



# Women in Informal Employment Globalizing and Organizing

WIEGO Budget Brief N° 7

August 2017

## Informal Economy Budget Analysis in Greater Monrovia

Debbie Budlender

Based on research by Aisha Nansamba



# WIEGO Budget Briefs

Budgetary analysis has been used widely to understand how government budgets differentially address the needs and interests of women and men, girls and boys. The global research policy network Women in Informal Employment: Globalizing and Organizing (WIEGO) has initiated a series of informal economy budget analyses (IEBAs). These aim to understand how government budgets address the needs and interests of informal workers, and also investigate what opportunities exist for informal workers, or their representatives, to participate at different stages of the budget process. WIEGO Budget Briefs provide popular versions of the longer IEBA reports for wider dissemination of the research findings. The longer report that corresponds to this brief, “WIEGO Resource Document: Informal Economy Budget Analysis – Greater Monrovia,” was written by Aisha Nansamba and is available from [www.wiego.org](http://www.wiego.org).

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## Introduction

Greater Monrovia accounts for about a third of Liberia's population. It contains the only two cities in the country that have separate allocations in the national budget. The first, Monrovia, is the commercial and political capital of the country. The second, Paynesville, contains the country's largest marketplace, the Red Light market.

In 2010, 49.5 per cent of people employed outside of agriculture in Liberia were in the informal sector, with a further 10.8 per cent in informal employment.<sup>1</sup> Informal employment is therefore extremely important for the Liberian economy as a whole, as well as for the individuals and households who rely on the related earnings.

In absolute terms, there were 343,000 informal workers (206,000 women and 136,000 men) in Liberia in 2010, compared to 62,000 in formal non-agricultural employment. Nearly three-quarters (72.1 per cent) of all informal workers were in urban areas, and 61.2 per cent of all informal workers were in the trade sector.

This brief summarizes research<sup>2</sup> that examined whether and how Liberia's national government budget addresses the needs of informal workers, and of street vendors, market traders and waste collectors in particular.

## Street vendors

In 2009, street vendors in Liberia established the National Petty Traders Union of Liberia (NAPETUL) to represent their interests. NAPETUL and its members spent the initial years after NAPETUL's establishment negotiating with the Monrovia City Corporation (MCC) for recognition of the right of its members to trade on the street. One of the key stumbling blocks in this process was that the traders were seen as contributing to the "grime" of the city, and the MCC attempted to use ordinances dating back to the 1970's to place heavy restrictions on trading. Eventually NAPETUL reached a two-year agreement with the MCC and Ministry of Commerce and Industry in October 2014.

The resulting memorandum of understanding (MOU) stipulated that NAPETUL would collect USD 20 from each NAPETUL member annually. Half (USD 10) of the money would be paid to the MCC as tax, and the other half would be used to pay for ID cards for NAPETUL members who complied with rules about where they can trade, and the size and signage of their stalls.

The tax was meant to help cover the city's costs in transferring garbage generated in the locations where they traded to the landfill. However, many vendors do not pay the required fees. For example, in 2014-15, NAPETUL paid only Liberian dollars (LRD) 200,000 (USD 2000) of the LRD 500,000 (USD 5000) that was owed for 500 members. In a survey commissioned by the Cities Alliance, only 12 per cent of street vendors reported that they paid any business-related tax over the previous 12 months. Most said that they would be willing to pay taxes if this would prevent police harassment.

The MOU between NAPETUL and the city expired, and a new one has not been entered into. However, street vendors continue to face many challenges. Harassment and confiscation of goods by the Monrovia City Police Force and the national police is the most common challenge highlighted by the vendors. NAPETUL and vendors report that some of the police harassment seems to be in response to complaints from the owners of formal stores about vendors operating in front of their stores.

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<sup>1</sup> Informal employment includes workers whose jobs are not legally or socially protected.

<sup>2</sup> See WIEGO Resource Document: Informal Economy Budget Analysis – Greater Monrovia. Interviews for this research were conducted between February – April 2017.

Other common challenges include: lack of respect and recognition from the authorities, and lack of access to credit, a decent working environment, and storage facilities near their sites. In a survey commissioned by the Cities Alliance in early 2017, 82 per cent of street vendors reported that they had been harassed by the police in the past six months, and 39 per cent were working in open spaces without any shelter. Although 89 per cent reported that they had a place to store their goods after work, some of the warehouses were a long way from the vending areas, and high fees were charged for their use.

## Market traders

The Liberia Marketing Association (LMA) was established in 1976 to operate and manage all markets in the country. By 2014, there were 285 markets in the country.

Full membership of the LMA is open to Liberian nationals, while “aliens” can become associate members. Currently, the LMA has about 80,000 active members, of whom 20,000 trade in greater Monrovia. About three-quarters of the members are women.

Members pay an annual membership fee of LRD 500 (USD 5). This is used to cover the costs of an ID card for each member. In addition, the LMA collects a daily fee of LRD 10 (USD 0.10) from each member. The daily fee is used to cover operational costs of the market, the city government tax and a garbage collection fee. The LMA pays an annual tax to the Liberia Revenue Authority equivalent to 10 per cent of the value of total daily fees collected.

The LMA experiences difficulties in collecting the daily fee from some vendors. This causes the LMA to have to use funds meant to cover operating costs to pay the city for municipal charges.

The common challenges faced by the LMA and market traders include: open disposal garbage stations which encourage use by surrounding communities and thus require higher LMA payments to government, seizure of goods by MCC officials, limited storage facilities, and theft.

## Waste collectors

Primary waste collection in greater Monrovia is carried out by both Community Based Enterprises (CBEs) and casual laborers employed by the city corporations. The city’s casual laborers clean and gather waste on the streets and have been managed by MCC since January 2017. The CBEs collect waste from households and small businesses.

The CBEs bid to obtain official contracts from the city to collect waste. The households and small businesses that receive the service are expected to pay fees to the CBEs. The fees charged vary according to factors such as the volume and frequency of garbage collection. The CBEs pay a portion of the fees as an annual tax to the city. The amount to be paid varies according to the number of users served. In the Cities Alliance Survey, all the waste collectors said that they had paid tax in the previous 12 months.

Common challenges faced by the CBEs include: difficulty in finding people prepared to do the work, fee defaulting by customers, limited access to quality equipment, competition from other waste collectors, and limited business-related skills. In the Cities Alliance survey, 92 per cent of waste collectors said that some of their client households had not paid fees in the past six months, nearly two-thirds complained about the high cost of equipment, and 28 per cent said that they had been unable to collect waste from at least one household because the waste had been collected by another waste picker (including those with authorization for collection and those without).

## The budget process

The Liberian government financial year runs from July 1 of one calendar year to June 30 of the next year. The budgeting process runs throughout the entire year, as follows:

- The sector working groups spend October to November developing a sector strategy for the following year.
- Between October and January the spending entities (including the city corporations) produce budget policy notes which highlight the priority expenditure plans.
- In January, the Ministry of Finance and Development Planning (MFPD) publishes the budget framework paper. It also issues a call to all ministries, agencies and institutions to submit budget proposals.
- During February and March, the MFPD meets with each ministry, agency and institution to discuss their proposals.
- The consolidated draft budget is presented to the President of Liberia by April 15.
- The president must submit the proposed budget to the legislature before April 30.
- The legislature then debates and votes on the budget so that it can become the law.

The budget is prepared by high-level officials in each of the agencies. For example, the budget preparations at the Ministry of Commerce and Industry (MOCI) are done by the deputy ministers, assistant ministers and department directors. The MCC budget management committee consists of the mayor, director general of internal operations, director general of service programs, the procurement manager, the city planning director, the finance controller and the budget manager. The PCC budget committee includes the mayor, financial analyst, controller, procurement manager and the mayor's special assistant.

A MOCI official reported that their small business administration department worked on budgeting with informal workers, including street vendors and owners of small-scale businesses. A PCC official said that their community service department involved community leaders, including leaders of the informal sector, in the budgeting and planning process. However, NAPETUL complained about the limited direct engagement of vendors in budget planning and preparation.

## The 2016-17 national budget

There are two main parts of Liberia's government budget – recurrent expenditures and the Public Sector Investment Plan (PSIP) expenditures. Recurrent expenditures reflect the ongoing annual costs of government operations. The PSIP reflects capital, project and other expenditures that will be required for a limited number of years. Donor contributions to the government budget are usually reflected either in the PSIP or are not reflected at all in government budgets.

In 2016-17, the total government budget amounted to USD 600 million. The allocations for both recurrent and public investment expenditures were lower than in 2015-16 due to a 4 per cent decrease in expected revenue. Nearly three-quarters (72 per cent) of total revenue for the national budget of 2016-17 was meant to come from taxes, and 16 per cent from non-tax revenue. A further 5 per cent was expected from grants, and 6 per cent from borrowing.

In 2016-17, 88 per cent of the budget was allocated for recurrent expenditures, leaving 12 per cent for the PSIP. Over half (54 per cent) of the recurrent budget was for compensation of employees, 22 per cent for purchase of goods and services, and 18 per cent for grants to various institutions and organizations. However, these broad categories do not reveal whether and how the budget addresses the needs of informal workers.

## The Public Sector Investment Plan (PSIP)

In 2016-17, the largest proportion (USD 184,824,836, or 24 per cent) of the PSIP was allocated to public administration sector enhancement, followed by the education sector (USD 112,467,509 or 15 per cent), and 13 per cent each for health and security and rule of law. The municipal government sector was allocated only 4 per cent of the PSIP, social development only 3 per cent, and industry and commerce only 1 per cent. Donors were expected to cover 13 per cent of the PSIP amount allocated to municipal government.

Within the municipal government PSIP allocation, USD 1,390,000 was allocated to the Monrovia Emergency Urban Sanitation Project, with similar amounts foreseen for the following two years. Within the social services sector PSIP, funds were allocated for cleaning of the beach and waterways under the Ministry of Youth and Sports. This could indicate potential opportunities for CBEs to be contracted to do this work.

## The recurrent budget

Table 1 shows that in 2016-17 31 per cent of the recurrent budget was allocated to public administration, followed by security and rule of law (16 per cent), education (14 per cent), and health (13 per cent). Priority was therefore given to the government bureaucracy, followed by law and order, and then the key social services. The sectors with responsibility for service delivery that more directly affects informal workers at the local level received much smaller budgets. In particular, municipal government was allocated only USD 23 million, equivalent to 4 per cent of the total recurrent budget, and industry and commerce less than 2 per cent.

**Table 1: Summary of recurrent budget, 2016-17**

<b>Recurrent Budget</b>	<b>Amount (USD)</b>	<b>per cent</b>
<i>Public administration</i>	184,224,836	30.7
<i>Security and rule of law</i>	94,948,667	15.8
<i>Education</i>	86,165,512	14.4
<i>Health sector</i>	77,407,841	12.9
<i>Transparency and accountability</i>	43,405,176	7.2
<i>Infrastructure and basic services</i>	42,221,254	7.0
<i>Municipal government</i>	23,026,660	3.8
<i>Energy and environment</i>	17,068,254	2.8
<i>Agriculture</i>	11,897,485	2.0
<i>Social development and services</i>	11,090,828	1.8
<i>Industry and commerce</i>	8,747,563	1.5
<b>Total</b>	<b>600,204,076</b>	<b>100</b>

More than three-quarters (76 per cent) of the municipal government recurrent budget was allocated to the Ministry of Internal Affairs, which oversees local administration. Meanwhile, the MCC received 14 per cent of the total, and PCC 5 per cent. It is with these funds that the MCC and PCC must deliver services to informal workers and other citizens.

## What will the budget buy?

The previous sections discuss how much is allocated to each institutional sector of government within the PSIP and recurrent budget. Budget allocations can also be categorized according to an economic classification, which indicates what the money is to be spent on. The main economic categories are: compensation of employees (which provides for payment of government salaries), and goods and services (where government purchases from others).

Each year, compensation of employees accounts for more than half of the combined recurrent and PSIP budget of Liberia, while goods and services accounts for more than a fifth.

In 2016-17 there is an allocation within goods and services for refuse collection, which provides a clear business opportunity for waste collectors. There are also other goods and services that market traders may be able to supply, such as cleaning materials and services, police materials and supplies, uniforms and specialized clothes, and food and catering services. For this to happen, the vendors would need to be able to supply goods and services reliably and in large quantities. In addition, there would need to be a formal agreement between the relevant authorities and the representative organization(s) of the vendors that registration is not compulsory for government suppliers.

## Municipal government sector budget

Table 2 shows that MCC and PCC constitute two of the five sub-sectors allocated funds in the municipal government sector budget. MCC and PCC are the only two cities that receive specific budgets in the national budget. This reflects the fact that the city corporations are a governing arm of the government. The mayors of MCC and PCC are appointed by and report directly to the President of Liberia.

The city corporations are responsible for providing or overseeing cleaning services and for issuing trading licenses in their jurisdictions. The budget documents are unclear as to what their other responsibilities are. The MCC is, according to the budget document, expected to “ensure that the City of Monrovia is kept clean and safe with its workforce providing service delivery on a daily basis through routine cleaning operations for the transformation of Monrovia and its environs into a model of a vibrant and modern City.” The PCC’s mandate is described as to “properly administer, supervise and govern the local affairs and activities of the City of Paynesville, through a framework of government for the purpose of promoting peace, stability, equality, justice and human rights under the Rule of Law for ourselves and our posterity.”

The above descriptions suggest that the MCC has a narrower scope of responsibilities than the PCC. This is misleading as the two cities have the same responsibilities, and – as seen above – MCC has a much larger budget than the PCC.

The allocations of both MCC and PCC were higher in 2016-17 than in 2015-16 despite the fact that the total allocation to the municipal sector decreased in 2016-17. This pattern is partly explained by a large reduction in the PSIP allocation for the Ministry of Internal Affairs.

The under-expenditure by most of the municipal sub-sectors in 2015-16 is explained by the reduction in revenue linked to slow economic growth. However, PCC spent more than the allocated amount. This suggests the need for either a greater budget allocation or improved expenditure control measures. The projections for future years show only very small increases for 2017-18 and 2018-19.

**Table 2: Municipal government budget allocations and projections, 2015-16 through to 2018-19**

<b>Sub-sector</b>	<b>2015-16 Budget</b>	<b>2016-17 Budget</b>	<b>%</b>	<b>2017-18 Projected</b>	<b>2018-19 Projected</b>
<i>Ministry of Internal Affairs</i>	28,059,067	17,547,993	76.2	17,695,638	18,266,075
<i>National Council of Chiefs and Elders</i>	736,800	785,165	3.4	776,490	801,521
<i>National Identification Registry</i>	300,000	550,000	2.4	557,380	575,348
<i>Monrovia City Corporation</i>	2,565,489	3,108,677	13.5	3,062,782	3,161,514
<i>Paynesville City Corporation</i>	533,724	1,034,825	4.5	1,049,748	1,083,587
<b>Total</b>	<b>32,195,080</b>	<b>23,026,660</b>	<b>100</b>	<b>23,142,038</b>	<b>23,312,697</b>

## Monrovia City Corporation budget

Table 3 shows that the largest share of the MCC budget is allocated to capital investment, followed by compensation of employees. Comparison of the 2015-16 budget and 2015-16 actual expenditure shows less expenditure than planned on capital investment and more expenditure than planned on compensation of employees. Of the total spent on capital investment in 2015-16, USD 1,207,500 was on operational expenses and USD 183,800 on land. There was neither budget nor expenditure for use of goods and services and consumption of fixed assets in 2015-16.

**Table 3: MCC budget summary by expenditure category (USD)**

<b>Category</b>	<b>2015-16 Budget</b>	<b>2015-16 Actual</b>	<b>2016-17 Budget</b>	<b>2017-18 Projected</b>	<b>2018-19 Projected</b>
<i>Capital investment</i>	1,602,812	1,391,300	1,390,000	1,318,865	1,361,380
<i>Compensation of employees</i>	962,677	1,173,645	1,173,677	1,190,742	1,229,127
<i>Use of goods and services</i>	0	0	500,000	507,500	523,860
<i>Consumption of fixed assets</i>	0	0	45,000	45,675	47,147
<b>Total</b>	<b>2,565,489</b>	<b>2,564,945</b>	<b>3,108,677</b>	<b>3,062,782</b>	<b>3,161,514</b>

The project summary in the 2016-17 budget shows expenditure of USD 4,710,000 on emergency Monrovia sanitation. Of this, USD 1,390,000 – the same amount shown in the budget – is to be funded with a further USD 3,320,000 provided by donors. The combined government-donor amount reduces slightly to USD 4,468,960 in 2017-18 and then increases slightly to USD 4,613,021 in 2018-19.

Table 4 shows that nearly two thirds of the MCC allocation for compensation of employees is for basic salaries of civil servants. However, there is also a substantial amount allocated each year for “remuneration for non-professionals (casual workers).” The MCC Mayor explained that casual workers are responsible for sweeping streets, collecting waste, and dealing with skip buckets.<sup>3</sup> They work a daily shift of at most three

<sup>3</sup> Skip buckets are structures that constructed by the City Corporations to serve as garbage collection centers.



hours. They receive job training, as well as protective gear, such as rain boots and gloves. However, they are not entitled to other benefits, and thus could be classified as informal workers.

The over-expenditure on compensation of employees in 2015-16 is explained by an increase in salaries, allowances and other remuneration. For example, the remuneration of casual workers was increased from USD 90 to USD 95 per month.

**Table 4: MCC budget allocations to compensation of employees**

<b>Compensation of employees</b>	<b>2015-16 Budget</b>	<b>2015-16 Actual</b>	<b>2016-17 Budget</b>	<b>2017-18 Projected</b>	<b>2018-19 Projected</b>
<i>Basic salary - civil servants</i>	702,420	747,396	747,420	758,631	783,087
<i>General allowances</i>	105,277	210,252	210,257	213,411	220,290
<i>Special allowance</i>	26,792	36,000	36,000	36,000	37,160
<i>Non-professionals (casual workers)</i>	128,188	179,997	180,000	182,700	188,590
<b>Total</b>	<b>962,677</b>	<b>1,173,645</b>	<b>1,173,677</b>	<b>1,190,742</b>	<b>1,229,127</b>

## Paynesville City Corporation budget

PCC's budget includes only two categories of expenditure – use of goods and services and compensation of employees. In 2014-15 and 2015-16 more than 70 per cent of the PCC budget was allocated to compensation of employees. In 2016-17 the share of this category fell to 52 per cent, and will remain at around this percentage in the next two years.

As in MCC, basic salary for civil servants accounts for the largest share (65 per cent or more) of compensation for employees, followed by remuneration for casual workers (approximately 20 per cent). Expenditure on basic salary for civil servants exceeded the allocated budget in 2015-16. Comparison of 2014-15 actual allocations and the budget and actuals for 2015-16 and beyond suggests that PCC has supplemented civil servants with casual workers, but without reducing expenditure on civil servants.

## Donor aid

The 2016-17 budget indicates total aid funds of USD 714,688,198 made up of USD 591,792,009 in grants and USD 122,896,189 in loans. About two-thirds (66 per cent) of the funds are allocated to economic transformation, with 18 per cent for human development and 12 per cent to governance and public institutions.

Only 0.2 per cent of donor aid was allocated to industry and environment, and 1.1 per cent to municipal government. It is not clear whether and how these contributions will address the needs of informal workers.

## Conclusions

Overall, the budget analysis reveals few, if any, allocations that explicitly address the needs of informal workers in Greater Monrovia. Meanwhile, informal workers in all three occupational groups discussed here are required to make specific contributions to government revenue. For example: since late 2014 half of street vendors' fees paid to NAPETUL are paid over to MCC; the LMA pays 10 per cent of daily fees collected from market traders to the revenue authorities; and CBE waste collectors pay part of the fees collected from their customers as tax to the city. The informal workers and their organizations perform these tax collection services for the government for free.

The budget analysis shows that Liberia's 2016-17 budget was smaller overall than that for 2015-16. Poor economic growth contributed to this outcome. The constrained amount of government revenue requires that extra attention be paid to prioritizing the needs of the poor, including informal workers.

Cleanliness is one of the primary responsibilities of the city corporations. The waste collectors contribute to the cities' performance of this function. However, the cities' use of casual labor for cleaning opportunities may reduce the number of opportunities available for CBEs.

The tax payments of street and market traders are seen as primarily paying for garbage collection. However, street vendors have traditionally been seen as contributing to the "grime" of cities. This view of street vendors is a contributory factor to ongoing police harassment.

The large share of the government budget allocated to goods and services could include opportunities for informal workers – market traders in particular – to provide some of these. This will only be possible if the market traders can provide reliably at the required scale, and if there are no prohibitory registration requirements for entering into a procurement contract with government.

Government officials reported that informal workers were consulted in the budget process. NAPETUL complained that there was very limited consultation. Proper consultation of informal workers and their representatives will increase the likelihood that budget allocations meet their needs.

# Recommendations

Central agencies in government such as MFDP could:

- Increase the transparency of the budget.
- Provide meaningful opportunities for participation in the budget process by informal workers and their representatives.

MOCI could:

- Ensure that informal workers are considered when developing policy and preparing the budget for the small business administration department.

MCC and PCC could:

- Ensure that they do not require informal workers to contribute disproportionately in relation to services from which they might benefit.
- Monitor that the money spent on national and metro police is not wasted through police spending their time on harassment of vendors.

Donors could:

- Contribute grant or loan funding for purposes that directly benefit informal workers such as construction and upgrading of markets and purchase of garbage collection machinery.

Informal workers and their organizations could:

- Monitor government budget allocations and expenditures, and advocate for greater transparency, opportunities for participation in the process, allocations for purposes that address their needs, and efficient expenditure of allocations made.

Development agencies could:

- Assist informal worker organizations in understanding and engaging around the budget.
- Provide examples from other countries of how government budgets can assist informal workers.

**About Cities Alliance:** Cities Alliance is the global partnership for poverty reduction and the promotion of cities in sustainable development. We are a responsive and dynamic global partnership committed to innovation, improved collaboration and coherence of effort. Members promote longer-term and integrated work programmes, while actively promoting gender equality throughout all activities. For more information visit: [www.citiesalliance.org](http://www.citiesalliance.org).

**About WIEGO:** Women in Informal Employment: Globalizing and Organizing is a global research-policy-action network that seeks to improve the status of the working poor, especially women, in the informal economy. WIEGO builds alliances with, and draws its membership from, three constituencies: membership-based organizations of informal workers, researchers and statisticians working on the informal economy, and professionals from development agencies interested in the informal economy. WIEGO pursues its objectives by helping to build and strengthen networks of informal worker organizations; undertaking policy analysis, statistical research and data analysis on the informal economy; providing policy advice and convening policy dialogues on the informal economy; and documenting and disseminating good practice in support of the informal workforce. For more information visit: [www.wiego.org](http://www.wiego.org).

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