

The Role of The Liberian Legislature in Implementing the Poverty Reduction Strategy

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Objective of presentation

- To talk about the implications of the PRS for the working relationship between the legislature and the executive.
- To highlight some key points about
 - *How we view the Legislature,*
 - *The importance of the Legislature in the PRS process, and*
 - *The extensive legislative agenda under the PRS.*

But, What is the PRS?

- Describes the macroeconomic, structural and social policies and programs that a country will pursue over several years to promote broad-based growth and reduce poverty, as well as external financing needs and the associated sources of financing.
- Initiated by the IMF and the World Bank in 1999. Now well established in a substantial number of countries. As of end-March 2008, more than 70 full PRSPs have been circulated to the IMF Executive Board.
- In Liberia, it is the main basis for donors to scale up aid and better coordinate their support to the country.
- It is the basis of the three year program of support to the government under the new IMF PRGF arrangement.
- Its implementation for at least one year is necessary to complete the HIPC debt relief process.

Legislators have a crucial role in economic policy

- **Legislators make laws.** Responsible for passing laws in areas that are central to economic and financial policies, including budgets, taxes and expenditure measures, laws on central banking and the financial sector, and structural reforms.
- **Legislators have an important oversight role** in monitoring the government's macroeconomic policies and development programs and holding the government accountable. One of your most important oversight responsibilities is to monitor the budget implementation.
- **The Legislature is an important forum** for public information and debate about important policy reforms.

The Legislature is a key stakeholder in the PRS

- As the Minister indicated, members of the Legislature have participated, as key stakeholders, in the formulation of the PRS.
- And we have observed the extensive public consultations at the national and county levels—this was probably unprecedented in Liberia’s history.
- We believe therefore that the PRS benefits from broad national stakeholder support and ownership.
- But, looking ahead, ownership of the reforms will require much closer coordination between the Legislature and the Government to ensure that the PRS priorities, many of which include legal reforms, are implemented in a timely manner.

Major reforms under the PRS involve Legislation

- The PRS outlines an extensive post-war agenda to deepen governance, strengthen economic management, and promote more inclusive growth of the economy.
- As a legacy of the protracted war and past weak governance, institutions need to be quickly established or modernized to achieve the PRS objectives.
- As the Government and the Legislature deepen their dialogue on the PRS, it will be important to
 - set common priorities on key legislation,
 - establish good communications on the draft legislative proposals under consideration,
 - and for the legislature to actively strive to reach conclusions with efficiency.

Highlights of the PRS Legislative Agenda

In Pillar II: Revitalizing the Economy

Reform of the Liberia Revenue Code to improve competitiveness, reduce tax burden on the poor, and make tax incentives less discretionary

- Reduce the corporate and income taxes rates
- Reduce the tax burden on the poor by raising the minimum tax income tax thresholds
- Set clear tax incentives for domestic and foreign investments in the code
- Establish an internationally competitive tax regime for mining and petroleum in the code
- Harmonize rates with ECOWAS Common External Tariff

In Public financial management..

- Introduce new comprehensive PFM law to modernize the legal framework for the budget, better clarify the oversight role of the legislature, and the reporting responsibility, transparency, and the accountability of the executive in budget formulation, execution and reporting.
- Streamline the efficiency of budget execution—by integrating the BoB in the MoF (*draft already proposed*)
- Refine the public procurement and concessions act—facilitate faster procurement without compromising transparency of use of public resources.



In the Financial sector..

- Review and harmonize existing financial legislation and regulations to make them consistent with the FIA
- Modify appropriate provisions of the Financial Institution Act (FIA) to make it applicable to microfinance and other non-deposit taking financial institutions
- Prepare legislation to facilitate the collection of debt and enforcement of financial contracts, including the revision of the commercial code.

Mining Sector..

- Review and amend the recent National Minerals and Mining Law to make it more consistent with other policies and laws, such as the National Mining Policy, the PPC Act, the new Forestry Law, the LEITI, the Kimberly Process, and of course, the Revenue Code
- Endorsement of the Model Mineral Development Agreement (MDA)
- Enter into MDAs based on the Model MDA for the Western Cluster, Bong Mines, Kitomo, and Goe Fantro.
- More broadly the legislature will be called upon to regularly review and ratify new large concession agreements



Reform of the state-owned enterprises..

- Legislation to effect the rationalization of relevant state-owned enterprises for dissolution, privatization, public-private partnership or appropriate regulatory controls
- Confer legal status to the RIA to transform it into a National Airport Authority
- Make the Liberia Domestic Airport Agency autonomous.

In Pillar III: Strengthening Governance & the Rule of Law

- Establish an anti-corruption commission (*The draft act was submitted in 2007*).
- Amend the Penal Law to make criminal offenses all acts of corruption.
- Enact a freedom of information law and a whistleblower statute.
- Establish a law reform commission to review and recommend reforms of the legal and regulatory framework to promote the rule of law.
- Repeal law creating the National Bureau of Investigation and transfer some of its functions to LNP.

Governance and the Rule of Law cont'd

- **Reviewing the Constitution:** Requires the Legislature to establish GOL's Law Reform Commission to review and recommend reform of the legal and regulatory framework
- Legislation to enable Liberia to participate in sub-regional, regional, and global peace keeping initiatives.
- Review and amend the Bailable Offenses' Laws to ensure that serious criminal offenses (murder, rape, aggravated assault, etc.) are non-bailable Offenses



In Pillar IV: Rehabilitating Infrastructure and Delivering Basic Services

- Establish a Land Commission and secure funding to address land issues
- Review and reform public land policy and property laws to develop a comprehensive and coherent policy and legal framework and to remove or revise outdated or outmoded provisions
- Act to create a National Transit Authority (NTA) and develop legislation to implement the future National Transport Master Plan

Some Proposed Legislation under the 2008 PRGF Program

PRGF Benchmarks and Performance Criteria 2008	Target date
Adopt Legislation to merge the Bureau of the Budget into the Ministry of Finance	End-June
Submit a draft public finance management law	End-December
Establish an Anti-Corruption Commission consistent with Liberia's anti-corruption strategy	End-September
Outstanding legislation from 2007 SMP: (i) Reform of the investment incentives code to remove (ii) reform of the Revenue Code to repeal Section 204(e).	2008

A few points on the merger of the BoB in MoF

- The Gov't submitted a draft Act for the merger in 2007. Under the PRGF program, the merger is a commitment for end-June 2008. The aim is to streamline the efficiency of the budget process. Some specific benefits:
- Better coordination and management of fiscal policy:
 - Linking expenditure decisions with revenue policies.
 - Greater accountability to the MoF for all aspects of fiscal policy.
 - Will help with moving to a medium term fiscal planning framework
- Improved coordination of budget preparation and execution:
 - Ensuring alignment of the budget with the PRS priorities.
 - Streamlining the allotment process with cash management



The new PFM law will also need to:

- Clarify the key roles and responsibilities of the main stakeholders in the budget cycle: (i) the oversight role of the legislature, (ii) the efficient organization of the executive in budget formulation, execution and reporting; and (iii) the role of the auditor general.
- Resolve the existing fragmentation of existing laws governing PFM
- Improve the transparency of fiscal policy by specifying reporting requirements, including to the legislature, and auditing
- Specify the accountabilities of line ministries, autonomous agencies, and funds



Achieving the HIPC Completion Point also hinges on some Legislation being passed

Key triggers..

- Implement the new PFM law and supporting financial regulations for at least 12 months
- Implement a revised investment incentives code to ban granting of tax exemptions outside the Liberia Revenue Code.
- Establish an independent anti-corruption commission and ensure it is operational for at least 12 months

Some Important Considerations in forging Cooperation Between the Legislature and GoL:

- (i) the PRS requires very large donor funding. Early reform of public financial management would be strategic to securing higher levels direct budget support from donors. This would confer to the government (and the legislature) greater influence over the implementation of the PRS.
- (ii) Timely legislative conclusions are critical to the pace of implementation of reforms to measurably improve the lives of the poor in the next three years; and
- (iii) Early legislative actions that strengthen institutions in Liberia will foster more durable economic recovery.



Thank you!