxpayer to anticipate the tax will on imported commodities and to pay directly into government revenue what is rightfully due. It is no secret that our complicated tax and fee regime opens many opportunities for corruption. Importers pay far more in “corruption tax” than they should pay legitimately. This “corruption tax” ultimately is transferred to the buyers as the businessman has to recover the full cost of the goods to make a profit and stay in business.

- f. The civil servants pay scale needs a comprehensive review based on current cost of living. The assertion that every one dollar (\$1.00) added to civil servants' salary in the new budget will be an extra burden that government cannot bear, is ludicrous. The negative reaction to a proposal from civil servants, calling for a minimum of US\$100 per month is, to say the least, an unhelpful comment as far as government' much acclaimed PRS is concerned. The truth is there is some flexibility in setting public expenditure priorities and the current economic situation demands a careful consideration by any government that wants to empathize with its people.
2. Business policy measures
 - a. Over the medium to long term, we need to position our economy for broader-based growth. This would entail industry-wide incentives to attract investments into value-added production that creates jobs in the rubber, logging, and mineral sectors and in telecommunications and banking (and financial) services. Instead of the special interest project investment incentives now given by the National Investment Commission, a package of incentives should be automatically available to anyone investing an established minimum in these priority industries.
 - b. While we appreciate the interest our foreign partners have in our economy, public procurement of goods and services must give preference to genuine Liberian business people. Liberians must be given added incentives to compete and be awarded public contracts even at slightly higher costs, provided they can deliver equivalent quality on time.
 - c. Most of our people now find themselves making a living in the informal sector—doing “one two one two.” This is the way to go in the future as the ability of government to create new public service jobs would continue to be very limited. We must provide, as a matter of priority, technical and business skills training and financing to help those who are the most entrepreneurial to grow their businesses
 3. Public Infrastructure repair and development
 - a. Liberty Party gives due recognition to the Unity Party government's effort to restore electricity and water supplies. We also would like to acknowledge the efforts to rehabilitate our road infrastructure. We look forward to the acceleration of these announced measures in the face of the goodwill that this new policy environment brings.

Ladies and gentlemen of the Fourth Estate, life must mean more than putting clothes on ones back, having a place to lay ones head and finding just anything to put in the mouth. In a nation of enormous wealth in natural and human potential, and an infusion of both domestic and foreign capitals into our budget, genuine efforts must be applied to deal with the people's plight.

Liberty Party calls on the Unity Party administration, especially the National Legislature in whose hands now rest the fate of the suffering civil servants, to thoroughly review

every item in the draft budget, make the necessary adjustments wherever necessary, with the view of sourcing additional funds to step up civil servants' salary.

This time around, we must all demonstrate the courage in the supreme interest of the real stakeholders ---- the Liberian people ---- and put the money where it will be expended locally as a necessary first step forward in stabilizing our country.

May the Good Lord sustain our Nation at Independence Day and save the State.