

ANNUAL MESSAGE

Delivered By

Her Excellency Ellen Johnson Sirleaf

President of the Republic of Liberia

Delivered to the 52nd Legislature of the Republic of Liberia

Unity Conference Center

Virginia, Liberia

Monday, 29th January 2007

Mr. Vice President,

Mr. Speaker, Mr. President Pro Tempore;

Members of the Legislature;

Mr. Chief Justice, Associate Justices of the Supreme Court and Members of the Judiciary;

Members of the Cabinet and other Government Officials;

Mr. Doyen, Excellencies and Members of the Diplomatic Corps;

His Excellency the Special Representative of the Secretary General of the United Nations in Liberia;

Officers, Men, Women, and Staff of the United Nations Military Mission in Liberia;

The Officer in Charge, Men and Women of the Armed Forces of Liberia (AFL);

Former Government Officials;

Leaders and Members of the Inter-Religious Council of Liberia;

Political and Business Leaders;

Traditional Leaders, Chiefs and Elders of Liberia;

Labour and Trade Unions and other Workers Organizations;

Civil Society Organizations; Members of the Press;

Distinguished Ladies and Gentlemen;

Fellow Liberians:

I wish to thank the Almighty God for yet another opportunity to come together at an auspicious occasion as this one. May I request that you join me, Honorable Members of the Legislature, in rising and observing a moment of silent Thanksgiving to our Omnipotent and Omnipresent father who has guided and steered our nation and its affairs, over the last years. While standing in prayers, let us also remember those from this Honorable legislature and from other works of life who gave the best of themselves in service and have gone to eternal rest.

Thank you.

One year ago on January 23, 2006, and only a few days after I appeared before you in fulfillment of the constitutional requirement under Article 58 to “present the administrations...” I did so barely 7 days after I took the oath of office on January 16, as President of the Republic of Liberia. I swore then to uphold and defend our Constitution, to nurture and strengthen our common peace and security, heal our nation’s wounds and lead it to recovery, and reconstruction. An expectant air of euphoria, optimism, and hope enveloped that occasion. Our Nation and people had voted. I heard them say during the long months of campaigning that they yearned for a complete break with past practices that were responsible for our years of violent conflict and under-development. They wanted fundamental change in all areas of our nation’s life. They wanted a new, free, and democratic Liberia where civil liberties, the rule of law, an accountable and transparent government, peace and security would be the norms, and not from the generosity of an imperial president. They wanted a rule rooted firmly in our Constitution, our statutes, and the true Liberia way of life.

I declared to our people then that I had heard them loud and clear. But change does not come from the waving of a magic wand or the pushing of a BUTTON! It comes from CONVICTION, from a process of CONSISTENT policies and actions that seek and alter the way we make individual decisions; the way we carry on our activities; and ultimately the way we think. This is not an easy challenge.

I promised that with God’s help and guidance, I would lead a nation in which we all will put our best efforts and creative energies to work to fulfill our individual and collective expectations. I can say boldly that in just one year, we have made an important beginning even in the face of monumental challenges. That was to be expected. Our national resolve was tested – that was a normal consequence. But, we have prevailed. We have registered many successes.

Of significant importance to our initial efforts in this respect, is the fact that we have placed our nation firmly on the road, laying the basis for full recovery and reconstruction for peace, security and healing. As we get on with this monumental national undertaking, as we work to deal with every issue of post conflict reconstruction, all we ask of you and the Liberian people as a whole is PATIENCE.

Fellow Liberians, as I stand here to deliver this address covering the State of our nation after the first full year of my Administration, I declare to you our elected representatives, our people here at home and abroad, our local and international partners, and indeed the international community, that our Nation is peaceful, secured, hopeful and strong.

Honorable Members of the Legislature, Fellow Liberians:

It is in this view that during the fiscal year under review, my Administration submitted, for your consideration several legislations, agreements and treaties for your consideration, intended for the Legislative Branch of the Government to create permanent and durable legal frameworks for governance and the efficient running of our common patrimony.

The Acts and Legislations presented to this august body included many international conventions and other instruments for ratification. Clearly, the ratification in line with international best practices will help to restore Liberia's place in the comity of nations

We also submitted legislation to enhance the reform of our forestry sector, to revise our revenue laws and harmonize the national custom tariff schedules and coding system; as well as to repeal laws such as Section 1508 of the Labor Practices Law, and PRC Decrees #12 and #88A that grossly infringed on the fundamental rights and liberties of our workers and citizens.

These international instruments and proposed Legislations included:

1. Partnership Agreement between the Member States of the African, Caribbean and Pacific Group of States;
2. ECOWAS Energy Protocol;

3. UN Convention Against Corruption & the AU Convention on Preventing and Combating Corruption;
4. An Act Repealing Sections 1508 (3) of the Labor Practices Laws & PRC Decree #12;
5. An Act Repealing PRC Decree 88A;
6. ILO Conventions 100, 138 and 185;
7. An Act Authorizing Legislative Approval of Major Budgetary Transfer;
8. An Act Adopting the National Forestry Reform Law of 2006;
9. An Act to Amend Certain Portions of the Revenue Code of Liberia and to Harmonize Description and Coding System of the Customs Tariff Schedules;
10. Production Sharing Contracts with Addendums for Blocks LB 11-13 signed between NOCAL and ORAN Petroleum Limited & Broadway Consolidated PLC; and
11. Instrument of Ratification of the Maritime Labor Convention (2006) and related Certificate of Deposit;

Honorable Members of the Legislature:

I wish to thank you for acting on two important instruments. After your careful study, scrutiny and revision in keeping with your constitutional mandate for independence and oversight of the Executive, you passed the FY 06/07 National Budget. We also thank you for passing into law the Forestry Reform Act thus preparing the way for the lifting of international sanctions on our forestry sector. Both of these instruments were duly submitted to me for Executive concurrence and they are now fully operational.

While we applaud you for such acts in the national interest, I wish to take this opportunity to call on your Honorable Body to pass into law or forward for Executive action, other instruments pending before you. This will greatly improve our governance process and set us on the road to progress in tackling the people's business.

Honorable Members, in addition to the legislation, agreements and treatises submitted to your Honorable Body, our Administration also issued a number of Executive Orders as interim regulations, and stop gap legal measures to, among other things, centralize and improve revenue collection, streamline expenditures and expand the fiscal space of the national economy, revamp and reform the Forestry Sector, and improve the overall process of national governance. Prominent among the ordinances and executive orders issued were:

Executive Orders

- 1 Executive Order # 1 To Reform the Forestry Sector.
- 2 Executive Order # 2 Repositioning the Governance Reform Commission
- 3 Executive Order # 3 Creating the Mechanism for proper control of Government Revenues and Obligations
- 4 Executive Order # 4 Ensuring Government Support to the RR Component of the National Commission on Disarmament, Demobilization, Rehabilitation and Reconstruction Program

- 5 Executive Order # 5 Suspension of Protective Tariff on Cement
- 6 Executive Order # 6 Establishing a total Ban on Firearms
- 7 Executive Order # 7 Establishment of LIMPAC to provide for The Improvement of Macroeconomic Policy Formulation and Analysis
- 8 Executive Ordinance # 1 Establishing Government Policy on Per Diem Allowances
- 9 Executive Ordinance # 2 Establishing Government Policy on Per Diem Allowances for Domestic Travel By Officials and Employees of Government

Honorable Ladies and Gentlemen:

As we enter a new legislative session, I wish to seize this moment to remind all of us that, at this stage in our history, we cannot afford to remain complacent because of the achievements made thus far. The road ahead is long, tough and challenging. But it is, no doubt, the road into the future of restoring our County to sustained peace and prosperity. And we must all take it boldly with the single-minded determination to succeed. In this forward march into the future, turning back is no option; neither is it advisable.

So, in this Legislative session and in the years ahead, we are embarking upon a noble but difficult journey to reduce poverty across the nation, reform and strengthen our economic management system, rebuild our infrastructures decimated by years of war, reform our security sector, restore our social services including our health care and educational systems, decentralize national governance, and restore the rule of law that has been undermined by the tragedy of several internal wars. This is the thrust and fulcrum of our legislative agenda during the course of this session. Ours is a plan to propose laws and execute policies within the framework of the Interim Poverty Reduction Strategy Paper (iPRSP).

This is our agenda; and this is our challenge. It is a tall order, but it is the mandate of our people. We, therefore, have no choice but to pursue it, and let the judgment of history fall where it may. Acting together, we bear the burden of the collective expectation of an anxious nation, where expectations are high. We look forward to your support and collaboration in this endeavor during this Legislative session as we will be submitting, initially, the following legislations and agreements:

Acts and Concessions

1. Telecommunications Act 2006
2. Governance Commission Act
3. National Defense Act
4. Act Amending Chapter 22 of the Executive Law Repealing the Act establishing the Ministry of Rural Development
5. Act Amending Title 2, Criminal procedure Law
6. Act creating the National Bureau of Veterans Affairs
7. Enactment of a Code of Conduct and Conflict of Interest

8. Anti-Corruption Statute
9. Mineral Development Agreement with Mittal Steel Company
10. An Act to establish a Liberia National Commission on Small Arms

Honorable Members of the Legislature, Fellow Liberians:

One of the first steps in dealing with post-conflict reconstruction is to create a credible goal-oriented, domestic, political and economic agenda – and a foreign policy posture capable of projecting our image as a new democratic nation committed to the guiding principles of sound economic policies, good governance, creditworthiness and partnerships.

As part of our efforts to achieve this goal, immediately upon our assumption of office, we formulated our vision based upon a development framework anchored on four pillars: ***Security Reform, Economic Revitalization, Infrastructure Rehabilitation, and Good Governance and the Rule of Law.***

I. Security Sector Reform

Honorable Members of the Legislature, My Fellow Citizens:

I am pleased to report that during the period under review, the security of our nation witnessed steady and significant reform and improvements through the collaborative efforts of our people, National Security Services and the international community, especially the United Nations Mission in Liberia (UNMIL).

Pursuant to provisions of the Comprehensive Peace Agreement reached in Accra in August 2003, we continued from the NTGL and concluded the demobilization, deactivation and restructuring of the Armed Forces of Liberia (AFL), the Liberian National Police, and the Special Security Service. This required the retirement of a total of 17,000 persons at an estimated cost of US\$ 20 million with additional costs of US\$ 1,100,100 in benefits to widows. A reorganization of these institutions and the recruitment and training of new personnel within the framework of a comprehensive security sector

reform has begun. The goals are to create a well trained and properly equipped army of **2000**, and police and security forces of some **6,000**, to protect the geographic integrity of our Country and respond to any internal and external threat to our national security. To ensure that these goals are met, we must move quickly to establish the Office of Veteran Affairs and provide the means for full settlement of remaining arrears and payment of pensions to all qualified deactivated security personnel.

We have also initiated steps to revamp and strengthen the operations of the Bureau of Immigration and Naturalization (BIN) with ongoing effort to reactivate offices at all important entry points in the Country thereby strengthening the security of our borders and protecting our economic interest.

The United States has been our key partner in the reform of the sector, particularly the training of the new army, while the United Nations assumed major responsibility for the training of the police force. Important assistance has also been provided from our sisterly countries of Nigeria and Ghana and from China in the training of our Special Security Service. We thank each of these partners who have assured us that they will continue to honor their commitment to this important aspect of our national development endeavor.

II. Economic Revitalization

Honorable Members of the Legislature, My Fellow Liberians:

As we all know, our economy is small, open, import-oriented, and dualistic, with modern and traditional, or formal and informal sectors co-existing and functioning reasonably well. The modern or formal sector of our economy continues to be dominated by multinational corporations which import capital, technology and management – and generally export raw or unprocessed products. The traditional or informal sector on which our economy turns, continues to be rural based, rudimentary in technology with less developed infrastructures – producing largely for domestic consumption.

Overall, our economy is performing well. According to 2006 estimates, real Gross Domestic Product is expected to grow at a rate of 8 percent. This compares with a 30 percent decline in 2003. This

gives recognition to the propelling forces of our revived traditional engines of growth and the boom in construction activities.

The export-oriented sector made an annual contribution of 47 percent to overall Gross Domestic Product (GDP), while the traditional or informal sector, largely characterized by subsistence farming, accounted for the primary economic activities of our nation.

After taking office in January, we took important first steps on the long road to economic recovery. We endorsed and made active the Governance and Economic Management Assistance Program (GEMAP) which provides international experts for deployment in key financial agencies of Government. This provided the basis for a partnership consultation framework, the Economic Governance Steering Committee which I chair.

We also established the Public Procurement and Concessions Commission (PPCC) which has strengthened public expenditure regulation and led the review of all contracts and concessions agreements, particularly those granted under the National Transitional Government of Liberia. This review process received technical support from our partners through the Contracts and Concession Review Committee. At the end of this exercise, on December 31, 2006, some ninety-five (95) Contracts and Concessions had been reviewed. We have thus started the process to renegotiate these agreements, wherever better benefits to the country can be obtained, or to terminate for non performance or non compliance with our statutes.

In this regard, we are pleased to report the conclusion of renegotiation with Arcelor Mittal Steel which will provide stimulus to our economy with a significant investment of US\$1 billion over a seven (7) year period. Your early ratification of the Amendment to the Mineral Development Agreement will enable this important activity to proceed.

In the course of the year, we also established the Liberia Reconstruction and Development Committee (LRDC) as the successor regime to the Results Focused Transition Framework to coordinate the dialogue and the work with international partners on policy issues and program initiatives for economic recovery and growth.

In order to build a track record of policy implementation that would lead to eventual settlement of our hefty US\$3.7 billion external debt, we formulated and successfully implemented, with support from the International Monetary Fund, a Staff Monitoring Program. This will be followed by an even more rigorous macroeconomic program under an Interim Poverty Reduction Strategy program (IPRSP) which has been formulated for a dialogue with our partners at a forum scheduled to be held in Washington D.C., in February, with the co-sponsorship of the U.S. Government, the World Bank and the United Nations. In this regard, we are pleased to note that the preparation of the IPRSP involved the participation of key national stakeholders – the Legislature, civil society, national non-government organizations, and political parties.

In furtherance of improved budget and fiscal performance, we adopted a realistic, cash-based budget, matching revenue projections with domestic and foreign expenditure commitments.

Similarly, new critical expenditure measures were introduced including the strengthening of the Cash Management Committee, the introduction of an Interim Commitment Control System, the implementation of Foreign and Domestic Travel Ordinances, the introduction of prioritized cash plan for all line Ministries and Agencies which form the basis for the issuance of allotments by the Bureau of the Budget, and strict adherence to the guidelines of the Procurement Act.

As a result of these fiscal reform and discipline measures, I am pleased to note that actual revenue collection for the period of January 1 to December 31, 2006, was US\$114 million compared with US\$77 million for the previous year. Expenditure for the same period amounted to US\$93.5 million compared with US\$81.8 million for the previous year. Thus the calendar year's total revenue intake compared with total expenditure resulted in a calendar year excess of US\$ 21 million. It is also important to note that this performance moved us from a deficit to a surplus position propelled by a forty-eight (48) percent growth in revenues.

Honorable Members of the Legislature:

Following the imposition in 2003 of sanctions on timber exports by the United Nations Security Council, the Forestry Sector has successfully undergone major reform. The Forestry Development Authority (FDA) and the Forest Reform Monitoring Committee (FRMC) constituted by Government to oversee and monitor our forest reforms by formulating and implementing measures for the resumption of forest allocation, have worked in line with guidelines formulated by Government in collaboration with our international partners.

Moreover, as a result of measures instituted by Government to address international concerns regarding the administration of our forest sector, including the promulgation of Executive Order No. 1, the United Nations Security Council lifted sanctions imposed on this sector.

Government also made significant progress toward meeting compliance with requirements of the Kimberly Process, a precondition for the lifting of sanctions imposed on our diamond sector. We are continuing to work with our international partners to meet the requirements that will lead to the lifting of the sanctions hopefully during the next review by the Security Council.

Honorable Members of the Legislature:

During this reporting period, the Liberian Institute of Statistics and Geo-Information Services (LISGIS), once an integral part of the Ministry of Planning and Economic Affairs, was granted full autonomy by Act of the Legislature. This decision demonstrates our commitment to accord full recognition and support to the need for reliable statistics to guide our reform effort.

LISGIS will be given responsibility for undertaking the first national census in 20 years under a program to be submitted for your consideration and approval as required by the Constitution. This will enable us to review and redirect our effort toward progress in meeting the Millennium Development Goals and the preparation of a structured long term vision that will guide us as a nation and people.

This process under the Ministry of Planning and Economic Affairs will be enhanced through the Macro Economic Policy Analysis Program for which the African Capacity Building Foundation has provided US\$1.8 million.

During the year, our Ministry of Planning and Economic Affairs also concluded preparation of a draft policy to guide operations of Non Governmental Organizations, Community Based Organizations, and Private Volunteer Organizations. We expect this to take effect this year following consultations and validation with stakeholders.

Honorable Members of the Legislature:

We are pleased to report that considerable progress was made towards regaining our national authority in the preparation, implementation, and monitoring of European Commission assistance to our country, thereby leading to a removal of the Sanctions imposed on Liberia on account of the failure of previous Governments to meet internationally acceptable practices in fiscal performance and protection of human rights. We are therefore optimistic that we will soon meet all the requirements for the restoration of full National authority status with the Commission.

We have worked assiduously at the sub-regional and regional levels, to promote cooperation and increased economic integration in West Africa. We actively participated in the work of ECOWAS including transformation of the ECOWAS Secretariat into a Commission with a stronger regional Parliament and a Court of Justice. In addition, we hosted the Ministerial Meetings and assumed the Chairmanship of the Mano River Union.

In this role we will have a stronger voice to strengthen the role of the Secretariat based in Freetown including activation of the Capacity Development Program for the three countries which, through our instrumentality, has an allocation of US\$2 million from the Africa Capacity Building Foundation (ACBF).

Moreover, we are pleased to note that at a Summit in Conakry on December 16, 2006, Liberia was designated to play a mediatory role in the ongoing border dispute between our sisterly Republics of Guinea and Sierra Leone. We will continue to use our best effort to contribute to the peace and stability that our three nations deserve in order to pursue our national and regional development goals.

Honorable Members of the Legislature, My Fellow Citizens:

During the period under review, under our Maritime program and through our agent, the Liberian International Ship Corporate Registry (LISCR), 2,300 vessels representing 70 million gross tons and 36 million net tons were registered under our Flag. These numbers represent an increase of 135 vessels, or a 6 percent growth over the previous year.

Despite this, there was a 15 percent decline in overall maritime revenue from US\$10.4 million to US\$8.8 million. According to our agent, the decline in revenue was due to poor incentives for ship owners and fluctuations in vessels movements by smaller vessels replacing larger ones in our registry. This is a matter requiring better examination on our part within the context of a review of GOL/LISCR Agreement this year. We also believe that the performance under our Maritime program will improve when the Ministry of Finance is given more oversight responsibility. Technical assistance has been received from one of our partners to examine this issue and formulate options on the way forward.

However, I am pleased to report that the Bureau has made progress in its restructuring and training programs and in the settlement of long standing obligations to the International Maritime Organization. This will enable Liberia to seek membership in the IMO Council. Substantial progress was made in the rehabilitation of the Liberia Maritime Training Institute (LMTI), in Schiefflin, with the assistance of the Global Maritime Academy, the Transport School of the Merchant Marine Academy of the United States of America and the International Maritime Organization. We expect more support for this initiative once the feasibility study for the institute's rehabilitation has been concluded.

Honorable Members of the Legislature:

The growth of our economy is also reflected in our trade sector. In the area of foreign trade, the nation's total exports in 2006 was US\$163.81 million compared to US\$131.30 million in 2005 an increase of twenty-five (25) percent. Total imports were valued at US\$456.77 million compared with US\$229.83 million in 2005, representing an almost one hundred (100) percent increase. This resulted in significant increase in our nation's balance of trade deficit from US\$98.583 million to US\$ 292.96 million, a reflection in part of the lag in reactivating the productive export sector unmatched by

the increase in demand for imports resulting from partnership financed economic activity and an increase in consumer purchasing power.

Recognizing, however, that commerce and industry constitute two areas critical to the revitalization of our post-war economy, the Administration has given keen attention to reforming and reinvigorating these two sectors. Our goal is to ensure that our people have continuous, unlimited access to commodities and services that they need for their livelihood – and for national reconstruction.

Measures were thus taken to address long standing monopolistic practices to ensure that strategic commodities were available on the market in adequate quantities and at affordable prices. These measures were subject to considerable questioning as they exposed deep rooted vested interests and their allies.

Nevertheless, I am pleased to report to you that the measures taken have largely achieved the objectives so there will be no need for further intervention by the Government in the importation of commodities other than the regulatory function relating to prices. In other words, **Honorable Ladies and Gentlemen**, except for those who have engaged in acts of sabotage in the past, the market will be opened to all importers of all commodities including rice and cement.

Honorable Legislators, in the area of industrialization, I am especially pleased to report that Liberia has been declared eligible for membership to the Africa Growth and Opportunity Act (AGOA) of the United States, thereby laying the basis for the inflow of American Foreign Investment Capital and an entry of Liberia's exports into the U.S. markets. This will enable us to give support to and prepare our artisans and cottage industries to benefit from this potential.

Honorable Members of the Legislature, My Fellow Liberians:

When we took office, we faced challenges in our efforts to regain investors' confidence due to legitimate concerns about our country's image and post conflict security and stability. However, such challenges, rather than weaken our resolve, spurred us to work even harder to attract foreign investors. A critical part of our efforts has focused on creating an improved investment climate – a strong judiciary, streamlined regulations in the level of corruption, and a more efficient and transparent Government.

The “*one stop shop concept*,” initiated by the National Investment Commission, under which the Commission coordinates investment issues, has helped to reduce bureaucratic hurdles that frustrate new foreign investors.

With this improvement, Government received many investment inquiries from potential investors out of which 18 were translated into project proposals in manufacturing, service, packaging/processing, and mining sectors. The 18 processed projects have the capacity to create 589 jobs with a total investment size of over US\$42 million. We intend, in all cases where applicable, to ensure that value is added where investment involves the use of our primary products.

Honorable Members of the Legislature:

When we assumed office one year and a fortnight ago this week, we inherited an agricultural sector that had been devastated by the civil conflict. Agriculture being labor intensive traditionally absorbed more than 70 percent of our nation’s workforce and today remains the prime pillar of our strategy for poverty reduction, food security and economic recovery.

In order to start on the long road toward the achievement of this objective, we distributed over 40,000 tools and 20 metric tons of rice seeds to some 33,000 farmers throughout the country. We also reactivated activities at the Central Agriculture Research Institute in Bong County and have completed a plan of action for its complete rehabilitation. In spite of this progress, the sector faces continuing challenges of under-capacity of poor road conditions and lack of agricultural inputs.

Subsequently, we devoted major effort toward the formulation of policies and the creation of the environment that would enhance Government’s ability to resuscitate this vital sector of our economy.

The goal of this effort has been to formulate a Comprehensive Agricultural Development Policy, a National Agricultural Investment Strategy and a 24-month plan of action arising out of the National Food Security and Nutritional Survey for sustainable agricultural development in all sub-sectors, national food security being the overarching objective.

In furtherance of this objective, we also sought to build strong partnerships between Liberian agricultural institutions and stakeholders at the domestic and international levels. These partnerships

have already started to enhance the capacity of our Government to achieve our agricultural development objectives.

We have also started the process of resuscitating those rubber plantations that were abandoned by investors during the many years of conflict. Our objective in this regard is to ensure that the plantations are operating again under sound interim managements until they are reclaimed by the original investors or given to new investors under a competitive process. The same policy will apply to other large agricultural plantations such as oil palm.

Honorable Members of the Legislature, a major area of concern for our rubber plantations is the increasing level of illegal tapping and the unacceptable violence associated thereto. This has seriously affected production, exports and Government revenues from our two major producers, Firestone and the Liberia Agricultural Corporation and from major national producers as well. We are working with the management of the plantations to establish a strong Government security presence on these plantations and to design systems that identify the sources of rubber purchased through properly licensed non-producing intermediaries thereby addressing the source of rubber bought illegally by unlicensed intermediaries.

Honorable Members of the Legislature:

The Labor Sector remains one of the major casualties of our civil conflict. The negative consequences of the conflict on this sector continues to reverberate in all facets of our national life, particularly in the economic and social spheres, leading to high unemployment, low human capacity, low wages, and poor living standards.

In our effort to respond to the challenges, we developed a vision “To Humanize and Restore Dignity to the Liberian Labor Force.” This vision is anchored on four major pillars: *Institutional Capacity Building and Development, Promoting the Rule of Law and Labor Standards, Manpower Development, and Restoring Regional Cooperation.*

In this regard, particular attention was given to job creation and to the safeguarding of the rights, dignity and better remuneration for labor.

We also launched the Liberia Emergency Employment Program (LEEP) and the Liberia Employment Action Program (LEAP). These programs grew out of a visit to the International Labor Organization (ILO) in Geneva at which time I addressed the Annual Session of that body, the first time by a Liberian President. The ILO has since provided US\$3 million to support our employment program which has generated short term employment for over 10,000 Liberians and is expected to create more than 50,000 jobs in the next 18 months.

While we place premium on job creation, we must endeavor to encourage skills improvement across the various sectors. A cursory look, in year 2000 estimates, at the distribution of our labor force across the economy shows that agriculture, being labor intensive, is the largest sector with 70 percent of the workforce; Commerce and Industry has 8 percent, and the service sector has 22 percent.

Other labor protecting rights were instituted. To safeguard our alien resident and work permit systems, a new measure for their acquisition was operationalized. Let me emphasize that this measure is not intended to discriminate against foreign workers but simply to ensure that preference for our citizens in the workplace is guaranteed under Section 1507-A of the Labor Laws and Practices of Liberia.

To address the increasing incidence of abuse of child labor, the National Commission on Child Labor was reactivated and the National Task Force on Human Trafficking was established to help combat the menace of human trafficking within the territorial confines of our country – and the wider West Africa sub-region.

We also established a National Task Force to examine work conditions on rubber plantations throughout the country. This has provided us with substantial insight into the many labor problems exacerbated by years of institutional decay and indifference thereby enabling us to address issues of child labor, contract attestations, and the general state of affairs in our labor sector.

Moreover, for the first time in twenty-five (25) years, a Minimum Wage Board was established to study and recommend a new wage policy, consistent with our commitment to ensure constructive collective bargaining in our labor market.

Perhaps more importantly, during the year we initiated unprecedented social dialogue in the labor sector and advocated for unparalleled improvement in the application of labor standards, thereby occasioning a dramatic shift in the resolution of labor disputes from violence and strike actions to peaceful dialogue among tripartite partners comprising workers, employees, and Government.

III. Rehabilitation of Infrastructure and Basic Services

Honorable Members of the Legislature:

As all of us are aware, our civil conflict left the educational infrastructure of our nation in shambles thus creating a situation in which most young people of school-going age were constrained to adopt a distorted logic of the essence of education. As we strive for national reconstruction and renewal, education of all of the children of this country, especially the neglected girl child, must occupy a place second to no other national priority. This is because our democracy cannot be advanced when the majority of our citizenry is functionally illiterate, lacks the knowledge, and skills require to lead our national efforts, or unable to compete in an increasingly interconnected and global community.

Consequently, with the assistance of partners, we focused on the rehabilitation of educational facilities and the development of a National Educational System within the framework of the Millennium Development Goals.

As a demonstration of our commitment to education, an amount of US\$10,356,535.00 was allocated in the National Budget for education representing eight (8) percent of the total budget and a twenty-seven (27) percent increase over the previous year's allocation.

In delivering on our commitment to make education available to all our children, we commenced implementation of the nation's Free and Compulsory Education Policy. Under this program, all tuitions and fees were abolished in public primary schools, and tuitions and fees in public high schools were reduced and standardized to make the cost of secondary education affordable. We also resumed subsidies to private schools by an allocation of US\$502,000.

As a result, we witnessed a forty (40) percent increase in enrollment in primary, junior, and senior high schools through out the country. In addition, we commenced adult literacy programs designed to provide educational opportunities lost as a result of our prolonged civil conflict.

Honorable Members of the Legislature:

Statistics gathered during the year suggested that 60 percent of the more than 20,000 teachers in our nation's classrooms had no formal teacher training. We have thus embarked, with our partners, upon a teacher training initiative that will include renovation of the Kakata and Zorzor Teacher Training Institutes. We also reactivated and improved Government's National Scholarship Program including the settlement of more than LD\$17.0 million local scholarships tuition arrears owed various academic institutions.

Additionally, the Ministry of Education awarded 1991 local scholarships to deserving students in all 15 counties to attend secondary and post-secondary institutions. In reverse of previous practice, our foreign scholarships program was deemphasized except for those provided through bilateral grants by friendly nations. A total of 79 students benefited thereby pursuing studies in various academic and professional fields in six countries, including People's Republic of China (PRC), Kingdom of Morocco, Arab Republic of Egypt, Russia, and Cuba.

In the area of higher education, Government regularized the operation of the University of Liberia by launching a trimester academic year to enable students, whose academic programs were prolonged by interruptions caused by the civil conflict to complete their studies in reasonable time. Moreover, a 5-year strategic plan was formulated and plans advanced with partners for the relocation of the University to the Fendell campus.

We also initiated the National School Survey and Data Collection Program to establish an Education Management Information System (EMIS) that will enhance our education planning capability.

Additionally, Government provided 13,000 pieces of school furniture and launched a Pilot Computer Project under which computer laboratories were established in seven public high schools in seven of our political subdivisions. The goal of this program is to make computer education an integral part of public school education curriculum in all counties.

In spite of these achievements, several challenges remain in the educational sector, significant of which is the difficulty to attract and retain qualified teachers and professors. This, in large measure is the result of low salaries, poor incentives and the lack of appropriate instructional materials and logistics. This situation is exacerbated by overcrowding in all facilities in light of recent increases in school enrollments.

Honorable Members of the Legislature:

In response to the broken national health system which we inherited, we concentrated on six key areas to reverse the downward trend in the health sector – *Policy and Planning, Infrastructure Rehabilitation, Human Resources, Health Care Services, Health System Strengthening and Administration, and Resource Mobilization.*

With these objectives in mind, a National Health Plan is being formulated to guide our interventions in the health sector in the medium term. We have also witnessed a significant revival of the JFK Hospital under the new Administrator's team, commenced rehabilitation of the Telewoyan Hospital in Voinjama; completed the construction of the Gbarpolu Health Center and the Maternity Ward of the Government Hospital in Tubmanburg, Bomi County. In addition, 19 clinics in Lofa and Maryland counties have been rehabilitated.

As part of our effort to encourage Liberians to enter the health sector, we paid the first semester tuition fees for all medical and pharmacy students at the University of Liberia, arranged for the training of ten health workers in China and introduced an emergency hiring package with an incentive allowance for medical doctors assigned outside of Monrovia. Our training program included 3,500 health workers in Malaria Case Management, 48 in Integrated Management of Childhood Illnesses (IMCI), 220 health and media personnel in strategies for the prevention and control of cholera, Lassa fever and HIV/AIDS, 25 persons in Ethical Standards for Social Welfare, 90 as caregivers in orphanage care, and 45 in orphanage management.

In the area of health services, over 800,000 children were immunized against measles. Services were restored to over 354 health facilities in the country while 83,849 pregnant women benefited from the Intermittent Preventive Treatment (IPT). We also established five drug depots in five rural communities, installed 75 solar refrigerators to store vaccines and distributed 126,865 mosquito nets in all 15 counties to enhance our effort to improve malaria prevention. We are also pleased to note that during this reporting period, we recorded a reduced TB patient defaulter rate from 17 percent to 8 percent.

To strengthen the health sector and administration, 15 vehicles and 30 computers were procured and delivered to our health teams in the 15 political sub-divisions of our country with a view to establishing viable health information centers.

In addition, we established and equipped a National Health Resource Center with Internet facilities, provided reference books and established standardized county health management tool kits.

In the resource mobilization aspect of the our National Health Program, I am pleased to inform you that a US\$44.3M HIV/AIDS five-year agreement was signed with the Bill Clinton Foundation to strengthen our National HIV/AIDS Program.

Despite these improvements, we remain very concerned about our ability to respond to the health needs of our people. Several NGOs which currently provide the best of such service in our rural areas have indicated an end to their assistance as we move from humanitarian to development status. Surprisingly also, one of our major partners is considering a reduction in their support of the health sector. We must find a way to deal with this problem as our current level of resources will not enable Government to assume these services in the short term.

Honorable Members of the Legislature:

One of the most important aspects of our national reconstruction agenda is the rehabilitation of economic infrastructure – roads, bridges, public buildings, electricity, water supply, and telecommunications. The state of these facilities requires that we prioritize infrastructural rehabilitation as one of the critical pillars of our post-conflict reconstruction agenda.

Roads, considered one of the most important priorities by our people pose the greatest challenge. Funding and technical assistance provided by the World Bank fell short of our timing and standards expectation causing significant delays in the start of rehabilitation of selected Monrovia streets, the Monrovia to Buchanan and the Monrovia to Ganta highways.

A catch-up effort is underway that should see a start up in mid-February but will likely result in a redesign of the Monrovia-Buchanan road with better standards and a delay in the Monrovia-Ganta segment. The need for enhanced capacity in our Ministry of Public Works was evident during this process.

Better success was achieved in the area of primary rural roads through an innovative scheme using the engineering contingents of UNMIL with funding from our partners. By this means the Gbarnga-Kolahun-Varhun, and the Ganta-Zwedru-Fishtown roads are being rehabilitated. Partnership support has enabled us to start the Ganta-Saniquellie, Buchanan-Rivercess/Sinoe and the primary rural roads even as we continue to work with key partners to start the Todee road for which a commitment was made by the United States Government. Similar plans are underway for the Fishtown-Harper road. An attractive job creation aspect of our roadwork involves side brushing on several of our primary rural roads.

Road and drainage rehabilitation work was also undertaken in several areas including Free Port of Monrovia to Barnesville, Central Monrovia to Duala, and the VP Road in Sinkor. Work on bridges and drainages include the Matadi Road Bridge, Bensonville, Cheeseman Avenue, and Carey to Gurley Streets. The acquisition of road and construction equipment by Government expected in the country next month will enable us to do even more.

Honorable Legislators, to discourage widespread hazardous building construction, we commenced enforcement of national land use planning and zoning regulations. This required demolition of makeshift and other structures whose locations violated existing city ordinances and administrative regulations.

Although we are mindful of the need for caution in the dislocation of our people, we must also, for their protection, continue to insist that we reduce the level of housing conglomeration by enforcing the regulations.

We have also taken preliminary steps to address the threat that beach erosion poses to various parts of the country, including West Point, Buchanan, the OAU Village in Virginia, Kendeja, and other investment locations.

In the area of public buildings, our Ministry of Public Works completed technical assessments for the renovation of the Executive Mansion with renovation work scheduled to begin shortly on the Old Executive Mansion and Pavilion as well as several other structures including the Capitol Building and the Ministry of Public Works complex.

In addition, with partnership support, we are well advanced in planning for the rehabilitation of several county administrative buildings, schools, hospitals, clinics, roads and bridges.

Unfortunately, as you know, in November the Vai Town Bridge over the Mesurrado River collapsed resulting in severe traffic congestion on Bushrod Island. We are in active consultations with several partners to ensure a reconstruction of the bridge during the current year.

As you know, the Executive Mansion suffered an outbreak of fire on July 26 and the Office of the President and the Ministry of State are now temporarily located in the Ministry of Foreign Affairs building. The maintenance of the Executive Mansion appears to have been seriously neglected over the last two decades and initial inspection has shown that the building may now require a complete and comprehensive renovation likely to cost several million dollars. An assessment is presently in progress relative to the Executive Mansion so that an informed decision can be taken.

Honorable Members of the Legislature, before I took office, based upon plans that were underway, I promised to bring electricity to the city of Monrovia within six months. This proved a difficult undertaking as I could not in good conscience proceed with the plan that existed. Nevertheless, I remained determined to keep that promise even if partially.

Thus, on July 26th the first phase of the Emergency Power Project (EPP) was successfully commissioned by me and President Kufour of Ghana whose electricity company, the Volta River Authority, had assisted us to achieve this goal. This phase provided street lights in Sinkor and Congo Town and some electricity to JFK and Catholic Hospitals and to other select institutions. Specifically, with a combined capacity of 2,500 KVA, two hundred (200) street lights were commissioned in the Sinkor and Congo Town areas, while 230 were commissioned in the West Point and Downtown Monrovia areas with additional electricity to some commercial customers. This progress was made possible with the support of our partners, USAID, the European Commission and the World Bank.

The second phase (EPP II) intended to expand the first phase and provide light to the Paynesville area will commence shortly. Subsequently, say within eighteen to twenty-four months, it is our plan to move toward privatization of the sector.

Honorable Legislators:

I am equally pleased to report that, for the first time in fifteen years, we resumed the supply of pipe-borne water to various parts of Monrovia and its environs where 50 percent of our population are now served.

Considerable progress has been made to rehabilitate the water treatment plant at White Plains and the transmission lines that will enable us to expand the distribution network. Similar efforts are underway to improve the sewage system in Monrovia. Moreover, assessments have been completed on water systems to be made operative in Kakata and Zwedru.

Honorable Legislators:

We are pleased to report impressive progress in the revitalization of our Post and Telecommunications sector. The Ministry reactivated an agreement which led to the printing of 600,500 commemorative postage stamps at a value of US\$359,500. Regular postal service has begun in Monrovia and other parts of the country for the first time in many years. The International Philatelic Corporation of New York supported this effort through the supply of 12 vehicles.

On the other hand, because of the massive damage done to our telecommunications infrastructure, Government was constrained to shut down the Liberia Telecommunications Corporation, leaving this sector solely to private, commercial GSM service providers.

An interim Board of Directors was established to assess and compose plans for the reactivation of the Corporation. Toward this end, 660 employees with aggregate salary arrears of US\$502,000.00 dating back to 2003 were paid and deactivated. A skeleton staff continues to manage the Corporation under supervision of the Interim Board until the issue relating to a contract with an Ivorian firm for land line equipment claimed to be valued at US\$3 - 5 million is resolved.

The Government's goal is to reactivate LTC to enable it to compete in the sector under a privatization scheme.

Honorable Members of the Legislature:

In further development of the sector, the Liberia Telecommunications Authority (LTA) became operational following the passing of an Act by the National Transitional Legislative Assembly (NTLA), and the appointment of an Interim board of Commissioners as required by the Act.

With support from the World Bank, a Comprehensive and Permanent National Telecommunications Law has been drafted for submission to your Honorable Body. We ask your early consideration of this act to enable us to reorganize and restructure the agencies covered under the Act.

Honorable Ladies and Gentlemen:

During this reporting period, Government reactivated and strengthened the General Services Agency (GSA) with new management to carry out its new role of managing public assets. During the year GSA recovered 115 vehicles in various conditions. Of this number, 70 percent of the vehicles were roadworthy, 9 percent of them were dysfunctional and 21 percent needed repairs. Among the vehicles retrieved, 39 percent was from the Executive, 1 percent from the Judiciary and 60 percent from former members of the National Transitional Legislative Assembly (NTLA). Sixty-nine (69) vehicles belonging to the NTLA, were recovered and sold to its former members. The remaining vehicles were reassigned to various Government institutions.

IV. Good Governance and the Rule of Law

Honorable Members of the Legislature, Fellow Liberians:

Good governance and the Rule of Law constitute a fundamental cornerstone of our reform agenda. Consequently, and in order to meet the expectations of our people, we have vigorously worked to ensure that our Government is administered in a transparent and accountable manner.

Thus, immediately upon assuming office, we declared our own assets and required the Cabinet and all commissioned officers serving to do likewise. This requirement will be repeated with judicial action when you have enacted into law the proposed Code of Conduct that has been submitted to you.

Also in furtherance of our commitment to accountability, we are in the process of bringing to justice several high level former Government officials who violated the public trust or engaged in serious violation of human rights. The action has no other motive than to bring impunity to an end and set the standards by which this and successive Governments will be guided.

Our work in the area of governance and the rule of law is spearheaded by the Governance Reform Commission (GRC) which through Legislation to be submitted to you, will be transformed into a more permanent Governance Commission.

I am therefore pleased to report that in the area of establishing a system of public integrity; the GRC has completed and promulgated a national policy against corruption. We have also completed a draft anticorruption strategy and are currently in the process of completing the design of an anticorruption agency, and with it, a set of associated laws designed to strengthen the performance of our legal and related institutions, the so-called Pillars of Integrity. In this regard we wish to express thanks to your Honorable Body for ratification of the African Union Protocol on the practice and combating of corruption and the United Nations Convention Against Corruption.

The appointment of a Liberian Auditor General in accordance with the Constitution, but with financial independence through European Commission support, will give impetus to our anti-corruption effort. We plead your early confirmation action on this.

Moreover, an exercise to review the mandates, mission and organizational structures of ministries and agencies has been undertaken as a first phase of the public service reform effort to revamp the Liberia Public Service.

With the cooperation of the Chief Justice and other judicial officials as well as the National Bar Association, the process is well addressed for the establishment of a Law Reform Commission. Similarly, a draft national security policy statement has been prepared and plans are advanced for a stakeholders' conference on land reform with a view to the establishment of a Land Reform Commission.

In all of these exercises, the GRC has consulted broadly, not only with government entities and international partners, but also among the range of civil society organizations.

In order to deepen legitimacy and ownership of these reform initiatives we have used Liberian expertise and, where such expertise is unavailable, insisted on the recruitment of Liberians as understudies. This has not always been a popular strategy with some of our collaborators but one that is crucial for the building of Liberian capacity.

Honorable Ladies and Gentlemen, one of the obstacles that have impeded the development of our country has been the over- centralization of political authority in Monrovia. Monrovia was the answer and was expected to provide the answers and solutions to all of our developmental challenges, even when it was widely know that its formulas were wrong. Local ideas were disregarded and initiatives often stifled. As a result, it was not what our people wanted, but rather what Monrovia said and wanted to see done.

When I campaigned for the Presidency in 2005, I committed myself to remove the cult of the imperial presidency – and to return power and decision making to our communities and citizens across the length and breadth of this country.

Consequently, since assuming the Presidency, we undertook and have continued our program of frequent visits to the various political sub-divisions of our country, the goals being to take the government to our people and encourage their participation in our democratic process and the administration of the affairs of our common nation.

During this reporting period, therefore, we have not only honored the tenets of decentralization; we have given it life and meaning. We have brought a new approach to local government administration, infusing it with a sense of accountability and transparency unheard of in the history of our country. Our goal is to reform local administration with the view of empowering and capacitating our people.

However, our initiative in this regard requires a process of education and sensitization of local government officials regarding the need for them and their people to become more participant and active in matters affecting local administration – and the robust enforcement of the mandate of the Ministry of Internal Affairs. In furtherance of this goal, our international development partners have provided training and capacity building of local officials to enhance the effective implementation of their respective mandates.

Accordingly, vehicles and other logistics were provided for our 15 county Superintendents and Assistant Superintendents for Development. Traditional development committees were also formed to serve as coordinating points for county development projects. Some of these structures are the District Development Committees (DDC) and the National Traditional Council (NTC). These are structures through which the policies of Government regarding national issues and development are now channeled – early results are encouraging.

Honorable Members of the Legislature:

As you are aware, the issue of inter-ethnic disputes in Liberia remains a source of deep personal concern – and therefore occupied my attention during this reporting period. Consequently, during this reporting year, we constituted a Presidential Task Force to initiate dialogue and mediate in the Nimba County inter-ethnic dispute under the Chairmanship of the Ministry of Internal Affairs, the goal being to serve as a facilitating agent to create the space and opportunities for the people of this important county to discuss their differences and find a common, reconcilable ground that creates the enable environment for them to live in peace and security. I am pleased to report that, following months of mediation, significant progress has been made in resolving the dispute. We will continue to keep you informed on this progress through the county Legislative Caucus.

Within the framework of rural development and transformation initiatives, Government has also completed the architectural designs of administrative buildings for Gbarpolu, Grand Kru, Rivercess, and River Gee counties and construction is scheduled to commence soon.

With regard to the holding of chieftaincy and municipal elections, a Special Joint Stakeholders Consultative Conference (SJSCC) was held in Buchanan, Grand Bassa County, in October of this reporting year to pave the way for the holding of these elections. Further arrangements fall under the supervision of the National Elections Commission.

Honorable Members of the Legislature, Fellow Citizens:

During this reporting period, Government continued its efforts to find the optimal size for our Civil Service and to make the service more responsive to the needs of our people. In this connection, the Civil Service Agency, in collaboration with the Ministry of Finance, was able to remove more than 1,700 “ghost” names from the government payroll. The exercise, geared toward creating a lean, efficient and merit service that is adequately paid, is on-going.

Our final objective of weeding out ghost names from the payroll is to ensure that all those who collect a government check at the end of the month are *bona fide* employees who are delivering goods and services to our people in an effective and efficient manner.

With your cooperation, Honorable Ladies and Gentlemen of the National Legislature, Government was able to raise the minimum salary of civil servants from LD\$850 to LD\$1,720. It is our intent that as the Civil Service reforms take hold, and our revenue collection improves, Government will consider further increases in the salaries of civil servants until we reach a point where conditions of service in the public sector is good enough to attract our best and brightest minds into public service.

In November, we were also able to add LD\$1,000 to the monthly pension benefit of our retired senior citizens who have given years of service to our country. This increase was made possible because of some of the savings that have accrued from the reform measures we are putting in place. Our citizens, who give the best years of their lives to serving the public, must be able to retire honorably and with benefits that can sustain them and meet their basic needs. The Civil Service Agency is also

working along with the National Social Security and Welfare Corporation to harmonize the pension scheme of Government in keeping with law.

Moreover, we have commenced the design of a new program to improve service delivery to civil servants in the rural areas.

In this regard, we intend to remain focused on a comprehensive civil service reform program that will clearly define the mandates and functions of government entities and authenticate the true identity of those who collect government salary checks at the end of each pay period.

Let me use this opportunity to call on your Honorable Body to cooperate with the Executive in this reform exercise particularly as it relates to civil servants who work in your Branch of Government.

Honorable Members of the Legislature, My Fellow Citizens:

Liberia's demographic profile shows that the youth constitute the majority of our population. Tragically, our youth were the worst victims of our civil conflict. Consequently, providing them the environment to heal and resume normal lives must claim the highest priority of our Government.

We thus believe that developing the sporting talents of our youth constitute a potential area for developing careers that lead to fame and wealth. Thus, during the reporting year, we spared no effort to give attention to youth development, and sports and vocational training within the framework of our national reconstruction agenda. I am pleased to report that remarkable achievements were made: our National Football Team, the Lone Star, in spite of financial constrains, defeated the Rwanda Football National Team. Similarly, our Female Lone Star Team also overwhelmed their Algerian counterparts in the preliminary round of the Female World Cup Tournament although regrettably, our female Lone Star lost to Nigeria.

Within the framework of our Government's decentralization program, the Ministry of Youth and Sports concluded the assessment of all sporting facilities and offices throughout the country. In collaboration with our international development partners, a National Youth Policy Framework Document was

drafted and is awaiting Legislative enactment. Once enacted, we will hold consultations with the concerned youth groups to ensure implementation and support for the policies adopted.

PUBLIC CORPORATIONS

Honorable Members of the Legislature:

Liberia Petroleum Refining Company (LPRC)

The board of directors of the Liberia Petroleum Refining Company appointed by me in late January 2006 determined that the first item on its agenda would be a restructuring of the company to address significant overstaffing that had been identified in reports of an Ernst & Young team that undertaken a systems review in 2004 financed by the European Commission and Monbo & Company, a local accounting firm, commissioned by the Auditor General to conduct an audit of LPRC's 2004 and 2005 financial statements.

Accordingly, the board and management crafted an ingenious voluntary severance program that was presented to the workforce in April. Over a period of 10 days, 400 employees volunteered to be severed from the company in exchange for generous severance packages. Many of those former employees have now become self-employed, investing their severance money in their own businesses.

The LPRC board followed this up with a paring of the unwieldy management structure then in existence, reducing the number of layers by half and the number of departments from 16 to 6. The net result is a company that is today leaner, more efficient and more cost effective, as demonstrated by its recent financial performance. LPRC's operating income jumped from US\$1.5 million in 2005 to US\$6.3 million, an increase of more than 300%. Net income came in at US\$4.8 million, after the deduction of a one-time severance payment of US\$1.5 million. Today, LPRC's financial position is a lot stronger than it was 12 months ago. The company's bank balance has grown from US\$50,000 when the new management took over to almost US\$2 million as of December 31st, despite settling more than US\$1.5 million in inherited debts and paying off a US\$1 million bank loan for its severance program more than 1 ½ years ahead of schedule.

Of particular note is the fact that LPRC has taken actions to increase the level of competition in the marketplace such that petroleum supplies are plentiful and at prices 30-40 percent lower than other countries in the region. At the same time, Liberian importers' share of the market for gasoline and diesel has increased from 11 percent in 2005 to 40 percent today.

One issue concerning LPRC continues to be the subject of controversy and concern – that is the allocation of oil to Liberia by the Federal Republic of Nigeria. The facts of the matter are clear if we but take the time to examine them professionally. In follow up to request made by the previous government and in keeping with similar assistance given to other ECOWAS countries, we requested an allocation of 30,000 barrels. Only 10,000 barrels was approved to be handled on a commercial basis with a contract between LPRC and the Nigerian National Petroleum Company.

Accordingly, on June 14, 2006, NNPC offered LPRC a one-year contract, effective August 1, 2006, to purchase 10,000 bpd of crude oil on commercial terms. The offer included the requirement that LPRC deposit US\$1million with NNPC as security for its commitment to commence lifting the crude oil that would be contracted.

After looking at several options, a decision was made to monetize the crude allocation by selling it to an oil trading company with the resources to make the US\$1million deposit on LPRC's behalf and raise the letter of credit for each shipment. Addax Limited was selected to play that role on account of its strategic position as a significant player in the Nigerian oil industry in addition to being a major oil trader in Africa. All documentation in this transaction which runs into large volumes is available upon request for your scrutiny.

Roberts International Airport (RIA)

Honorable Legislators, Roberts International Airport continues to be fully operational in spite of the need for modern facilities and equipment and human resource capacity development.

Overall revenue performance improved, recovering from a considerable negative cash flow and net book value (current assets over current liabilities) to positive cash flow and net book value, with no significant increase in the number of scheduled flights. These positive results are attributable to

stringent control measures taken by The Management in adherence to policies and procedures adopted by The Board of Directors.

Additionally, some basic capital items were acquired and The World Bank and USAID committed to providing grants for the implementation of emergency works needed to elevate R.I.A. to meet minimum international standards per ICAO requirements. R.I.A. has also been reintegrated into The Airport Council International with all arrears waived.

To enable RIA attract more international airlines, the Board and Management are exerting every effort in the short term to elevate RIA to meet minimum internationally accepted standards.

Other major objectives going forward include, the renovation and reconfiguration of the existing passenger terminal building; minimizing the bureaucracy to actualize commitments from the World Bank and USAID; and implementation of a comprehensive manpower development program.

To correct the situation in which the RIA has been operating as a quasi legal entity we have commenced the process of incorporation, which is expected to be completed in less than a month. Attaining legal status as a corporate entity will enable RIA to seek private sector partnership and the capital investment needed to address long term development needs.

National Social Security and Welfare Corporation (NASSCORP)

After years of management and failure to carry out its mandate, the National Social Security and Welfare Corporation (NASSCORP) was reorganized under new management which has made significant progress to restore credibility to the institution. Ongoing program comprise three schemes – employment injury, national pension and welfare. Total current beneficiaries of the program are 60,000 persons who are covered under the employment and national pension schemes.

Funding for the program increased by 200 percent - US\$650,000.00 from February of last year to US\$1,300,000.00 during the current year, while total expenditure, as a result of restructuring and efficiency measures, reduced from 80 percent of collections – 2005 to 67 percent for the period under

review. As a result, during the year, the corporation fully settled all claims outstanding for the current and for previous years.

National Housing Authority (NHA)

Honorable Legislators, a new Board and Management of the National Housing Authority (NHA) was charged with the responsibility to review the performance and the problems associated with management of existing houses estates, Steven Tolbert, E. Jonathan Goodridge and New Georgia. This review led to the discovery of certain inequities in the scheme.

Therefore we have decided that senior citizens who have continuously resided in units for 20 years and above and those who have attained the age 60 years and above, will be given fee simple Title deeds to the properties which they occupy.

Nevertheless, affordable housing continues to be an acute problem due to internal migration and internal displacement of our people throughout the country. Thus our Administration, over a period of five year, will undertake housing program for the construction of 7,000 housing units around the country that will accommodate approximately 70,000 persons.

In this regard, the Administration has commenced the portion of the Gbengbar Town Housing Program mainly focusing on phase (1) and (2) of site preparation and construction of (40) housing units at the cost of approximately US\$2million, an amount expected to be provided by Saudi Prince Alwaleed Bin Talal Bin Abdulaziz Alsaud. At the same time, we will continue efforts to secure funding for the construction of more housing units for our people, thereby reducing our housing problem in the country.

National Port Authority (NPA)

Honorable Ladies and Gentlemen, we continue to work with the National Port Authority to resolve the serious problems faced at the one operational Port of Monrovia. Although the Port registered appreciable increase in ship arrivals and cargo handling, it continues to be a grossly underperforming public corporation on account of an excessively over bloated and under capacitated workforce, the lack of marine craft and cargo handling equipment, the loss of warehouse facilities to private users

under questionable long term contracts, an over silted entrance channel and poor security resulting in theft, and overall poor financial systems and control.

The new management, with the support of GEMAP experts, has tried to address some of these problems through a restructuring and reduction of the workforce, training of staff, improvement in security and compliance with the International Maritime Organization's International ship and Port Facility Code.

However, much more needs to be done. The matter relating to the contract with a Ghanaian firm for the leasing of cargo handling equipment at excessive cost and the bidding for management of a container terminal must be solved taking into account the Administration's position on conflict of interest by long termed major users of the port's facilities. Both of these issues have the expressed concern of partners who have made significant commitment to provide the support for the several works that will make the Port more operationally efficient, thereby minimizing the risk of the port being declared non functional with grave implications for our economic recovery effort.

The improvement that must be urgently undertaken by the Port management include the compliance with the ISPS Code would including the installation of fire fighting capacity, perimeter fencing, proper access control systems/procedures, lighting and ability to monitor sensitive areas, the establishment of secured areas to perform "spot checks of containers/scanning", separation of the Port into safety areas, advanced security training and proper equipping of security personnel responsible for ISPS implementation and access control.

Moreover, studies undertaken during the reporting period identified a number of priority measures to re-establish efficient port operations. These measures include, but not limited to, capital dredging of the entrance channel and the harbor basin, the refurbishment of the oil jetty and the removal of wrecks and other dangerous materials from the Port sea beds. The World Bank tender for the dredging of the entrance channel has been completed and a dredging contract is being negotiated. Also, Management has concluded a tender for the removal of wrecks. These works are scheduled to commence in February 2007.

Liberian Civil Aviation Authority (CAA)

By Act promulgated in January, the Liberian Civil Aviation Authority assigned the responsibility for the Bureau of Civil Aviation now operating from newly constructed modern offices facilities at the Spriggs Airfield. Much progress has been made.

Rules and regulations governing the aviation industry in accordance with ICAO standards and requirements have been prepared and staff trained in several countries in the areas of private security, dangerous goods inspection and computer literacy. The authority has also been successful in lifting the sanctions by the European Commission on Liberian aircraft, thereby allowing such aircrafts to fly into European countries.

In view of the good performance of the Authority, the U.S. Government has requested that Liberia enter into a new bilateral "Open Skies" Agreement thus replacing the one signed in 1978 more than twenty eight years ago. This will inter alia facilitate the implementation of direct travel between Liberia and the United States.

The Authority has also made significant progress in settling Liberia's outstanding obligations to ICAO.

Honorable Members of the Legislature, My Fellow Liberians:

I am pleased to inform you that during the period under review, Liberia maintained very strong, cordial and harmonious relations with countries with which it has diplomatic relations. To do so required twenty-six poorly paid diplomatic missions which have been under equipped as well as several diplomatic and consular missions abroad with representation in Africa, Asia, Europe and the United States of America.

Our administration therefore undertook a rationalization of our missions with five embassies to be closed in the Gambia, Cameroon, Democratic Republic of Congo, Israel, and Italy. Those to be maintained and strengthened include Sierra Leone, Nigeria, Ghana, Cote d'Ivoire, Ethiopia, Egypt, Guinea, South Africa, Saudi Arabia, Libya, Britain, France, Belgium, Germany, the United States of America, our two Permanent Missions in New York and Geneva, and the two Consulates General in New York and Nezerekore.

Here in Monrovia, a total of about 30 Diplomatic Missions of international, regional and sub-regional organizations and countries maintained their representations in Liberia. Out of the 30, resident missions in Liberia, 11 are Embassies – the United States of America, Sierra Leone, Nigeria, Lebanon, the Libyan Arab Jamahiriya, the People’s Republic of China, Guinea, Egypt, Germany, Ghana and the Democratic Republic of Congo). The remaining 19 are representatives of international, regional and sub-regional organizations, important of which are the African Union, ECOWAS, the IMF, the World Bank and United Nations organizations.

Additionally, there are about 23 honorary consular corps in Liberia, representing Pakistan, India, the Philippines, Korea, Syria, Finland, Sweden, Norway, Britain, Spain, Switzerland, Denmark, Czech Republic, the Netherlands, Belgium, Tunisia, Mauritania, and Benin Republic. Moreover, over the past several years, Liberia established several Honorary Consuls abroad. Several continue to provide useful service to our Maritime Program. Others established through questionable arrangements have brought disrepute to our country. We intend to address this by canceling their privileges within the next few months following a review now underway.

Honorable Members of the Legislature:

As in the case of questionable Honorary Consulates we have inherited a serious problem in the proliferation and abuse of Liberian passports in many areas of the world by non-Liberians and other individuals with dubious and often times criminal backgrounds. This has caused law abiding Liberian citizens to face difficulties in obtaining visas from several countries. In order to address the proliferation and fraudulent sale and acquisition of Liberia passports, we have decided to introduce new passports which will meet international standards of biometric features. This will require action to cancel the agreement under which Liberian passports were previously produced, a matter on which we are working to ensure a speedy resolution of this issue.

Additionally, in keeping with the relevant Protocols of the Economic Community of West African States, we have advised you on the production of (Liberia) ECOWAS passports which are now ready for issuance in Liberia to Liberian users.

Honorable Members of the Legislature:

We are pleased to report that our country continues to enjoy the confidence and support of our international partners. Significant contributions have been made by both the United States and European Commission of over a hundred million dollars each mainly in security, governance, public financial management, infrastructure, energy, basic social services, community development and repatriation and resettlement. The World Bank has provided over US\$80 million in economic management, infrastructure and community based programs. Increasing support from our security sector, the DDRR program and infrastructure development has come from the United Kingdom, the Peoples Republic of China, Germany, Norway, France and China has been exceptional in providing a moderate level of direct budgetary support.

From within the region, both Nigeria and Ghana have continued to play significant roles in direct funding support for security and electricity. The African Development Bank has also been instrumental in supporting our public financial management reform efforts. In addition a growing number of international private and non-profit foundations and institutions are also supporting varying aspects of our recovery programs.

As in recent years, the United Nations system continued to make the largest financial contribution to Liberia's recovery, with a sizeable proportion of its assistance being dedicated to peacekeeping by UNMIL forces, and the bulk of humanitarian assistance coming from several of its 17 agencies currently operating in Liberia.

In general, the support from all our partners, in no small measure, contributed to the significant progress in the delivery of our emerging development agenda and in the already strong record of concrete accomplishments since our Government assumed office one year ago.

Honorable Members of the Legislature:

In furtherance of our foreign policy objectives, we undertook several travels abroad putting emphasis on our neighboring African states and responding to invitations from several important international and bilateral organizations. These included the Republic of Sierra Leone, Guinea, La Cote d'Ivoire, Federal Republic of Nigeria, the Republic of Senegal, The Gambia, Ghana, and Burkina Faso.

The primary goals of these West African visits, undertaken upon invitations of the Presidents of these countries – and upon our own determination, were to reinvigorate the historic and neighborly ties we share with them and to express our country's deep gratitude and appreciation to our fellow African Leaders and their people for their invaluable and sustained support of the Liberian peace process.

Five trips to the United states enabled us to present the vision of a new Liberia to the U.S. Administration with the opportunity of a visit with U.S. President George Bush and Secretary of state, Dr. Condoleeza Rice, Secretary of the Treasury, Mr. Henry Paulsen and then Secretary of Defense, Mr. Donald Rumsfeld among others.

We consulted equally with the U.S. Congress which granted us the opportunity to speak to a Joint Meeting, the 4th African President to be allowed to do so. The Congress also approved a US\$50 million allocation to Liberia in the FY 2007 supplemental.

In a speech delivered at the 61st Session of the UN General Assembly, we called inter alia for more aggressive UN and international intervention in Darfur to prevent a similar situation as the 1994 Rwanda massacre. We continue to join others in this call to our own institution, the African Union, and the international community through the UN Security Council.

Meetings and statements at several universities set entrain a process that will result in scholarships and training opportunities for our people, while visits with private financial institutions and foundations have enabled us to mobilize some US\$5 million to support our girls' education and market improvement goals.

In March, we paid an official visit to the Republic of France where we had talks with President Chirac and members of his Cabinet. We also called upon the Chairman and the Development and

Cooperation Minister of the European Commission, and subsequently delivered a keynote statement at the European Parliament on September 26 in Strasbourg to continue advocacy for additional and accelerated support for our development effort.

In November, we were honored to pay a State Visit to the People's Republic of China to participate in the Summit of the Forum of China-Africa Corporation (FOCAC). These visits are bringing significant benefits to Liberia as evidenced by the return visit of the President of China, His Excellency, Hu Jintao to Liberia on February 1st.

Similarly, we were honored to receive in audience in Monrovia, several distinguished world leaders and dignitaries.

On January 16, a sterling group of world leaders joined us in celebrating the inauguration of our new government. These included the Presidents of Niger, Nigeria, Sierra Leone, Burkina Faso, Togo, Senegal, Mali, South Africa, as well as First Lady and Secretary of State of the United States, the Foreign Ministers of the Peoples Republic of China and Japan and numerous other high-ranking dignitaries.

There were also two separate US Congressional delegations which visited Liberia between the months of February and July. Both delegations held extensive discussions with us and your members of this Legislature on important bilateral issues, including strengthening peace-building and democracy in Liberia.

In the United States of America, mid-term congressional elections resulted in the Democratic Party winning control of both Houses of Congress where we enjoy strong bipartisan support. The Administration of President George W. Bush has been supportive and generous toward our country and my Administration. We continue to work with them in the acceleration and the implementation of programs to which they have made commitment and to stronger interest in finding a solution to resolving our external debt issue.

On July 4, 2006, the then Secretary General of the United Nations, Dr. Kofi Annan paid a three-day official working visit to Liberia during which he met with us and addressed this very Honorable Body

of the National Legislature. We were pleased to honor this great son of Africa with our nation's highest Order.

The President of the World Bank, Dr. Paul Wolfowitz, along with the President of the African Development Bank, Mr. Donald Kaberuka, and the British Minister for International Cooperation and Development, Hon. Hilary Benn also visited Liberia on July 18th.

We were also gratified to have the former President of the United States of America, Mr. William J. Clinton, visit our country on July 17th, a visit which resulted in the signing of a Memoranda of Understanding between our Administration and the Clinton Foundation for the establishment of the Clinton Global HIV Initiative in Liberia.

Honorable Members of the Legislature:

As a result of the respect and recognition accorded to our new Administration by the international community, I venture to state here, on the sound domestic and foreign policy direction, particularly our efforts to transform our country and demonstrated commitment to regional peace and security and respect for international law, three West African Heads of State, Presidents John Kuffour of Ghana, Ahmed Tejan Kabbah, of Sierra Leone, and Laurent Gbagbo, of Cote d'Ivoire, accepted our invitation to participate in the festivities marking our 159th Independence Day Celebration on July 26. Unfortunately, this event ended in a disaster on account of an electrical induced fire that destroyed several floors of the Executive Mansion.

Honorable Members of the Legislature:

Here in our sub-region, we worked with our institutions, the African Union, ECOWAS and the MRU, to promote a common agenda of collective security, peace, collaboration, consultation, and development.

In this regard, we have registered Liberia's request to be included in the West African Gas Pipeline project and, with your ratification of the submitted related protocol, the West Africa Power Pool.

Honorable Members of the Legislature, My Fellow Citizens:

Throughout this reporting year, our country has been at peace, growing stronger, and has shown promise for a better and brighter future. We have tried – and in large measure – have remained true to our commitment to be agents and instruments of change. We have pursued a vigorous reform agenda; vigorously fought corruption, run a transparent and accountable Government. We have led by example, demanding of those who serve in our Administration the same standards we demand of ourselves. We have returned Government back to our people. We have given a new lease on democracy and the rule of law.

Leadership in our Administration has been by a road map – first our 150-Day Deliverable, now our IPRSP. We have worked tirelessly to create jobs, and have succeeded in sealing an investment agreement that will bring nearly US\$1.0 billion into our economy without compromising the interest of our people and country. We have restored our country's international image and reclaimed its place among other civilized nations. We are rebuilding our broken infrastructure. We have opened the doors of our schools and are improving them for our children. We have given public voice to the private concerns of our citizens and have worked to keep faith with them. We are creating a military and a police that will be governed by the tenets of such institutions in a democracy. We have used every second of our waking moments to focus on issues of economic revitalization and growth in our country.

The majority of our people understand and appreciate the effort we have made and we wish to thank them for their strong and unwavering support.

Yet, a few have not brought themselves to accept the peoples will as expressed through the 2005 election results. They are joined by still a few others who benefit from our policy of inclusion by holding high positions of trust in Government. Together they continue to plot and to plan and to strategize with displaced vested interest of the past to return us to conflict and confusion and to bring out institutions of Government into disrepute.

We will do all that we can to gather the evidence to expose the detractors even as we make greater effort at reconciliation and unity with the positive political opposition, recognizing that economic recovery and political stability are mutually reinforcing.

Honorable Legislators:

We have faced some teething questions and challenges. But we knew that the Presidency is the office where decisions are made. So, we have not shirked from making the tough decisions for our country and our people – and we shall continue to make them.

We also have not brought quick fixes to the monumental challenges that we inherited. We did not promise that we would. But we have made some important beginnings – to heal the wounds, restore our people’s dignity, reconstruct our shattered and fractured nation, restore sanity and respect to our nation, regain our national honor, and give our people hope.

Let us together continue the work that Almighty God has given us to do, and let us remember above all else, that our national purpose reigns supreme.

May Almighty God Bless and Save the Republic of Liberia!

I thank you very much!