



**Liberia 2020**

**Public Expenditure and Financial Accountability (PEFA)  
Performance Assessment Report**

*June 2021*



**Liberia 2020**  
**Public Expenditure and Financial Accountability (PEFA) Performance**  
**Assessment Report**

June 2021

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the '**PEFA CHECK**'.

PEFA Secretariat  
June 9, 2021

# PEFA CHECK, ASSESSMENT MANAGEMENT AND QUALITY ASSURANCE

In 2009, the Government of Liberia conducted the first PEFA Assessment, which was followed by a joint International Monetary Fund (IMF)-Government Assessment in 2012. The last PEFA Assessment for Liberia, the 2016 Assessment, was financed by the multi-donor funded Integrated Public Finance Management Reform Project (IPFMRP), conducted by AECOM. The project was approved by the World Bank Board on December 15, 2011, covering the period from 2012 to 2015.

The Government has requested the PEFA 2020 Assessment of Liberia. It is led jointly by the Government of Liberia and the World Bank in close collaboration with the African Development Bank (AfDB), the European Union (EU), the IMF, the Government of Sweden, the United States Agency for International Development (USAID), and other development partners active in supporting public financial management (PFM) in Liberia. The Concept Note was circulated to other development partners and the Government of Liberia for comments.

In accordance with the World Bank’s quality assurance processes, the World Bank reviewed the Concept Note before its dissemination to the other stakeholders. Apart from the PEFA Secretariat, the external peer reviewers are the AfDB, the EU, the IMF, the Government of Sweden and other development partners who are engaged in the PFM sector in Liberia.

The World Bank took the lead on behalf of the development partners. The Ministry of Finance and Development Planning (MFDP) was the lead governmental organization and was represented on the Accountant-General’s oversight team.

The PEFA assessment was conducted jointly by the World Bank and supported by consultants and a team representing Liberia’s Government. The Government of Liberia has appointed Mr. Vee-Musa, Reforms Coordination Unit Coordinator, as Assessment Manager for the PEFA.

*Table 1: Steering Committee and Management and Oversight Team*

Steering Committee	
Government of Liberia, MFDP (Chair)	Hon. Samuel D. Tweah, Jr., Minister of Finance and Development Planning
Government of Liberia, MFDP	Hon. Samora P. Z. Wolokolie, Deputy Minister, Fiscal Affairs (MFDP)
Government of Liberia, MFDP	Hon. Tanneh G. Brunson, Deputy Minister, Budget Ministry of Finance and Development Planning
Government of Liberia, MFDP	Hon. Augustus J. Flomo, Deputy Minister, Economic Management.
Government of Liberia, MFDP	Hon. Janga A. Kowo, Comptroller and Accountant General
Government of Liberia, General Auditing Commission (GAC) (Auditor General)	Madame Yusador Saadatu Gaye, Auditor General
Public Procurement and Concessions Commission	Attorney Jargbe Roseline Nagbe Kowo, Chief Executive Officer (CEO)
Liberia Revenue Authority	Mr. Thomas Doe Nah, Commissioner General
World Bank	Mr. Macdonald Nyazvigo, Senior Financial Management Specialist
World Bank	Mr. Donald Mphande, Lead Financial Management Specialist
World Bank	Mr. Furqan Ahmad Saleem, Lead Public Sector Specialist
World Bank	Mr. Smile Kwawukume, Senior Public Sector Specialist
World Bank	Mr. Oyewole Oluyemi Afuye, Senior Procurement Specialist

Steering Committee	
World Bank	Ms. Zoe Quoi Diggs Duncan, Program Assistant
World Bank	Mr. Jean-Marc Philip, Consultant, PFM Expert
World Bank	Mr. Moses, Senior Public Sector Specialist
World Bank	Mr. Gweh Gaye Tarwo, Economist
World Bank	Mr. Kofi Abedu-Bentsi, Senior PFM Consultant
Government of Liberia, MFDP	Mr. Vee Musa Fofana, RCU Coordinator
Government of Liberia, MFDP	Mr. Lawrence Taylor, Project Manager
Embassy of Sweden	Mr. Arto Immonen, Counsellor, Democratic Governance
European Union	Mr. TORNI Jyrki, Program Officer
African Development Bank	Mr. Fenwick Kamanga, Senior Governance Officer
African Development Bank	Mr. Daniel Osei-Boakye, Senior Procurement Specialist

The PEFA exercise was led by Macdonald Nyazvigo, World Bank Senior Financial Management Specialist and Task Team Leader, and an international consultant and PFM expert, Dr. Jean-Marc Philip, PhD, with the support of Mr. Kofi Abedu-Bentsi, a national PFM expert.

The mission expresses its gratitude to the authorities, led by Mr. Vee-Musa Fofana, Coordinator from the Public Financial Management Reform Coordination Unit (PFMRUCU) of the Ministry of Finance and Development Planning, for their assistance in the preparation and conduct of the assessment. The mission highly appreciated the support in the day-to-day organization and logistical requirements of the mission and assistance in data generation.

*Box 1: Assessment Management and Quality Assurance Arrangements*

**PEFA Assessment: Management Organization**

- Oversight Team — Chair and Members: Hon. Samuel D. Tweah, Assessment Manager, MFDP. Mr. Vee-Musa, RCU Coordinator.
- Assessment Team Leader and Team Members: Macdonald Nyazvigo, Senior Financial Management Specialist, World Bank, Dr. Jean-Marc Philip, PhD, international consultant and PFM expert, and Mr. Kofi Abedu-Bentsi, national PFM expert.

**Review of concept note and/or terms of reference.**

- Date of initial draft concept note: January 2020. Invited reviewers: the Government of Liberia, the PEFA Secretariat, and the World Bank.
- Date of final concept note: June 2020. Invited reviewers: the Government of Liberia, the PEFA Secretariat, and the World Bank.

**Review of the assessment report**

- Date(s) of initial draft report(s): December 2020.
- Invited reviewers: The AfDB, the EU, the Government of Liberia (all versions), the PEFA Secretariat, the Swedish International Development Cooperation Agency (SIDA) and the World Bank.
- Date(s) of initial revised report(s): May 2021.
- Invited reviewers: The PEFA Secretariat.

## Methodology

### Type of Assessment

The purpose of this PEFA Assessment is to provide an objective analysis of the performance of the PFM system in Liberia as compared to the the PEFA indicators. The 2020 PEFA Assessment provides an update of progress on PFM issues in Liberia since the last PEFA in 2012. It establishes a new PEFA baseline using the 2016 PEFA methodology.

The PEFA methodology scores range from 'A' (highest) to 'D' (lowest). These scores apply to each of the indicator components. Different scoring methods are used, for example, Method M1 'weakest link among dimensions and Method M2 'average of dimensions'. Thus, the PEFA methodology offers the possibility of intermediate '+' scores for composite indicators.

Because Liberia has been the recipient of significant technical assistance to support the enhancement of many elements of its PFM system, it was an appropriate time to take stock of overall progress, as well as to establish a baseline for a new PFM action plan based on the upgraded PEFA framework.

### Number of Indicators

All 31 indicators (and their 94 dimensions) of the 2016 PEFA Framework were assessed and followed without any deviation in terms of coverage and application. The assessment team also scored using the 2011 PEFA methodology (31 performance indicators with 76 dimensions) so that a comparison could be made with the results of the government indicators scored in the 2016 PEFA assessment that used the previous methodology. A comparison between the 2016 and 2020 PEFA Assessments is included as Annex 4.

### Timeline/ Dates of Mission

The pandemic imposed limitations on the assessment procedures. As field missions could not be envisaged, the evaluation was carried out remotely. Stakeholder consultations were conducted online in September 2020. The main entities were interviewed (see Annex 3). The various phases of the evaluation are presented in the table 2.

Table 2: Schedule of Assessment Phases

Assessment Phases	Dates
Preparation of the draft Concept Note. Establishment of the Oversight Team and Counterpart Team. Finalization and approval of the Concept Note.	October 2019 November 2019 June 2020
Organization of the Assessment: <ul style="list-style-type: none"><li>• Training on PEFA Methodology</li><li>• Initial data request submitted by the assessment team to the government counterpart team.</li><li>• Data collection by focal points.</li><li>• Quality control of data.</li><li>• Preparation of inception report with work plan.</li></ul>	First week of July 2020  July 2020/ end-August 2020
PEFA 2016 methodology workshop <ul style="list-style-type: none"><li>• Launch of planning mission.</li></ul>	September 2020 September 2020

<i>Assessment Phases</i>	<i>Dates</i>
<ul style="list-style-type: none"> <li>• Launch workshop.</li> <li>• Review of data collected and interviews.</li> </ul> PEFA Assessment, main mission (start). Mission debriefing with the government (end). Review of PEFA report.	September 2020 September 2020 September 2020 September 2020 September 2020
Issuance of draft PEFA report for peer review. Discussion on the updating of the PFM Action Plan and Strategy. Organization of final workshop. Submission of peer review comments. Issuance of final draft PEFA report with response matrix. Feedback from PEFA Secretariat and issue of PEFA CHECK. Publication of final PEFA Assessment.	November 2020 November 2020 November 2020 January 2021 March 2021 April-June 2021 June 2021
PEFA dissemination workshop with an update of PFM Action Plans.	July 2021
Approval of PFM Action Plan and PFM Strategy.	-

### *Years covered*

The data used for rating the PFM performance indicators covered the periods specified in the PEFA Framework for each indicator. Thus, this covers the situation at the time of the main mission (for example, September 2020), or for the last completed fiscal year (FY) (FY 2018/2019). However, some indicators require data for up to three completed fiscal years (for example, FY 2016/2017, FY 2017/2018, and FY 2018/2019).

### *Cut-off Date*

The cut-off date for the PEFA Assessment was September 2020.

### *Coverage*

The PEFA Assessment was conducted using the 2016 PEFA Framework as applied to central governmental operations. Therefore, the scope of the Assessment focused on Ministries and Agencies of the central government. To the extent that state-owned enterprises pose a fiscal risk to the central government, they were also assessed.

*Table 3: Main Units of Government to be Covered by the PEFA Assessment.*

<b>Budgetary Units (such as Ministries, Agencies and Commissions)</b>	<b>Extra-budgetary Units<sup>(1)</sup></b>	<b>Public Corporations</b>
Ministry of Finance and Development Planning	University of Liberia	National Ports Authority
Ministry of Health	National Road Fund	Liberia Water and Sewer Corporation
Ministry of Education	Social Development Funds	Liberia Electricity Corporation
Liberia Revenue Authority	County Development Funds	Liberia Airport Authority
Public Procurement and Concessions Commission	President and Vice President, Special Projects Funds	National Social Security Corporation
General Auditing Commission	Trust Fund	
Civil Service Agency	Pool Fund	

Budgetary Units (such as Ministries, Agencies and Commissions)	Extra-budgetary Units <sup>(1)</sup>	Public Corporations
National Legislature	National Disaster Fund	
Internal Audit Agency	Central Bank of Liberia	
Ministry of Public Works		
Board of Tax Appeals		
Ministry of Internal Affairs		
General Service Agency		

(1) Note: This list is not exhaustive.

### **Sources of Information**

Before the first mission, the Government (through the MFDP) agreed to provide a range of primary sources of information for each indicator, as well as supporting data.

As noted, the mission was conducted remotely due to the pandemic. Three weeks before the main mission, during which online interviews were conducted, the assessment team submitted an initial request to the government’s counterpart team. The request was related to the data needed for each indicator and dimension to be assessed, as well as more general information required for the background chapter of the report.

The transmission of the requested documentation was completed by the focal point after all interviews were conducted. Technical assistance reports by the AfDB, the IMF, the World Bank, and other development partners — as well as other assessments undertaken on related subjects — were also used to complete the report.

### **Country Fiscal Year**

Fiscal Year in Liberia: 1<sup>st</sup> of July to June 30<sup>th</sup>

Liberia is the only country within the 15-member Economic Community of West African States (ECOWAS) bloc with a 4-quarter fiscal year starting July 1 of a given year and ending June 30 of the following year.

### **Exchange Rate**

Exchange rate US\$1 = 163.72 Liberian Dollars (as of December 31, 2020).

## Acronyms

AfDB	African Development Bank
AFS	Annual Financial Statement
AfT	Agenda for Transformation
AGA	Autonomous Government Agency
AISIU	Anti-Smuggling and Investigation Unit
AMU	Aid Management Unit
ASU	Accounting Services Unit
ASYCUDA	Automated System for Customs Data
ATAPS	Alternative Temporary Automated Payroll System
BCG	Budgetary Central Government
BFP	Budget Framework Paper
CAG	Controller and Accountant General
CAGD	Comptroller and Accountant General's Department
CARP	Complaints, Appeals and Review Panel
CBL	Central Bank of Liberia
CDF	County Development Fund
CG	Central Government
CoA	Chart of Accounts
COFOG	Classification of Functions of Government
COSO	Committee of Sponsoring Organizations
CS-DRMS	Commonwealth Secretariat - Debt Recording and Management System
CSA	Civil Service Agency
CSM	Civil Service Management
CSMS	Civil Service Management System
DMC	Debt Management Committee
DMU	Debt Management Unit
DRMS	Domestic Resource Mobilization Strategy
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
EU	European Union
FMM	Financial Management Manual
FY	Fiscal Year
GAC	General Auditing Commission
GAPS	Government Accounting Payroll System
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GoL	Government of Liberia
IAA	Internal Audit Agency
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPFMRP	Integrated Public Financial Management Reform Project



IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
LBO	Legislative Budget Office
LIMPAC	Liberia Macroeconomic Policy Analysis Center
LRA	Liberia Revenue Authority
LRD	Liberian Dollar
M&A	Ministries and Agencies
M&E	Monitoring and Evaluation
MACs	Ministries, Agencies and Commissions
MFDP	Ministry of Finance and Development Planning
MoA	Ministry of Agriculture
MoE	Ministry of Education
MoH	Ministry of Health
MoHSW	Ministry of Health and Social Welfare
MOU	Memorandum of Understanding
MTDS	Medium-Term Debt Strategy
MTEF	Medium-Term Expenditure Framework
NA	Not Applicable
NASSCORP	National Social Security and Welfare Corporation
NR	Not Rated
OECD	Organisation for Economic Co-operation and Development
PAAC	Public Accounts and Audit Committee
PAC	Public Accounts Committee
PAPD	Pro-Poor Agenda for Prosperity and Development
PCA	Post-Clearance Audit
PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PFMU	Project Financial Management Unit
PI	Performance Indicator
PIMA	Public Investment Management Assessment
PMO	Project Management Office
PPCA	Public Procurement and Concessions Act
PPCC	Public Procurement and Concessions Commission
PPP	Public-Private Partnership
PSIP	Public Sector Investment Program
PSU	Payroll Services Unit
RCU	Reforms Coordination Unit
SAI	Supreme Audit Institution
SDF	Social Development Fund
SIGTAS	Standard Integrated Government Tax Administration System
SNG	Sub-national Government
SOE	State-Owned Enterprise
TA	Technical Assistance

TAS	Tax Administration System
TIN	Taxpayer Identification Number
TSA	Treasury Single Account
USAID	United States Agency for International Development
WAPP	West Africa Power Pool

# Table of Contents

PEFA CHECK, ASSESSMENT MANAGEMENT AND QUALITY ASSURANCE	3
Acronyms	8
EXECUTIVE SUMMARY	15
Rationale and Purpose	15
Main Strengths and Weaknesses of the PFM Systems	15
Impact of PFM Performance on Budgetary and Fiscal Outcomes	18
Performance Changes Since the Previous PEFA Assessment	24
1 PFM CONTEXT	28
1.1 Financial Overview	28
1.1.1 Country Economic Situation	28
1.1.2 Key Economic Indicators	29
1.1.3 Fiscal and Budgetary Trends	29
1.2 PFM: Institutional Arrangements	32
1.3 PFM: Legal and Regulatory Arrangements	34
1.4 PFM Reform Process	35
2 ANALYSIS OF PFM PERFORMANCE	37
Pillar One: Budget Reliability	38
Pillar Two: Transparency of Public Finances	45
Pillar Three: Management of Assets and Liabilities	61
Pillar Four: Policy-based Fiscal Strategy and Budgeting	76
Pillar Five: Predictability and Control of Budget Execution	89
Pillar Six: Accounting and Reporting	117
Pillar Seven: External Scrutiny and Audit	125
3 OVERALL ANALYSIS OF PFM PERFORMANCE	132
3.1 PFM Strengths and Weaknesses	132
3.2 Effectiveness of the Internal Control Framework	142
3.3 Performance Changes Since Previous Assessments	143
Annex 1. Performance Indicator Summary	146
Annex 2. Summary of Observations concerning the Internal Control Framework	158
Annex 3. Sources of Information	161

Annex 4: Tracking Changes in Performance based on Previous PEFA Framework	192
Annex 5: Calculation of Budget Variances for PI-1, 2 and 3	216

## Boxes

Box 1: Assessment Management and Quality Assurance Arrangements .....	4
The focus of the budget calendar is to complete the necessary consultations to enable the President to submit the Executive Budget Proposal to the Legislature on or before the legal deadline of April 30th as presented in Box 2. Box 2: Budget Calendar for FY 2019/20 .....	83
Box 3: Revenue Reconciliation Statement (not provided by the LRA) .....	98
Box 4: Financial Sector Policy Background for the FY 2018/19 .....	102
Box 5: Mismatched Amounts for Cash and Cash Equivalents held by the Government.....	119
Box 6: Financial Reporting and Reconciliation .....	121

## Figures

Figure 1: Ranking of the overall budgetary discipline indicators according to their levels of performance.....	19
Figure 2: Ranking of the allocation of Resources indicators according to their levels of performance.....	20
Figure 3: Ranking of the resources for Service Delivery indicators according to their levels of performance .....	21
Figure 4: Scores by Indicators Based on the 2016 PEFA Framework .....	23
Figure 5 : Changes in Scores by Indicators - 2011 PEFA Framework.....	24
Figure 6 : Evolution of Scores by Components of the 2011 PEFA Framework .....	25
Figure 7: Evolution of Scores by Indicators/Pillars- 2011 Framework.....	27
Figure 8 : PEFA Assessment Results by Pillar.....	37
Figure 9 : Strengths and Weaknesses of the Aggregate Fiscal Discipline.....	132
Figure 10 : Strengths and Weaknesses in the Strategic Allocation of Resources.....	133
Figure 11 : Strengths and Weaknesses regarding the Efficiency of Service Delivery .....	134
Figure 12 : Aggregate Fiscal Discipline: Differences from Previous PEFA Assessment .....	143
Figure 13 : Strategic Resource Allocation: Differences from Previous PEFA Assessment.....	144
Figure 14: Efficient Services Delivery: Differences from Previous PEFA Assessment.....	145

## Tables

Table 1: Steering Committee and Management and Oversight Team.....	3
Table 2: Schedule of Assessment Phases .....	5
Table 3: Main Units of Government to be Covered by the PEFA Assessment. ....	6
Table 4 : PEFA Scores Synthesis Based on the 2016 PEFA Framework .....	22
Table 5: Selected Economic Indicators (annual percentage change, unless otherwise indicated).....	29
Table 6: Aggregate fiscal data (US\$, millions) .....	30
Table 7: Actual Budgetary Allocations by Sectors (as a percentage of total expenditures).....	30
Table 8: Actual Budgetary Allocations by Economic Classification (as a percentage of total expenditures).....	31
Table 9: Structure of the Public Sector (number of entities and financial turnover, US\$, FY 2018/19) .....	32
Table 10: Financial Structure of Central Government—Budget Estimates (in USD, FY 2018/19).....	33
Table 11: Financial Structure of Central Government – Actual Expenditures (in USD).....	33

Table 12 : Budgeted and Allocated Expenditures by Functional Classification (US\$, millions).....	39
Table 13 : Estimates and Actual Budgetary Allocations by Administrative Classification (US\$, millions).....	40
Table 14 : Summary Results Matrix.....	40
Table 15 : Estimates and Actual Budgetary Allocations by Economic Classification (US\$ millions).....	41
Table 16 : Summary Results Matrix.....	41
Table 17 : Budgeted and Actual Contingencies (US\$ millions).....	42
Table 18: Comparison of Budgeted and Actual Revenues (US\$, thousands).....	43
Table 19: Comparison of Budgeted and Actual Revenues by Economic Classification (US\$, thousands).....	43
Table 20 : Summary Results Matrix.....	44
Table 21 : Comparison between GFS and Liberian Functional Classifications .....	46
Table 22 : Comparison between GFS and Liberian Revenue Classifications .....	46
Table 23 : Specifications of the Information Benchmark That Must be Met according to the PEFA Criteria.....	48
Table 24 : Public Access to Fiscal Information.....	58
Table 25 : States-owned Enterprises in Liberia .....	62
Table 26: List of Major Projects Selected in 2018 (US\$ thousands).....	66
Table 27: Statement of Cash Position (US\$, as of June 30, 2019).....	70
Table 28 : Capital Expenditures (FY 2018-2019).....	70
Table 29: Public Debt Evolution (FY 2018-2019) .....	73
Table 30 : Summary Draft Budget Preparation Calendar (FY 2019/20) .....	84
Table 31: Actual Revenues and Percentage of Total Revenues of the LRA (for the last 3 fiscal years) .....	92
Table 32: Audit Case Completion Rate for Fiscal Year 2018/19 .....	93
Table 33: Audit Completion Rate for Fiscal Year 2019/20.....	94
Table 34 : Activities of LRA Entities .....	94
Table 35 : PCA Core Activities for FY 2018/19 .....	94
Table 36 : Trend Analysis of Cases from the Last Three Fiscal Years.....	95
Table 37: Enforcement and Collection Activities for the Last Four Fiscal Years (US\$ and LRD).....	95
Table 38: Domestic Debt and Actual Expenditures for the Last 3 Fiscal Years (US\$, millions) .....	102
Table 39 : Procurement Methods for the FY 2018/19 (US\$, thousands) .....	109
Table 40: PEFA Criteria for Public Access to Procurement Information.....	110
Table 41 : Satisfaction of the PEFA Criteria for Procurement Complaint Management .....	111
Table 42 : Submission of GAC's Audit Reports to the House of Representatives .....	126
Table 43: Extent of Adherence to INTOSAI Standards.....	128
Table 44: General Auditing Commission Appropriation for the Audit of FY 2019/20.....	129
Table 45: Strengths and Weaknesses by Main Budgetary Outcomes and Pillars/Indicators.....	135

# EXECUTIVE SUMMARY

## Rationale and Purpose

The objective of the PEFA 2020 report is to provide an assessment of PFM performance based on the indicator analysis and other crucial information. This is to be done in a concise and standardized manner following the 2016 methodology. The Framework applied to this PEFA Assessment is the latest framework issued by the PEFA Secretariat (issued in February 2016). This new Framework evaluates the impact of PFM weaknesses on the three levels of budgetary outcomes (aggregate fiscal discipline, the strategic allocation of resources, and efficient service delivery). It consists of 7 pillars and 31 performance indicators that measure the operational performance of the key elements of the PFM systems, processes, and institutions.

Although the PEFA Assessment does not provide recommendations for reforms or make assumptions about the potential impact of the ongoing reforms on PFM performance, the report acknowledges actions taken by the government to reform PFM systems by describing recent and ongoing measures.

As part of the strategy formulation process, coordination with other PFM-related work includes the AfDB-funded project in support of PFM in Liberia; the EU-supported project for the General Auditing Commission of Liberia; the International Development Association (IDA) allocation of funds for PFM; and the Sweden-IDA Trust Fund PFM project, among others.

## Main Strengths and Weaknesses of the PFM Systems

### *Strengths*

#### *Aggregate fiscal discipline*

Aggregate expenditure outturn is generally close to the approved aggregate expenditure. Actual revenues were less than 92 percent of budgeted revenues in 2017/18 and 2018/19. The variance in revenue composition was more than 10 percent in all three years.

Economic analyses are conducted for most major investment projects.

A register of fixed assets exists. There is also some information about transfers and disposals in annual financial reports.

The debt is well managed. Debt records are complete and updated monthly, quarterly and annually. Loans and issuance of guarantees are made by the Minister of Finance. A Debt Sustainability Analysis (DSA) is prepared by the IMF and the World Bank, and the report is provided to the legislature.

The budget is pluri-annual. Medium-term forecasts are prepared and submitted to the legislature. Estimates of the fiscal impact of proposed changes in revenue and expenditure policy are prepared by the Ministry of Finance.

All budgeted tax revenues are paid into the Consolidated Fund Account and bank and cash balances are consolidated daily into the Treasury Single Account (TSA). A cash flow forecast is updated monthly.

Expenditure commitment controls are in place. Budget execution reports are prepared quarterly.

### *Strategic allocation of resources*

Budget formulation, execution, and reporting are based on administrative, functional, and economic classifications. Budget documentation and public access are at a good level.

The total cost and physical progress of major investment projects are monitored by the government implementation unit.

A medium-term fiscal strategy is presented to the Parliament. Sector strategies have been prepared for some sectors, but without a complete costing of investments and recurrent expenditures.

The budget preparation process is functional. Budget entities receive a budget circular, which is issued to the Ministries, Commissions and Agencies (MACs).

Significant administrative reallocations are possible. However, they are not easily monitored, hindering the strategic allocation of resources.

The Liberian Revenue Authority (LRA) provides comprehensive, up-to-date information to taxpayers. It prioritizes compliance risks and uses a compliance improvement plan.

The LRA obtains weekly data from entities collecting all central government revenues and transfers to the Treasury that are made daily.

### *Efficient service delivery*

Counties and Districts receive information about annual transfers from national governments when the draft budget is published on the MFDP's website.

A framework of performance indicators relating to the outputs or outcomes is published by some Ministries, such as the Ministry of Education and the Ministry of Health.

The annual budget execution reports and external audit reports are made available to the public on a timely basis.

The LRA obtains weekly data from entities collecting all central government revenues and transfers to the Treasury that are made on a daily basis.

Significant in-year adjustments are frequent, but they are done in a transparent way. MDAs are provided with reliable information about the available resources for commitments only one month in advance.

The approved staff list and personnel database are reconciled manually with the payroll. Controls are sufficient for the payroll data of greatest importance. Partial payroll audits are periodically undertaken. The General Auditing Commission (GAC) also undertook a payroll audit in 2019.

The procurement database is reliable for less than the majority of operations, but the information is provided to the public. The procurement complaints system is partially compliant with international standards.

The majority payments are compliant with regular payment procedures.

Internal audit is operational and audit activities partially meet the professional standards of internal auditing. However, there was no evidence that management provides a partial response to annual audit recommendations for the audited entities.

Cash accounting is still used, and no system for monitoring suspense accounts has been designed.

Annual financial statements of the Consolidated Fund Account are provided to the General Auditor (GAC).



The GAC highlights relevant material issues in reports concerning the Annual Financial Statements (AFS).

The Parliament issues some recommendations, but they are not specifically linked to those provided by the GAC, and there is no systematic follow-up.

## ***Weaknesses***

### ***Aggregate fiscal discipline***

There has been an underfunding of planned resources in all three years.

External financing expenditures are not reported in annual financial statements, hampering fiscal discipline.

There is no report about the financial position and performance of state-owned enterprises (SOEs) and Counties/Districts, and contingent liabilities are not quantified.

Few investment projects are prioritized because most of the projects are externally financed projects.

With the current use of the cash basis International Public Sector Accounting Standards (IPSAS), not enough information is being generated about non-current assets.

A register of fixed assets exists, but with only partial information. Also, only partial information about transfers and disposals is included in annual financial reports.

The stock of expenditure arrears to suppliers is more than 50 percent of total expenditures.

Forecast sensitivities are not presented in budget documents, However, the budget circular does not contain medium-term expenditure ceilings, as multi-year appropriations are not yet permitted.

Extra-budgetary funds, particularly for externally financed projects, remain outside the arrangement.

The monitoring is not done for all types of arrears, hindering fiscal discipline.

Expenditure commitment controls are in place, but for less than 75 percent of budget expenditures in terms of value.

Budget execution reports are not issued in a timely manner.

### ***Strategic allocation of resources***

As expenditures are underfunded, planned resources have not been provided as planned, leading to significant administrative reallocations.

The functional classification is not sufficiently detailed.

Some elements that should be published are missing, such as financial assets, fiscal risks, the budget impact of new policy measures, and estimates of tax expenditures. Externally funded expenditures are not reported in annual financial statements.

The progress of the budget strategy is not analyzed in the documentation provided to the Parliament.

The horizontal allocation of transfers to Counties and Districts is not determined by transparent, rule-based systems.

Projections of the total capital costs are not included in the budget documentation, and no information about the implementation of major investment projects is published.

The budget circular does not include ceilings. Insufficient time is given to the budget users to complete their detailed estimates. This leads to delays in submitting the annual budget proposal to the Parliament. Parliament often does not have enough time to vote on the draft budget before the end of the fiscal year.

Not all planned audits are completed.

The LRA does not prepare a Consolidated Revenue Accounts Reconciliation.

Data accuracy is questionable, and data issues are not highlighted in the quarterly reports.

### ***Efficient service delivery***

Variances in expenditure composition by economic type exceeded 15 percent for each year of the period under review, thus hampering efficient service delivery.

Counties and Districts receive information about annual transfers from national governments only when the draft budget is published on the MFDP's website, which affects the development of their budgets and associated services.

No annual performance report or documentation shows that surveys were carried out to assess the efficiency of service delivery.

There is insufficient information about service delivery to the public.

Budget proposals are not aligned with estimates presented in the strategic plans, and yearly changes to expenditure estimates are not explained.

The LRA does not prepare a Consolidated Revenue Accounts Reconciliation. The stock of revenue arrears older than 12 months represents more than 75 percent of total revenue arrears for the year, hindering the efficiency of service delivery.

There is no monthly follow-up of the payroll.

Less than 60 percent of the total value of contracts is awarded through competitive methods.

The reconciliation of bank accounts does not take place on a regular basis. Budget execution reports are not issued in a timely manner, hindering follow-up on service delivery.

The AFS they are generally incomplete and are not compliant with the IPSAS cash basis. The Auditor General cannot send his report to the Parliament in due time because the government takes too much time in providing his response.

The Public Account Committee examination of audit reports generally takes more than 12 months to complete, and the reports are not published.

Parliamentary recommendations are not specifically linked to those provided by the GAC, and there is no systematic follow-up.

## **Impact of PFM Performance on Budgetary and Fiscal Outcomes**

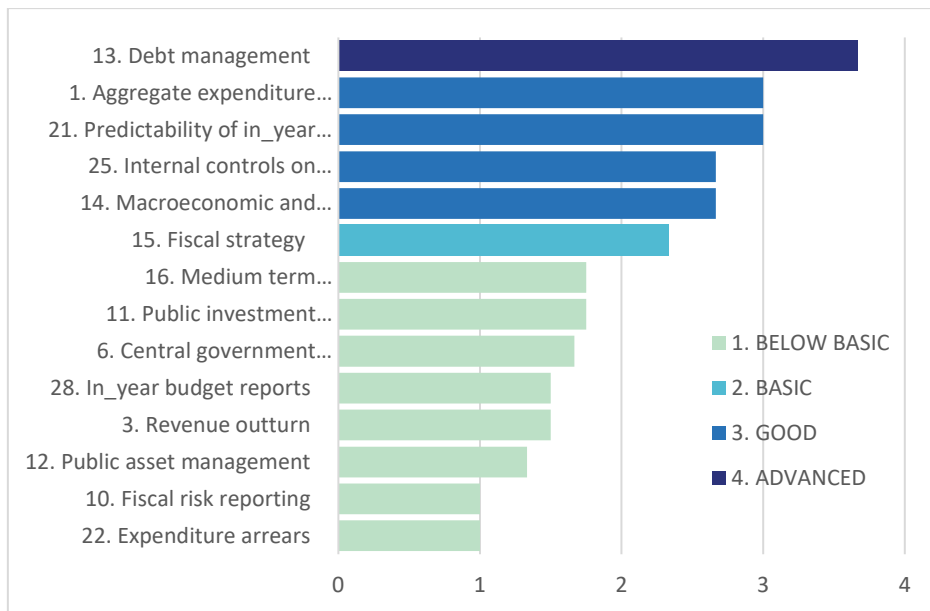
### **Aggregate Fiscal Discipline**

The evaluation of PFM in Liberia shows that there is a mechanism for monitoring budget execution. However, budgetary discipline is not yet fully ensured because the Integrated Financial Management Information System (IFMIS) is not yet being used by all the spending entities. The strategic allocation of resources and the effectiveness

of service delivery are also partly hampered by optimistic revenue forecasts that cannot be achieved, and partly because allotments voted by the National Assembly are extensively modified during budget execution.

The figures below present a ranking of the indicators related to the objective of overall budgetary discipline according to their different levels of performance. These are established based on the numerical rating of each indicator.

Figure 1: Ranking of the overall budgetary discipline indicators according to their levels of performance



Source: Author's Calculation

Detailed budget execution does not reflect the amounts voted by the Legislature, which are supposed to correspond to the Government's proposals.

Actual budget revenues (and expenditures) were lower than initially estimated. This situation contributes to the generation of large domestic arrears, which are generally not cleared in the following fiscal year and added to the large amount of domestic debt. The budgetary risks, although not well assessed, are nevertheless limited.

Efforts have been made to improve budget preparation, but the spending entities had only one week to submit their detailed estimates. Any improvement would also remain inefficient if budget allocations to spending entities are not respected by the Executive.

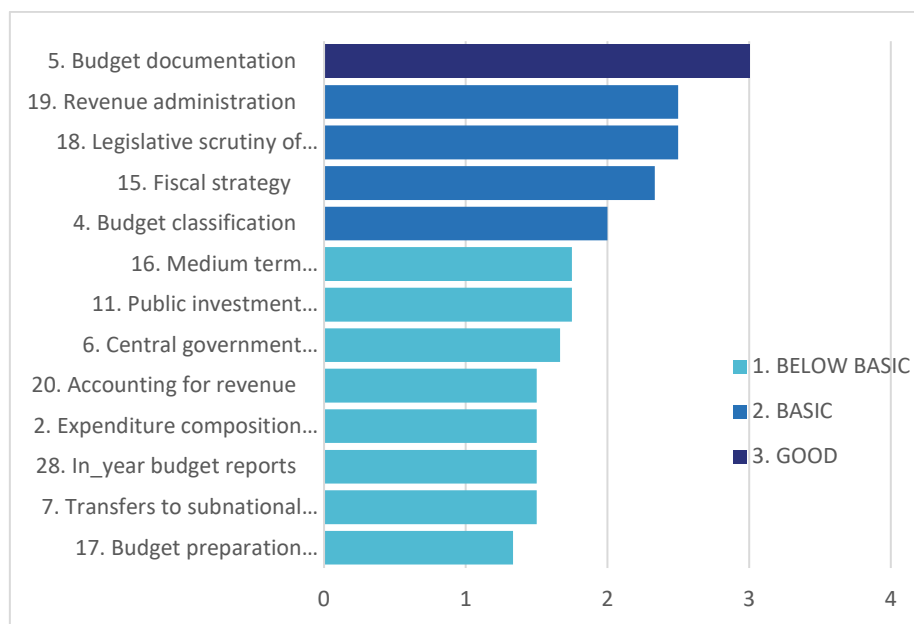
Finally, the MFDP produced only a Financial Statement of the Consolidated Fund Account. Yet, significant expenditures are made outside of the Treasury Single Account (TSA), especially for programs and projects financed by donors — even if their estimates are presented in an Annex of the draft national budget.

Nevertheless, overall fiscal discipline is based on good debt monitoring and a robust macroeconomic framework, despite the absence of a review of the forecasts by an entity other than the Liberia Macroeconomic Policy Analysis Center (LIMPAC) that prepared them.

### Strategic Allocation of Resources

Financial resource allocations are generally not in line with the government's stated priorities. The strategic allocation of resources is weakened by the lack of efficiency in tax collection and the budget preparation process, as well as the lack of transparency in transfer procedures to sub-national governments.

Figure 2: Ranking of the allocation of Resources indicators according to their levels of performance



Source: Author's Calculation

As noted, efforts have been made to better prepare the budget, although it is still too early to know whether the preparation of the Annual Performance Plans (APPs) has contributed to better resource allocation in the absence of Annual Performance Reports (APRs).

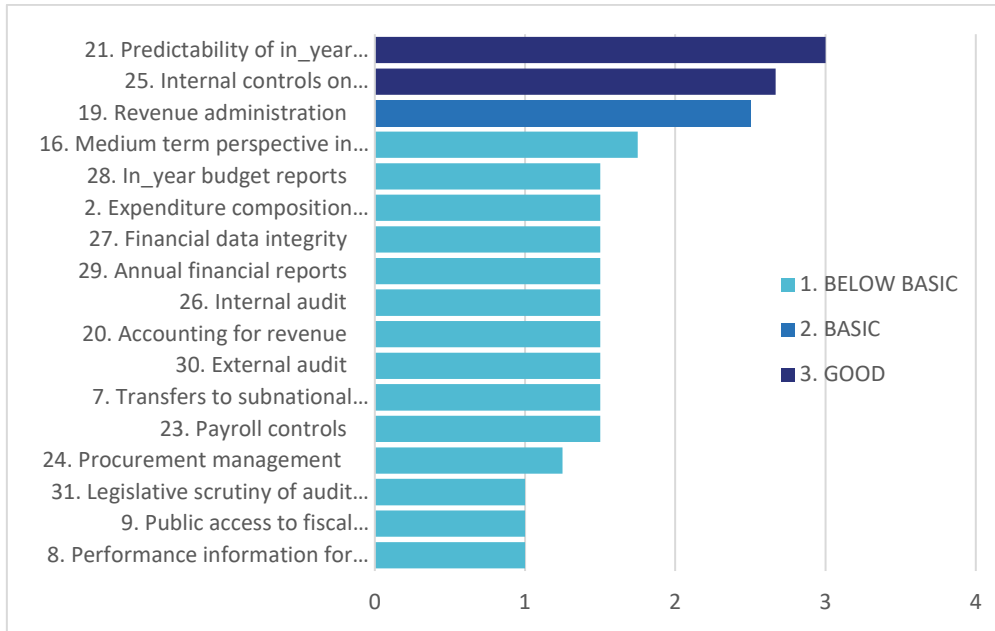
Moreover, the procedures for presenting the budget to the Parliament are relatively well respected, apart from the existence of significant delays.

### Efficient Use of Resources for Service Delivery

Public services provided by the administration are insufficiently controlled and monitored by the Executive.

Health, education, water, and electricity services, and so on, are underfunded due to the high level of spending on wages and recurrent expenditures. The Government of Liberia (GoL) pays for most of the salaries, but it does not pay for the maintenance costs and investments needed in these sectors, which are also not published. In addition, the data published on the MFDP website in the quarterly budget execution reports are always presented with delays, and the data are not very reliable.

Figure 3: Ranking of the resources for Service Delivery indicators according to their levels of performance



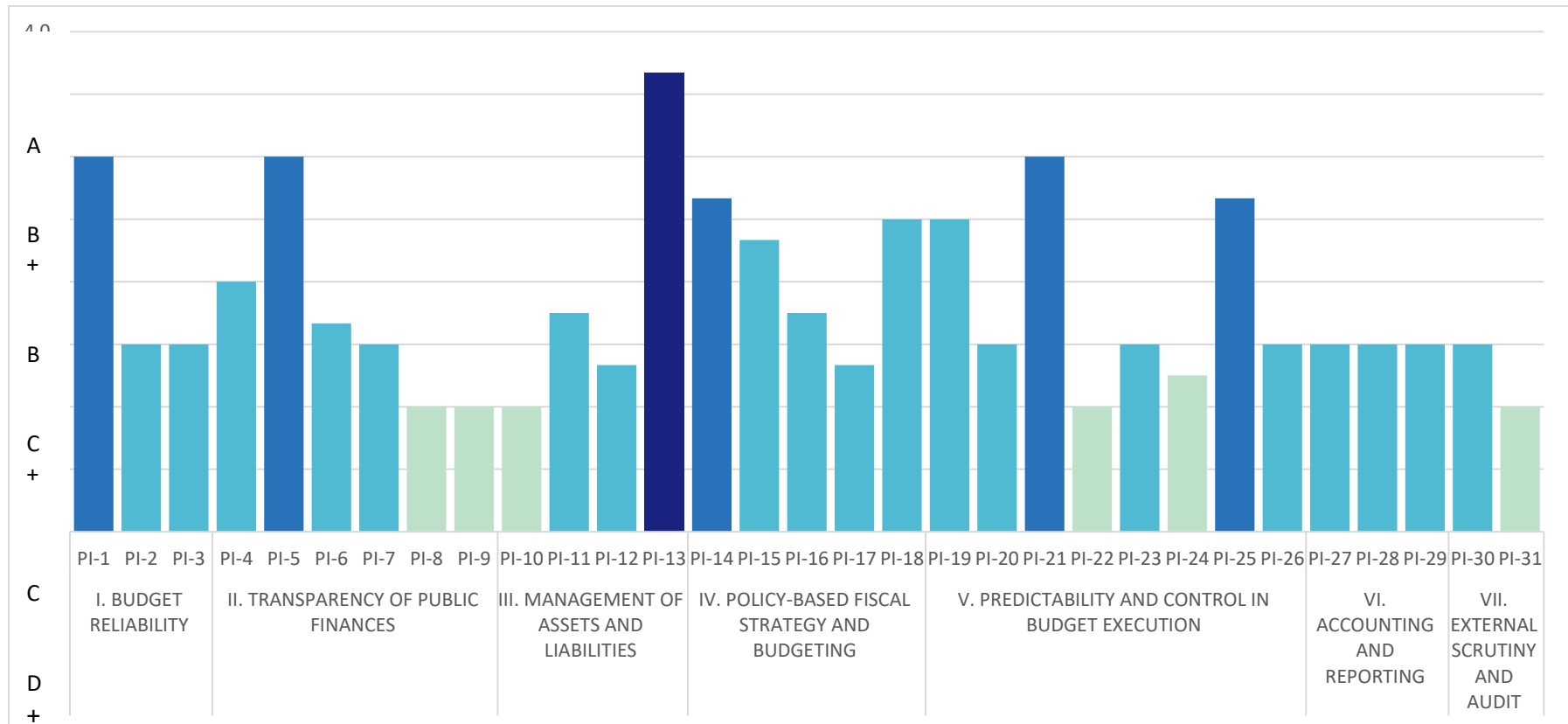
Source: Author's Calculation

Fiscal operational quarterly and annual reports and the Annual Financial Statement of the Consolidated Fund Account have also been published on the MFDP website, albeit with delays. Progress has been made in re-establishing the legal and regulatory framework for public procurement, but the overall efficiency of public procurement management in Liberia has shown only marginal improvements because the Public Procurement and Concessions Commission (PPCC) is still far from monitoring all the contracts awarded. Annual Compliance Monitoring Reports (CMRs) were expected to be published by the PPCC from December 2018 to enhance government transparency and accountability. However, this has not yet occurred.

Table 4 : PEFA Scores Synthesis Based on the 2016 PEFA Framework

Indicators /Components		1	2	3	4	
<b>I. Budget reliability</b>						
PI-1	1. Aggregate expenditure outturn	B				B
PI-2	2. Expenditure composition outturn	C	D	A		D+
PI-3	3. Revenue outturn	D	C			D+
<b>II. Transparency of public finances</b>						
PI-4	4. Budget classification	C				C
PI-5	5. Budget documentation	B				B
PI-6	6. Central government operations outside financial reports	D	D	B		D+
PI-7	7. Transfers to subnational governments	D	C			D+
PI-8	8. Performance information for service delivery	D	D	D*	D	D
PI-9	9. Public access to fiscal information	D				D
<b>III. Management of assets and liabilities</b>						
PI-10	10. Fiscal risk reporting	D	D	D		D
PI-11	11. Public investment management	B	D	D	C	D+
PI-12	12. Public asset management	D	D	C		D+
PI-13	13. Debt management	B	A	A		A
<b>IV. Policy-based fiscal strategy and budgeting</b>						
PI-14	14. Macroeconomic and fiscal forecasting	B	B	C		B
PI-15	15. Fiscal strategy	C	B	C		C+
PI-16	16. Medium-term perspective in expenditure budgeting	A	D	D	D	D+
PI-17	17. Budget preparation process	D	D	C		D+
PI-18	18. Legislative scrutiny of budgets	B	B	C	C	C+
<b>V. Predictability and control in budget execution</b>						
PI-19	19. Revenue administration	A	B	C	D	C+
PI-20	20. Accounting for revenues	A	A	D		D+
PI-21	21. Predictability of in-year resource allocations	A	A	C	C	B
PI-22	22. Expenditure arrears	D*	D*			D
PI-23	23. Payroll controls	D*	D*	C	C	D+
PI-24	24. Procurement management	D	D	D	C	D
PI-25	25. Internal controls on non-salary expenditures	A	C	C		B
PI-26	26. Internal audit	B	B	D*	D*	D+
<b>VI. Accounting and reporting</b>						
PI-27	27. Financial data integrity	D	NA	NA	C	D+
PI-28	28. In-year budget reports	C	D	C		D+
PI-29	29. Annual financial reports	C	D	C		D+
<b>VII. External scrutiny and audit</b>						
PI-30	30. External audit	B	D	C	D	D+
PI-31	31. Legislative scrutiny of audit reports	D	D	D	D	D

Figure 4: Scores by Indicators Based on the 2016 PEFA Framework



Source: Author's Calculation

## Performance Changes Since the Previous PEFA Assessment

### Evolution of Scores

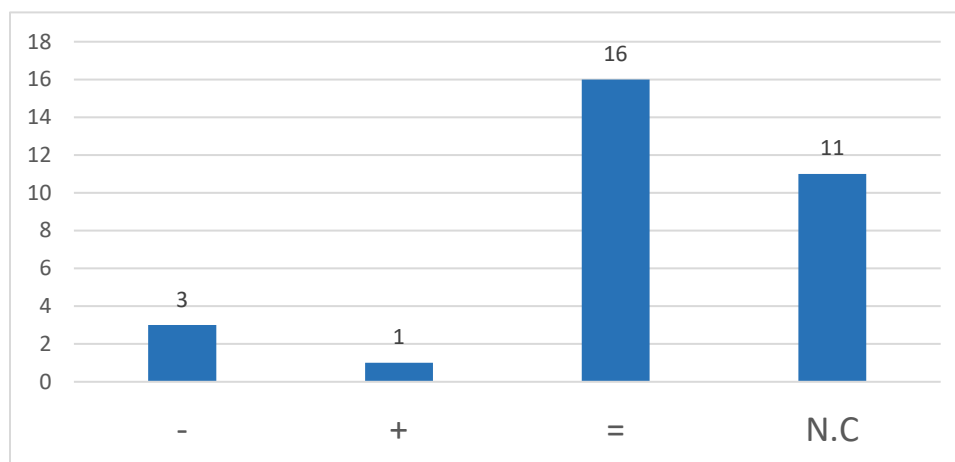
Although this PEFA Assessment has been conducted using the updated and expanded 2016 methodology, it has also been possible to score against the previous 2011 PEFA methodology, which was used in the 2016 PEFA Assessment.

Overall, the situation remained the same regarding PFM performance. The overall score was a C for the previous assessment (PEFA 2016), and it remains unchanged for this evaluation. However, a slight deterioration can be observed at the disaggregated level. The previous PEFA Assessment noted that much of the legal and regulatory framework for effective PFM was already in place. Since then, despite considerable modernization of information technology (IT)-based PFM systems, progress in PFM performance has been uneven, showing insufficient results in some areas. Internal controls may have even deteriorated if the previous assessment has not been overestimated (see indicator PI-25 in Annex 4). The improvement processes are still ongoing.

To analyze the evolution by indicators, the comparison with the previous evaluation should be based on the 2011 methodological framework. As shown in the figure 5, the scores improved for only 1 indicator, decreased for 3 indicators, and remained the same for 16 indicators. Eleven indicators are not comparable.

Figure 5 : Changes in Scores by Indicators - 2011 PEFA Framework

Indicator	Evolution
-	3
+	1
=	16
N.C	11
<b>Total</b>	<b>31</b>



Source: Author's Calculation

An analysis of the assessment by components shows an improvement of the timeliness of budget approval by the legislature (PI-11(iii)), as well as the submission of the financial statements (PI-25(ii)). This was also highlighted in the World Bank Group Project Performance Assessment on the Integrated Public Financial Management Reform Project in Liberia<sup>1</sup>. Cash flow (PI-16(i)) is also better monitored and forecasted.

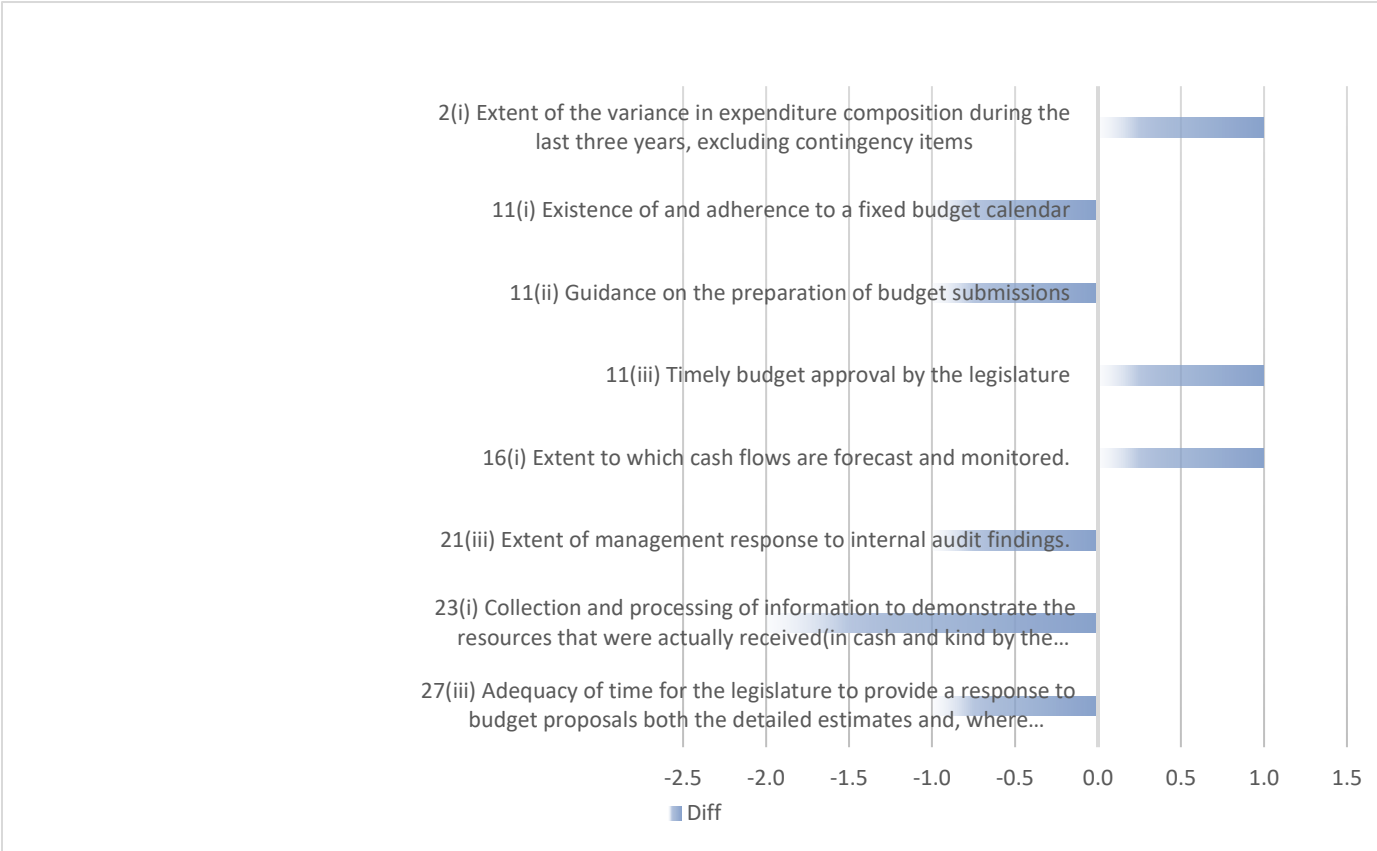
<sup>1</sup> World Bank, Report No. 153799 Liberia - Integrated Public Financial Management Reform Project. December 21, 2020



Finally, variance in expenditure composition (PI-2 (i) has decreased over the last three years as compared to the previous evaluation. However, variance has increased in the last year. Thus, the improvement may not be sustainable.

Figure 6 shows the evolution of scores by components of the 2011 PEFA Framework. Only the positive or negative evolution has been represented.

Figure 6 : Evolution of Scores by Components of the 2011 PEFA Framework



Source: Author's Calculation

**Analysis by Budgetary Results**

*Aggregate fiscal discipline*

The score of aggregate expenditure outturn compared to the original approved budget did not change, but the variance in expenditure composition improved for the first two years of the evaluation period. However, it is difficult to draw any conclusion because the situation deteriorated in 2018/19.

Only the development of the macroeconomic and budgetary framework can be seen as an improvement, but it was not considered in the previous methodology.

### *Strategic allocation of resources*

Only the transparency of inter-governmental fiscal relations seems to have improved. It is also difficult to draw any conclusion because the decentralization process was not analyzed during the previous evaluation. Nevertheless, a more regular and timely presentation of the draft budget for the coming fiscal year to the Parliament can be noted. However, the legal deadlines are not yet respected.

### *Efficient service delivery*

The efficiency of services deteriorated slightly in 2020 as compared to 2016. This deterioration is due to the lack of information necessary to assess the effectiveness of internal auditing, as well as to the lack of availability of information about resources received by the primary service delivery units. The previous evaluation was able to obtain information about management responses to the audit, whereas surveys had been conducted during the period analyzed by the 2016 evaluation.

The extension of the TSA, the IFMIS, the Standard Integrated Government Tax Administration System (SIGTAS), the Automated System for Customs Data Administration (ASYCUDA), and the Civil Service Management System (CSMS) — alongside considerable amounts of technical assistance (TA) from development partners (DPs) — should have provided a solid basis for strengthening PFM performance. However, no significant impact on service delivery could be observed.

Nonetheless, some improvements have been made. These include the establishment of Annual Performance Projects for each Ministry, which should allow for a better allocation of resources in the future.

The following figure presents the rating of the two evaluations with the 2011 methodological framework.

*Figure 7: Evolution of Scores by Indicators/Pillars- 2011 Framework*

*Source: Author's Calculation*

A visualization of the PEFA Liberia 2020 scoring can also be found on:

<https://public.tableau.com/profile/pefa.liberia>.

# 1 PFM CONTEXT

## 1.1 Financial Overview

### 1.1.1 Country Economic Situation

Liberia is a fragile state faced with high institutional and social fragility<sup>2</sup>. Its population is estimated at 5 million, with a large youth cohort. Geographically, it covers an area of 111,369 square kilometres (43,000 square miles). English is the official language, but over 20 indigenous languages are spoken, representing several ethnic groups who make up more than 95 percent of the population. The country's capital and largest city is Monrovia.

Liberia's economy is highly reliant on mining and agricultural exports, including iron ore, gold, rubber, and palm oil. As such, it is quite vulnerable to volatile commodity prices. About 80 percent of Liberians work in the informal sector or subsistence agriculture, but the service sector is also expanding. The economy is also dependent on remittances, with about half of the population receiving some type of transfer.<sup>3</sup>

After a period of protracted civil conflict and economic contraction (1989-2003), Liberia experienced some steady economic and social progress between 2003 and 2013. The country's gross domestic product (GDP) expanded by an annual average of 6.2 percent on per year, and 3 percent per year in per capita terms. However, the twin shocks of the Ebola outbreak and falling commodity prices hindered the renewed expansion in 2014. The ensuing recovery was short-lived, as the macroeconomic situation worsened during 2018-19 on the back of falling demand and output, as well as rising inflation. Real GDP is projected to contract by 2.9 percent in 2020, the second year in a row following a 2.3 percent contraction in 2019. The COVID-19 pandemic and related containment measures have subdued output in most productive sectors of the economy, posing a complex and evolving challenge for recovery.

Headline inflation reached a record high of 26.9 percent in 2019, but it is expected to decline to 17.6 percent, as lower oil prices and weak economic activity ease inflationary pressures. By end-September 2020, the inflation rate stood at 14.0 percent, down from 30.9 percent a year ago. However, domestic food prices remained significantly high in 2020 due to disruptions in the domestic food supply.

The progress on poverty reduction remains slow, as poverty remains widespread in Liberia. Liberia is one of the poorest countries in the world, with a gross national income (GNI) per capita estimated at US\$580 in 2019. The proportion of households living below the international poverty line of US\$1.9/day (2011 Purchasing Power Parity [PPP]) is projected to increase to 52.2 percent in 2020, from an estimated 49.4 percent in 2019. This is in line with continued negative income per capita growth. Although it is difficult to precisely gauge the welfare impact of the COVID-19 pandemic, households are expected to be negatively affected because of the potential adverse impact on employment, prices, and incomes. Two-thirds of households are in a dire food situation and facing income losses, according to the High Frequency Phone Monitoring Survey Report launched in August 2020.

In 2020, the slowing global economy has depressed demand for Liberian exports and muted investments in the export-oriented sectors. At the same time, the fiscal situation remains challenging, reflecting declining revenues and increasing COVID-related spending pressures.

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<sup>2</sup> World Bank. "FY21 List of Fragile and Conflict-affected Situations." (World Bank, 2020). Access: [pubdocs.worldbank.org/en/888211594267968803/FCList-FY21.pdf](https://pubdocs.worldbank.org/en/888211594267968803/FCList-FY21.pdf)

<sup>3</sup> World Bank. *Liberia Systematic Country Diagnosis, From Growth to Development. Priorities for Sustainably Reducing Poverty and Achieving Middle-Income Status by 2030.* (World Bank, 2018).

## 1.1.2 Key Economic Indicators

Table 5: Selected Economic Indicators (annual percentage change, unless otherwise indicated)

	2017	2018	2019 (e)	2020 (f)
<b>Real GDP growth, at constant market prices</b>	2.5	1.2	-2.3	-2.9
Private Consumption	-1.7	6	-2.8	-1.9
Government Consumption	1.9	-4.3	4	-16.8
Gross Fixed Capital Investment	-4.1	-13.6	-4.3	2.6
Exports, Goods and Services	6.4	-0.3	1.6	-10.2
Imports, Goods and Services	-10.9	-13.8	0.4	-7.4
<b>Real GDP growth, at constant factor prices</b>	2.5	1.2	-2.3	-2.9
Agriculture	-1.1	-0.2	0.4	5.3
Industry	16.4	20	5.2	0.6
Services	1.1	-4.6	-7.9	-12.1
<b>Inflation (Consumer Price Index)</b>	13.2	20.4	27	17.6
<b>Current Account Balance (% of GDP)</b>	-23.4	-23.5	-22.1	-24.3
<b>Fiscal Balance (% of GDP)</b>	-4.8	-4.8	-6.1	-3.7
<b>Debt (% of GDP)</b>	34.9	40.3	52.5	57.7
<b>Primary Balance (% of GDP)</b>	-4.5	-4.2	-5.4	-2.1
<b>International poverty rate (\$1.9 in 2011 PPP)</b>	46.5	45.7	49.4	52.2

Source: World Bank, Poverty and Equity and Macroeconomics, Trade and Investment Global Practices.

Note: e = estimate, f = forecast; GDP= gross domestic product; PPP= purchasing power parity.

NA

(a) Calculations are based on the 2016 Household Income and Expenditure Survey (HIES). Actual data: 2016. Nowcast: 2017-2019. Forecasts are from 2020 to 2022.

(b) Projection using neutral distribution (2016) with pass-through = 0.7 based on GDP per capita in constant local currency units (LCUs).

## 1.1.3 Fiscal and Budgetary Trends

### Fiscal performance

In recent years, a decline in external assistance combined with weak domestic revenue generation, limited expenditure adjustments—especially on wages—and an accommodative monetary policy stance led to numerous fiscal and macroeconomic challenges. These included an unsustainable fiscal stance, the emergence of arrears, excessive central bank financing, the depletion of fiscal and external buffers, and pressures on inflation and the exchange rate.

The overall fiscal deficit of the central government widened from 4.1 percent of GDP in FY 2017 to 4.8 percent of GDP in FY 2018. The deficit widened again to an estimated 6.2 percent in FY 2019, reflecting low domestic revenue mobilization and high public spending. Tax revenues accounted for 12.1 percent of GDP in FY2019, which is low by regional standards. The wage bill increased to 10.1 percent of GDP or over two-thirds of total expenditures in FY

2019, crowding out other recurrent expenditures — particularly the provision of goods and services in the social sectors and infrastructure spending. The larger fiscal deficit led to a rapid increase in public debt from 40.2 percent of GDP in FY 2018 to 47.8 percent of GDP in FY 2019.

Table 6: Aggregate fiscal data (US\$, millions)

	Actual 2016/17	Actual 2017/18	Actual 2018/19
<i>Total Revenues</i>	495.6	431.8	482.4
Own revenues	461.8	422.3	469.7
Grants	33.8	9.5	12.7
<i>Total Expenditures</i>	528.6	487.5	518.0
Non-interest expenditures	519.0	468.0	508.7
Interest expenditures	9.6	19.5	9.3
<i>Primary Surplus</i>	-33.0	-55.7	-35.6
<i>Net Financing</i>	33.0	55.7	35.6
External	36.3	20.7	0.6
Domestic	-3.3	35.0	35.0
<i>Public Debt</i>	849.0	942.6	978.2
<i>Ratio of Public Debt to GDP</i>	26%	29%	31%
<i>Fiscal year GDP</i>	3,244	3,274	3,205

Source: World Bank, Concept Notes (FY 2016/17 and 2017/18) and AFS (FY 2018/19).

Note: The 2018/19 revenues are comprised of domestic revenues of US\$506.2 million and US\$31 million from the National Road Fund (NRF). (The NRF figure is effective as of 2018/2019).

### Allocation of resources

Table 7: Actual Budgetary Allocations by Sectors (as a percentage of total expenditures)

Administrative or Functional Heading	2016-17	2016-18	2016-19
01 Public Administration Sector	32.3	32.3	36.4
02 Municipal Government Sector	4.1	3.2	3.2
03 Transparency and Accountability Sector	6.5	8.4	4.5
04 Security and Rule of Law Sector	16.3	16.7	16.8
05 Health Sector	10.5	13.7	12.1
06 Social Development Services Sector	2.4	1.8	2.0
07 Education Sector	14.9	15.4	13.9
08 Energy and Environment Sector	3.0	2.8	2.5
09 Agriculture Sector	1.2	1.0	1.0
10 Infrastructure and Basic Services Sector	7.3	3.1	6.1
11 Industry and Commerce Sector	1.4	1.5	1.3
<b>Total expenditures</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Budget documentation for the FY 2017/18 to FY 2019/20.

Table 8: Actual Budgetary Allocations by Economic Classification (as a percentage of total expenditures)

Economic Heading	2016-17	2016-18	2016-19
20 Capital Investment	0.0	0.0	0.0
21 Compensation of Employees	50.8	59.7	61.6
22 Use of Goods and Services	28.7	24.4	22.5
23 Consumption of Fixed Capital	4.9	0.3	0.2
24 Interest and Other Charges	2.1	0.6	9.4
25 Subsidies	0.0	0.6	0.2
26 Grants	13.2	12.2	0.0
27 Social Benefits	0.3	0.2	0.0
31 Non-financial Assets	0.0	2.1	6.0
41 Domestic Liabilities	0.0	1.2	1.4
42 Foreign Liabilities	0.0	2.7	3.7
<b>Total expenditures</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### *Main Economic Challenges and Government-wide Reforms*

The existing dual currency regime characterized by the high level of dollarization presents a major challenge to the Central Bank of Liberia (CBL) in conducting an effective monetary policy. Moreover, the high level of import dependency has magnified the local currency depreciation.

Underperforming revenues and an insufficient expenditure adjustment have limited the government's ability to enhance fiscal consolidation. However, the adoption of a credible budget in FY2019/2020 represented a critical step toward restoring sustainable macroeconomic balances.

In 2018, the Government launched its national development plan, the Pro-Poor Agenda for Prosperity and Development (PAPD). However, its objectives of building roads and improving social services have largely been delayed due to a lack of funding. Meanwhile, a four-year Extended Credit Facility (ECF) arrangement was approved by the IMF to help stabilize the economy, ensure a sustainable transition out of fragility, and catalyse financing for the PAPD<sup>4</sup>.

The Government is also implementing several structural reforms supported by World Bank development policy operations. These operations are focused on productivity-driven, private-sector-led growth, improved public-sector transparency, and greater economic and social inclusion.

The program will also support efforts to address governance issues among SOEs and systemically important banks.

<sup>4</sup> <https://www.imf.org/en/News/Articles/2019/12/11/pr19451-liberia-imf-executive-board-approves-us23-4-million-ecf-arrangement>.

## 1.2 PFM: Institutional Arrangements

### Governance and Institutions

#### *The Ministry of Finance and Development Planning (MFDP)*

Public financial management in Liberia falls within the purview of the Ministry of Finance and Development Planning (MFDP). The MFDP has the mandate to formulate, institutionalize and administer economic development initiatives, as well as fiscal and tax policies for the promotion of sound and efficient management of the government’s financial resources. As custodian of the country’s economy, the MFDP combines public finance, development planning and economic management expertise. The MFDP includes the following departments:

- Office of the Minister
- Fiscal Affairs
- Economic Management
- Budget and Development Planning
- Administration and Management

#### *The General Auditing Commission (GAC)*

Article 89 (C) of the 1986 Constitution of Liberia established the General Auditing Commission (GAC) as one of three autonomous commissions of the Government of Liberia. However, this constitutional provision does not provide for the independence of the heads of the Supreme Audit Institution (SAI). The Constitution does state further that the Legislature shall enact laws for the governance of these commissions.

Tables 9, 10 and 11 present the structure of the public sector in Liberia.

*Table 9: Structure of the Public Sector (number of entities and financial turnover, US\$, FY 2018/19)*

Year	Public Sector			
	Budgetary Units	Extra-budgetary Units	Social Security Funds	Public Corporations
Central	112 (570,148,00)	N/A <sup>(1)</sup>	1 (35,225,345)	16 (219,147,235)
Counties	15 (N/A)	N/A	N/A	N/A

*Source: Budget documentation for the FY 2017/18 to FY 2019/20.*

*Note: There are at least 8 Extra-budgetary Units, but the exact number cannot be assessed.*



Table 10: Financial Structure of Central Government—Budget Estimates (in USD, FY 2018/19)

Year 2018/19	Central Government			
	Budgetary Units	Extra-budgetary Units	Social Security Funds	Total Aggregated
Revenues	570,148	540,569 <sup>1/</sup>	39,591	774,510
Expenditures	570,148	540,569	24,228	774,994
Transfers to (-) and from (+) other units of general government	57,000	N/A		57,000
Liabilities	26,200	N/A		26,200
Financial Assets	-	N/A		-
Non-financial Assets	74,325	N/A		74,325

Source: Budget documentation 2018/19

Note: This amount relates to the 2018/19 aid projection.

Table 11: Financial Structure of Central Government – Actual Expenditures (in USD)

Year 2018/19	Central Government			
	Budgetary Units	Extra--budgetary Units	Social Security Funds	Total Aggregated
Revenues	570,148	N/A	39,591	623,648
Expenditures	518,004	N/A	24,228	542,232
Transfers to (-) and from (+) other units of general gov 't		N/A		
Liabilities	25,491	N/A		25,491
Financial Assets		N/A		
Non-financial Assets	15,105	N/A		15,105

Source: AFS 2018/19

## Counties and Districts

Liberia functions under the 1986 Constitution, Article 3, stating that it is a unitary sovereign state divided into counties for administrative purposes.

The counties are further grouped into larger political subdivisions of provinces, including the Northern, Eastern, Western and Southern Provinces. The laws enacted by a province shall be applicable to its jurisdiction and all the provincial laws subordinate the national laws. The provincial capital is chosen by the provincial legislature. The provincial government can impose taxes. As such, it is allowed to act on stipulated national limits to best manage

the provincial resources. The budget of each province is managed by the province administration with the help of local taxes and a central government subsidy.

Liberia is presently divided into 15 counties, which are subdivided into districts, and further subdivided into clans. The oldest counties are the Grand Bassa and Montserrado counties, both founded in 1839 prior to Liberian independence. Gbarpolu is the newest county, created in 2001. Nimba is the largest of the counties in size with 4,460 square miles (11,551 km<sup>2</sup>), whereas Montserrado is the smallest with 737 square miles (1,909 km<sup>2</sup>). Montserrado is also the most populous county with 1,144,806 residents (as of the 2008 census)<sup>5</sup>.

The fifteen counties are administered by superintendents appointed by the President. The Constitution calls for the election of mayors and various chiefs at the county and local levels, but these elections have not taken place since 1985 due to war and financial constraints. In 2008, the Supreme Court ruled in favour of allowing the President to appoint mayors until the country could afford to hold municipal elections.

## The Social Security System

Social security is a national social protection program that provides financial support to retired Liberians over the age of sixty. It is managed by the National Social Security and Welfare Corporation (NASSCORP). The NASSCORP<sup>6</sup> is supervised by a tripartite board of directors, and a management team administers the programs.

The NASSCORP is a corporation charged with implementing three schemes designed to provide social security protection to eligible formal sector workers. These schemes are: (a) the Employment Injury Scheme (EIS); (b) the National Pension Scheme (NPS); and (c) the Welfare Scheme (WS), which has yet to be launched. These three schemes constitute the Social Security Program in Liberia.

The EIS is a social security program available to all persons working for a registered employer. It is designed to provide cash and material benefits to take care of employees who sustain injuries or become disabled as a result of job-related accidents or occupational diseases.

The NPS is a social security program designed to provide cash benefits to individuals who have had to stop working for registered entities because of illness or disability; to elderly persons who can no longer work; and to survivors of deceased (insured) persons.

## 1.3 PFM: Legal and Regulatory Arrangements

Liberia's politics takes place within the framework of a presidential representative democratic republic, modelled on the government of the United States. However, unlike the United States, Liberia is a unitary state instead of a federation. It has a pluriform, multi-party system rather than the two-party system that characterizes US politics.

Liberia has a Republican form of government with three separate, coordinate branches: the Legislative, the Executive and the Judiciary.

Article 89 of the Constitution of Liberia also prescribes the establishment of the following Autonomous Public Commissions: (a) a Civil Service Commission; (b) an Elections Commission; and (c) a General Auditing Commission.

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<sup>5</sup> <http://www.mia.gov.lr/2content.php?sub=210&related=40&third=210&pg=sp>

<sup>6</sup> <http://nasscorp.org.lr>

## The Executive

The Government exercises executive power. The President is the head of state and head of government. The President is elected by popular vote for a six-year term (renewable). The cabinet is appointed by the President and confirmed by the Senate.

## The National Legislature

The legislature of Liberia is based on the legislature of United States. Legislative power is vested in both the government and the two chambers of the legislature, namely, the Senate and the House of Representatives. There are 15 counties in the country. Based on the population, each county is allowed to have at least two members. There are a total number of 73 members to the house, including the Speaker of the House. Each member represents an electoral district and is elected to a six-year term based on popular vote.

There are 30 senators, two each for the 15 counties, and they serve nine-year terms. Senators are also elected based on a plurality of votes. The Vice President of Liberia is the head of the Senate, and he also acts as President in the absence of the sitting President.

## Provisions Related to Internal Controls

According to the PFM Act of 2009, line ministers are responsible for undertaking adequate budget preparation, execution, reporting, accounting, and internal control. All spending entities are subject to commitment control procedures established by regulations under this Act. The head of the government agency must send quarterly budgetary control reports to the minister.

In 2013, the Legislature enacted the Internal Audit Agency (IAA) Act to create an independent agency for purposes of strengthening internal controls and audit in all public institutions. The IAA Act authorizes the internal auditor to prepare reports for the attention of the accounting officer of a MAC and recommends that a copy of the consolidated internal audit report be submitted to the President of the Republic of Liberia.

The Office of Accountant General is entrusted with providing efficient accounting, financial services, and procurement advice. It also ensures compliance, as well as the provision of custodial and advisory services in accordance with the relevant acts and regulations. In addition, the office ensures the system of internal controls in ministries, agencies and/or commissions or other reporting units required to produce government accounts under the PFM Act.

### 1.4 PFM Reform Process

The development of the current PFM Strategy and Action Plan started in 2017, with funding from the World Bank. The strategy was reviewed by PFM development partners, including the Embassy of Sweden, the European Union, the IMF, and the United States Agency for International Development (USAID). The Strategy and Plan led to the Public Financial Management Reforms for Institutional Strengthening (PFMRIS) Program geared toward improving domestic revenue mobilization systems and the strengthening of financial control and accountability in public finance.

A strong legal framework is a necessary condition for implementing PFM Reforms. Therefore, the GoL submitted the Amendments and Restatement of the PFM Act (2009) to the National Legislature for passage, and it was subsequently passed by both Houses on October 16, 2019. The Comptroller and Accountant General's Department

(CAGD) was then established in March 2020. The role of the CAGD is to advise ministries and agencies to ensure the effective implementation of accounting instructions in line with the International Public Sector Accounting Standards (IPSAS). The Department is also responsible for producing quarterly and annual reports on Consolidated Fund Accounts, annual government agency accounts, and annual public accounts for the attention of the Minister of Finance and the Auditor-General.

The project also aimed to launch the IFMIS to fifty-seven Ministries and Agencies. This target has already been exceeded in value (see PI-25).

Regarding the Liberia Revenue Authority, significant technical assistance and logistics were provided to strengthen the LRA's tax collection capabilities. The project supported the upgrading of the revenue and customs systems, the acquisition of a new Integrated Tax Administration System, and capacity building for tax officers. The Standard Integrated Government Tax Administration System (SIGTAS) and the Automated System for Customs Data (ASYCUDA) were deployed at various tax and customs collection centers across the country.

The Public Procurement and Concessions Commission received support by establishing the foundations of an electronic procurement system and strengthening the regulatory framework. In addition, the General Auditing Commission (GAC) received support to improve its financial oversight role and follow-up of audit findings.

The Medium-Term Expenditure Framework (MTEF) manual was developed in 2016 and is expected to be finalized in 2020. Sector Working Groups were established to coordinate the preparation and implementation of the sector strategies. A Budget Working Group was also established within the MFDP. Technical assistance was provided by the IMF to improve the quality of fiscal outturns, as well as the Medium-Term Fiscal Framework paper.

The Government will start the process of updating the existing PFM Strategy, as well as devising a new PFM Strategy and Action Plan to cover the period from 2021 to 2023.

## 2 ANALYSIS OF PFM PERFORMANCE

Overall, the Liberia PEFA of 2020 evaluation shows a C score, which corresponds to a basic PFM performance.

The 31 indicators of the 2016 PEFA methodology are also grouped under seven pillars of performance that represent the key elements of a PFM system. All indicators and pillars are of the same importance, regardless of the number of their components. This makes it possible to provide an overall score for the country, as well as to score the pillars by the average of the indicators.

As presented in Figure 8, budget reliability (Pillar I), management of assets and liabilities (Pillar III), policy-based fiscal strategy and budgeting (Pillar IV), and predictability and management of assets and liabilities (Pillar V) receive a C score. Transparency of public finances (Pillar II), and the accounting and reporting Pillar (VI) receive a D+ score. External scrutiny and audit (Pillar VII) receive a D score.

Figure 8 : PEFA Assessment Results by Pillar



Source: Author's calculations

The analysis shows that the on-budget procedures are conducted in a relatively transparent manner, but problems are beginning to emerge during the implementation of the budget. In this context, externally financed projects and programs are off-budget operations, whereas projects financed by loans have a budgetary impact to the extent that interest must be paid back. In addition, procurement is not yet sufficiently controlled, and the execution of operating expenditures consistently exceeds budget allocations. As a result, the financial statements produced at the end of the year are not sufficiently robust. The Auditor General takes a long time to report and does not provide an opinion. This reduces the oversight role of Parliament and the scope of recommendations it can then make to the government.



## Pillar One: Budget Reliability

The Government was able to keep the overall expenditures in line with the global amount voted by the legislature. However, the maintenance of aggregate fiscal discipline combined with lower than expected budget revenues (actual revenues were less than 90 percent of budget revenues) required further extensive expenditure adjustments (PI-1). Also, the deviation in expenditures and in revenue composition was significant (PI-2.1 and PI-3.2).

**Overall, the government budget is realistic and is implemented as intended — but with significant deviation at the detailed level because actual resources are below the budget.**

### PI-1. Aggregate Expenditure Outturn

#### Description

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. There is one dimension for this indicator.

#### Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-1 Aggregate Expenditure Outturn</b>	B	<b>Scoring Method M1</b>
1.1 Aggregate expenditure outturn	B	Aggregate expenditure outturn was between 90 and 110 percent of the approved aggregate expenditure in two of the last three FYs (2016/17 and 2018/19).

#### Coverage

Budgetary central government (BCG).

#### Time period

Last three completed fiscal years.

#### 1.1 Aggregate Expenditure Outturn

Budgeted and allocated expenditures by functional classification are presented in Table 12.

Table 12 : Budgeted and Allocated Expenditures by Functional Classification (US\$, millions)

Year	Budget	Actual	% Outturn
2016/17	600.2	545.7	90.9%
2017/18	567.3	501.1	88.3%
2018/19	570.1	518.0	90.9%

Sources: National budget 2016/17, 2017/18 and 2018/19.

Note: The budget does not contain all the funds. Only the rubber development fund is mentioned in the last budget documents.

Table 12 shows that in all three years, the level of expenditure outturn was below the level of the budget. The reason for this is that actual revenues were also below budgeted revenues in all three years (see PI-3).

In summary, aggregate expenditure outturn was between 90 and 110 percent of the approved aggregate expenditures in FY 2016/17 and 2018/19.

**Dimension rating = B**

## PI-2. Expenditure Composition Outturn

### Description

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It contains three dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

### Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-2 Expenditure composition outturn</b>	<b>D+</b>	<b>Scoring Method M1</b>
2.1 Expenditure composition outturn by function.	C	Variance in expenditure composition by function was less than 15 percent in all three years, but it was more than 10 percent in two of the last FYs (2016/17 and 2018/19).
2.2 Expenditure composition outturn by economic type.	D	Variance in expenditure composition by economic type exceeded 15 percent for each fiscal year.
2.3 Expenditure from contingency reserves.	A	The average level of expenditure charged directly to the Contingency Fund was less than 1 percent of the original budget.

### Coverage

BCG.

### Time period

Last three completed fiscal years.

## 2.1 Expenditure Composition Outturn by Function

Expenditure composition outturn by function is reported in Annex 3. Aggregate compositional variation by function of the State budget was less than 10 percent in two of the last three years. The table in Annex 3 details the expenditure composition variance based on the budget functional classification according to the PEFA methodology.

Table 13 : Estimates and Actual Budgetary Allocations by Administrative Classification (US\$, millions)

Functional Head	2016-17			2017-18			2018-19		
	Budget	Actual	% Dev.	Budget	Actual	% Dev.	Budget	Actual	% Dev.
01. Public Administration Sector	184.2	191.7	104%	179.6	175.3	98%	202.9	193.5	95%
02. Municipal Government Sector	23.0	22.7	99%	19.3	15.1	78%	20.3	17.2	85%
03. Transparency and Accountability Sector	43.4	32.9	76%	44.6	42.4	95%	25.3	23.0	91%
04. Security and Rule of Law Sector	94.9	83.0	87%	86.0	84.5	98%	91.4	85.6	94%
05. Health Sector	77.4	56.9	74%	77.0	63.1	82%	78.0	61.8	79%
06. Social Development Services Sector	11.1	12.5	112%	11.8	8.5	72%	11.4	10.6	93%
07. Education Sector	86.2	79.3	92%	82.8	72.4	87%	80.4	69.6	87%
08. Energy and Environment Sector	17.1	15.5	91%	13.4	12.9	96%	14.3	12.8	89%
09. Agriculture Sector	11.9	6.2	52%	38.8	15.4	40%	5.7	5.4	94%
10. Infrastructure and Basic Services Sector	42.2	37.7	89%	6.3	4.7	74%	33.3	32.1	96%
11. Industry and Commerce Sector	8.7	7.1	81%	7.7	6.9	90%	7.1	6.6	92%
<b>Total expenditures</b>	<b>600.2</b>	<b>545.7</b>	<b>91%</b>	<b>567.3</b>	<b>501.1</b>	<b>88%</b>	<b>570.1</b>	<b>518.0</b>	<b>91%</b>

Source: AFS for the FY 2016/17, 2017/18, 2018/19

The calculation based on the PEFA methodology is reported in Annex 3 of this report. The summary results matrix shows that the variation was 9.1 percent in 2016/17, 8.1 percent in 2017/18, and 16.7 percent in 2018/19.

Table 14 : Summary Results Matrix

Year	Composition Variance (%)
2016/17	11.4
2017/18	10.6
2018/19	4.4

Source: Author's calculations



In summary, variance in expenditure composition by economic classification was less than 15 percent in all three years. However, it was more than 10 percent in FY 2016/17 and FY 2018/19.

**Dimension Rating = C**

## 2.2. Expenditure Composition Outturn by Economic Type

Expenditure composition outturn by economic type is reported in Table 15.

Table 15 : Estimates and Actual Budgetary Allocations by Economic Classification (US\$ millions)

Economic Head	2016-17			2017-18			2018-19		
	Budget	Actual	Percent	Budget	Actual	Percent	Budget	Actual	Percent
20. Capital investment	79.7	25.9	33%			0%			0%
21. Compensation of employees	287.0	286.2	100%	297.8	293.2	98%	317.1	308.1	97%
22. Use of goods and services	129.0	147.0	114%	103.2	128.5	124%	91.7	107.9	118%
23. Consumption of fixed capital	10.9	7.5	69%	0.0	0.0	0%	0.0	0.0	0%
24. Interest and other charges	12.7	7.7	61%	3.7	12.5	334%	3.7	9.3	248%
25. Subsidies	0.0	0.0	0%	3.6	1.9	53%	2.5	1.1	43%
26. Grants	79.2	69.7	88%	68.0	50.2	74%	54.5	47.3	87%
27. Social benefits	1.7	1.5	89%	1.0	0.8	83%	0.0	1.3	2658%
31. non-financial assets			0%	60.0	7.0	12%	74.3	26.9	36%
41. Domestic liabilities			0%	9.4	3.4	36%	5.9	7.7	129%
42. Foreign liabilities			0%	16.8	7.1	42%	20.3	8.6	42%
<b>Total expenditures</b>	<b>600.2</b>	<b>545.7</b>	<b>91%</b>	<b>563.6</b>	<b>504.5</b>	<b>90%</b>	<b>570.1</b>	<b>518.0</b>	<b>91%</b>

Table 16 : Summary Results Matrix

Year	Total expenditure deviation (%)	Composition variance (%)
2016/17	90.9	20.2
2017/18	89.5	28.5
2018/19	90.9	20.8

Source: Author's calculations

Due to a change in nomenclature, this table only shows the data for 20 capital investments for FY 2016-2017, leading to difficulties in interpretation. However, the "PIMA report states that enough appropriations are given to domestic projects but are under-executed by around 70 percent due to [a] shortage of funds."

In summary, variance in expenditure composition by economic classification was more than 15 percent for each year of the period under review.

**Dimension Rating = D**

## 2.3. Expenditures from Contingency Reserves

The government budgeted for small contingency reserve funds. Over the three years, the average level of the contingency fund comprised less than 1 percent of the original budget, as reported in Table 17.

Table 17 : Budgeted and Actual Contingencies (US\$ millions)

Years	Budget	Actual	% of Budget
2016/17	2.1	3.5	0.6%
2017/18	2.8	3.8	0.7%
2018/19	3.7	5.8	1.0%

Source: Author's calculation

In summary, the average level of expenditure charged directly to the Contingency Fund Vote was less than 1 percent of the original budget over the last 3 FYs.

**Dimension Rating = A**

## PI-3. Revenue Outturn

### Description

This indicator measures the change in revenue between the original approved budget and the end-of-year outturn. It contains two dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

### Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-3 Revenue outturn</b>	<b>D+</b>	<b>Scoring Method M2</b>
3.1 Aggregate revenue outturn	D	Actual revenue was less than 92 percent of budgeted revenues in FYs 2017/18 and 2018/19.
3.2 Revenue composition outturn	C	Variance in revenue composition was more than 10 percent in all three years.

### Coverage

BCG.

### Time period

Last three completed fiscal years.

### 3.1. Aggregate Revenue Outturn

Actual revenues were lower than budgeted revenues in all three years.

The PFM Law does not provide any constraint on the revenue forecasting methodology. As a result, revenue forecasts are often not based on actual potential. Revenue figures are often inflated during budget discussions, including when the budget is presented to the Parliament, leading to a vote for an unrealistic budget.

Nevertheless, the deviation would be lower if borrowing were to be taken into consideration because the budget is built to be balanced. Expenditures financed externally by loans are also taken into consideration in the budget.

However, the PEFA methodology does not consider external financing through borrowing in the assessment of this indicator<sup>7</sup>.

Table 18: Comparison of Budgeted and Actual Revenues (US\$, thousands)

Economic Head	Budget	Actual	% of Budget
2016-2017	545,575	516,180	95%
2017-2018	565,411	452,525	80%
2018-2019	570,148	482,385	85%

Source: AFS for the FY 2017/18 to FY 2019/20.

In summary, actual revenues were less than 92 percent of budgeted revenues in FYs 2017/18 and 2018/19.

**Dimension Rating = D**

### 3.2. Revenue Composition Outturn

Revenue composition outturn is reported in Table 20.

Table 19: Comparison of Budgeted and Actual Revenues by Economic Classification (US\$, thousands)

Fiscal Year	2016-2017			2017-2018			2018-2019		
Economic Head	Budget	Actual	% Dev	Budget	Actual	% Dev	Budget	Actual	% Dev
<b>TAX RECEIPTS</b>									
Taxes on income and profits	137,479	143,853	105%	147,743	139,102	94%	146,828	161,819	110%
Property taxes	3,978	5,096	128%	7,730	5,548	72%	6,506	5,001	77%
Taxes on goods and services	44,580	46,329	104%	53,963	46,260	86%	51,457	41,807	81%
Taxes on international trade	178,319	184,635	104%	189,918	183,255	96%	195,652	173,743	89%
Other taxes	3,159	3,164	100%	2,050	1,706	83%	1,656	6,462	390%
<b>OTHER RECEIPTS</b>	81,150	78,766	97%	100,371	46,481	46%	104,096	80,903	78%
<b>EXTERNAL ASSISTANCE</b>									
Grants from multilateral agencies	62,382	31,345	50%	50,640	4,806	9%	36,000	12,650	35%
Grants from bilateral agencies	17,240	5,685	33%	4,300	4,670	109%	15,325		0%
<b>BORROWING</b>									
Borrowings from multilateral agencies	17,288	19	0%		20,697	0%	12,628		0%
Borrowings from bilateral agencies	0	17,288	0%			0%	0	0	0%
From domestic sources			0%	5,000	0	0%			0%
<b>CONTINGENT REVENUES</b>									
Brought forward	0	0	0%	1,848		0%			0%

<sup>7</sup> However, expenditures financed externally by loans should be considered to assess the performance of expenditure outturn.

Fiscal Year	2016-2017			2017-2018			2018-2019		
Economic Head	Budget	Actual	% Dev	Budget	Actual	% Dev	Budget	Actual	% Dev
Cash carry forward	0	'	0%	1,848		0%			0%
<b>Total revenue</b>	<b>545,575</b>	<b>516,180</b>	<b>95%</b>	<b>565,411</b>	<b>452,525</b>	<b>80%</b>	<b>570,148</b>	<b>482,385</b>	<b>85%</b>

Source: AFS for the FY 2017/18 to FY 2019/20.

Table 20 shows a variance in revenue composition of 56.2 percent for FY 2016-17, 21.4 percent for FY 2017-18, and 12.5 percent for FY 2018-19.

Table 20 : Summary Results Matrix

Year	Composition Variance (%)
2016-17	12.6
2017-18	24.8
2018-19	14.7

In summary, variance in revenue composition was more than 10 percent in all three years, but less than 15 percent in FYs 2016/17 and 2018/19.

**Dimension Rating = C**



## Pillar Two: Transparency of Public Finances

Budget formulation, execution, and reporting are based on administrative and economic classifications comparable with using Government Financial Statistics (GFS) standards (PI-4.1). The Parliament was provided with consistent budget documentation for supporting the budget proposal (PI-5.1).

Most of the off-budget expenditures are related to donor-funded projects (PI-6), which account for more than 10 percent of budget expenditures. Also, agencies and special funds do not always submit their annual financial statements in a timely manner. Thus, the Government does not have a complete view of the budget resources and expenditures. Nonetheless, annual reports related to external funders? are compiled.

Counties receive information about their annual transfers from national governments, but this does not occur in a timely manner. Also, the transfers to the counties are not determined by transparent, rules-based systems (PI-7.1).

Despite the government's commitment to budget transparency (PI-9), including embracing the open-budget initiative, some bank accounts remain undisclosed.

Some ministries, such as the Ministry of Education and the Ministry of Health, publish a framework of performance indicators relating to the outputs or outcomes. However, the project monitoring mechanism is still ineffective. Performance indicators are published for only about 20 percent of the budget (PI-8.1). No survey was carried out in one of the last three years to provide estimates of the resources received by service delivery units (PI-8.3). An evaluation of the efficiency or effectiveness of service delivery was carried by the Monitoring and Evaluation (M&E) Unit at the MFDP, but this unit is not required to publish the results. (PI-8.4).

**Overall, the transparency of public finances is below basic. The budget classification is comprehensive, consistent, and accessible to users, but external funding remains off-budget. In addition, transfers to subnational governments are not based on clear and transparent rules. Information about service delivery to the public is insufficient.**

### PI-4. Budget Classification

#### *Description*

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. There is one dimension for this indicator.

#### *Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-4 Budget Classification</b>	<b>C</b>	<b>Scoring Method M1</b>
4.1 Budget classification	C	Budget formulation, execution, and reporting are based on administrative and economic classifications comparable with GFS standards.

## Coverage

BCG.

## Time period

Last completed fiscal year.

## 4.1. Budget Classification

Budget formulation, execution, and reporting in Liberia are based on administrative, economic, and functional classifications. Functional classification is not the same as the GFS/ Classification of Functions of Government (COFOG), but it can produce consistent documentation comparable with those standards, as reported Table 23.

Table 21 : Comparison between GFS and Liberian Functional Classifications

GFS Functional Classification	Revenue Classification in Liberia
701 - General public services	01. Public Administration Sector
702 - Defense	
	02. Municipal Government Sector
703 - Public order & safety	04. Security and Rule of Law Sector
704 - Economic affairs	03. Transparency and Accountability Sector
	09. Agriculture Sector
	11. Industry and Commerce Sector
705 - Environmental protection	08. Energy and Environment Sector
706 - Housing & community amenities	10. Infrastructure and Basic Services Sector
707 - Health	05. Health Sector
708 - Recreation, culture & religion	
709 - Education	07. Education Sector
710 - Social protection	06. Social Development Services Sector

Source: Budget documentation and IMF GFS manual

Economic classification is also not directly comparable with GFS standards, but it enables the consistent production of documentation comparable with those standards as presented in Table 24. However, it must be noted that borrowing is a treasury operation that should be classified as an increase in liabilities rather than as a resource.

Table 22 : Comparison between GFS and Liberian Revenue Classifications

GFS Revenue Classification	Revenue Classification in Liberia
Tax revenue	Tax revenue
Taxes on incomes, profits, and capital gains	Taxes on incomes and profits
Taxes on payroll and workforce	Property taxes
Taxes on property	Taxes on goods and services
Taxes on goods and services	Taxes on international trade
Taxes on international trade and transactions	Other taxes
Other taxes n.e.c.	

GFS Revenue Classification	Revenue Classification in Liberia
Social contributions	
Social security contribution revenues	
Other social contribution revenues	
Grant revenues	External assistance
Grant revenues from foreign governments	Grants from multilateral agencies
Grant revenues from international organizations	Grants from bilateral agencies
Grant revenues from other general government	
	Borrowing
	Borrowing from multilateral agencies
	Borrowing from bilateral agencies
	From domestic sources
Other revenues	Contingent revenues
Property income revenues	Contingent tax revenues
Sales of goods and services	Contingent other revenues
Fines, penalties and forfeits	
Other transfers	

Source: Budget documentation and IMF GFS manual

In summary, budget formulation, execution, and reporting are based on administrative and economic classifications that can produce consistent documentation comparable with using the GFS.

## Dimension Rating = C

### *On-going reforms / Recent evolution*

The LRA and MFDP technicians, with support from the USAID RG3, have made some corrections to the budget classification.

## PI-5. Budget Documentation

### *Description*

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of basic and additional elements. There is one dimension for this indicator.

### *Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-5 Budget documentation</b>	<b>B</b>	<b>Scoring Method M1</b>
5.1 Budget documentation	B	Budget documentation fulfills all required information benchmarks except for: (i) financial assets; (ii) summary information of fiscal risks; (iii) explanation of budget implications of new policy initiatives; and (iv) quantification of tax expenditures.

## Coverage

BCG.

## Time period

Last budget submitted to the legislature for FY 2019-20.

## 5.1. Budget Documentation

The dimension refers to the number of elements included in the last budget proposal submitted by the central government.

The list of documents and contents of proposed budgets can be found in Section 12 of the PFM Act of 2009. Documents and Contents of Proposed Budget:

Table 26 presents the elements required by the methodology and the justification as to whether the criteria are met.

*Table 23 : Specifications of the Information Benchmark That Must be Met according to the PEFA Criteria*

No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
<b>Basic Elements</b>			
1	Forecast of the fiscal deficit or surplus or accrual operating result.	Yes	There is no forecasted fiscal deficit. The FY 2019/2020 draft national budget presents a balanced budget.
2	Previous year's budget outturn, presented in the same format as the budget proposal.	Yes	Fiscal Year 2019/2020 draft national budget.
3	Current fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Yes	Fiscal Year 2019/2020 draft national budget.
4	Aggregated budget data for both revenues and expenditures according to the main heads of the classifications used, including data for the current and previous years, with a detailed breakdown of revenue and expenditure estimates.	Yes	Fiscal Year 2019/2020 draft national budget.
<b>Additional Elements</b>			
5	Deficit financing, describing its anticipated composition.	NA	See criteria 1.
6	Macroeconomic assumptions, including (at least) estimates of GDP growth, inflation, interest rates, and the exchange rate.	Yes	Fiscal Year 2019/2020 draft national budget.



No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
7	Debt stock, including (at least) details for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard.	Yes	The debt stock is presented in public debt management reports, and the debt service is presented in the Annex on the Public Debt Portfolio (annex 1) of the Fiscal Year 2019/2020 of the draft national budget.
8	Financial assets, including (at least) details for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard.	No	According to the legislation, all GOL financial assets (if exist) should be documented and coded in line with the GFS, but the budget proposal did not include this information.
9	Summary information of fiscal risks, including contingent liabilities such as guarantees and contingent obligations embedded in structured financing instruments, such as public-private partnership (PPP) contracts, and so on.	No	According to the legislation, contingent liabilities should be documented and coded according to the GFS, but the FY 2019/2020 draft national budget did not include such information.
10	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.	No	President's message to the Legislature and the FY 2019/2020 draft national budget do not present and explain the estimates of the budgetary impact of all major revenue policy changes. Sensitivity analysis is performed by the administration in the budget option paper and the Sector Working Group's reports, but only the selected option is included as part of the budget documentation.
11	Documentation on the medium-term fiscal forecasts.	Yes	The budget proposal for FY 2019/2020 contains estimates for three years. The revenue forecast document presents the baseline.
12	Quantification of tax expenditures.	No	Tax expenditures are currently being reported for international trade in the LRA annual reports. in the budget document going forward. The budget proposal for FY 2019/2020 does not include the corresponding amounts.

Source: PEFA 2016 handbook

Some elements were not provided, including financial assets, fiscal risk, estimates of the budgetary impact of all major revenue policy changes, and the quantification of tax expenditures. Macroeconomic assumptions are presented apart from the interest rates.

It should be noted that the budget proposal is for a balanced budget, and the government does not forecast the need to issue Treasury Bonds. According to the Central Bank of Liberia website, the government has not issued government bonds since 2015.

*In summary*, the budget documentation for FY 2020/2021 fulfils 8 elements, including all 4 basic elements and 5 additional elements.

**Dimension Rating = B**

**PI-6. Central Government Operations Outside of Financial Reports**

*Description*

This indicator measures the extent to which government revenues and expenditures are reported outside of central government financial reports. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

*Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-6 Central government operations outside of financial reports</b>	<b>D+</b>	<b>Scoring Method (M2)</b>
6.1 Expenditures outside financial reports.	D	As donor-funded expenditures are not reported in annual financial statements, more than 10 percent of budget expenditures are not included in annual financial statements of the Consolidated Fund Account.
6.2 Revenues outside financial reports.	D	For the reason stated in 6.1, revenues outside of government financial reports are more than 10 percent of total revenues.
6.3 Financial reports of extra-budgetary units.	B	Project expenditures are externally funded and reported annually. Thus, detailed financial reports of <i>most</i> of the extrabudgetary expenditures are submitted to the government.

*Coverage*

Central government (CG).

*Time period*

Last completed fiscal year.

**6.1. Expenditures Outside of Financial Reports**

The budget of the central government of Liberia excludes extrabudgetary units of the central government, public non-financial corporations, public financial corporations, social security funds, and local governments.

According to Section 41 of the PFM Act, all autonomous agencies and special funds should submit quarterly financial statements one month after the end of the previous quarter. They should also submit Annual Financial Statements two months after the end of the previous FY to the President, the Minister, and the Auditor General.

However, some entities often spend over the approved budget. The source of extra cash comes from their own resources. For instance, the Management Letter on the Financial Statement Audit of the Liberia Telecommunications Authority for the Fiscal Period Ended June 30, 2016 states that “*Management should provide the source of the extra cash of US\$166,321.67 which was spent over the approved budget for FY 2015/2016*”.

Expenditures from at least eight units of the Government are not reported in the AFS<sup>8</sup>, but the exact number of extrabudgetary units cannot be assessed. Only the Rubber Development Fund is reported in the AFS 2017-2018 and the Social Development Funds in the AFS 2018-2019. Some of these funds are financed by donors. Their transactions can be conducted from accounts in commercial banks. As such, they are not reported in the AFS accounts of the Consolidated Fund — even if a separate AFS is provided to the GAC.

The amounts involved are said to be less than 1 percent of total domestic revenues. The MACs generally follow the legal requirement to pay all tax and non-tax revenues (except those revenues that can be retained) promptly into the Consolidated Fund Account held at the CBL.

Operations of externally financed capital spending of donor-funded projects managed by the Project Financial Management Unit (PFMU) are also not reported in the financial statements. Only the transfers from donors vis-a-vis the Consolidated Fund Account, including direct budget support are reported in annual financial statements. The FY 2018/2019 national budget recorded a total aid disbursement of US\$ 283.7 million, of which US\$12.7 million was received as grants. Thus, this sum was included in the AFS. Consequently, the amount referring to programs and projects represents US\$ 271 million, which is more than 50 percent of budget expenditures for the FY 2018/19.

*In summary*, as all budget operations are not included in the IFMIS platform and donor-funded expenditures are not consolidated with transactions of the fund account, less than 90 percent of budget expenditures are included in the financial statements.

## **Dimension Rating = D**

### **6.2. Revenues Outside of Financial Reports**

Off-budget external resources are targeted interventions in various sectors. These are disaggregated into categories such as Trust Funds, Pool Funds, and Project/Program Aid.

For the fiscal year 2018/19, the total Budgetary Central Government revenues in the TSA was amounted to US\$ 628.66 million. External financing disbursements reported by the PFMU was amounted to US\$ 96.53 million. If this amount is considered as unreported revenue, it would already represent 15.4 percent of the reported revenues.

As stated in section 6.1, only the Rubber Development Fund is presented in the budget documents, and only the Social Development Funds are reported in the AFS. Therefore, budget documents and the AFS do not represent a complete picture of the special funds in Liberia. Their transactions are carried out from accounts in commercial banks and are not reported in the AFS accounts of the Consolidated Fund.

Internal revenue-generating entities, such as Foreign Affairs, Internal Affairs, Mines and Energy, and Health are also off-budget. Although there are established LRA windows in these entities to collect revenues, reporting and disclosure about these revenues are the sole responsibility of the entities concerned. However, most, if not all, do not report and or fully disclose their data, or they may do so at a very limited extent.

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<sup>8</sup> These units are: the University of Liberia, the National Road Fund, the Social Development Funds, the County Development Funds, the President and Vice President Special Projects Funds, the Trust Fund, the Pool Fund, and the Central Bank of Liberia.

Finally, the 2017 GAC report on the Consolidated Fund Accounts for FY 2016/17 notes an amount of net cash balance of more US\$ 388 million, indicating significant expenditures that may have been financed by extra-budgetary resources (see PI-27.4).

*In summary*, especially as external financing expenditures are not reported in annual financial statements, revenues outside of the Government’s financial reports are more than 10 percent of total revenues in the consolidated account.

**Dimension Rating = D**

**6.3. Financial Reports of Extrabudgetary Units**

No evidence was given by the MFDP to prove that the various autonomous agencies and special funds submitted their reports within the time frame as required by law to the required parties. However, **most of** the budget expenditures not reported in the AFS are for donor-funded projects.

The government reports on projects through the PFMU and the Project Management Units (PMUs). About 90 percent of donors provide information to the MFDP about disbursements. Reports are generally provided on a quarterly basis, but some issue reports every six months. External financing budget expenditures represents more than 75 percent of expenditures outside of the AFS.

*In summary*, detailed financial reports of **most** extrabudgetary units are submitted to the government annually within six months of the end of the fiscal year.

**Dimension Rating = B**

**On-going Reforms / Recent Evolution**

In the short term, PFM and other external financial transactions will be recorded and annexed to the consolidated financial statement. At the same time, efforts are being made to have them moved to the IFMIS platform.

**PI-7. Transfers to Counties and Districts**

**Description**

This indicator assesses the transparency and timeliness of transfers from the central government to the Counties and Districts with direct financial relationships to it. It considers the basis for transfers from the central government, as well as whether the Counties and Districts receive information about their allocations in time to facilitate budgetary planning. It contains two dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

**Dimensional Scoring**

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-7 Transfers to Counties and Districts</b>	<b>D+</b>	<b>Scoring Method (M2)</b>
7.1 System for allocating transfers	D	Horizontal allocation of some transfers to the Counties and Districts from the central government is not determined by transparent, rule-based systems.

Indicator/Dimension	Score	Brief Justification for Score
7.2 Timeliness of information about transfers	C	Counties and districts receive information about annual transfers from national governments, usually when the proposed budget is published on the MFDP website.

### Coverage

Central Government and the Counties and Districts that have direct financial relationships with it.

### Time period

Last completed fiscal year.

## 7.1 System for Allocating Transfers

In Liberia, revenue collection agents are in almost every county, working for the central government. Royalties on investments and taxes collected in these counties are the preserve of the central government.

A system for allocating transfers to Counties began implementation in 2006. The County Development Fund (CDF) was introduced as a means of supporting locally driven development projects. In the first year, an amount of US\$60,000 was given to each county. This was done without consideration for factors such as population, county size, socioeconomic needs, and so on. In the last five years, the allotments to the counties have increased to US\$200,000 annually.

This process has been strengthened with the establishment of the County Council in the Budget Act of 2012. However, the functions of this Council are limited only to the CDF allocations for various projects within the county.

The Fiscal Decentralization Unit (FDU) has been implemented since 2014 in the MFDP. The unit is responsible for supporting the Intergovernmental Fiscal Framework aimed at providing a comprehensive framework for the long-term development of intergovernmental fiscal arrangements, including the assignment of expenditure responsibilities, revenue responsibilities, intergovernmental transfers, and coordinating the County Development Funds and the Social Development Funds (SDFs). Counties receive CDF and SDF transfers for development spending.

The CDF (for recurrent spending) and the SDF (for development spending) are now the two main pillars of the government's commitment to strengthening local ownership of service delivery decisions and public sector investment in the counties. However, neither the CDF nor the SDF are defining rules for the horizontal allocation of resources from the Government to the Counties.

The Ministry of Internal Affairs was created to oversee the local administration affairs in all the administrative subdivisions of the country. Transfers to the counties are made from the Ministry's allocations. The functions of the Ministry are limited to designing and implementing development projects and supporting local governance, including implementation of the decentralization process.

*In summary*, the horizontal allocation of some transfers to the Counties and Districts from the central government is not determined by transparent, rule-based systems. This largely corresponds to the existing form of government, which is a unitary form of government.

**Dimension Rating = D**

## 7.2. Timeliness of Information about Transfers

The first phase of budget preparation focuses on preparing a budget framework paper and circular. These steps should be completed within 5 months before the start of the fiscal year. Nevertheless, the process by which the Counties and Districts receive information about their annual transfers is not managed through the regular budget calendar. Neither the budget framework paper nor the budget call is published on a timely basis on the website of the MFDP. Furthermore, no evidence was provided by the Executive to substantiate that the Counties and Districts receive reliable information about their allocations from the central government during this period.

However, the Draft National Budget for FY 2018/19 was published on the website of the MFDP on May 31, 2019, which is more than one month and half before the start of the fiscal year.

*In summary*, the Counties and Districts receive annual transfers to the Counties and Districts at least when the draft budget is published on the website of the MFDP, which is generally before the start of the fiscal year.

### Dimension Rating = C

#### *On-going reforms / Recent evolution*

The Draft Local Government Act initiated by the previous administration was passed on September 19, 2018. However, it has not yet been fully implemented, especially with regard to revenue sharing. Implementation is an ongoing process supported by the Liberia Decentralization Support Program (LDSP), funded by the European Union (EU), the Swedish Government, the USAID, the United Nations Mission in Liberia (UNMIL) and the United Nations Development Programme (UNDP).

## PI-8. Performance Information for Service Delivery

### *Description*

This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation, as well as in year-end reports. It determines whether performance audits or evaluations are conducted. It also assesses the extent to which information about resources received by service delivery units is collected and recorded. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

### *Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-8 Performance information service delivery</b>	<b>D</b>	<b>Scoring method (M2)</b>
8.1 Performance plans for service delivery	D	A framework of performance indicators relating to the outputs or outcomes is published by the Ministries of Education and Health; however, together they count for less than 25 percent of the budget.
8.2 Performance achieved for service delivery	D	Ministries and agencies do not publish an annual performance report or any comparable report.
8.3 Resources received by service delivery units	D*	No documentation was provided showing that surveys were conducted on estimates of resources received by service delivery units for at least one major department.

Indicator/Dimension	Score	Brief Justification for Score
8.4 Resource evaluation for service delivery	D	The evaluation of the efficiency or effectiveness of services was carried by the M&E Unit at the MFDP, but this unit counts for less than 25 percent of the budget. As such, it is not required to publish the results.

### Coverage

Central Government. Services managed and financed by other tiers of government should be included if the CG significantly finances such services through reimbursements or earmarked grants or uses other tiers of government as implementing agents.

### Time period

**Dimension 8.1:** Performance indicators and planned outputs and outcomes for the next fiscal year.

**Dimension 8.2:** Outputs and outcomes of the last completed fiscal year.

**Dimensions 8.3 and 8.4:** Last three completed fiscal years.

### 8.1. Performance Plans for Service Delivery

The Government publishes several documents that describe development goals and challenges, such as: Vision 2030, a medium-term development plan, and the Agenda for Transformation (Aft) over a five-year period, in which the various programs and activities have been costed<sup>9</sup>.

Several sectors have also published their development plans. The Ministry of Education (with 8.3 percent of the 2018/19 budget) published its last Education Plan (2017-2021) “Getting to Best Education” on its website<sup>10</sup>. The Ministry of Health and Social Welfare (with 11.1 percent of the 2018/19 budget) has a *10-year National Health Policy Plan*, with the last plan referring to the period from 2011 to 2021. The Ministry elaborates and publishes documents about the activities to be performed under the policies and/or programs.

Generally, cost estimates are based on assumptions and methods developed by the individual sectors<sup>11</sup> rather than at the central level, for example, by the MFDP. Most plans include quantitative targets for outputs and outcomes, both at the aggregate level and for individual projects. However, plans are not regularly updated and the data in the plans are not reconciled with the projections of capital spending included in the budget and the MTEF.

No performance plans for service delivery were found for other ministries or agencies, including the Ministry of Public Works that accounts for 8.4 percent of the 2018/19 budget. Together, the Ministries of Education and of Health represent about 20 percent of the budget. Thus, the published framework of performance indicators includes less than 50 percent of the budget.

*In summary*, a framework of performance indicators relating to the outputs or outcomes is published by the Ministries of Education and Health, but this represents less than **the majority** of ministries.

### Dimension Rating = D

<sup>9</sup> Government of Liberia, Costing of the Agenda for Transformation.

<sup>10</sup> [http://moe-liberia.org/wp-content/uploads/2019/05/getting\\_to\\_best\\_education\\_sector\\_plan\\_2017-2021.\\_liberia.pdf](http://moe-liberia.org/wp-content/uploads/2019/05/getting_to_best_education_sector_plan_2017-2021._liberia.pdf)

<sup>11</sup> For example, both the Ministry of Education and the Ministry of Health use standardized designs and norms for estimating the cost of schools and health centers.

## 8.2. Performance Related to Service Delivery

According to the Liberian legislation, all spending entities need to provide quarterly financial and performance reports. The reports should help the MFDP to produce its Quarterly Performance Reports, which are supposed to be published on its website. However, the tab of the MFDP website referring to the Mid-Year Budget Performance Reports shows only the following reports:

- Quarterly Budget Performance Report (July-September 30, 2018), published on 12-27-2018.
- Mid-year Budget Execution Report (July 1-December 31, 2019), published on 03-20-2020.
- Midyear Budget Execution Report (July-December 31, 2020), published on 03-02-2021.

The last Quarterly Budget Report published on the MFDP website refers to the year 2018. Subsequent performance reports have not yet been published. In this regard, it should be noted that it was not possible to download the Quarterly Budget Performance Report (July-September 30, 2018). As only the Ministry of Education and Ministry of Health have started to establish annual Performance Plans, this report may indeed be a Quarterly Budget Execution Report instead of a Performance Report.

In 2019, Ministry of Health published weekly Early Warning Disease Surveillance EPI Bulletins<sup>12</sup>, but it did not publish an annual Performance Report.

*In summary*, ministries and agencies do not publish Annual Performance Reports or reports about the activities performed.

**Dimension Rating = D**

## 8.3. Resources Received by Service Delivery Units

The Ministry of Health (MoH) uses the AccPac accounting system to record and report donor project funds. The Ministry has also a unit that tracks the physical resources received. However, the MoH does not prepare service delivery annual reports. It also does not provide data about the funds and in-kind support received by service delivery units. The Ministry of Education (MoE) does not have a similar system, as it delivers supplies directly to schools. Also, it does not prepare an annual report about resources received by service delivery units.

During the period under review, it has been stated that surveys were undertaken within the last 3 years to assess the level of resources received in cash and in kind by both the primary schools and the primary health clinics across most of the country (including by a representative sampling). As a result, a frequent out-of-stock situation of essential drugs and supplies at local health facilities was cited as an urgent local issue. However, these documents have not yet been provided, and are still being compiled.

*In summary*, no report showing sources of funds received by service delivery units for at least two large service delivery ministries or agencies was established by the Executive for the period under review.

**Dimension Rating = D\***

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<sup>12</sup> <https://moh.gov.lr/documents/reports/epi-reports/>



## 8.4. Performance Evaluation for Service Delivery

Section 36 of the Public Financial Management Act of 2009 provides that: “Each spending entity of the GOL shall, prior to the submission of its budget to the Legislature, present to the Legislature a Budget Performance Report covering the first three quarters of the current budget year.”

Spending entities were evaluated by the M&E Unit of the MFDP. However, is that M&E Unit is not required to publish a report. According to the Law, performance evaluation for service delivery should be performed by the GAC. However, performance reports found on the GAC website are relatively old. The most recent report is the audit report on the management of the MOE’s free and compulsory primary education program for the periods July 1, 2010, to June 30, 2014, dated March 2017. One of the report findings is about inadequate monitoring by the Ministry.

Independent evaluations have also been performed for ministries that received funding from donors, such as the Ministry of Education. However, these audits only relate to the donor funding.

*In summary*, the evaluation of the efficiency or effectiveness of service delivery by less than **some** of the spending entities was carried by the M&E Unit of the MFDP.

**Dimension Rating = D**

### *On-going Reforms / Recent Evolution*

*Publication Performance Plan*: Institutions that have yet to develop and/or publish an annual performance plan will be identified and assisted in publishing such plans.

## PI-9. Public Access to Fiscal Information

### *Description*

This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical. There is one dimension for this indicator.

### *Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-9 Public access to fiscal information</b>	<b>D</b>	<b>Scoring method M1</b>
9.1 Public access to fiscal information	D	Only Annual Budget Execution Reports and Audit Reports from the General Auditor were made available to the public on a timely basis.

### *Coverage*

BCG.

### *Time period*

Last completed fiscal year (2018/2019).

### **9.1. Public Access to Fiscal Information**

Public access to fiscal information according to the PEFA criteria is reported in Table 27.

Table 24 : Public Access to Fiscal Information

No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
	<b>Basic Elements</b>		
1	<p><b>Annual Executive Budget Proposal Documentation</b></p> <p>A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of them to the Legislature.</p>	No	The FY 2018/19 Draft National Budget was submitted to the Legislature on May 15, 2019. It was published on the MFDP's website on May 31, 2019, which is more than one week after submission to the Legislature.
2	<p><b>Enacted Budget</b></p> <p>The annual budget law approved by the legislature is publicized within two weeks of passage of the law.</p>	No	The 2019/20 annual budget was approved by the national legislature on October 3, 2019 and published on the MFDP website on January 2, 2020. This is thirteen weeks from the passage or approval of the budget by the national legislature. <a href="https://www.MFDP.gov.lr/index.php/main-menu-reports/mm-bdp/mm-bd-nb">https://www.MFDP.gov.lr/index.php/main-menu-reports/mm-bdp/mm-bd-nb</a>
3	<p><b>In-Year Budget Execution Reports</b></p> <p>The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.</p>	No	The Quarterly Consolidated Fund Account requires that the Controller and Accountant General prepare and transmit to the Auditor General and the Minister of Finance the accounts of the Consolidated Fund within a period of 30 days after the end of each quarter, commencing from the beginning of the fiscal year. It also requires that the accounts be published in the Gazette. The Financial Statement of the Consolidated Fund Account for the Third Quarter Fiscal Year 2018/19 was published on 05-15-2019, that is, 45 days after the end of the quarter.
4	<p><b>Annual Budget Execution Report</b></p> <p>The report is made available to the public within six months of the end of the fiscal year.</p>	Yes	Liberia's PFM Law requires the Comptroller-General to submit the accounts of the Consolidated Fund to the Auditor-General within a period of four months after the end of each fiscal year. This was not met, but the 2018/19 Annual Budget Execution Report was made available to the public on December 18, 2019, which is within six months of the end of the fiscal year.
5	<p><b>Audited Annual Financial Report, incorporating or accompanied by the External Auditor's Report</b></p> <p>The reports are made available to the public within twelve months of the end of the fiscal year.</p>	No	The External Auditor's Report on the Annual Financial Report is not made available to the public within twelve months of the end of the fiscal year. The latest report on the AFS refers to the FY 2016/17 report.
	<b>Additional Elements</b>		

No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
6	<p><b>Pre-budget Statement</b></p> <p>The broad parameters for the executive budget proposal regarding expenditures, planned revenues, and debt are made available to the public at least four months before the start of the fiscal year.</p>	No	The final Budget Framework Paper for FY18/19 presenting the broad parameters for the executive budget proposal seems to have been made available to the public since May 26, 2018 <sup>13</sup> , but the link is not functional.
7	<p><b>Other External Audit Reports</b></p> <p>All non-confidential reports concerning central government consolidated operations are made available to the public within six months of submission.</p>	Yes	According to the Law, non-confidential reports concerning the central government's consolidated operations must be made available to the public within one month of submission. This obligation is generally met, and the GAC's website shows a table with all reports to date. They include various categories: Financial Statement Audits, Compliance Audits, Performance Audits, Project Audits, IT Audits, and Special Audits.
8	<p><b>Summary of the Budget Proposal</b></p> <p>A simple, clear summary of the executive budget proposal or the enacted budget accessible is made available to the non-budget experts. It is often referred to as a "citizens' budget," and is translated into the most commonly spoken local language. It is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget approval.</p>	No	The Citizen Guide provides highlights of the broad parameters for the executive budget proposal regarding planned revenues, expenditures, and debt. It is not made available to the public at least four months before the start of the fiscal year. The Citizen Guide for FY2018-2019 was published on 06-27-2019 and the Citizen's Guide to the National Budget for FY2019/2020, COVID-19 Recast, was published on 09-01-2020.
9	<p><b>Macroeconomic Forecasts</b></p> <p>The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.</p>	No	The Budget Framework Paper is not published on the MFDP's website.

Source: PEFA 2016 handbook

In summary, one basic and one additional element of information were made available to the public within the specified timeframe.

### Dimension Rating = D

#### On-going Reforms / Recent Evolution

- The draft budget for 2019-2020 was submitted to the House Speaker on Friday, June 28, 2019. It was published on the MFDP's website on July 2, 2019.

<sup>13</sup> <https://www.mfdp.gov.lr/index.php/media-center/press-release/final-budget-framework-paper-fy18-19>

- The draft budget for 2020/21 was presented to the Speaker of the House, on Wednesday, July 15, 2020. It was published on the MFDP's website on July 22, 2020.



## Pillar Three: Management of Assets and Liabilities

Most of public enterprises did not submit their annual financial statements, in part because of the reluctance to meet their tax obligation. Nevertheless, the MFDP produces a consolidated report, but the figures are based on estimates (PI-10.1).

Most SOEs do not submit their annual reports to the SOE Financial Reporting and Coordination Unit of the MFDP (PI-10.1). The monitoring of Counties and Districts has not yet been performed. Also, no unaudited report concerning the financial position and performance of the Counties and Districts is published (PI-10-2).

Given that most of the projects are externally financed, there is no pipeline and central review process. -Only a few of the major investment projects are prioritized by the MFDP. The cost and physical progress of major investment projects are monitored by the implementing government unit (PI-11.4).

Financial and nonfinancial assets are not sufficiently monitored, and significant contingent liabilities are not quantified (PI-12). Procedures and rules are nevertheless established for the transfer or disposal of non-financial assets. Also, partial information about transfers and disposals is included in the annual financial reports (PI-12.3).

The recording and reporting of debt and guarantees is well done in terms of the external debt. However, the data on the internal debt are not reliable. One of the reasons is that arrears are converted to debt after one year and are not well monitored (PI-13). A Debt Sustainability Analysis (DSA) is prepared and annual reporting against debt management objectives is provided to the legislature.

**Overall, fiscal risks are not well identified because monitoring of public enterprises and Counties/Districts is not sufficient. This is also the case of public investment because most of the projects are externally financed. The management of assets and liabilities are partially recorded, but the debts and guarantees are prudently planned, approved, and monitored.**

### PI-10. Fiscal Risk Reporting

#### *Description*

This indicator measures the extent to which fiscal risks to the central government are reported. Fiscal risks can arise from adverse macroeconomic situations, and the financial positions of Counties and Districts or public corporations. Such risks can also arise from contingent liabilities from the central government’s own programs and activities, including extrabudgetary units. In addition, they can arise from other implicit and external risks, such as market failure and natural disasters. This indicator contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

#### *Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
PI-10 Fiscal Risk Reporting	D	Scoring Method (M2)

Indicator/Dimension	Score	Brief Justification for Score
10.1 Monitoring of public corporations	D	Most SOEs do not submit their annual reports to the Ministry of Finance and Development Planning.
10.2 Monitoring of Counties and Districts	D	Annual Reports concerning the financial position and performance of Counties and Districts are not published in a timely manner.
10.3 Contingent liabilities and other fiscal risks	D	Central government entities and agencies do not quantify significant contingent liabilities in their financial reports.

### Coverage

**Dimension 10.1:** CG-controlled public corporations.

**Dimension 10.2:** Subnational government entities that have direct fiscal relations with the CG.

**Dimension 10.3:** CG.

### Time period

Last completed fiscal year.

### 10.1. Monitoring of Public Corporations

For the fiscal year 2019/20, the SOEs attachment to the national budget represents a consolidated estimate of sixteen SOEs tracked by the MFDP's SOE Unit. The annex to the FY2019/20 budget provides information about the financial performance of SOEs for FY 2018/19, as well as projected revenues and expenditures for FY 2020/21.

*Table 25 : States-owned Enterprises in Liberia*

	Designation
FDA	Forestry Development Authority
LAA	Liberia Airport Authority
LBS	Liberia Broadcasting System
LEC	Liberian Electricity Corporation
LIBTELCO	Liberia Telecommunications Corporation
LMA	Liberia Maritime Affairs
LPRC	Liberian Petroleum Refining Corporation
LTA	Liberia Telecommunications Authority
LWSC	Liberia Water and Sewer Corporation
NAFAA	National Fisheries and Aquaculture Authority
NASSCORP	National Social Security and Welfare Corporation
NHA	National Housing Authority
NLA	National Lottery Authority
NOCAL	National Oil Company of Liberia
NPA	National Port Authority
NTA	National Transit Authority

Source: Consolidated SOE Budget Annex to the FY 2019/20 national budget.

The annex provides information comparing the SOE budgets and the actualized financial performances for FY 2018/19 to that of the estimated budget of 2019/20. The annex also summarizes operational activities in relation to the entity budget estimates for the fiscal period.

The primary function of the SOE Financial Reporting Unit is to analyze and consolidate the SOEs' periodic financial reports that inform the government's policy decision making. In fact, most of SOEs did not submit their annual financial statements to the MFDP because they were reluctant to meet their tax obligations<sup>14</sup>. According to the Budget Framework Paper for FY 2019/20, "*Most SOEs delinquent in submitting reports to the Unit, so this posed serious challenge for the Unit to effectively perform its function*".

The SOE Financial Reporting and Coordination Unit does produce a report on State-Owned Enterprises for FY 2019/2020 Aggregate Semi-Annual Financial Performance. However, the figures are based on estimates. The SOE annual financial statements are not published.

The bulk of SOE debt is guaranteed by the central government and is included in the debt sustainability analysis.

*In summary*, most SOEs do not submit their annual reports to the SOE Financial Reporting and Coordination Unit of the MFDP.

**Dimension Rating = D**

## **10.2. Monitoring of Counties and Districts**

Counties are not allowed to borrow and can only count on the CDF and the SDF for their development expenditures.

According to Section 35 of the PFM Act of 2009, local governments should adhere to internationally accepted principles.

The County reporting is comprised of stand-alone Excel-based systems. This poses a risk of data loss, errors, and manipulation. Government functionaries at the subnational level compile the reports and forward them to their head offices. However, these reports are not consolidated and published on institutions' websites. The Ministry of Internal Affairs oversees the affairs of local administration, but its functions are limited to designing and implementing development projects and supporting local governance. The Ministry does not monitor the budget execution of the counties.

The most recent reports of the GAC concerning local governments' financial accounts covered fiscal years 2011/2012 and 2012/2013. The audited counties were Bomi, Gbarpolu, Grand Cape Mount, River Gee and Sinoe.

The County Council does not the power to demand accountability. Accountability demands are driven by local civil society organizations in the counties. The demands for accountability in the implementation of the CDF have exposed numerous acts of corruption by local officials in the counties. Audit reports suggest that there has been massive fraud and mismanagement in the implementation of the CDF in several counties.

*In summary*, no unaudited report concerning the financial position and performance of the Counties and Districts is published annually within nine months of the end of the fiscal year.

**Dimension Rating = D**

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<sup>14</sup> This is estimated at US\$9.27 million for the FY 2018/19.

### 10.3. Contingent Liabilities and Other Fiscal Risks

#### Contingent liabilities

Contingent liabilities are recorded in the Statement of Contingent Liabilities (on a memorandum basis) when the contingency becomes evident. Such liabilities come under the cash accounting method. They are recognized only when the contingent event occurs, and payment is made. Contingent assets are not recognized or disclosed.

#### Other fiscal risks

##### *Commitments and guarantees.*

Long-term commitments, including operating and capital commitments arising from non-cancellable contractual or statutory obligations as well as guarantees made by the Government, are reported as Notes to the Financial Statements.

Concessional loans and grant funding are often driven by the priorities of donors rather than the GoL. In extreme cases, concessional loan agreements have been concluded without the project details being finalized, appraised, or adequately costed. The introduction of an integrated project pipeline based on standardized project cycle management procedures for domestically and externally financed projects would address these deficiencies.<sup>15</sup>

##### *Public-Private Partnership (PPPs)*

There is no legal basis or approved policy guidelines for PPPs, which are currently managed as government concessions. Hence, a disagreement exists within the government about whether the Public Procurement and Concessions Act (PPCA) should cover PPPs, or whether separate legislation is required.

Private investment know-how and funding is currently accessed through concession contracts, which are not defined in law. However, it is closely regulated. At the Freeport of Monrovia, the National Port Authority (NPA) operates as the property-owner and the private sector (APM Terminals) operates the infrastructure on a PPP basis. The Buchanan, Greenville and the Harper Ports also operate under a PPP agreement. This is also the case for Roberts International Airport.

*In summary*, central government entities and agencies do not quantify at least **some** significant contingent liabilities in their financial reports.

#### **Dimension Rating = D**

##### *On-going Reforms / Recent Evolution*

The Draft SOEs Act has yet to be passed into Law and become effective. As such, the GoL could be potentially exposed to unquantified fiscal risks because the role of the MFDP in overseeing PPPs and concessions is not defined.

The Administrative Wage Bill's control regulation has mandated the Ministry of Finance and Development Planning and the Civil Service Agency — through the Interagency Wage Harmonization Team — with completing the harmonization and standardization of pay across all SOEs. This would be consistent with the National Standardization Act of 2019 and would occur before the end of June 2020. All SOEs are required to adhere to the measures contained in the regulation to support the Government's efforts to efficiently manage the country's scarce public resources.

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<sup>15</sup> <https://mfdp.gov.lr/images/Jobs/Liberia%20PIMA%20Report.pdf>



With the support from the African Development Bank, a two-day training workshop on financial reporting in Public Sector Accounting Standards Cash Basis was organized in September 2019 in Buchanan City, Grand Bassa County. Participants included Controllers and Accountants of government spending entities.

## PI-11. Public Investment Management

### Description

This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, as well as the publishing of progress information, with an emphasis on the largest and most significant projects. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

### Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-11 Public Investment Management</b>	<b>D+</b>	<b>Scoring method (M2)</b>
11.1 Economic analysis of investment projects	B	Economic analyses are conducted to assess most major investment projects. The analyses are reviewed by an entity other than the sponsoring entity.
11.2 Investment project selection	D	As most of the projects are externally financed projects (for which there is no pipeline and central review process), less than 25 percent of the major investment projects are prioritized by a central entity.
11.3 Investment project costing	D	Projections for the total capital costs of major investment projects are not included in the budget documents.
11.4 Investment project monitoring	C	The total costs and physical progress of major investment projects are monitored by the implementing government unit. Standard procedures and rules for project implementation are in place, but no information about the implementation of major investment projects is published annually.

### Coverage

CG.

### Time period

Last completed fiscal year.

### Selection of projects

Externally financed projects represent more than 80 percent of public investments in value, but they are not budgeted. External resource projections are simply reported in an Annex of the Budget Book.

A selection of projects was made based on the Public Sector Investment Program (PSIP) and Annex 3 of the Draft National Budget of 2019/20.

An estimate of the most significant capital projects based on the budgeted appropriations is reported in Table 29.

Table 26: List of Major Projects Selected in 2018 (US\$ thousands)

Ministry/Agency	Activity Title	Funded by	Projection
<i>Liberia Electricity Corporation</i>	Côte d'Ivoire, Liberia, Sierra Leone and Guinea (CLSG)-Rural Electrification – Liberia, CLSG-African Development Fund Loan	African Development Bank	4 587.3
	Gbarnga-Ganta Grid Extension 33 kilovolt (kV) lines distribution	USAID	765.3
	West Africa Power Pool (WAPP) - Electricity Interconnection Côte d'Ivoire, Liberia, Sierra Leone, and Guinea – Germany	Germany	10 000.0
	West Africa Power Pool (WAPP) - Electricity Interconnection Côte d'Ivoire, Liberia, Sierra Leone, and Guinea (CLSG II)- Germany KfW (Euro 10 million)	Germany	3 000.0
	West Africa Power Pool (WAPP) -Electricity Interconnection Côte d'Ivoire, Liberia, Sierra Leone, and Guinea, Phase 1	International Development Association (IDA)	26 000.0
	West Africa Power Pool (WAPP) - Electricity Interconnection Côte d'Ivoire, Liberia, Sierra Leone, and Guinea (AfDB)	African Development Bank	2 157.3
<i>Ministry of Health and Social Welfare</i>	Central Contraceptive Procurement	USAID	866.7
	Ebola Emergency Response Project	International Development Association	9 589.0
	Health System Strengthening Project (HSSP)	International Development Association	10 000.0
	Integrated Severe Infections Treatment Unit Programme (in Situ)	Germany	3 500.0
	Ministry of Health and Social Welfare (MOHSW) FARA #2 for Construction	USAID	6 468.3
	Promoting the Quality of Medicines (PQM)/HIV/AIDS	USAID	466.7
	Sector Budget Support - State Building Contract	European Union	10 104.3
	Strengthening of the health sector and epidemic prevention	Germany	2 500.0
	Young child survival and development	United Nations Children's Fund	2 902.6
<i>Ministry of Public Works</i>	Capacity Development in the Transport Sector	Germany	3 000.0
	Fish Town - Harper Road Project, Phase 1	African Development Bank	4 511.3
	Liberia Reconstruction Trust Fund (LRTF) V	Germany	1 500.0
	Mano River Union Road Development and Transport Facility Programme (MRU/RDTFP)	African Development Bank	6 902.4

Ministry/Agency	Activity Title	Funded by	Projection
	Mano River Union Road Development and Transport Facility Programme (MRU/RDTFP)	African Development Bank	7 220.4
	Paving of Fishtown-Harper Road Project, Phase I (Transition Support Facility - TSF)	African Development Bank	2 887.8
	The Project for Reconstruction of Somalia Drive, Phase II	Japan	10 000.0
	Weinsue to Kpail road (8.8 kilometer [km]) in Jorquelleh District	USAID	28.1
<i>Ministry of Lands, Mines and Energy</i>	Energy Sector Reform Activity	Millennium Challenge Corporation (MCC)	325.0
	Capacity building of Ministry of Lands, Mines and Energy (MLME)	Norway	600.0
	Energizing Development (EnDev)	Germany	800.0
	Liberia Accelerated Electricity Expansion Project (LACEEP)	International Development Association	14 507.8
	Liberia Accelerated Electricity Expansion Project (LACEEP)	International Development Association	4 575.1
	Liberia Land Administration Project	International Development Association	1 680.0
	Program Management and Administration: Audit Activities	Millennium Challenge Corporation	120.0
	Project Monitoring and Evaluation	Millennium Challenge Corporation	600.6
	West Africa Power Pool (WAPP) - Electrification and Grid Reinforcement along 4 Countries Transmission Line, CLSG in Monrovia	Germany	6 148.7
<i>Ministry of Agriculture</i>	Market and Value Chains in Agriculture in Liberia	Sweden	937.5
	Rural Community Finance Project (RCFP)	IFAD	1 137.5
	Smallholder Agricultural Productivity Enhancement and Commercialization Project	African Development Bank	951.6
	Smallholder Agricultural Productivity Enhancement and Commercialization project ADF	African Development Bank	4 310.6
	Tree Crop Extension Project (TCEP)	International Fund for Agricultural Development (IFAD)	6 268.0
<b>Total</b>			<b>171 919.7</b>

Source: PSIP and Annex 3 of the Draft National Budget of 2019/20.

### 11.1. Economic Analysis of Investment Proposals

According to national guidelines, economic analyses must be conducted to assess investment projects. In this regard, all externally financed projects are subject to systematic appraisal by the donors. These projects account for more than 80 percent in value.

PSIP projects are generally small (less than US\$500,000), and they may not require a full appraisal<sup>16</sup>. Nevertheless, some ministries and agencies have also developed good procedures to appraise the PSIP projects.

There is generally no report published showing the economic analyses conducted to assess all significant investment projects.

*In summary*, economic analyses are conducted, as established in national guidelines, to assess **all** major investment projects. The analyses are reviewed by an entity other than the sponsoring entity. However, no report showing economic analyses is published.

**Dimension Rating = B**

### 11.2. Investment Project Selection

According to the Public Financial Management Regulation F-1.8, *“The conditions that investment projects and specific programs approved by the National Legislature should meet, and the procedure for their consideration, shall be determined by the Debt Management Committee.”*

The Agenda for Transformation (Aft) provides guidelines for sectoral projects which are discussed by Sector Working Groups. However, most of the PSIP projects are domestically financed and have little or no capital component (such as training projects). When sector projects are prioritized, inadequate funding is available to source these projects.

In the absence of a pipeline and central review process, the selection of projects is largely donor-led. Consequently, sector priorities are generally not reflected in budget appropriations or spending commitments by donors.

*In summary*, most of the projects are externally financed. As such, there is no pipeline and central review process. They are not prioritized by a central entity, and they represent **most** of major investment projects.

**Dimension Rating = D**

### 11.3. Investment Project Costing

According to the PFMR (Regulations), the conditions that investment projects and specific programs approved by the National Legislature should meet, as well as the procedure for their consideration, should be determined by the Debt Management Committee.

The Public Sector Investment Program is annexed to the budget documentation submitted to the Legislature. However, it does not present the total cost. Also, no other document presents the total cost of public investments in Liberia.

*In summary*, projections of the total capital cost of major investment projects are not included in the budget documents.

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<sup>16</sup> PIMA Report 2017.

## Dimension Rating = D

### 11.4. Investment Project Monitoring

Externally financed projects are well monitored by donors, as they follow international guidelines. However, no monitoring report was provided by the government. According to the Public Investment Management Assessment (PIMA) report, some ministries and agencies apply high standards of project management and oversight, but management practices focus largely on financial compliance. Procurement breaches are identified in the 2019 GAC report on the Consolidated Fund Account. There is no report showing the level of compliance with the approved procedures and rules for project implementation. The physical status of primary investment projects during their implementation by line ministries or agencies is also not available.

*In summary*, the total cost and physical progress of major investment projects are monitored by the implementing agency or the government unit. Standard procedures and rules for project implementation are in place, but no report on the implementation of major investment projects is published.

## Dimension Rating = C

### PI-12. Public Asset Management

#### Description

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

#### Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-12 Public asset management</b>	<b>D+</b>	<b>Scoring method (M2)</b>
12.1 Financial asset monitoring	D	Insufficient information is generated about non-current assets because of the current use of the cash basis IPSAS.
12.2 Nonfinancial asset monitoring	D	The government maintains a register of its holdings of fixed assets, but it does not collect information about their usage and age.
12.3 Transparency of asset disposal	C	Procedures and rules are established for the transfer or disposal of non-financial assets, but only partial information about transfers and disposals is included in the annual financial reports.

#### Coverage

Dimension 12.1: CG.

Dimension 12.2: BCG.

Dimension 12.3: CG for financial assets and BCG for non-financial assets.

#### Time period

Last completed fiscal year.

## 12.1. Financial Asset Monitoring

The Statement of Cash Position produced with annual financial statements presents only the amounts of cash and cash equivalents, which refers to the Government's account of the Consolidated Funds held at the Central Bank and reported in the Treasury Balances (Table 30).

Table 27: Statement of Cash Position (US\$, as of June 30, 2019)

Account Title	June 30, 2019	June 30, 2018
<b>Financial Assets</b>		
Cash and Cash Equivalents	-21,307	-28,549
Investments	287,996	299,725
<b>Total Assets</b>	<b>266,689</b>	<b>271,176</b>

Source: AFS for 2018-2019.

Annex 2 of the 2019/20 draft budget relates to SOEs. It presents budgeted revenues and expenditures, as well as the forecasted dividends. Actual dividends are reported in the Statement of the Annual Consolidated Fund Account for FY 2018/19.

However, because of the current use of the cash basis IPSAS, the balance sheet does not produce a total value of financial assets. This implies that not enough information is generated about non-current assets. There is no other document that shows all financial assets and its categories at fair or market value according to the international accounting standards.

In summary, the government does not maintain a record of its holdings in major categories of financial assets.

### Dimension Rating = D

## 12.2. Non-financial Asset Monitoring

Property, plant, and equipment principally comprise land, buildings, plants, vehicles, equipment, highways, specialist military equipment and any other infrastructure assets. This does not include regenerative natural resources, such as forests and minerals. Under the GoL cash basis of accounting, purchases of property, plants and equipment are expensed fully in the year of purchase. Proceeds from the disposal of property, plants and equipment are recognized as non-tax receipts in the period in which they are received.

Expenses incurred for non-financial assets are reported yearly in the Annual Financial Statements. Nonfinancial assets relate mainly to the construction and maintenance of roads and bridges.

Table 28 : Capital Expenditures (FY 2018-2019)

Account Title	Actual Amount FY 2018/19	Revised Budget FY 2018/19	Approved budget FY 2018/19	Variance (Actual vs. Allotment)	Percentage Variance	Actual Amount FY 2017/18
Comparative Analysis by Economic Classification	U.S.\$1,000	U.S.\$1,000	U.S.\$1,000	U.S.\$1,000	%	U.S.\$1,000
<b>Non-Financial Assets</b>	<b>26,899</b>	<b>31,668</b>	<b>74,328</b>	<b>4,769</b>	<b>15.06%</b>	<b>7,009</b>
<b>Non-produced Assets</b>	-	-	-	-		75
Land						75
<b>Fixed Assets</b>	<b>26,899</b>	<b>31,668</b>	<b>74,328</b>	<b>4,769</b>	<b>15%</b>	<b>4,934</b>

Account Title	Actual Amount FY 2018/19	Revised Budget FY 2018/19	Approved budget FY 2018/19	Variance (Actual vs. Allotment)	Percentage Variance	Actual Amount FY 2017/18
Buildings and Structures	15,934	16,070	10,596	137	1%	1,917
Machinery, Furniture & Trans.	1,247	4,297	4,650	3,049	71%	1,189
ICT infrastructure	489	638	307	149	23%	521
Other Fixed Assets	9,229	14,663	775			3,307

Source: AFS 2018-2019.

Machinery, furniture, and transport cover the cost of machinery equipment for routine public works, such as in-year road maintenance. This unique allocation is a hybrid of investment and recurrent expenditures. The amount reported in the AFS does not comply with the PEFA methodology, which requires the existence a Fixed Asset Register (FAR). In this regard, the management of most MACs fails to maintain and present a FAR, at least for the last fiscal year.

The PFM Regulation provides that *“Furniture, and equipment issued for Government quarters or offices or vehicles and other fixed assets shall be brought on a master inventory of the Government Agency.”* In this regard, the MFDP prepares an inventory of selected capital assets (for example, government vehicles), but there is no comprehensive register of government-owned assets. Normally, information about their usage and age should be provided by the General Service Agency of the Ministry of Land, Mines and Energy.

The PIMA report also states that there is no comprehensive inventory of government-owned financial assets.

*In summary*, the government maintains a register of its holdings of fixed assets, but it does not collect information about their usage and age.

## Dimension Rating = D

### 12.3. Transparency of Asset Disposal

Procedures and rules for the transfer or disposal of non-financial assets are established.

According to the Public Financial Management Regulation, Disposal and Letting of Assets (v.5)

- 1) *The conditions and terms of disposal or sale of immovable of movable assets shall be determined by the General Services Agency.*
- 2) *The conditions and terms of letting of immovable state property (excluding state housing for officials and political office bearers) shall be determined by the General Services Agency. No state property may be let free of charge without the prior approval of the General Services Agency.*
- 3) *The Head of Government Agency must review, at least annually when finalising the budget, all fees, charges, rates, tariffs or scales of fees or other charges relating to the letting of state property to ensure sound financial planning and management.*

According to the AFS for 2018/19, non-financial assets relate to: *“Property, plant and equipment principally comprise of land, buildings, plant, vehicles, equipment, highways, specialist military equipment and any other infrastructure assets. However, this does not include regenerative natural resources such as forests and minerals.”*

Under the GoL’s cash basis of accounting, purchases of property, plants and equipment are expensed fully in the year of purchase. Proceeds from the disposal of property, plants and equipment are recognized as non-tax receipts

in the period in which they are received. For the asset transfers and disposals, the original purchase costs are sent with the information.

However, because the AFS are not reliable enough (see PI-30), it can be considered that only partial information about the transfers and disposals is included in budget documents, financial reports, or other reports.

**Dimension Rating = C**

## PI-13. Debt Management

### Description

This indicator assesses the management of domestic and foreign debts and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. It contains three dimensions and uses the **M2 (AV)** method for aggregating scores.

### Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-13 Debt management</b>	<b>A</b>	<b>Scoring method (M2)</b>
13.1 Recording and reporting of debts and guarantees	B	Domestic and foreign debt and guaranteed debt records are complete and updated monthly. Data are reconciled quarterly, but not monthly. Comprehensive statistical reports are produced quarterly and annually.
13.2 Approval of debts and guarantees	A	The central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by the Minister of Finance.
13.3 Debt management strategy	A	A Debt Sustainability Analysis (DSA), with a horizon of at least three years, is prepared by the IMF and the World Bank under the Extended Credit Facility and publicly reported. Annual reporting against debt management objectives is provided to the legislature. The government's annual plan for borrowing is consistent with the approved strategy.

Source:

**Dimensions 13.1 and 13.2:** CG.

**Dimension 13.3:** CG, except in federal states.

### Time period

**Dimension 13.1:** At the time of assessment.

**Dimension 13.2:** Last completed fiscal year.

**Dimension 13.3:** At the time of assessment, with reference to the last three completed fiscal years.



### 13.1. Recording and Reporting of Debt and Guarantees

The Debt Management Unit (DMU) in the MFDP oversees the management of external debt. The Central Bank of Liberia (CBL) oversees the management of domestic debt.

The Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), located in the DMU, continues to be used to record and report both domestic and foreign debts. The recording is fully comprehensive of all debt details.

The CBL submits electronic information concerning domestic borrowing to the DMU, which then feeds it into the CS-DRMS. Reconciliation problems usually arise with domestic creditors, mainly due to staff rotation or turnover; contingent payments because of court rulings; CBL standing orders; and from classification and coding errors (for example, interest classified as amortization) made by data entry clerks. Reconciliation errors are generally cleared. Differences with foreign creditors are rare, although disagreements may arise, as has been the case with debt owed to the Organization of the Petroleum Exporting Countries (OPEC). The MFDP has direct access to the World Bank's loan database through 'Client Connection', which facilitates reconciliation.

Complete reconciliations and updates between the MFDP and the creditors are conducted at least annually.

Reconciliation between data contained in the CS-DRMS, the IFMIS and the CBL takes place quarterly as a check on data integrity — and to ensure that the debt projections contained in IFMIS are consistent with the CS-DRMS data. Reconciliation is not yet automated, as there is no direct interface between the CS-DRMS and the IFMIS, or between the CS-DRMS and the CBL. Thus, reconciliation is not yet performed on a monthly basis. The DMU also prepares an annual report on Liberia's debt for inclusion in the Minister of Finance's overall report to the legislature.

The MFDP publishes a monthly Public and Publicly Guaranteed Debt Bulletin. In August 2020, the last published flash was at the end of November 2019<sup>17</sup>. This report refers to stocks and flows of domestic and external debts.

The MFDP also publishes a quarterly Debt and Management Report. This report covers public and publicly guaranteed debt for both domestic and external stock and flow. These reports are published within two months after the end of the preceding quarter. The last quarterly bulletin published by the MFDP is for the third quarter of FY 2019/20<sup>18</sup>.

The quarterly debt report covers public and publicly guaranteed debt for both domestic and external stock and flow for the third quarter (January – March) of FY 2019/20. Improvements to this report include quarterly debt stock and service trends, as well as an analysis of the initial projection by the DMU concerning debt service against the amount allotted by the Department of Budget at the Ministry of Finance and the Development Planning Finally. In addition, the evolution of public debts is also published in the Statement of the Annual Consolidated Fund Account.

Table 29: Public Debt Evolution (FY 2018-2019)

	Q1-2018-19	Q2-2018-19	Q3-2018-19	Q4-2018-19
Account title				
Total debt stock	978,335	1,039,866	1,061,565	1,170,463

Source: Statement of Annual Consolidated Fund Account, FY 2018/19.

<sup>17</sup> <https://www.mfdp.gov.lr/index.php/component/edocman/november-2019-monthly-debt-bulletin>

<sup>18</sup> <https://www.mfdp.gov.lr/index.php/economic-management-reports/debt-management-unit/quarterly-debt-and-management-report>

*In summary*, domestic and foreign debt and guaranteed debt records are complete, accurate and updated monthly, but reconciled quarterly. Statistical reports covering debt service, stock, and operations are produced quarterly. Both bulletins and reports are published on the MFDP’s website.

**Dimension Rating = B**

### **13.2. Approval of Debt and Guarantees**

The MFDP issued a guideline in 2012 to regulate borrowings by the SOEs and the issuance of guarantees. The Debt Management Committee (DMC) plays an important role in fiscal risk assessment. It reviews and analyses SOE proposals within 48 hours. The loan/guarantee approval criteria include, but are not limited to, the viability of proposed projects, the ability to repay loans, and socioeconomic benefits. To date, only one explicit guarantee has been issued (for the Ports Rehabilitation Project).

The legislature approves all the loans.

A Debt Sustainability Analysis was prepared by the staff[s]of the IMF and the World Bank in December 2019<sup>19</sup>. According to the report, *“The authorities have agreed with the eight largest SOEs that they provide quarterly reports on their financial performance to the SOE Reporting and Coordination Unit (SOERCU) of the MFDP. As an immediate priority, the Debt Management Unit (DMU) of the MFDP with assistance from [the] SOERCU will re-establish a database of government on-lending and guarantees to SOEs to update existing information.”*

*In summary*, the Minister of Finance is the sole official with the authority to contract loans and issue guarantees on behalf of government. Contracting of debt and issuance of guarantees are made against transparent criteria.

**Dimension Rating = A**

### **13.3. Debt Management Strategy**

The DMC approves the Medium-Term Debt Strategy (MTDS), established in 2009, which is updated periodically. The latest strategy covers 2014-2016. This MTDS is posted on the MFDP’s website. In the context of the Request for a Four-Year Arrangement Under the IMF Extended Credit Facility, the MTDS has been replaced by a Debt Sustainability Analysis prepared by the IMF and the World Bank. The latest DSA was published in June 2019. In keeping with the IMF program, the government can no longer borrow from the Central Bank of Liberia to spend on its programs. The Legislature is also required to ratify loans approved by the DMC prior to them becoming effective.

*In summary*, a Debt Sustainability Analysis, with a horizon of at least three years, is prepared by the IMF and the World Bank and publicly reported. Annual reporting against debt management objectives is provided to the legislature. The government’s annual plan for borrowing is consistent with the approved strategy.

**Dimension Rating = A**

#### **On-going activities**

- A direct interface between the CS-DRMS and the IFMIS and between the CS-DRMS and the CBL is being planned. In 2013, a contract was signed between the MFDP and the CS-DRMS consultants to link the debt software to the

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<sup>19</sup> A request for a four-year arrangement under the IMF Extended Credit Facility. See IMF press release, staff report, staff statement, and statement by the Executive Director for Liberia. (IMF, December 2019).

IFMIS. However, this did not materialize due to the Ebola outbreak, but the MFDP hopes to revive the interface project in 2016 by using the new version of the CS-DRMS (to be installed in Q1 2016).

- In January 2016, the CAG notified commercial banks with government bank accounts of its intent to include all these accounts in the TSA system for monitoring purposes. However, this process has not yet been completed.
- The scope of the TSA should be expanded to include government and donor bank accounts held at commercial banks. The latter will be achieved through more project reporting through the PFMU in the MFDP, as well as the migration of data to the IFMIS from the current stand-alone reporting system operated by the PFMU.
- The GoL is working on drafting a debt law, which will become a single legal framework for contracting loans and issuing government guarantees, including PPPs.



## Pillar Four: Policy-based Fiscal Strategy and Budgeting

The GoL prepares medium-term forecasts of key macroeconomic indicators, which are included in budget documentation (PI-14.1 and PI-14.2). These assumptions support the establishment a medium-term budget and fiscal strategy (PI-15.2) that are then submitted to the legislature (PI-16.1). However, sector strategies do not present a complete costing of investments and recurrent expenditures. In addition, budget proposals are not aligned with estimates presented in the strategic plans (PI-16.3). Thus, it is not surprising that the budget circular does not contain medium-term expenditure ceilings. (PI-16.2).

A budget calendar exists, but the MACs did not have enough time complete them in a timely manner (PI-17.1). The budget circular was issued to the budgetary units, but it did not include ceilings for administrative or functional areas (PI-17.2).

The budget proposal is often submitted less than one month before the end of the fiscal year (PI-17.3). Hence, the legislature has approved the annual budget within one month of the start of the year in two of the last three fiscal years (PI-18.3).

The legislature’s review does not cover medium-term details of expenditures and revenues (PI-18.1). In addition, the procedures, including provisions for public consultation, are not yet formalized (PI-18.2). Clear rules exist for in-year budget amendments by the executive, but they allow for extensive administrative reallocations. Thus, it cannot be asserted that they are respected in most instances (PI-18.4).

**Overall, policy-based fiscal strategy and budgeting is basic. The fiscal strategy and the budget are prepared for the medium term, but multi-year appropriations are not yet permitted. Furthermore, the budget circular does not contain medium-term expenditure ceilings.**

### PI-14. Macroeconomic and Fiscal Forecasting

#### *Description*

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government’s capacity to estimate the fiscal impact of potential changes in economic circumstances. It contains three dimensions and uses **M2 (AV)** for aggregating dimension scores.

#### *Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-14 Macroeconomic and fiscal forecasting</b>	<b>B</b>	<b>Scoring method (M2)</b>
14.1 Macroeconomic forecasts	B	The MFDP prepares medium-term forecasts of key macroeconomic indicators, which are included in the budget documentation submitted to the legislature. However, the projections are not reviewed by an external entity.

Indicator/Dimension	Score	Brief Justification for Score
14.2 Fiscal forecasts	B	The government prepares medium-term forecasts of the main fiscal indicators, including revenues, aggregate expenditures, and budget balances. These forecasts, together with the underlying assumptions, are included in the budget documentation submitted to the legislature.
14.3 Macro-fiscal sensitivity analysis	C	The government prepares a range of fiscal forecast scenarios for internal use. These scenarios are based on alternative macroeconomic assumptions, but the budget documents do not include a discussion of forecast sensitivities.

### Coverage

Dimension 14.1: Whole economy.

Dimensions 14.2 and 14.3: CG.

### Time period

Last three completed fiscal years.

### 14.1. Macroeconomic Forecasts

According to the Public Financial Management Regulations D.3, 1-3, “*The first phase of the budget cycle shall start with the update of the draft medium term macroeconomic and fiscal framework by the Minister.*”

In Liberia, macroeconomic forecasts are performed by the Liberia Macroeconomic Policy Analysis Centre (LIMPAC), which is a policy think tank and capacity-building center within the Ministry of Finance and Development Planning.

The Liberia Macro Forecasting Model (LMFM) was developed with the assistance of the IMF. The model provides the technical basis for estimating macroeconomic trends, which are necessary in preparing the medium-term fiscal framework and the annual budget framework paper.

The CBL publishes a monthly financial and economic bulletin, which is produced by the Research, Policy and Planning Department. In August 2020, the most recent financial and economic bulletin was that of July - September 2019.<sup>20</sup> However, this work is done independently and the CBL does not review macroeconomic forecasts elaborated by the MFDP.

*In summary*, the GoL prepares forecasts of key macroeconomic indicators, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts cover the budget year and the following two fiscal years. The projections have not been reviewed by an entity other than the preparing entity. Growth projections are reviewed by the IMF, but not by another national entity than the preparing entity.

**Dimension Rating = B**

<sup>20</sup><https://www.mfdp.gov.lr/index.php/media-center/press-release/finance-ministry-dedicates-first-ever-economic-forecasting-and-training-lab-as-minister-underscores-the-essence-of-lab-for-macroeconomic-forecasting>

## 14.2. Fiscal Forecasts

The MTEF provides the basis for annual budget planning. It consists of a macroeconomic framework that indicates fiscal targets, estimates, revenues and expenditures, including medium-term government financial obligations. Revenues are presented by type in the national revenue forecast book. The documents outline the underlying assumptions for these projections, provide an evaluation and analysis of the previous budget, and present an overview of consolidated debt and potential fiscal risks. The MTEF also produces several important outcomes, including the macroeconomic outlook, fiscal balance, and other key indicators.

The Medium-Term Expenditure Framework must be approved by the legislature as required by the Public Finance Management Act of 2009.

*In summary*, fiscal forecasts, together with the underlying assumptions, are included in budget documentation submitted to the legislature. However, no explanation of the main differences from the forecast made in the previous year's budget is being provided.

**Dimension Rating = B**

## 14.3. Macro-fiscal Sensitivity Analysis

For the last 3 fiscal years, the MFDP prepared, for internal use, a budget option paper with 3 different scenarios based on alternative macroeconomic assumptions. The options were presented to the cabinet and the most feasible option was selected.

The Research, Policy and Planning Department of the CBL is also using an economic model built for Liberian policy scenarios.

The budget documents submitted to the legislature do not include a discussion of forecast sensitivities.

*In summary*, the government prepares a range of fiscal forecast scenarios based on alternative macroeconomic assumptions, which are reported in the option paper and the Sector Working Group's reports. The budget documentation presents only the selected option and does not include a discussion of forecast sensitivities.

**Dimension Rating = C**

### *On-going activities*

The African Capacity Building Foundation (ACBF) is providing financing to support the macroeconomic forecasting capacity of the Ministry of Finance and Development Planning. It is also supporting the revitalization of the Liberia Macroeconomic Policy Analysis Center (LIMPAC) in becoming a robust and independent research think tank in Liberia.

## PI-15. Fiscal Strategy

### *Description*

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

## Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-15 Fiscal Strategy</b>	<b>C+</b>	<b>Scoring Method (M2)</b>
15.1 Fiscal impact of policy proposals	C	The MFDP prepares estimates of the fiscal impact of <i>all</i> proposed changes in revenue and expenditure policy for the next fiscal year.
15.2 Fiscal strategy adoption	B	The government has adopted, along with the last budget submitted to the legislature, a medium-term fiscal strategy, including quantitative or qualitative fiscal objectives.
15.3 Reporting on fiscal outcomes	C	The government has prepared an internal report on the progress made against its fiscal strategy, but it was not submitted to the legislature.

### Coverage

CG.

### Time period

**Dimension 15.1:** Last three completed fiscal years.

**Dimensions 15.2 and 15.3:** Last completed fiscal year.

### 15.1. Fiscal Impact of Policy Proposals

In line with the proposed legislation submitted for approval, a fiscal impact analysis for the last 3 fiscal years was included.

For instance, the Budget Framework Paper (BFP) for 2019/20 was submitted to the Legislature on April 30, 2019. It contains the following information: (i) an analysis of the economic and fiscal trends and the assumptions underlying the medium-term macroeconomic and fiscal framework of the budget; (ii) an explanation of the government's policy priorities and how these are reflected in the budget; (iii) a statement of key fiscal risks that may affect budget execution; and (iv) the essential features of the medium-term expenditure framework.

Regarding revenue policy, the BFP for 2019/20 details strategic revenue policy measures to be implemented, which are expected to yield an additional US\$22.2 million in domestic resources. For the rest, the BFP only presents a breakdown of domestic revenue mobilization, which is categorized into eight major economic sectors. It does not show proposals with a significant and direct impact on revenues, including, for example, changes to the rates and coverage of corporate income tax, value-added tax, personal income tax, customs and excise taxes, and taxes on natural resources.

Regarding expenditure policy proposals, the BFP only presents a breakdown of recurrent expenditures and the Public Sector Investment Plan (PSIP). No impact of public investments on economic growth (hence, on public revenues) is calculated. The financial impact of the PSIP only includes the cost of the investment.

*In summary*, the MFDP prepares estimates of the fiscal impact of *all* proposed changes in revenue and expenditure policy for the coming year.

**Dimension Rating = C**

## 15.2. Fiscal Strategy Adoption

In accordance with the Public Financial Management Act of 2009 and other regulations supplementary to the PFM Act that impose constraints on budgetary aggregates, the Government of Liberia established fiscal targets for a fiscal year within the MTEF period to complement its fiscal policy set.

This fiscal strategy, to be implemented over the next three years, is also guided by the National Development Plan and the pro-poor agenda. Budget adoption must follow rules, such as: thresholds for consultancy fees, gasoline, other current spending, and so on. These rules are reviewed every 6 months both in value and as a percentage of GDP.

Liberia's fiscal policy for FY2019/20 was included in the documentation submitted to the legislature. It was anchored in: (i) minimizing the deficit; (ii) controlling the wage bills; (iii) increasing the effectiveness and efficiency of priority pro-poor development spending; (iv) ensuring greater transparency in fiscal data; (v) stronger governance; and (vi) the fight against corruption. The government also aimed to move toward higher domestic revenue performance through a combination of tax policy measures; measures that broaden the tax base; and minimizing exemptions and using tax incentives more reasonably, coupled with stronger financial support for revenue mobilization. However, the impact of such decisions was not quantified (see PI-15.1). Nonetheless, the fiscal strategy is in line with the Extended Credit Facility (ECF) provided by the IMF, which is to prepare a three-year budget without a deficit.

The government also follows a fiscal strategy at the regional level. The Research, Policy and Planning Department of the CBL is providing policy advice concerning ECOWAS Macroeconomic Convergence (ECOMAC), especially on the policy decisions pertaining to the ECOMAC framework for the regional build-up to a single currency in the short-to-medium term.

The Research, Policy and Planning Department produces quarterly reports on Liberia's progress toward meeting the ECOWAS convergence criteria. The Government of Liberia submits a Country Report to the ECOWAS Parliament, but not to the Liberian Parliament. The Liberian Delegation to the ECOWAS Parliament reports to the regional parliamentary body regarding the country's progress.

In line with this strategy, also included in the documents submitted to the legislature are projections of detailed government spending, government revenues, public debt, and so on. These fiscal objectives are presented for the budget year and the following two fiscal years.

*In summary*, the government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative and/or qualitative fiscal objectives for the budget year, and for the following two fiscal years.

**Dimension Rating = B**

## 15.3. Reporting on Fiscal Outcomes

The government is not obliged to submit a report that describes progress made against its fiscal strategy to the legislature along with the annual budget. Consequently, no report providing an explanation of the reasons for any deviation from the objectives and targets set is produced by the government.

The report on the Second Quarter Fiscal Outturn (FY2019/20) published on the website of the MFDP is simply a report on the budget execution. As such, it does not make any reference to the fiscal targets mentioned in PI-15.1. Nevertheless, the MFDP does provide an explanation to the legislature about the budget execution, generally justifying the budget shortfalls that arise as a result of poor revenue collection.



However, the government prepares an internal report about the progress made against its fiscal strategy. Reporting on fiscal outcomes is also included in periodic IMF Staff Country Reports on Article IV Consultations and the Four-Year Arrangement Under the Extended Credit Facility. The last Article IV Executive Board Consultation was on May 31, 2019. Such a report has been prepared for the last completed fiscal year, but it is not submitted to the legislature, and it was not published on the MFDP website.

*In summary*, the government prepares an internal report about the progress made against its fiscal strategy. Such a report has been prepared for the last completed fiscal year.

**Dimension Rating = C**

*PI-16. Medium-term Perspective in Expenditure Budgeting*

*Description*

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates, as well as the degree of alignment between the medium-term budget estimates and the strategic plans. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

*Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-16 Medium-term perspective in expenditure budgeting</b>	<b>D+</b>	<b>Scoring Method (M2)</b>
16.1 Medium-term expenditure estimates	A	The annual budget presents an estimate of expenditures for the budget year and the following two fiscal years by administrative and economic classification.
16.2 Medium-term expenditure ceilings	D	The budget circular does not contain medium-term expenditure ceilings. Also, multi-year appropriations are not yet permitted.
16.3 Alignment of strategic plans and medium-term budgets	D	Sector strategies have been prepared for some sectors, but they do not present a substantially complete costing of investments and recurrent expenditures. Budget proposals are not aligned with estimates presented in the strategic plans.
16.4 Consistency of budgets with previous year’s estimates	D	Budget documents do not provide an explanation of the changes to expenditure estimates between the second year of the previous medium-term budget and the first year of the current medium-term budget.

*Coverage:*

BCG.

*Time period*

**Dimensions 16.1, 16.2 and 16.3:** Last budget submitted to the legislature.

**Dimension 16.4:** The “last medium-term budget” relates to the budget approved by the legislature for last completed fiscal year, and “the current medium-term budget” relates to the budget approved by the legislature for the current fiscal year.

### **16.1. Medium-term Expenditure Estimates**

The Public Finance Management Act (2009) states that the fiscal framework for the national budget shall be based on estimates for the fiscal year and for the two subsequent years, which consider the economic and development policies that are consistent with the Government's declared medium-term economic and fiscal objectives.

The rule was followed for the FY 2020/21 budget submitted to the legislature.

*In summary*, the annual budget presents an estimate of expenditures for the budget year and the following two fiscal years allocated by administrative and economic classification.

**Dimension Rating = A**

### **16.2. Medium-term Expenditure Ceilings**

The PFM regulations require that the MTEF establish indicative spending ceilings for the budget year, as well as the two outer years, and in line with policy priorities. However, the multi-year appropriations are not yet permitted by the Law. As a result, aggregate expenditure ceilings for the budget year and the following two fiscal years are not approved by the government.

The MTEF includes 3-year projections, but these represent neither ceilings nor floors on investment. Also, they do not include all projects or full life-cycle costs. Furthermore, MTEF projections are not accurate and have limited coverage because between 60 to 80 percent of externally financed projects are excluded from MTEF projections.

*In summary*, the budget circular does not contain medium-term expenditure ceilings.

**Dimension Rating = D**

### **16.3. Alignment of Strategic Plans and Medium-term Budgets**

Sector strategies have been prepared for the Ministry of Education and Ministry of Health, but these strategies do not present a complete costing of investments and recurrent expenditures. They have also not been used as an input into the annual budget process.

*In summary*, budget proposals are not aligned with estimates presented in the strategic plans.

**Dimension Rating = D**

### **16.4. Consistency of Budgets with Previous Year's Estimates**

As the MTEF projections are not accurate and have limited coverage, there are often changes to the forecast figures. Also, the budget documents do not explain the basis for revisions when the second year of the last medium-term budget is different from the first year of the current medium-term budget.

*In summary*, the budget documents do not provide an explanation of the changes to expenditure estimates.

**Dimension Rating = D**

## On-going reforms / Recent evolution

Medium-term expenditure estimates, ceilings, the alignment of strategic plans and medium-term budgets and the consistency of budgets with previous year's estimates will be addressed under the new MTEF strategy.

## PI-17. Budget Preparation Process

### Description

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

### Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-17 Budget preparation process</b>	<b>D+</b>	<b>Scoring Method (M2)</b>
17.1 Budget calendar	D	A budget calendar exists, but practically the MACs did not have enough time to complete detailed estimates.
17.2 Guidance on budget preparation	D	A budget circular is issued to budgetary units, but it does not include ceilings for administrative or functional areas.
17.3 Budget submission to the legislature	C	The executive has submitted the annual budget proposal to the legislature at least one month before the start of the fiscal year in all the last three years.

### Coverage

BCG.

### Time period

**Dimension 17.1 and 17.2:** Last budget submitted to the legislature.

**Dimension 17.3:** Last three completed fiscal years.

### 17.1 Budget Calendar

*The focus of the budget calendar is to complete the necessary consultations to enable the President to submit the Executive Budget Proposal to the Legislature on or before the legal deadline of April 30th as presented in Box 2. Box 2: Budget Calendar for FY 2019/20*

- July 1: Start of the fiscal year.
- October to January: Government line ministries (Education, Health, and so on) produce plans for how they will spend public money to achieve governmental objectives.
- January: The Ministry of Finance and Development Planning (MFDP) publishes the Budget Framework Paper outlining how money will be spent.
- February to March: The MFDP and spending entities discuss how much money will be available in the coming year and how much is needed by each spending entity.

- April 15: The draft budget is presented to the Cabinet.
- April 30: The President sends the draft budget to the legislature for discussion and approval.
- June 30: End of the fiscal year.

In practice, the budget calendar exists, but there were substantial delays in its implementation. Also, it allowed the MACS so little time to complete their detailed estimates that most of them failed to complete them in a timely manner. The budget calendar is often revised because the government cannot meet the deadlines.

The revised budget calendar for FY 2019/20 presented in Table 33 shows that the spending entities had only one week to submit their detailed estimates.

Table 30 : Summary Draft Budget Preparation Calendar (FY 2019/20)

Activity	Deadline	Responsible Lead
Issuance of Updated Budget Call Circular	May 31, 2019	MFDP
Issuance of Budget Ceilings	May 31, 2019	MFDP
Spending Entities submit detailed budgets in line with guidelines in Budget Call Circular	June 7, 2019	Spending Entities
Finalize and collate the Executive Budget Proposal and Budget Framework Paper based on decisions from Budget Hearings	June 10, 2019	Dept. of Budget & Development Planning/Dept. of Economic Management
Presentation of Executive Budget Proposal and BFP to Cabinet and the President	June 12, 2019	Finance Minister/Department of Budget & Development Planning
Presentation of Executive Budget Proposal and Budget Framework Paper to the Legislature	June 14, 2019	Finance Minister/President

Source: Budget calendar 2019/20

Note: BFP=Budget Framework Paper; MFDP= Ministry of Finance and Development Planning.

It should also be noted that the MACs are no longer required to prepare capital budgets, as these are being centralized through the PSIP, which also directs the Sector Working Groups.

In summary, a budget calendar exists, but substantial delays were experienced in its implementation. and the MACs were allowed so little time to complete detailed estimates that most of them failed to complete them in a timely manner.

**Dimension Rating = D**

## 17.2 Guidance on Budget Preparation

The General Administrative Services Unit coordinates budget preparation, collation, and implementation by spending entities in the various sectors under the unit. The Unit receives budget formulation guidelines from the Budget Policy and Coordination Unit and passes them on to the spending entities in the various sectors. It also assists them in preparing their budget estimates in conformity with the agreed resource ceilings.

A top-down approach is adopted in setting budget priorities during the formulation of the budget. The budget circular issued to the budgetary units includes resource ceilings, but not expenditure ceilings. Hence, expenditure ceilings for administrative or functional areas are not available in the budget circular. Budget ceilings are provided to spending entities during the budget preparation/planning stage of the budget cycle.

*In summary*, a budget circular is issued to budgetary units, but it does not include ceilings for administrative or functional areas. The budget estimates are reviewed and approved by the Cabinet only after they have been completed in every detail by the budgetary units.

**Dimension Rating = D**

### **17.3 Budget Submission to the Legislature**

April 30 is the period required by law for the Executive to submit the draft budget to the National Legislature. Regarding the period under review, all draft budgets were presented more than one month, but less than two months, before the start of the fiscal year.

- *FY 2016/17 Draft National Budget*. The Draft National Budget for 2016/17 was submitted by the MFDP on May 16, 2016.<sup>21</sup>
- *FY 2017/18 Draft National Budget*. Liberia's National Budget was submitted to the Legislature on May 15, 2017.<sup>22</sup>
- *FY 2018/19 Draft National Budget*. The proposed budget was submitted to the Legislature on May 11 2018<sup>23</sup>.

*In summary*, the executive has submitted the annual budget proposal to the legislature in less than two months — but more than one month — before the start of the fiscal year in **all** of the last three years.

**Dimension Rating = C**

#### **On-going reforms / Recent evolution**

For the 2019/20 budget, the President requested an extension in the submission of the 2019/20 National Budget for an additional month on April 30, 2019. The MFDP finally submitted the 2019-2020 Draft National Budget to the House of Representatives on June 26, 2019, after a 57-day delay.

Regarding the 2020/21 budget, the Ministry of Finance and Development Planning presented the Draft National Budget to the Legislature on July 15, 2020. The 2020/2021 Draft National Budget came in the wake of growing concerns over the delay in its submission<sup>24</sup>.

## **PI-18. Legislative Scrutiny of Budgets**

### **Description**

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. It contains four dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

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<sup>21</sup> <https://www.liberianobserver.com/business/mfdp-presents-legislature-fy-201617-draft-budget/>

<sup>22</sup> <https://frontpageafricaonline.com/news/2016news/liberia-s-national-budget-for-fy-2017-2018-submitted-to-legislature/>

<sup>23</sup> <https://www.liberianobserver.com/news/legislature-begins-2018-2019-budget-hearings-may-15/>

<sup>24</sup> <https://kmtvliberia.com/finance-ministry-summits-2020-2021-draft-national-budget/>

## Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-18 Legislative scrutiny of budgets</b>	<b>C+</b>	<b>Scoring Method (M1)</b>
18.1 Scope of budget scrutiny	B	The legislature’s review covers fiscal policies and aggregates for the coming year, as well as detailed estimates of expenditures and revenues. However, they do not cover medium-term details pertaining to expenditures and revenues.
18.2 Legislative procedures for budget scrutiny	B	Legislative procedures include internal legislative committees, technical support, and negotiation procedures, but public consultations are not yet in place.
18.3 Timing of budget approval	C	The legislature has approved the annual budget within one month of the start of the year in two of the last three fiscal years.
18.4 Rules for budget adjustments by the executive	C	Clear rules exist for in-year budget changes by the executive, but they allow for significant administrative reallocations. Moreover, it is not clear that they are followed in most cases.

## Coverage

BCG.

## Time period

**Dimension 18.1, 18.2 and 18.4:** Last completed fiscal year.

**Dimension 18.3:** Last three completed fiscal years.

### 18.1. Scope of Budget Scrutiny

Regarding the Plenary’s mandate, the Legislative Budget Office (LBO) ensures a comprehensive and participatory review of both revenue and expenditure components of the draft budget. For the last completed fiscal year 2018/18, the LBO examined all the documentation that was sent to the legislature by the MFDP including: the Budget Speech, the MFDP strategic plan, the budget framework, and the Budget Book. The budget framework and the Budget Book presented estimates for the next 3 fiscal years, but the LBO examined only the current year of the detailed revenue and expenditure estimates.

*In summary*, the legislature’s review covers fiscal policies and aggregates for the coming year, as well as detailed estimates of expenditures and revenues. However, it does not cover medium-term details of expenditures and revenues.

**Dimension Rating = B**

### 18.2. Legislative Procedures for Budget Scrutiny

The review and scrutiny processes involve the legislature, the Ministry of Finance, line ministries and agencies, civil society and members of the public. The House’s decision follows a report submitted to the plenary by the Joint

Committees on Ways, Means, Finance and Public Accounts. This committee is comprised of 15 members of the Senate, each representing a county and 15 members from the House of Representatives.

The MFDP is engaged with the national legislature in providing all the necessary budget documents with details to support the Draft National Budget, as well as to defend the revenue and expenditure forecasts of the budget.

Citizens are generally encouraged to fully participate in these budget discussions by engaging with their representatives. However, the procedures do not yet include arrangements for public consultations.

*In summary*, the legislature's procedures to review budget proposals are approved in advance of budget hearings and are adhered to. They also include internal organizational arrangements, such as legislature committees, technical support, and negotiation procedures. However, procedures — including provisions for public consultation, are not yet completely formalized.

**Dimension Rating = B**

### **18.3. Timing of Budget Approval**

According to tradition, the legislature begins hearings immediately the next working day after the budget has been submitted to it by the executive. Then the hearings begin into the revenue component.

- For fiscal year 2016/17, the legislature passed the Draft National Budget on September 21, 2016. Consequently, the budget was voted on *after the beginning of the fiscal year, that is, more than one month after the start of the fiscal year.*
- For fiscal year 2017/18, the legislature passed the Draft National Budget on July 18, 2017. Consequently, the budget was voted *after the beginning of the fiscal year, but within one month of the start of the fiscal year.*
- For fiscal year 2018/19, the House of Representatives has passed the Draft National Budget on June 26, 2018. Consequently, the budget was adopted before the beginning of the fiscal year.

*In summary*, the legislature has approved the annual budget within one month of the start of the year in two of the last three fiscal years.

**Dimension Rating = C**

### **18.4. Rules for Budget Adjustments by the Executive**

The PFM Act of 2009 also requires that the Finance Minister present a detailed report about the proposed re-casting of the budget to the Joint Committees on Ways, Means and Finance and Public Accounts of the House of Representatives.

Legal and regulatory procedures are followed in obtaining approval for these changes to the budget, but not necessarily in a timely fashion. The Proposed Recast National Budget for Fiscal Year 2019/20 was published on 05/27/2020 on the MFDP's website, which may demonstrate that it was presented to the legislature after changes have been made.

The IMF also pointed out that the recast of the 2019/20 national budget should have been proposed earlier to the legislature. The report noted that: *"The decision not to seek a Legislature-approved recast budget may have further*

*undermined budget credibility and raised the risk that efficient resource allocation will be adversely impacted by ad hoc lobbying from the most influential spending entities*<sup>25</sup>.

However, the 2017 GAC Report on the Consolidated Fund Accounts for the financial year 2016/17 indicates that the IFMIS system is unreliable. According to the GAC, “A net cash balance of US\$ 388,380,484.84 indicates that the IFMIS system is unreliable as the overdraft generated is almost equal to the entire national budget” (see PI-27.4).

PFM regulations have been introduced into the IFMIS, which has been launched by 50 of the 112 spending entities. This represents 90 percent of budgeted revenues, but only 70 percent of actual expenditures in 2018/19. Hence, it cannot be asserted that the rules are respected in **most** (75 percent) instances.

*In summary*, clear rules exist for in-year budget amendments by the executive. They allow extensive administrative reallocations. Thus, it cannot be asserted that they are respected in **most** instances.

### **Dimension Rating = C**

#### ***On-going reforms / Recent evolution***

For the FY 2019-20, the national budget was approved by the legislature on October 1 2019<sup>26</sup>. Consequently, the budget was voted *after the beginning of the fiscal year, more than one month after the start of the fiscal year*.

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<sup>25</sup> IMF, Liberia Article IV Consultation, (IMF, June 2019).

<sup>26</sup> <https://frontpageafricaonline.com/news/liberia-house-passes-us526m-draft-budget-with-drastic-cuts-in-legislature-judiciary-salaries/>





## Pillar Five: Predictability and Control of Budget Execution

Rights and obligations for revenue measures are well established (PI-19). The Liberian Revenue Authority (LRA) provides easy access to taxpayer's revenue obligations and rights (PI-19.1) It uses a structured and systematic approach for assessing and prioritizing compliance risks for the majority of revenue streams (PI-19.2). Audits and fraud investigations are undertaken using a compliance improvement plan, but less than 75 percent of planned audits are generally completed (PI-19.3). All tax revenues are paid directly into the Treasury Single Account (TSA) or transfers to the Treasury are made daily (PI-20.2). Cash balances are consolidated daily, but extra-budgetary funds remain outside the arrangement (PI-21.1).

Payroll controls are only sufficient to ensure the integrity of the payroll data of greatest importance. Contractors are still not part of the payroll as of the time of the assessment (PI-23.3). Partial payroll audits or staff surveys have been undertaken within the last three completed fiscal years. The GAC undertook a payroll audit in 2019 (PI-23.4).

The legal and regulatory framework for public procurement is robust (PI-24), but procurement monitoring (PI-24) is insufficient, leading to a major constraint to effective budget execution that requires further expenditure adjustments (PI-2).

Expenditure commitment controls are in place and limit commitments to projected cash availability and approved budget allocations. However, the coverage is below 75 percent of budget expenditures in value (PI-25.2). Nonetheless, the majority of payments are compliant with regular payment procedures, and the majority of exceptions are properly authorized and justified (PI-25.3).

Internal audit is operational for central government entities, representing more than 75 percent of budgeted expenditures for government entities — and collecting more than 90 percent of budgeted revenues (PI-26.1). Internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls, as well as on financial compliance. However, they only partially meet the professional standards of internal auditing. (PI-26.2).

The stock of revenue arrears is below 10 percent of total revenue collection, but the revenue arrears older than 12 months remain significant (PI-19.4). Also, the LRA does not prepare a consolidated Revenue Accounts Reconciliation (PI-20.3). On the expenditure side, the stock of arrears to suppliers is more than 50 percent of total expenditures, but information about the other types of arrears is not available (PI-22.1), which means that the monitoring is not complete (PI-22.2).

There is an annual audit program, but there is no evidence that management gives a partial response to audit recommendations for the entities audited (PI-26.4).

Overall, the budget is implemented within a system of effective standards and processes, but internal controls are effective for less than 75 percent of the budget expenditures.

**PI-19. Revenue Administration**

*Description*

This indicator relates to the entities that administer central government revenues, which may include tax administration, customs administration, and the social security (contribution) administration. It also covers agencies administering revenues from other significant sources, such as natural resource extraction. These may include public corporations that operate as regulators and holding companies for government interests. In such cases, the assessment will require information to be collected from entities outside of the government sector. The indicator assesses the procedures used to collect and monitor central government revenues. It contains four dimensions and uses **M2 (AV)** method for aggregating dimension scores.

*Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-19 Revenue administration</b>	<b>C+</b>	<b>Scoring method (M2)</b>
19.1 Rights and obligations for revenue measures	A	The Liberian Revenue Authority (LRA) provides easy access and up-to-date information about taxpayers' obligations and rights, including appeal processes and procedures.
19.2 Revenue risk management	B	The LRA uses a structured and systematic approach for assessing and prioritizing compliance risks for the majority of revenue streams.
19.3 Revenue audit and investigation	C	Entities collecting most government revenues undertake audits and fraud investigations using a compliance improvement plan. However, less than 75 percent of planned audits were completed.
19.4 Revenue arrears monitoring	D	The stock of revenue arrears at the end of the last completed fiscal year was below 10 percent of the total revenue collection for the year. However, the revenue arrears older than 12 months comprised more than 75 percent of total revenue arrears.

*Coverage*

CG.

*Time period*

Dimension 19.1 and 19.2: At the time of assessment.

**Dimension 19.3 and 19.4:** Last completed fiscal year.

According to the PEFA methodology, the coverage of the indicator is the central government, but only the budgeted revenues are known. The share of revenues referred to are calculated against the total revenue of the BCG, which is considered to be an estimate for the CG. This applies to all dimensions. However, to appreciate the materiality and

make a conclusion about the validity of using the BCG as a proxy for the CG, it was necessary to assess the budgeted revenues, which represent only 75 percent of total revenues.

In this regard, in the Report on the Consolidated Fund Accounts for the Financial Year ended June 30, 2017, the GAC could not ascertain and compare the revenue amounts agreed by the parties, because “LRA’s Management asserts that no Consolidated Revenue Accounts Reconciliation was prepared for the fiscal year under audit because they could not agree with the MFDP on the final revenue amount for the year due to issues relating to two payments<sup>27</sup>”.

Hence, it was necessary to refer to the GAC Report on the Consolidated Fund Accounts for the Financial Year ended June 30, 2016. According to this report, LRA management should provide the source of the extra cash of US\$114,458,375.64, which the Government spent in FY 2015/2016.

The Government’s response was that the General Auditor should add an amount of US\$128.4 million for off-budget support (off-budget expenditures) and US\$2.3 million for the ECOWAS levy. Hence, the estimate of the amount represented by off-budget revenues from the GAC audit reports on the AFS ending June 30, 2016 is US\$ 130.7 million US\$, which represents 18.7 percent of total LRA revenues (in budget and off budget). Thus, it can be concluded that there is validity in using the BCG as a proxy for CG revenues because it represents more than 75 percent of total revenues.

### **19.1. Rights and Obligations for Revenue Measures**

The Liberia Revenue Authority is the principal collector of taxes and the administrator of the Revenue Code. The LRA collects taxes that account for about 90 percent of government revenues. As such, it has established numerous channels to provide broad access to information about the obligations and rights, facilitating the application of tax and customs regulations. Laws and regulations are available on the LRA’s website<sup>28</sup>.

The Board of Tax Appeals was established in March 2011 as an independent quasi-judicial and administrative body to hear and resolve taxation disputes between taxpayers and tax authorities. Information is provided on the LRA website on how to deal with taxpayer complaints<sup>29</sup>.

In addition, discussions are also offered in the local newspapers, and on the national and community radios, so that taxpayers can also get involved at the local level through District Development Committees, County Development

Annual financial statements for the FY 2018-2019 show that administrative penalties, interests and forfeits experienced a decrease of US\$.75 million, due to the administrative actions and enforcement on taxes for strict compliance with the Law Reform Commission (LRC).

*In summary*, entities collecting government revenues use multiple channels to provide taxpayers with easy access to comprehensive and up-to-date information regarding the main revenue obligation areas, as well as on their rights including, as a minimum, redress processes and procedures.

**Dimension Rating = A**

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<sup>27</sup> Management Letter on the GOL Consolidated Fund Financial Statements For Fiscal Year Ended June 30, 2016. Auditor General, December, 2017.

<sup>28</sup> <https://revenue.lra.gov.lr/laws-issuances/> and <https://revenue.lra.gov.lr/customs-laws-regulations/>

<sup>29</sup> <https://revenue.lra.gov.lr/legal-services/>

## 19.2. Revenue Risk Management

In preparation for the LRA’s corporate and compliance risk exercise, the Enterprise Risk Management and Compliance Division (ERMCD) is responsible for planning the LRA’s institutional risk assessment. The Division has completed a monitoring database concerning the LRA’s contracts with vendors, service providers, and contract employees. The ERMCD has also established an electronic Excel tracking database to log and track all transactions brought to the Division for compliance validation. However, in 2016, due to the Ebola epidemic and the late confirmation of the non-statutory members of the Board, independent oversight of the internal audit function was provided by the Internal Audit Agency (IAA).

The tax administration's current risk-based approach targets a number of large and medium-sized taxpayers defined on the basis of risk. The Integrated Public Finance Management Reform Project (IPFMRP) established and operationalized the LRA with support for the SIGTAS, the Tax Administration System (TAS) and ASYCUDA implementation.

Still, revenue risk management does not sanction a structured and full compliance improvement approach for all large taxpayers across core taxes and tax obligations. The website of the MFDP presents a link to the revenue performance report.<sup>30</sup> However, no revenue performance report can be downloaded from this link.

The Customs Administration also uses a risk management system. Data are captured in the ASYCUDA and reported according to the customs procedure regimes.

As far as the custom tax is concerned, the LRA’s Annual Report for the fiscal years 2018-2019 shows that: *“The share of the yellow lane was stable around 46 percent. The blue lane was stable around 24 percent but dipped to 21 percent in December. The red lane hovered around 32 percent, with a peak at 36 percent in December. The red channel report is an indication that 32 percent of cargoes processed in ASYCUDA is still being physically examined by Customs. This is an indicator that needs to be improved on in FY19/2020.”*

Based on these findings, it can be considered that the LRA uses a structured and systematic approach for assessing and prioritizing compliance risks for at least “Taxes on Income and Profits” and “Taxes on International Trade.” The combination of these two categories represented 70 percent of total revenues for the FY 2018/19.

Table 34 presents the actual revenues of the LRA over the last three fiscal years, with a breakdown by revenue categories and the percentage of these categories.

*Table 31: Actual Revenues and Percentage of Total Revenues of the LRA (for the last 3 fiscal years)*

Fiscal Year	2016-2017		2017-2018		2018-2019	
Tax Designation	Actual Revenues	% Total	Actual Revenues	% Total	Actual Revenues	% Total
<b>TAX RECEIPTS</b>						
Taxes on Incomes and Profits	143,853	31.15%	139,102	32.94%	161,819	41.62%
Property Taxes	5,096	1.10%	5,548	1.31%	5,001	1.29%
Taxes on Goods and Services	46,329	10.03%	46,260	10.95%	41,807	10.75%

<sup>30</sup> <https://www.mfdp.gov.lr/index.php/component/edocman/revenue-performance-report>

Fiscal Year	2016-2017		2017-2018		2018-2019	
Tax Designation	Actual Revenues	% Total	Actual Revenues	% Total	Actual Revenues	% Total
Taxes on International Trade	184,635	39.98%	183,255	43.39%	173,743	44.68%
Other Taxes	3,164	0.69%	1,706	0.40%	6,462	1.66%
<b>OTHER RECEIPTS</b>	<b>78,766</b>	<b>17.05%</b>	<b>46,481</b>	<b>11.01%</b>	<b>80,903</b>	<b>20.81%</b>
<b>Total revenues</b>	<b>461,843</b>	<b>100.00%</b>	<b>422,352</b>	<b>100.00%</b>	<b>388,832</b>	<b>100.00%</b>

Source: Budget books for FY 2017/18 to FY 2019/20.

The assessment mission by the Tax Administration Diagnostic Assessment Tool (TADAT) performed in June 2016 also credits the LRA with having efficient arrangements for collecting taxes, such as withholding at the source, as well as advance payment of income taxes. However, the report highlights serious deficiencies in various domains, such as taxpayer registration, tax revenue accounting, the effective use of the Standard Integrated Government Tax Administration System (SIGTAS) system, the use of electronic filing and payment, and risk-based audit policies/procedures.

*In summary*, entities collecting **most** of the revenues use approaches that are structured and systematic for assessing and prioritizing compliance risks for **the majority** of revenue streams.

**Dimension Rating = B**

### 19.3. Revenue Audit and Investigation

Tax administration is divided into three areas: small, medium, and large. Audits continue to cover all categories of taxpayers, that is, small, medium, and large, according to the evidence provided by the LRA.

Table 32: Audit Case Completion Rate for Fiscal Year 2018/19

Division	Audit Cases Assigned	Audit Cases Completed	Carried Forward	% of Completion
Large Tax Division (LTD)	107	54	53	50%
Medium Tax Division (MTD)	210	143	67	68%
Natural Resource Tax Section (NRTS)	75	8	67	10%
Small Tax Section (STS)	441	386	55	87%
<b>Total</b>	<b>833</b>	<b>591</b>	<b>242</b>	<b>70%</b>

Source: Liberian Revenue Authority.

Table 33: Audit Completion Rate for Fiscal Year 2019/20

Division	Audit Cases Assigned	Audit Cases Completed	Carried Forward	% of Completion
Large Tax Division (LTD)	120	69	51	57%
Medium Tax Division (MTD)	213	114	99	53%
Natural Resource Tax Section (NRTS)	79	-0-	79	0%
Small Tax Section (STS)	440	380	60	86%
<b>Total</b>	<b>852</b>	<b>563</b>	<b>289</b>	<b>66%</b>

Source: Liberian Revenue Authority.

Various compliance improvement programs — such as taxpayers’ education, public service announcements, increases in the visibility of LRA’s sign boards, and tax practitioner workshops — have been put in place to minimize taxpayer compliance risk.

The Compliance and Enforcement Division consists of the Post-Clearance Audit (PCA), and the Anti-Smuggling and Investigation Unit (AISIU). Their activities are summarized in Table 37.

Table 34 : Activities of LRA Entities

Entity	FY 2016-17	FY 2017-18	FY 2018-19
PCA	59	41	68
AISIU	63	46	42
<b>TOTAL</b>	<b>122</b>	<b>87</b>	<b>110</b>

Source: Liberia Revenue Authority, Policy, Statistics & Strategic Planning Division, Annual Report for the Fiscal Year 2018-2019.

During this period, 115 bills were raised. These were comprised of bills as the result of desk reviews, which accounted for 30 percent of audits, whereas comprehensive audits accounted for 63 percent of total audits. Public auctions by exempt institutions accounted for 8 percent of contributions from PCA interventions.

Tables 38 and 39 present a summary of the audit activities.

Table 35 : PCA Core Activities for FY 2018/19

Audit Type	Not Completed	% Contrl .	US\$	% Contrl.	LRD	% Contrl.
Desk Review?, Audit	34	30%	255,725	31%	200,00	18%
Comprehensive Audit	72	63%	328,560	40%	600,00	54%
Auction	9	8%	227,543	28%	312,311	28%
<b>TOTAL</b>	<b>115</b>	<b>100%</b>	<b>811,828</b>	<b>100%</b>	<b>1,112,311</b>	<b>100%</b>

Source: Liberia Revenue Authority, Policy, Statistics & Strategic Planning Division, Annual Report for the Fiscal Year 2018-2019 -

Note: 1/ Post Clearance Audit (PCA). LRD= Liberian Dollar.

Table 36 : Trend Analysis of Cases from the Last Three Fiscal Years

Core Activities	FY 2016-17	% Contrl.	FY 2017-18	% Contr	FY 2018-19	% Contrl.
PEA System Review	25	15%	6	2%	34	18%
Comprehensive Audit	57	35%	44	14%	72	39%
PEA and AISU Int.	80	49%	53	17%	66	36%
Issue Review	0	0%	0	0%	4	2%
Auctions	0	0%	215	68%	9	5%
<b>Total</b>	<b>162</b>	<b>100%</b>	<b>318</b>	<b>100%</b>	<b>185</b>	<b>100%</b>

Source: Liberia Revenue Authority, Policy, Statistics & Strategic Planning Division, Annual Report for the Fiscal Years 2018-2019 -

It should be noted that the LRA has, over the years, been challenged with attracting the needed revenues from the natural resource sector due to inadequate skills to audit the sector.

In summary, entities collecting **most** government revenues undertake audits and fraud investigations using a compliance improvement plan. They also complete **the majority** of planned audits.

**Dimension Rating = C**

#### 19.4. Revenue Arrears Monitoring

According to the Liberian legislation, all taxes that are not paid by the due date become arrears.

The LRA's Annual Report for FY 2018/19 shows that the stock of revenue arrears was below 10 percent of the total revenue collection for 2018/19 (Table 40).

Table 37: Enforcement and Collection Activities for the Last Four Fiscal Years (US\$ and LRD)

Entity	FY 16-17	FY 17-18	FY 18-19
<b>US\$</b>			
<b>Receivable</b>			
PCA	401,564	207,277	246,741
AISIU	110,859	31,190	226,485
<b>TOTAL</b>	<b>512,423</b>	<b>238,467</b>	<b>473,226</b>
<b>Amount paid</b>			
PCA	339,673	192,869	215,506
AISIU	101,405	24,503	209,874
<b>TOTAL</b>	<b>440,078</b>	<b>217,372</b>	<b>425,380</b>

Entity	FY 16-17	FY 17-18	FY 18-19
<b>Amount outstanding</b>			
PCA	61,891	14,407	15,086
AISIU	9,454	6,687	2,616
<b>TOTAL</b>	<b>71,345</b>	<b>21,094</b>	<b>17,702</b>
<b>LRD</b>			
<b>Receivable</b>			
PCA	3,100,000	800,000	1,400,000
AISIU	3,650,000	650,000	600,000
<b>TOTAL</b>	<b>6,750,000</b>	<b>1,450,000</b>	<b>2,000,000</b>
<b>Amount paid</b>			
PCA	2,900,000	800,000	275,000
AISIU	2,715,500	450,000	600,000
<b>TOTAL</b>	<b>5,615,500</b>	<b>1,250,000</b>	<b>875,000</b>
<b>Amount outstanding</b>			
PCA	200,000	-	25,000
AISIU	934,500	200,000	-
<b>TOTAL</b>	<b>1,134,500</b>	<b>200,000</b>	<b>25,000</b>

Source: Liberia Revenue Authority, Policy, Statistics & Strategic Planning Division, Annual Report for the Fiscal Year 2018-2019

The report states that for the FY 2018/19, debt-to-collection ratios for US\$ and Liberian Dollar (LRD) transactions were 89 percent and 43 percent, respectively. The calculation is based on unprotested bills and not the collection and enforcement sections of the total bills. Protested bills are still undergoing legal consideration with the protest and appeals team in the Legal Department.

Indeed, outstanding payments in US\$ were US\$17,702 of a total of receivables of US\$473,226. This represents only 3.74 percent of this amount. In LRD terms, it was LRD 25,000 of an amount of 2,000,000, which is 1.25 percent of the total.

The AFS for FY 2019/20 also show that US\$4 million was realized under social development, which was not budgeted because it corresponds to an arrear from China Union Liberia that was collected by the LRA after a dispute<sup>31</sup>. Thus, there are arrears of significant amounts that have still not yet been settled. In addition, some of the revenue arrears cannot be recovered because they come from companies that have disappeared or gone bankrupt.

*In summary*, the stock of revenue arrears at the end of the last completed fiscal year is below 10 percent of the total revenue collection for the year. However, the revenue arrears older than 12 months amount to more than 75 percent of total revenue arrears for the year.

**Dimension Rating = D**

<sup>31</sup> <https://allafrica.com/stories/201904040373.html>



### *On-going reforms / Recent evolution*

The GoL has adopted a Domestic Resource Mobilization Strategy (DRMS), which is aimed at broadening the tax base and improving revenue collection. However, full implementation has yet to begin.

The government is currently introducing modern practices and effective risk management methods to improve both the Domestic Tax and Customs and Excise Administrations.

## **PI-20. Accounting for Revenues**

### *Description*

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and non-tax revenues collected by the central government. This indicator contains three dimensions and uses **M1 (WL)** for aggregating dimension scores.

### *Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-20 Accounting for Revenue</b>	<b>D+</b>	<b>Scoring Method (M1)</b>
20.1 Information on revenue collections	A	The Liberia Revenue Authority obtains weekly data from entities collecting <b>all</b> central government revenues. This information is disaggregated into revenue type and is consolidated into a report.
20.2 Transfer of revenue collections	A	<b>All</b> tax revenues are paid directly into the Consolidated Fund Account or transfers to the Treasury on a daily basis.
20.3 Revenue account reconciliation	D	The Liberian Revenue Authority does not prepare a consolidated revenue accounts reconciliation.

### *Coverage*

CG.

### *Time period*

At the time of assessment.

### **20.1. Information on Revenue Collections**

For the FY 2018/19, the total revenue collection was US\$468.7 million, of which domestic revenues collected by the LRA amounted to US\$437.2 million (that is, 91 percent of revenue collection). There are also small revenues.

This information is broken down weekly by revenue type and is consolidated into a report that is published on the MFDP's website.

*In summary*, a central agency obtains weekly data from entities collecting **all** central government revenue. This information is disaggregated into revenue type and is consolidated into a report.

**Dimension Rating = A**

## 20.2. Transfer of Revenue Collections

The Liberia Revenue Authority complies with the legislation, and all revenues collected are deposited in the consolidated account at the Central Bank of Liberia (CBL), from whence it is captured in the national budget.

The GoL has also established a Memorandum of Understanding (MOU) with commercial banks by which funds from taxpayers or spending entities are deposited into banks, such as the Access Bank, the Afriland First Bank, the Ecobank, the Global Bank, the GN Bank, the Guaranty Trust Bank, the International Bank Liberia Limited, the Liberian Bank for Development and Investment (LBDI) and the United Bank of Africa (UBA). The MOU requires “*the transfer of funds to the General Revenue Account at the CBL via the Real Time Gross Settlement System (RTGS) within 24 hours on workdays for payments into the transitory account.*” The CBL undertook steps to modernize its payment systems through investments in the Automated Clearing House (ACH), the Real Time Gross Settlement (RTGS) System, and the national switch, all of which went live in 2016.

*In summary, all* tax revenues are paid directly into accounts controlled by the Treasury, or through transfers that are made to the Treasury daily.

**Dimension Rating = A**

## 20.3. Revenue Accounts Reconciliation

The LRA relies on the SIGTAS and the ASYCUDA to make reconciliations between taxes assessed and taxes collected, although this is not sufficient. Indeed, no consolidated revenue accounts reconciliation was provided by the government for the fiscal year 2018-2019.

According to the latest GAC Report on the Consolidated Fund Account, no consolidated revenue accounts reconciliation was prepared for the fiscal year 2016-2017.

*Box 3: Revenue Reconciliation Statement (not provided by the LRA)*

To ascertain and compare the revenue amounts agreed by the parties, the LRA’s copy of the consolidated revenue accounts reconciliation for FY 2016-17 was requested. However, the LRA did not provide it.

The LRA’s management asserts that no consolidated revenue accounts reconciliation was prepared for the fiscal year under audit because they could not agree with the MFDP on the final revenue amount for the year due to issues relating to two payments. Without the consolidated revenue reconciliation, it was not possible to ascertain the accuracy of the total revenue amounts reported in the Statement of Cash Receipts and Payments for the financial year under audit.

*Source:* Report on the Consolidated Fund Accounts for the Financial Year ending June 30, 2017, and four Promoting Accountability of Public Resources Statements.

The MFDP website also mentions that the final revenue numbers need to be validated between FY 2019 and FY 2021. This means that the government has not produced any revenue reconciliation reports since 2019. The GAC’s report also underlines the lack of consistency in presentation of revenue figures between the two fiscal years.

*In summary,* the Liberian Revenue Authority should obtain quarterly revenue data from entities collecting *all* central government revenues and consolidate this data. However, the authority does not prepare a consolidated revenue accounts reconciliation.

**Dimension Rating = D**

## **PI-21. Predictability of In-year Resource Allocation**

### *Description*

This indicator assesses the extent to which the Central Ministry of Finance can forecast cash commitments and requirements and provide reliable information about the availability of funds to budgetary units for service delivery. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

### *Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-21 Predictability of In-Year Resource Allocation</b>	<b>B</b>	<b>Scoring Method (M2)</b>
21.1 Consolidation of cash balances	A	Bank and cash balances are consolidated daily into the TSA. However, extra-budgetary funds remain outside the arrangement.
21.2 Cash forecasting and monitoring	A	A cash flow forecast is prepared for the fiscal year, and it is updated monthly based on actual cash inflows and outflows.
21.3 Information on commitment ceilings	C	Spending entities are provided with reliable information about available resources for commitments only one month in advance.
21.4 Significance of in-year budget adjustments	C	Significant in-year adjustments are frequent. They are done in a transparent, but unpredictable way.

### *Coverage*

BCG.

### *Time period*

**Dimension 21.1:** At the time of assessment.

Dimensions 21.2, 21.3 and 21.4: Last completed fiscal year.

### **21.1. Consolidation of Cash Balances**

The government has established a new payment system to speed up the payment process, and it will only spend based on the money in the government's account.

All domestic revenues and part of the external resources are centralized in the consolidated account of the Central Bank. According to the data provided by the MFDP concerning the inventory of government accounts with Central Bank of Liberia, the government held 304 accounts in US dollars and 148 accounts in Liberian dollars as of June 28, 2019.

The GoL has established Memorandum of Understanding (MOU) with commercial banks, in which funds from taxpayers or spending entities are also deposited. The banks include: the Access Bank, the Afriland First Bank, the

Ecobank, the Global Bank, the GN Bank, the Guaranty Trust Bank, the International Bank Liberia Limited, the Liberian Bank for Development and Investment (LBDI), and the United Bank of Africa (UBA). The MOU requires “*the transfer of funds to the General Revenue Account at the CBL, via the Real Time Gross Settlement System (RTGS) within 24 hours on workdays of payment into the transitory account.*”

All balances from accounts held at the CBL are consolidated daily.

*In summary, all* budgeted tax revenues are transferred into the Consolidated Fund Account and cash balances are consolidated daily into the TSA.

**Dimension Rating = A**

### **21.2. Cash Forecasting and Monitoring**

In practice, all spending entities provide annual spending plans (broken down by month) to the MFDP. The Ministry of Finance releases funds based on actual/forecast monthly inflows and cash requests.

*In summary,* a cash flow forecast is prepared for the fiscal year and is updated monthly on the basis of actual cash inflows and outflows.

**Dimension Rating = A**

### **21.3. Information on Commitment Ceilings**

There are no periodic ceilings released in the IFMIS or by the Department of Budget and Development Planning at the MFDP. Allotment requests are made by the spending entities on a monthly or a quarterly basis (depending on the entity), and the amount to be authorized by the MFDP depends on the availability of cash. The Public Expenditure Resource Flow (PERF) produces an analytical report, which is used to improve fiscal policy formulation and management within budget execution.

*In summary,* budgetary units are provided with reliable information about commitment ceilings only one month in advance.

**Dimension Rating = C**

### **21.4. Significance of In-year Budget Adjustments**

Budget adjustment procedures by the executive are precisely described in the Regulations of the Public Finance Management Act 2009.

Once the national budget is approved, all transfers within the budget must comply with the Budget Transfer Act of 2008. Requests for budget transfers between ministries and agencies are approved for up to 20 percent of the total budget appropriations for the MACs, from which the transfer is being made. The MFDP can also reallocate funds among projects. Any transfer exceeding 20 percent (which qualifies as a major transfer) must be bundled together and submitted to the Legislature<sup>32</sup>. If the government plans to spend additional funds after the passing of the budget, then it must pass a supplementary budget through the legislature.

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<sup>32</sup> Section 2212 – Chapter 22 of the Revenue Code of Liberia Act of 2000.

The PFM Act of 2009 also requires government entities to seek approval to reallocate from one budget codes to another from the deputy minister for Budget Appropriations<sup>33</sup>.

As a practical matter, major transfers are not done frequently because they must be done through a supplementary budget. However, transfers below the threshold of 20 percent are done frequently.

*In summary*, significant in-year adjustments to budget allocations take place frequently, but they are done in a transparent way.

**Dimension Rating = C**

**PI-22. Expenditure Arrears**

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem is being addressed and brought under control. It contains two dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

*Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-22 Expenditure arrears</b>	<b>D</b>	<b>Scoring method (M1)</b>
22.1 Stock of expenditure arrears	D*	The stock of expenditure arrears to suppliers was more than 50 percent of the total arrears. Information about the other types of arrears was not available.
22.2 Expenditure arrears monitoring	D*	Data concerning the stock and composition of expenditure arrears is produced when annual financial statements are prepared. The monitoring is not done for all types of arrears.

*Coverage*

BCG.

*Time period*

**Dimension 22.1:** Last three completed fiscal years. **Dimension 22.2:** At the time of assessment.

**22.1. Stock of Expenditure Arrears**

Expenditure payment arrears are expenditure obligations that have been incurred by the government. Specifically, these relate to overdue payments to employees, retirees, suppliers, contractors, and/or loan creditors.

According to the PFM regulation, unpaid balances on commitments will also lapse at the end of the year, unless goods and services have already been delivered, in which case, settlements must be made within 90 days of the end of the fiscal year. Backlogs to suppliers and service providers have been significantly reduced during the period under review.

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<sup>33</sup> In Liberia, budgetary virements are made through “Budget Transfer Authorities” (BTAs) and are therefore often referred to as “transfers.”

The IMF Article IV Consultation Report of June 2018 notes that: “Rigorous implementation of the commitment control system ended the past practice of financing expenditures through domestic arrears”<sup>34</sup>. However, the report referring to the June 2019 Article IV Consultation suggests that new arrears emerging in FY 2018/19 were large.

*Box 4: Financial Sector Policy Background for the FY 2018/19*

The reconciliation process is ongoing, which will help to quantify the size of the arrears. In particular, the GoL is facing U.S. dollar payment difficulties, which leads to delays in the government’s repayments to the banks. The quality of the overall banking sector capital is significantly compromised by the sector’s direct and indirect exposure to the government through payment arrears. The DSA highlights the US\$65 million in arrears to the construction sector, which took advances from banks to implement public road projects. These arrears are estimated at about US\$65 million.

Source: Liberia: IMF Article IV Consultation - June 2019.

The PFM regulations state that “Accumulated arrears to suppliers at the end of a fiscal year, which are not likely to be settled within the settlement period, are considered debt and will be recorded as such, and their settlement included, and reported, in debt service.” In other words, expenditure arrears are classified by the Liberian legislation as domestic debt after one completed fiscal year.

Table 41 details the amounts of domestic debt and actual expenditures for the last 3 fiscal years. It shows that arrears of more than one year (domestic debt) represented approximately 50 percent of actual expenditures for the FY 2017/18, but nearly 60 percent for the FY 2018/19. Consequently, arrears have likely represented more than 10 percent of actual expenditures during FY 2017/18.

*Table 38: Domestic Debt and Actual Expenditures for the Last 3 Fiscal Years (US\$, millions)*

Fiscal Years	Domestic Debt	Actual Expenditures	Percentage
2016/17	268.08	517.47	51.8
2017/18	265.64	533.05	49.8
2018/19	319.62	540.15	59.2

Source: AFS.

However, because the GoL relies on IPSAS cash, information about other types of arrears, such as overdue payments to employees, retirees, and so on, are not consolidated. Thus, this information was not provided.

In summary, the stock of expenditure arrears to suppliers was more than 50 percent of total expenditures for two of the last three completed fiscal years. Information about the other types of arrears is not available.

**Dimension Rating = D\***

**22.2. Expenditure Arrears Monitoring**

The financial statements of the Consolidated Funds of the GoL prepared by the Office of the Controller and Accountant General of the MFDP are in accordance with the IPSAS Financial Reporting under the Cash Basis of Accounting. According to the legislation, the GoL must maintain records of, monitor and manage, arrears, debts, and

<sup>34</sup> IMF Article IV Consultations, Liberia. June 2018

other liabilities. New claims should be captured in the IFMIS system when they arise for the spending entities that are using the system. However, the implementation of the IFMIS is not yet finalized.

As historical arrears are registered as debt after one-year, they are monitored by the Debt Management Unit (DMU). Information about the actual end-year debt owed to suppliers is not published, although the DMU has this information. An age profile of arrears is not maintained by the DMU.

*In summary*, data regarding the stock and composition of expenditure arrears to suppliers is generated annually at the end of each fiscal year, that is, at the time of the elaboration of the annual financial statements. However, the monitoring is not done for all types of arrears.

**Dimension Rating = D\***

**PI-23. Payroll Controls**

*Description*

This indicator is concerned with the payroll for public servants only, specifically, how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labour and discretionary allowances that do not form part of the payroll system are included in the assessment of indicator PI-25 internal salary control. This indicator contains four dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

*Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-23 Payroll controls</b>	<b>D+</b>	<b>Scoring method (M1)</b>
23.1 Integration of payroll and personnel records	D*	The approved staff list, the personnel database, and the payroll are not directly linked. Staff hiring and promotion is controlled by a list of approved staff positions. All changes made to personnel records are reconciled manually against the previous month’s payroll data, but monthly reconciliation data was not provided.
23.2 Management of payroll changes	D*	Changes to the personnel records and payroll are usually updated monthly, but no updated information was provided for personnel records and payroll.
23.3 Internal control of payroll	C	Sufficient controls exist, but only to ensure integrity of the payroll data of greatest importance. Contractors were still not part of the payroll at the time of the assessment.
23.4 Payroll audit	C	Partial payroll audits or staff surveys have been undertaken within the last three completed fiscal years. The GAC undertook a payroll audit in 2019.

*Coverage*

CG.

*Time period*

**Dimension 23.1, 23.2 and 23.3:** At the time of assessment.

**Dimension 23.4:** Last three completed fiscal years.

### **23.1. Integration of Payroll and Personnel Records**

Payroll management has been improved with the installation of the Civil Service Management (CSM) System. The completion of the installation of the CSM module enables the government to effectively manage the civil service employment cycle from recruitment to retirement.

A new Personnel Action Notice (PAN) process has already reduced the arbitrary addition of staff to the payroll. The migration of the entire civil service payroll to the IFMIS and the recently completed work to have biometric records for the entire civil service has strengthened payroll management.

The National Remuneration Standardization Act was passed in 2019. Through this law, the government has standardized paygrades for all positions within the central government entities. It has also consolidated, centralized and automated the payroll, including the hiring through the Civil Service Agency (CSA), which is responsible for managing the Civil Service. Notably, it is independent from all other Ministries and Agencies of government. All new employments across government must be authorized by the CSA and the MFDP before placement on the wage register.

The CSA is supposed to carry out monthly reconciliations and adjustments. Presently, the CSA is managing 29 ministries and entities, authorizing personnel hiring and promotion. For the FY 2019/20, 56,000 ID of 69,000 Excel files have been sent to the payroll by entities and imported into the Alternative Temporary Automated Payroll System (ATAPS). It is a locally built, web-based SQL system to automate employment and payroll processes. This system can be deployed, but it is temporary because the government must still pay the staff with two different currencies (that is, in Liberian and US dollars).

The use of the ATAPS payroll application integrates the personnel database managed by the line ministries with the payroll calculation managed by the MFDP to ensure budget control data consistency. The reconciliation occurs manually every month based on the line ministry data.

*In summary*, the approved staff list, the personnel database, and payroll are not directly linked. **All** changes made to personnel records are reconciled manually against the previous month's payroll data. Staff hiring and promotion is controlled by a list of approved staff positions. However, monthly reconciliation data was not provided to the mission by the GoL.

**Dimension Rating = D\***

### **23.2. Management of Payroll Changes**

According to the PFM Regulations, Part T.4 Instructions on Salaries, Wages and Related Allowances:

- *Procedures to be followed in payments of salaries, wages and related allowances shall be provided in the Accounting Regulations to be issued by the Minister in consultation with the Auditor General.*
- *When a public servant's Personnel Emolument is payable on government automated payroll or the agencies' main payroll, payment by manual vouchers is prohibited except as approved by the Minister.*

In practical terms, payroll changes depend on the information provided by line ministries and agencies. Agencies can only make requests when there are changes. All changes need to be approved and are monitored.



Payroll management was improved with the installation of the CSM System. Nevertheless, there have been instances where some MACs have more staff members present than the number of personnel managed by the CSA. These personnel are usually paid allowances by the MACs through their operational funds, but without having to seek authorization of the CSA for the engagement of these staff<sup>35</sup>. In addition, the CSA is not always able to obtain information about changes in personnel records in a timely manner, for example, when events such as resignations, deaths, and vacations occur. The CSA also occasionally discovers discrepancies, such as changes in the bank accounts of employees. Some employees are still paid by checks that are not processed through the IFMIS system.

*In summary*, required changes to the personnel records and payroll are generally updated monthly. However, no information was provided about monthly personnel records and payroll updates.

**Dimension Rating = D\***

### **23.3. Internal Control of Payroll**

The migration of the entire civil service payroll to the IFMIS and the recently completed work to maintain biometric records for the entire civil service strengthens payroll management.

In 2018, 98 percent of the payroll was managed through the IFMIS system<sup>36</sup>. Hence, it can be asserted that enough controls exist to ensure integrity of most of the payroll data. Nevertheless, removing all unqualified/delinquent teachers has not yet been completed. In addition, most of professional workers do not appear on the payroll because they are still classified as contractors instead of being enrolled as professional staff of their respective spending entities.

*In summary*, sufficient controls exist to ensure integrity of the payroll data of greatest importance.

**Dimension Rating = C**

### **23.4. Payroll Audit**

According to the legislation, internal auditors of line ministries and agencies are responsible for auditing personnel data. The Internal Audit Agency (IAA) is responsible for identifying ghost workers and other non-legitimate workers on the payroll through physical employee audits and the identification of ghost workers.

Several internal audit reports have been produced for the Ministry of Internal Affairs, the National Police, and so on.

In 2018, the IAA identified 750 ghost names on the payroll of the Ministry of Health. The IAA and the Health Ministry agreed to delete from the government's payroll 750 of the 2,495 names unaccounted for, and the remaining 1,745 names will be subjected to further probe and review to ensure their authenticity<sup>37</sup>.

In December 2019, the IAA completed the first phase of a payroll audit of the Ministry of Internal Affairs. This led to the discovery of over 700 names of unverified individuals. These 700+ names came from a list of 5,000 employees submitted by the Ministry for payroll verification<sup>38</sup>.

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<sup>35</sup> Source : PEFA Auto Evaluation (2017).

<sup>36</sup> Pro-poor Agenda for Prosperity and Development (PAPD), Republic of Liberia, November 20, 2018

<sup>37</sup> <https://okfm.com.lr/2018/03/16/ministry-of-health-exposed-as-iaa-discovers-750-ghost-names-on-payroll/>

<sup>38</sup> <https://frontpageafricaonline.com/news/liberia-internal-audit-finds-over-700-ghost-names-discovered-on-ministry-of-internal-affairs-payroll/>

Additional reports were provided by the Liberian administration for the year 2020, including the following:

- Independent National Commission on Human Rights (INCHR) financial audit report for the period June 2016 – May 2020.
- Liberia National Police (LNP) payroll verification for the period July 2018 – January 2020.
- Ministry of Justice (MoJ) payroll verification for the period July 2018 – January 2020.

Simultaneously, the MFDG regularly reviews the ATAPS system to ensure the reliability of payroll transactions.

The GAC also conducts payroll audits as part of its audit of the financial statements. However, because most of the professional workers are still contractors and do not appear on the GoL payroll, (see PI-23.3), they do not cover *all* central government entities.

*In summary*, partial payroll audits have been undertaken each year of the last three completed fiscal years.

**Dimension Rating = C**

### *On-going reforms / Recent evolution*

- The Interagency Payroll Clean-up Taskforce has taken steps to reduce the public wage bill by removing ghost workers, double and multiple payroll dippers, restricting new hiring, and enforcing legitimate retirements across the central government. The ghost removal taskforce was given a six-month mandate beginning in March 2020 to comprehensively and sustainably clear the public sector wage bill of ghost employees.<sup>39</sup> As Co-Chair of the taskforce, the Internal Audit Agency is mandated to institute physical audits of payrolls for entities of interest, as well as to provide findings to the Ministry of Finance and Development Planning through the LIMPAC and the Civil Service Agency.
- The Wage Bill Control Regulation, endorsed by the Cabinet on March 9, 2020, requires that all employment and promotions within the central government are centralized through the Civil Service Agency and the Ministry of Finance and Development Planning. They are also subject to the agreed establishment posts of the spending entities, as well as the availability of budgetary allocations. New employment or promotions of existing employees will have to be co-approved by the designated authorities of the CSA and the MFDG.
- In October 2020, the taskforce blocked the salary payment of 998 employees, who had been identified as double or multiple payroll dippers across various agencies of the central government. The estimated savings from the blocking of these employees is US\$2.2 million<sup>40</sup>.
- The migration of the entire civil service payroll to the IFMIS and the recently completed work to maintain biometric records for the entire civil service strengthens payroll management. The completion of employee validation through biometric authentication — coupled with the linking of the human resource management information system (HRMIS) to the payroll system — has improved civil service payroll management. Biometric records have been maintained and kept up-to date since then.
- The Public-Sector Modernization Program is currently being implemented to help standardize civil service conditions of service, harmonize employment processes, clean-up payrolls, and review the mandates and functions of public sector institutions. Additionally, the National Identification Registry (NIR) was established to ensure biometric registration of all citizens, clean-up government payrolls, and improve the integrity of election data. Payroll clean-up and biometric information have now been done for 65,000 government employees.

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<sup>39</sup> <https://www.liberianobserver.com/news/no-salaries-for-march-2020-without-biometric-id/>

<sup>40</sup> <https://www.mfdg.gov.lr/index.php/media-center/press-release/blocking-of-salaries-of-gol-employees-found-on-double-or-multiple-payrolls>

- To sustain the removal of ghost employees, the Wage Bill Control Regulation emphasizes the reinforcement of the biometric enrolment of all employees across the central government. It also requires National Identification Numbers (NIN) for all employees of the Government of Liberia before the end of March 2020. However, this was delayed due to the pandemic.

## PI-24. Procurement

### Description

This indicator examines key aspects of procurement management. It focuses on the transparency of arrangements, with an emphasis on open and competitive procedures. It also addresses the monitoring of procurement results, and access to appeal and redress arrangements. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

### Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-24 Procurement</b>	<b>D</b>	<b>Scoring method (M2)</b>
24.1 Procurement monitoring	D	Procurement databases are maintained only through the prior review mechanism, which represents less than the majority procurement methods for goods, services and works.
24.2 Procurement methods	D	The total value of contracts awarded through competitive methods represented much less than 60 percent of the total value of contracts in FY 2018/19.
24.3 Public access to procurement information	D	The legal and regulatory framework for procurement, government procurement plans, bidding opportunities, and contract awards are made available to the public. However, they represent less than the majority of procurement operations.
24.4 Procurement complaint management	C	The procurement complaints system in Liberia meets only 3 benchmarking criteria, including: Criteria 4) exercises the authority to suspend the procurement process; 5) issues decisions timely; and 6) issues decisions that are binding on every party are not met.

### Coverage

CG.

### Time period

Last completed fiscal year.

## 24.1. Procurement Monitoring

With the technical and financial support of the World Bank and international partners, the PPCA came into force on January 16, 2006, and an Amended and Restated Public Procurement and Concession Act was approved in October 2010. The PPCA established the Public Procurement and Concessions Commission (PPCC), which has the mandate to implement the public procurement and concessions reform program.

Procurement processes have improved by establishing a vendors' database and providing a breakdown of the total value of contracts awarded by different methods (open bidding, restricted bidding, direct contracting, and so on). This is available on the PPCC website for fiscal year 2018-19 and includes information about the different types of contracts: goods, services, and works<sup>41</sup>. In line with Section 31 of the PPCA, contract information is collated from the Prior Approval for Contract Awards and some contracts below the thresholds, which are submitted during the quarterly reporting stage and at the end of the fiscal year.

According to data published on the PPCC website, the PPCC approved contract amount was US\$ 56 million for the FY 2018/19. In comparison, the amount of consumption of goods and services and public investments was US\$108 billion and US\$27 billion, respectively. Consequently, the level of submission rate of quarterly reporting by the PPCC does not cover **the majority** of awarded contracts.

While the information collected by the entities in charge of control is well known, contracts not previously checked are not sufficiently reported, although they are numerous. Since the beginning, the Commission has been faced with challenges concerning entities that submit contract award reports, mainly contracts below the prior approval thresholds, thus preventing the Commission from monitoring all procurement- and concession-granting entities. Thus, the accuracy and completeness of information provided by the PPCC cannot be asserted. No other sources of information (such as audit reports) are available to cross check the data.

*In summary*, databases or records are maintained for contracts, including data on what has been procured, the value of the procurement, and who has been awarded contracts. This is done only through the prior review mechanism, which represents **less than the majority** of procurement methods for goods, services and works.

**Dimension Rating = D**

## 24.2. Procurement Methods

According to the PPC Schedule of Thresholds for Procurement Contracts:

Under International Open Competitive Bidding, the thresholds above which a no objection shall be used are the ceiling Thresholds for National Open Competitive Bidding.

For the National Open Competitive Bidding, the following estimated contract prices should require no objection from the Commission:

- In the case of contracts for the procurement of goods, US\$500,000
- In the case of contracts for the procurement of services, US\$200,000
- In the case of contracts for the procurement of works, US\$1,000,000

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<sup>41</sup> <http://ppcc.gov.lr>

For use of the Request for Quotations (RFQ), the thresholds that require a no objection from the Commission are set as follows:

- In the case of contracts for the procurement of goods, US\$10,000
- In the case of contracts for the procurement of services, US\$10,000
- In the case of contracts for the procurement of works, US\$30,000

For Restricted Bidding, the following thresholds require no objection from the Commission:

- In the case of contracts for the procurement of goods, US\$50,000
- In the case of contracts for the procurement of services, US\$20,000
- In the case of contracts for the procurement of works, US\$100,000

However, in an appropriate case, the Commission may give blanket approval for the use of restricted bidding.

Under Contracts for Publication of Planned Sole Source Procurement, no objection or publication prior to the award is required from the Commission where the sole source contract estimated price exceeds US\$100,000.

For Contracts for the Procurement of Consultants, solicitation of expressions of interest is required for the procurement of consultant services whose estimated contract price exceeds US\$100,000.

Table 42 is constructed from data provided by the PPCC. It shows the procurement methods for the FY 2018/19 according to the various procurement methods for approved contracts.

*Table 39 : Procurement Methods for the FY 2018/19 (US\$, thousands)*

Procurement Method	Amount	Percentage
International Competitive Bidding (ICB) (International)	38,678.8	69.32%
Least Cost Selection (LCS) Method	240.0	0.43%
National Competitive Bidding (NCB)	3,917.3	7.02%
Restricted	10,925.8	19.58%
RFQ (Request for Quotation)	14.6	0.03%
Sole Source	1,984.6	3.56%
Unspecified	36.0	0.06%
<b>Total</b>	<b>55,797.2</b>	<b>100.00%</b>

Source: Public Procurement Commission.

Table 42 indicates that the total value of contracts awarded through competitive methods in FY 2018/19 represented 76 percent of the total value of contracts through the prior review mechanism.

According to the PPCC’s 2019 report that was provided to the mission, a total of 17 non-direct contracts were awarded within the year, totalling US\$ 15.2 million. In this regard, 7 justified direct contract requests (sole sourcing) costing US\$ 1.2 million were approved by the Commission in 2019.

However, the calculations presented in the PEFA procurement monitoring show that contracts awarded without prior review of the PPCC account for only a fraction of public procurements. In addition, contracts awarded without prior CCP approval almost always avoid binding competitive procedures.

*In summary*, a precise percentage cannot be derived, but the total value of contracts awarded through competitive methods represented much less than 60 percent of the total value of contracts in FY 2018/19.

## Dimension Rating = D

### 24.3. Public Access to Procurement Information

In compliance with Section 1.3, Sections 5 and 128 of the PPC and Sections 10 and 125-128 of the PPCA, information on Vendors Register, Procurement Plans, Contract Packages, Approved Contracts, Concession Plans, Complaints can be obtained from the website<sup>42</sup>.

The six PEFA criteria regarding public access to procurement information to be satisfied can be found in Table 40.

Table 40: PEFA Criteria for Public Access to Procurement Information

PEFA Criteria for Public Access to Procurement Information	Compliance
(1) Legal and regulatory framework for procurement	Yes
(2) Government procurement plans	Partially
(3) Bidding opportunities	Partially
(4) Contract awards (purpose, contractor, and value)	Partially
(5) Data concerning resolution of procurement complaints	No
(6) Annual procurement statistics	No

Source: PEFA 2016 handbook

Of these criteria, one criterion fully meets the publication requirements: (1) legal and regulatory framework for procurement.<sup>43</sup> Three criteria meet the requirements for most procurement operations: (2) government procurement plans<sup>44</sup>, (3) bidding opportunities,<sup>45</sup> and contract awards<sup>46</sup>.

The criteria (5) upon data on resolution of procurement complaints is not satisfied: no complaint is published after 2016 and no opinion of the Complaints, Appeals and Review Panel (CARP) is published after 2015. Annual procurement statistics, referring to Criterion (6), are also not published on the PPCC website.

*In summary*, at least four of the key procurement information elements are complete and reliable for government units. This information is made available to the public. However, they represent **less than the majority** of procurement operations. They are: (i) Legal and regulatory framework for procurement, (ii) Government procurement plans, (iii) Bidding opportunities, and (iv) Contract awards.

## Dimension Rating = D

### 24.4. Procurement Complaint Management

The PPCA of Liberia requires that an aggrieved bidder complain first to the procuring entity that conducted the bidding process and provided a copy of the complaint to the PPCC. The head of the entity must respond within

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<sup>42</sup> <http://www.ppcc.gov.lr/2content.php?main=17&related=17&pg=mp>

<sup>43</sup> <http://www.ppcc.gov.lr/2content.php?sub=14&related=7&third=14&pg=sp>

<sup>44</sup> <http://www.ppcc.gov.lr/2content.php?sub=136&related=26&third=136&pg=sp>

<sup>45</sup> <http://www.ppcc.gov.lr/2content.php?main=22&related=22&pg=mp>

<sup>46</sup> <http://www.ppcc.gov.lr/doc/Approved%20Report%20for%20Publication%20-%20Prior%20Reviewed%20Contract%20Value%20FY%202018%20-%202019.pdf>

fourteen days. If not satisfied, the complainant may file an appeal to the PPCC, which will pass it to the Complainants Appeals and Review Panel (CARP). Upon receipt, the CARP will conduct findings and render a decision.

The PPCC 2019 Annual Report notes the drop in the membership of the CARP to three members instead of five, as required by the Act. This situation has resulted in a lack of quorum for the CARP to make decisions in cases heard, as the relevant section of the Act requires a quorum of four members. In addition to the incompleteness of membership of the CARP, the tenure of the current members has expired, thereby necessitating the reconstitution of the CARP.

Table 41 presents the level of satisfaction of the PEFA criteria for procurement complaint management.

According to the PEFA methodology, complaints must be reviewed by a body that complies with the criteria presented in Table 41.

*Table 41 : Satisfaction of the PEFA Criteria for Procurement Complaint Management*

Criteria for Procurement Complaint Management	Compliance
1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions.	Yes
2) does not charge fees that prohibit access by concerned parties.	Yes
3) follows processes for submission and resolution of complaints that are clearly defined and publicly available.	Yes
4) exercises the authority to suspend the procurement process.	No
5) issues decisions within the timeframe specified in the rules/regulations.	No
6) issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	No

Source: PEFA 2016 handbook

Because of the drop in the membership of the CARP, criteria 4), 5) and 6) were not satisfied during FY 2018/19. This also explains why no data concerning the resolution of procurement complaints later than 2016 is published on the PPCC’s website (see PI-24.3).

*In summary*, the procurement complaints system (CARP) meets criterion (1) and two other criteria of the six criteria for procurement complaint management.

**Dimension Rating = C**

*On-going reforms / Recent evolution*

- A partnership has been established between the IAA and the PPCC to formulate strategies to prevent corruption in public procurement and waste of public resources.
- Publication of annual compliance monitoring reports (CMR) on the PPCC’s website.
- Review and amend the current law and its enabling regulations.
- Take preparatory steps toward the establishment an e-procurement system.

*PI-25. Internal Controls on Non-salary Expenditures*

*Description*

This indicator measures the effectiveness of general internal controls for non-salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. The present indicator contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

## Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-25 Internal Controls on Non-Salary Expenditures</b>	<b>B</b>	<b>Scoring Method (M2)</b>
25.1 Segregation of duties	A	Appropriate segregation of duties is prescribed through the entire expenditure process. Responsibilities are clearly articulated.
25.2 Effectiveness of expenditure commitment controls	C	Expenditure commitment controls are in place and limit commitments to projected cash availability and approved budget allocations. However, they do not cover more than 75 percent of budget expenditures in terms of value.
25.3 Compliance with payment rules and procedures	C	The majority of payments are compliant with regular payment procedures, and the majority of exceptions are properly authorized and justified.

### Coverage

CG.

### Time period

At the time of assessment.

## 25.1. Segregation of Duties

The Public Finance Management Act of 2009 and the Financial Management Manual (FMM) of July 2013 document the segregation of duties in Liberia's public financial system. Sections 5 to 7 of the PFM Act detail the authorities and responsibilities of government officials. Sections 8 to 38 outline the budget preparation, budget execution, accounting, and reporting framework. The Act stipulates that Ministers of Finance and Development Planning and Heads of the MACs and other spending entities are responsible for evaluating the adequacy of management checks and balances, as well as assessing adherence to all financial management procedures within a spending entity.

The FMM outlines the basis of the internal control procedures, the approval processes, and the levels of responsibilities of the various financial officers in the MACs.

In practice, the MACs' internal approval processes for both purchase orders and payment vouchers are as follows:

- The Financial Controller confirms that the allotment in the system is enough to cover the expense.
- The Internal Audit Unit ensures that the allotment availability in the system is enough to cover the payment and that the necessary documentation has been attached.
- The Deputy Minister (Head) for Administration checks the allotment availability and attached documentation.
- Some ministries might require their Minister's approval.

The Accounting Services Unit (ASU) reviews documentation to:

- Ensure that all of the procurement requirements are appropriately met, the vendor registration is valid. The ASU also reviews quotes.
- Check that the budget requested, the description of the purchase, and the code of the chart of accounts in the system are correct.

When the above conditions are met, the ASU's Director gives final approval.



The Accounting Services Unit is also responsible for the custody of assets and reconciliation. The audit falls under the responsibility of the General Auditor.

However, the principles of the Public Financial Management Regulations can only be applied to funds that follow national procedures. Some extra-budgetary funds, such as externally funded expenditures, do not fall within the scope of the PFM Regulations. However, it can be assumed that the rules also follow the separation of functions.

*In summary*, appropriate segregation of duties is prescribed through the entire expenditure process. Responsibilities are clearly articulated.

**Dimension Rating = A**

### **25.2. Effectiveness of Expenditure Commitment Controls**

In practice, commitment control measures exist through the IFMIS used by the Ministry of Finance. Control measures are also evident in development planning, which is capable of restricting expenditure commitments to approved allotments. There are sufficient appropriate internal control procedures in place to prevent fraud and error or improper payments. Processing, custody, authorization and approval functions in the payment chain have all been segregated among different units within the office of the Comptroller General.

Commitment control measures exist through the IFMIS used by the MFDP. As noted, they are capable of restricting expenditure commitments to approved allotments. Only 50 of the 112 MACs control their expenditures through the IFMIS. However, this represents 70 percent of actual expenditures in FY 2018/19 (see Annex 3). Hence, it can nearly be asserted that expenditure commitment controls are in place for most types of expenditure — but not yet.

*In summary*, expenditure commitment controls are in place and limit commitments to projected cash availability and approved budget allocations. This does not cover more than 75 percent of budget expenditures in terms of value.

**Dimension Rating = C**

### **25.3. Compliance with Payment Rules and Procedures**

The GoL has completed the launch of the upgraded IFMIS to 50 MACs, and 35 donor projects have been included in the IFMIS. In terms of value, this amount represents 90 percent of the appropriations for the FY 2018/19 and 70 percent of the effective allotment. Unjustified, simplified procedures may nevertheless remain possible for 10 to 30 percent of public expenditures (see 18.4).

*In summary*, **the majority** of payments are compliant with regular payment procedures and **the majority** of exceptions are properly authorized and justified.

**Dimension Rating = C**

#### **On-going reforms / Recent evolution**

The goal of the GoL's IFMIS Strategy is that all payments in the consolidated account will be made through the IFMIS.

### **PI-26. Internal Audit**

#### **Description**

This indicator assesses the standards and procedures applied in an internal audit. It contains four dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

## Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-26 Internal Audit</b>	<b>D+</b>	<b>Scoring Method (M1)</b>
26.1 Coverage of internal audit	B	Internal audit is operational for central government entities, representing more than 75 percent of budgeted expenditures. It is operational for government entities collecting more than 90 percent of budgeted revenues.
26.2 Nature of audits and standards applied	B	Internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls, as well as on financial compliance. However, internal audits and related controls and inspections only partially meet the professional standards of internal auditing.
26.3 Implementation of internal audits and reporting	D*	Annual audit programs exist, but not enough information was provided to check the percentage of programmed audits being completed for the FY 2018/19.
26.4 Response to internal audits	D*	There is no evidence that management provides a partial response to audit recommendations.

Source:

### Coverage

CG.

### Time period

**Dimensions 26.1 and 26.2:** At the time of assessment.

**Dimension 26.3:** Last completed fiscal year.

**Dimension 26.4:** Audit reports used for the assessment should have been issued in the last three fiscal years.

### 26.1. Coverage of Internal Audit

In practice, internal audit functions were established in 70 of the 112 MACs, which represents 75.23 percent of total government expenditures. The list of entities with internal audit functions is presented in Annex 3.

An audit function is also implemented in the LRA, which represents more than 90 percent of budgeted government revenues. Internal auditors must submit quarterly reports to the Minister.

*In summary*, internal audit is operational for central government entities representing **most** of budgeted expenditures, as well as for central government entities collecting **all** budgeted government revenue.

**Dimension Rating = B**

### 26.2. Nature of Audits and Standards Applied

The Internal Audit Agency was established through an Act of Legislature in September 2013. Its purpose is to ensure that internal audit standards and systems are in keeping with best practices, and that they are established and maintained across government MACs. Since then, the internal audit process strives to comply with international standards defined by the Institute of Internal Auditors.

The mission of the Internal Audit Division is to determine whether the MACs' network of risk management, control, and governance processes is adequate and functioning in such a manner as to ensure that:

- Risks are appropriately identified and managed.
- Interactions with the various governance groups occur as needed.
- Financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions follow policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Quality and continuous improvement are fostered in the MACs' control processes.
- Legislative issues impacting the MACs are recognized and appropriately addressed.

A quality assurance process has been established within the MACs. Internal audits and related controls and inspections still partially meet the professional standards of internal auditing (including risk identification and targeting of high-risk areas). Their focus is mainly on the relevance and effectiveness of internal controls (Payroll and Personnel Management, as well as Procurement Controls). Other areas of focus include: Bank Accounts and Reconciliation, Accounting and Budgetary Controls, and Assets and Inventory Management.

The Auditor General produces an annual audit report concerning internal controls over financial reporting, including an evaluation of the internal audit. However, this report was not provided by the GoL.

*In summary*, internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls, as well as on financial compliance.

**Dimension Rating = B**

### **26.3. Implementation of Internal Audits and Reporting**

Internal audit entities in the MACs prepare annual audit plans, which are reviewed and approved by the IAA with input from the head of the budget entity. An audit manual guides the preparation of such plans.

The MACs prepare quarterly internal audit reports that are first sent to the IAA, and then to the audited spending entity, and finally to the Ministry of State for Presidential Affairs (Office of the President).

Letters signed by the various institutions (Auditees) attest that audits were performed and reports were made by the IAA. However, few signed letters were sent to the assessment team as evidence.

The Internal Audit Agency sent the Audit Recommendations and Implementation Tracker Summary of Key Audit Issues and Recommendations, but this information was dated December 2017. No Tracker Summary was sent for the FYs 2018 and 2019.

*In summary*, not enough information was provided to check the percentage of programmed audits completed for the last completed fiscal year.

**Dimension Rating = D\***

### **26.4. Response to Internal Audits**

The reporting structure of the IAA, as prescribed by the Internal Audit Act of 2013, requires copies of consolidated internal audit reports to be forwarded to the President. This has also contributed to the marginal improvement of recommended actions. The IAA's introduction of an audit procedure has also marginally improved the management's response to the audit findings, albeit with delays.

An Audit Recommendation Implementation Committee (ARIC) has been established in audited entities to help institutions implement and benefit from audit recommendations. The ARIC is using an audit recommendation tracker system developed in 2013, which incorporates both internal and external audit recommendations. However, the data concerning the audit recommendation implementation rate listed by the line ministries sampled was provided by the GoL. The report tab of the IAA website is empty<sup>47</sup>.

*In summary*, there was no evidence that management provided a partial response to audit recommendations for the entities audited.

**Dimension Rating = D\***

### *On-going reforms / Recent evolution*

There are no ongoing reforms. To the contrary, the situation seems to be deteriorating. Due to different reports of the suspicious deaths of four public sector internal auditors in Liberia, the Institute of Internal Auditors called on the U.S. government to support the GoL's request for assistance in investigating these incidents<sup>48</sup>.

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<sup>47</sup> [https://iaa.gov.lr/?page\\_id=302](https://iaa.gov.lr/?page_id=302)

<sup>48</sup> <https://www.prnewswire.com/news-releases/iaa-urges-us-support-in-investigation-of-auditors-deaths-in-liberia-301154125.html>



## Pillar Six: Accounting and Reporting

The reconciliation of all GoL bank accounts does not occur on a regular basis (PI-27.1). The GoL uses cash accounting, and it has not established a system for monitoring suspense and advance accounts on an extra-accounting basis (PI-27.2 and PI-27.3).

Budget execution reports are prepared quarterly, but they are not published in a timely manner. Also, there are concerns about data accuracy. However, data issues are not highlighted in the reports (PI-28.3).

Annual Financial Statements are presented in a consistent format over time and published within six months after the end of the year. However, they are not complete (PI-29). The GAC's audit reports often mention that they are not prepared in accordance with the IPSAS cash basis.

**Overall, accurate and reliable records are maintained, but information is not reliable enough and produced at appropriate times to meet decision-making and reporting needs.**

### PI-27. Financial Data Integrity

#### Description

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes support the integrity of financial data. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

#### Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-27 Financial data integrity</b>	<b>D+</b>	<b>Scoring Method (M2)</b>
27.1 Bank account reconciliation	D	Bank reconciliations are not prepared.
27.2 Suspense accounts	NA	The GoL uses cash accounting and has not established a system for monitoring suspense accounts on an extra-accounting basis.
27.3 Advance accounts	NA	The reconciliation of advance accounts does not generally take place, even annually.
27.4 Financial data integrity processes	C	Access and changes to records are restricted and recorded, but not all operations result in an audit trail.

Source:

#### Coverage

Dimension 27.1: CG.

Dimensions 27.2, 27.3 and 27.4: BCG.

## *Time period*

**Dimensions 27.1, 27.2 and 27.3:** At the time of assessment, covering the preceding fiscal year.

**Dimension 27.4:** At the time of assessment.

### **27.1. Bank Account Reconciliation**

For the FY 2018-2019, no related bank reconciliation statements for each bank account were provided to the mission.

According to the GAC report on AFS 2019, bank reconciliations are not prepared. The budget framework paper for FY 2019/20 also states that: *“Government treasury bank account reconciliation remains a challenge, and solution seems far from over. For most part of the year, several discussions on resolving this problem have yielded very little progress. The bank statements issued by the CBL are still not in harmony with some fields in the IFMIS bank reconciliation tool. The CBL and GOL could not agree on adopting a common check numbering system because of the variant in both entities’ business processes.”*<sup>49</sup>

*In summary*, reconciliation of **all** bank accounts of the GoL does not occur on a regular basis, and generally more than 8 weeks after the end of the period. This is one of the reasons why the GAC takes so much time to produce its report on the AFS.

**Dimension Rating = D**

### **27.2. Suspense Accounts**

The GoL uses cash accounting, which only allows for real-time monitoring of cash flow. It does not maintain suspense accounts. The main element is the bank account and the GoL has several of these. Movements are recorded as a debit if it is an expense, and as a credit if it is revenue. However, there are no third-party accounts. Entries are made on a simple basis, except for movements generating liabilities or assets, for which so-called "asset" accounts are used. The accounting department prepares cash flow statements, which are presented in different ways, as well as statements for the asset accounts. The most important problem is that of bank reconciliation.

*In summary*, the GoL uses cash accounting. The monitoring of suspense accounts should be done on an extra-accounting basis. A follow-up system has not yet been implemented.

**Dimension Rating = NA**

### **27.3. Advance Accounts**

According to the PFM regulations, accounts are to be reconciled with the corresponding cashbook balance at least once every month.

Amounts paid to vendors under public procurement contracts, as well as travel advances and operational imprests, are not periodically reconciled with the corresponding cashbook balance. Advances for daily subsistence allowances also tend not to be acquitted at year-end, and outstanding balances tend to be carried forward to the following year.

*In summary*, the GoL uses cash accounting, but the monitoring of suspense accounts needs to be performed on an extra-accounting basis. Reconciliation of advance accounts does not generally take place in a timely manner.

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<sup>49</sup> Source: Budget Framework Paper, FY 2019/20, page 22.

**Dimension Rating = NA**

## **27.4. Financial Data Integrity Processes**

Various computerized systems, such as the IFMIS, ASYCUDA, SIGTAS, TAS and a PPCC database allow for the tracking and ensuring of compliance with financial management and procurement procedures.

With the use of the IFMIS, good progress has been made regarding internal controls of non-salary expenditures. Access to the system is granted through passwords, and the roles for financial management officers are clearly defined and assigned by the Comptroller General. Also, the personnel from the reporting end only have viewing access. Thus, they are unable to make changes. The IFMIS system generates an audit trail, which is regularly supervised by the IT Department.

The IFMIS is interfaced with five IT packages (the CS-DRMS, the Aid Management Platform, the Civil Service Management System [CSMS], the Tax Administration System, and the Real Time Gross Settlements System [RTGS] of the Central Bank of Liberia). An e-procurement module is currently being developed, which would also be linked to the IFMIS, thereby enabling Procure to Pay (P2P). However, the IFMIS has only been implemented within 50 of the 112 MACs and in the four pilot county treasuries (including the Bassam, Bong, Margibi, and Nimba Counties).

In 2017, the GAC did not seem to find the IFMIS reliable enough. The GAC report on the Consolidated Fund Accounts for the Financial 2016/17 indicates that the IFMIS system is unreliable. No more recent report is available yet.

### *Box 5: Mismatched Amounts for Cash and Cash Equivalents held by the Government*

“In the trial balance, the total normal balance for Revenue Bank Accounts and Project Bank Accounts is US\$175,682,582.77. However, the total for the Expenditure Bank Accounts and Ministry and Agency Bank Accounts is abnormal and totalled US\$564,063,067.61, leaving a net cash balance of US\$ 388,380,484.84. These figures indicate that the IFMIS system is unreliable as the overdraft generated is almost equal to the entire national budget.”

*Source: GAC Report on the Consolidated Fund Accounts for the Financial Year ending June 30, 2017.*

Improvements have certainly taken place since then. However, it is not yet possible to access the changes to records in all systems presently used by spending entities are restricted and recorded, resulting in an audit trail.

*In summary*, access and changes to records are restricted and recorded. However, only a part of these operations results in an audit trail.

**Dimension Rating = C**

## **PI-28. In-year Budget Reports**

### *Description*

This indicator assesses the comprehensiveness, accuracy, and timeliness of information regarding budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow for the monitoring of budget performance and, if necessary, the timely use of corrective measures. This indicator contains three dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

## Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-28 In-year budget report</b>	<b>D+</b>	<b>Scoring Method (M1)</b>
28.1 Coverage and comparability of reports	C	Classification allows for a comparison to budget with partial aggregation. Expenditures are covered at both the allotment and payment stages. Expenditures made from transfers to deconcentrated units are not included in the reports.
28.2 Timing of in-year budget reports	D	Budget execution reports are prepared quarterly, but they are not issued on a timely basis.
28.3 Accuracy of in-year budget reports	C	Expenditures are captured in quarterly reports at the payment stage. There may be concerns regarding data accuracy, which are not highlighted in the reports. An analysis of the budget execution is provided on a semi-annual basis.

Source:

### Coverage

BCG.

### Time period

Last completed fiscal year.

## 28.1. Coverage and Comparability of Reports

Quarterly budget execution reports are prepared in accordance with Section 36.4 of the Public Financial Management Act, which requires that the Minister of Finance provide a report to the President, the National Legislature and the public outlining the budget execution and the revenue collections. Section 13.4 requires that this document also outline any use of the Contingency Fund.

Unaudited Quarterly Consolidated Financial Statements and Quarterly Fiscal Outturn Reports are published on the MFDP's website. They compare detailed public expenditures to the national budget. The reports present a "Comparative Analysis of Actual Payment Made," that allows for a direct comparison to the original budget for the functional classification and the main administrative headings. Comparative analysis for the economic classification is basic. Expenditures made for transfers to budgetary units are not included in the reports.

The MFDP also publishes a Weekly Fiscal Report within one week after the end of a given week. This report presents Allotments, the Financial Budget, IFMIS Expenditures and Cash Expenditures. However, this report is very aggregated and does not include appropriation amounts or a breakdown for the main administrative headings.

*In summary*, Quarterly Consolidated Financial Statements present expenditures for the main administrative headings and allow for a comparison to the budget with partial aggregation. Expenditures are covered at both the allotment and payment stages.

**Dimension Rating = C**



## 28.2. Timing of In-year Budget Reports

The First and Second Quarter Consolidated Financial Statements for FY 2018-2019 were both published on 02-19-2019 on the MFDP's website — that is, within 5 months after the end of the quarter for the first report and within 8 weeks after the end of the quarter for the second report. The Financial Statement of the Consolidated Fund Account for the Third Quarter Fiscal Year 2018/19 was published on 05-15-2019, that is, 6 weeks after the end of the quarter.

The Fourth Quarter Consolidated Financial Statements for FY 2018-2019 were included in the Financial Statement of the Consolidated Fund Account for FY 2018/19. It was published on December 18, 2019, that is, within 6 months after the end of the period (see PI-29.2).

The PFM annual progress report for the FY 2018/19 produced by the PFM Reforms Coordination Unit of the MFDP states that only 13 percent of the 107 budgeted spending entities reported during the three quarters of the year.

### *Box 6: Financial Reporting and Reconciliation*

The majority of the Ministries and Agencies are not producing quarterly financial reports for consolidation by the CAG. This non-performance by the Ministries and Agencies undermines the integrity and comprehensiveness of the consolidated financial statements.

Ideally, reports from these entities should form the basis for the preparation of the consolidated financial statement. However, it is evident that, on average, only 13 percent of the 107 budgeted spending entities reported during the three quarters of the year. Of this number, just 7 or 14 percent of the 50 IFMIS entities reported for the same period.

This low percentage of IFMIS entities reporting is worrisome, and it undermines one of the key objectives of the IFMIS, which is enhancing timely financial reporting across the government.

*Source:* FY 2018/19 Annual PFM Progress Report. PFM Reforms Coordination Unit, Ministry of Finance and Development Planning.

*In summary,* budget execution reports are prepared quarterly, but not all reports are issued within at least two months from the end of each quarter.

**Dimension Rating = D**

## 28.3. Accuracy of In-year Budget Reports

There are some concerns about the accuracy of information, but they are only highlighted in the GAC reports. The same data presented in the budget documentation provided to the legislature — including the In-year Budget Execution Report, the Consolidated Financial Report and the Liberia Revenue Authority's Annual Report — show differences in the figures. However, this does not fundamentally undermine their basic usefulness.

Recurrent and domestic development budgets are prepared and presented together, but the classification of spending is not in line with international standards. It must also be recalled that most projects are externally financed and are off budget. Disbursements for externally financed projects are annexed to the budget proposal, but they are not disaggregated by the MACs. Also, the data are difficult to compare with spending on PSIP projects.

*In summary,* there may be concerns regarding data accuracy, but the data is consistent and useful for analysis purposes. An analysis of the budget execution is provided on at least a semi-annual basis. Expenditures are captured at the payment stage. Data issues are not highlighted in the reports.

## Dimension Rating = C

### PI-29. Annual Financial Reports

#### Description

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. It contains three dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

#### Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-29 Annual financial reports</b>	<b>D+</b>	<b>Scoring Method (M1)</b>
29.1 Completeness of annual financial reports	C	A statement on the Consolidated Fund is prepared annually. Information about revenues, expenditures and bank account balances are not complete, but the omissions are not significant.
29.2 Submission of reports for external audit	D	Unaudited financial statements of the Consolidated Fund Account for the FY 2018/19 were published within six months by the Office of the Comptroller General to the General Auditor. However, the report was not complete. In addition, it was not completed within 9 months after the end of the fiscal year.
29.3 Accounting standards	C	Statements are presented in a consistent format over time, but the GAC's reports often mention that they are not prepared in accordance the IPSAS cash basis. Variations between international and national standards are not disclosed in the AFS.

#### Coverage

BCG.

#### Time period

**Dimension 29.1:** Last completed fiscal year.

**Dimension 29.2:** Last annual financial report submitted for audit.

**Dimension 29.3:** Last three years' financial reports.

### 29.1. Completeness of Annual Financial Reports

Section 37, sub-section 2 of the PFM Act of 2009 mandates the MFDP to submit unaudited final accounts in accordance with the content and classifications of the national budget to the Auditor General.

The MFDP prepares an annual consolidated government statement. Information about revenues and expenditures is used according to the classifications of the national budget.

However, the Auditor General expressed a disclaimer of opinion or did not provide an opinion for the AFS 2016-2017 submitted by the MFDP. The audit reports for 2017-2018 and 2018-2019 have yet to be finalized due to concerns about the reliability of these statements.

*In summary*, a consolidated government statement is prepared annually. Information about revenues, expenditures and bank account balances may not always be complete.

**Dimension Rating = C**

### **29.2. Submission of Reports for External Audit**

The PFM Act of 2009 states that the final account of the national budget must be submitted to the Auditor General no later than four months after the end of the fiscal year. However, they are published with a six-month delay, but without the introductory letter of transmission to the GAC.

In August 2020, it was possible to download the following Consolidated Financial Statement from the MFDP website:

- Financial Statement of the Consolidated Fund Account for FY 2017/18 published on December 4, 2018, that is, within 6 months after the end of the fiscal year.
- Financial Statement of the Consolidated Fund Account for FY 2018/19 published on December 18, 2019, that is, within 6 months after the end of the fiscal year.

Financial Statements of the Consolidated Fund Account for Fiscal Year 2017/18 were officially submitted by the MFDP with the introductory letter to the GAC on October 30, 2018, that is, within 4 months after the end of the fiscal year.

Financial Statement of the Consolidated Fund Account for FY 2018/19 was received on December 18, 2019. However, the GAC was not able to meet this deadline of May 2020 because the report and the supporting documentation was not presented.

*In summary*, unaudited financial statements of the Consolidated Fund Account for the FY 2018/19 were published within six months by the Office of the Comptroller General to the General Auditor. However, the report was not complete. Further, it was not completed within 9 months after the end of the fiscal year.

**Dimension Rating = D**

### **29.3. Accounting Standards**

The responsibility for the preparation of financial statements, including adequate disclosure, is that of the implementing agency. The agency should prepare the Financial Statements FSs in accordance with the IPSAS cash basis.

Accounting standards applied to all financial reports are consistent with the PFM Act of 2009, which requires compliance with the IPSAS cash basis. However, not all international standards have been incorporated into the national standards, but variations between international and national standards are not disclosed. The gaps, such as the incomplete asset reporting and expenditures financed by external funders, are not explained.

The AFS for 2018/19 combine IPSAS cash basis and IPSAS accrual. For instance, Table 18 of these AFS shows a Statement of Financial Performance, and Table 21 presents a Statement of Changes in Net Assets/Equity. The GAC finds that these accounts are not compliant with the IPSAS cash basis presentation requirements.

The GAC's report on the AFS for 2018/19 is not available, but the GAC's report often mentions that spending entities did not prepare their financial statements in accordance with IPSAS cash basis.

*In summary*, statements are presented in consistent format over time, but variations between international and national standards are not disclosed in the AFS.

**Dimension Rating = C**

***On-going reforms / Recent evolution***

The launch of the IFMIS to the MACs is expected to facilitate the accurate and timely preparation of IPSAS compliant financial statements, which will be audited by the GAC. However, there is as yet no evidence to indicate that efforts are being made to migrate to IPSAS accrual basis.

The MFDP now publishes Quarterly Financial Statements of the Consolidated Fund Account on its website. The report referring to the 1st Quarter of FY 2019/20 was published on 12-18-2019, that is, within 6 months after the end of the period.

Donor-funded projects are still accounted for outside the consolidated accounts, but 35 donor-funded projects have been included in the IFMIS. There are plans to pilot all donor-funded projects on the IFMIS.



## Pillar Seven: External Scrutiny and Audit

Annual Financial Statements of the Consolidated Fund are audited using national auditing standards that are compliant with the ISSAIs. The audits have highlighted any relevant material issues (PI-30.1). A formal response is usually provided by the executive branch; however, it is not necessarily complete and is often delayed (PI-30.3). This leads to the late submission of the auditor’s report to the national legislature (PI-30). The difficulties encountered by the GAC have a negative impact on the work to be carried out by the Public Accounts Committee (PAC) of the House of Representatives. To date, only the FY 2016/17 financial report has been audited by the General Auditing Commission.

The legislature issues recommendations on actions to be implemented by the executive. However, it issues these recommendations late and the PAC does not have a follow-up system to ensure that these recommendations are duly considered by the executive. In addition, these recommendations are not specifically linked to the observations made by the GAC concerning the annual financial reports. Finally, PAC reports are not published on an official website or by any other means easily accessible to the public (PI-31).

**Overall, audit reports on the AFS are produced too late to allow the Parliament to make appropriate recommendations and exercise effective oversight over the executive.**

### PI-30. External Audit

#### Description

This indicator examines the characteristics of external audit. It contains four dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

#### Dimensional Scoring

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-30 External audit</b>	<b>D+</b>	<b>Scoring method (M1)</b>
30.1 Audit coverage and standards	B	Financial reports of central government entities representing more than 75 percent of total expenditures and revenues have been audited using national auditing standards. The audits have highlighted relevant material issues.
30.2 Submission of audit reports to the legislature	D	The GAC reports on financial statements were submitted to the legislature more than nine months from the date of receipt by the GAC of the AFS from the government.
30.3 External audit follow-up	C	A formal response is usually provided by the audited entity, but it is often not clearly complete and/or timely.
30.4 Supreme Audit Institution independence	D	The GAC operates independently from the executive with respect to the procedures for appointment and removal of

Indicator/Dimension	Score	Brief Justification for Score
		the Auditor General. However, the MFDP has significant influence on the release of the GAC's budget. Also, the GAC had difficulties in obtaining the requested documents and information in a timely manner.

### Coverage

CG.

### Time period

**Dimensions 30.1, 30.2 and 30.3:** Last three completed fiscal years.

**Dimension 30.4:** At the time of assessment.

### 30.1. Audit Coverage and Standards

The GAC audit of the AFS is conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), the Fundamental Auditing Principles (FAP) and the Guidelines for Compliance Audit (GCA). The GAC collaborates with other SAIs and within the African Organisation of Supreme Audit Institutions (AFROSAI) and AFROSAI-E. In 2016, the GAC was audited by the Office of the Auditor General (OAG), Kenya for six fiscal years from 2009/10 to 2014/15. A follow-up audit had been approved by the PAC of the 53rd national legislature to validate implementation of the recommendations.

The GAC is required to communicate findings and recommendations from audits to the management of the public sector entities.

In practice, resource constraints, which may be financial, or time bound, often limit the GAC's ability to monitor the entire portfolio on an annual basis. However, during the last three fiscal years, the annual audit coverage was between 70 and 80 percent of total government expenditures. The audit covered the AFS, financial transactions, payroll testing, the procurement audit, systems audit, and some IT audit.

*In summary*, financial reports of central government entities representing **most** of the total expenditures and revenues have been audited using ISSAIs or national auditing standards during the last three completed fiscal years. The audits performed during the last 3 fiscal years have highlighted relevant material issues.

**Dimension Rating = B**

### 30.2. Submission of Audit Reports to the Legislature

Table 42 presents the dates that the AFS were received by the GAC and that the audit reports on the AFS were submitted to the House of Representatives:

*Table 42 : Submission of GAC's Audit Reports to the House of Representatives*

Title	Period Audited	Date of Submission of AFS to the GAC	GAC Report: Release Date
Auditor General (AG)'s Report on the GoL Consolidated Fund	FY ending June 2017	May 2018	October 2019
AG's Report on the GoL Restated Consolidated Fund	FY ending June 2016	N/A	December 2017
AG's Report on the GoL Consolidated Fund	FY ending June 2015	N/A	February 2017
Management Letter on the GoL Consolidated Fund	FY ending June 2015	N/A	February 2017
Management Letter on the GoL Consolidated Fund	FY ending June 2016	N/A	December 2017
AG's Report on the GoL Restated Consolidated Fund	FY ending June 2017	N/A	December 2017

*Source:*

Dates for the submission of AFS to the GAC before 2017 were not provided by the Liberian authorities. However, various elements were provided instead, showing that the GAC had experienced significant difficulties in obtaining the requested information to finalize its work (see 30.3). This situation led to a delay of at least one year in the production of the audit report.

To date, the Auditor General's Report on the GoL's Consolidated Fund Financial Statements for FY 2016/17 was completed in October 2019, that is, more than 22 months from receipt of the financial reports by the GAC. The Auditor General's Reports for FY 2017/18 and 2018/19 are not yet available. Therefore, it is sure that they will be submitted to the Legislature much more than nine months after receipt by the GoL.

*In summary*, during the last three fiscal years, audit reports on the financial statements were submitted to the legislature more than nine months from receipt of the AFS by the GAC due to the untimely reporting of the MFDP.

**Dimension Rating = D**

### **30.3. External Audit Follow-up**

For the last 3 fiscal years, letters of correspondence have been provided to the mission. The letters indicated that the executive was making a formal response to GAC recommendations, but other emails were also provided. These showed the GAC's concerns because the executive did not provide any feedback to the request for documents for weeks or months. Thus, it was necessary to send a reminder to the hierarchy.

The most recent follow-up letters of March 2, 2020, and March 6, 2020 were sent to the presidency to implement the recommendations. However, the executive has not yet responded to these recommendations.

*In summary*, a formal response was generally made by the executive or the audited entity concerning audits for which follow-up was expected. However, the response was not necessarily comprehensive and/or timely.

**Dimension Rating = C**

**30.4. Supreme Audit Institution (SAI) independence**

The GAC does not have unrestricted and **timely** access to at least **the majority** of the requested records, documentation and information because of the time taken by the executive to provide this information. As the GAC insists on receiving responses to the audit observations before finalizing the audit report, the delay in receiving the responses led to the late completion of the audit report (see PI-30.2)

Table 43 provides a detailed analysis of the adherence to the International Organization of Supreme Audit Institutions (INTOSAI) standards.

*Table 43: Extent of Adherence to INTOSAI Standards*

INTOSAI Standards	Adherence of External Audit Practices to INTOSAI Standards
Auditor General (AG) independence, that is, appointment, termination, salary, and so on.	A new GAC Act was passed in December 2014 to provide full autonomy for its operations. It provides for the appointment of the Auditor General by the President with parliamentary approval. He or she shall be appointed for a tenure of 7 years and shall not be eligible for reappointment. The remuneration of the Auditor General is determined in accordance with Section 2.1.4 commensurate with regional peers. He or she cannot be removed without parliamentary approval.
Financial and administrative independence of the Office of the Auditor General and staffing arrangements	The cost of running the GAC shall be through a direct charge on the Consolidated Fund under the new Act. Financial and administrative independence are guaranteed. The Auditor General has the legal right to independently recruit and select staff competitively and without interference from the Civil Service Agency. The GAC is not part of the Civil Service.
Access to public records	The Act guarantees full access to public records and public premises during working hours.
Independence in the preparation of the Annual Audit Work Plan	The Act prescribes the independent preparation of an annual audit and operational plans.

Hence, the GAC is independent from the executive in terms of: (i) the appointment and removal of the SAI Head; (ii) the annual audit plan; (iii) the contents and publishing of the audit report; and (iv) the execution of its budget.

The GAC has full operational independence, but it lacks financial independence. Since the GAC depends on the government for budgetary allotments, the second external factor (inadequate approved budgetary allocation by the national government) creates a coercive pressure on the GAC in carrying out its responsibilities.

This issue was stressed in the Auditor General’s Annual Report for the Calendar Year ending December 31, 2019. A table was presented showing the high discrepancy between the proposed estimate by the GAC and the GAC’s appropriation proposed by the MFDP and voted by the legislature (Table 44).



Table 44: General Auditing Commission Appropriation for the Audit of FY 2019/20

Source of Support	Proposed Estimate by the GAC	Appropriation by the Legislature
Government of Liberia	US\$2,225,904	US\$ 185,250
External Support	-	-
<b>Total</b>	<b>\$2,225,904</b>	<b>US\$ 185,250</b>

Source: Auditor General’s Annual Report for the Calendar Year ending December 31, 2019.

In summary, the GAC operates independently from the executive with respect to the procedures for appointment and removal of the Auditor General, as well as the execution of the GAC budget. However, there is no absolute financial independence of the GAC, as the MFDP has significant influence over the release of the GAC’s budget. Also, the GAC does not have unrestricted and **timely** access to at least **the majority** of the requested records, documentation and information.

**Dimension Rating = D**

#### *On-going reforms and planned activities*

The GAC has capacity constraints, especially in the area of specialized and performance audits. The GAC developed a four-year strategic plan for capacity building (2016-2019). However, this plan has not been implemented and appears to have expired.

### **PI-31. Legislative Scrutiny of Audit Reports**

#### *Description*

This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. It has four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

#### *Dimensional Scoring*

Indicator/Dimension	Score	Brief Justification for Score
<b>PI-31 Legislative scrutiny of audit reports</b>	<b>D</b>	<b>Scoring Method (M2)</b>
31.1 Timing of audit report scrutiny	D	Examination of audit reports by the legislature is generally taking more than 12 months to complete.
31.2 Hearings on audit findings	D	The PAC conducted public hearings on various special audit reports, but they did not refer to key findings of the GAC audit reports.
31.3 Recommendations on audits by the legislature	D	The legislature provides some recommendations on actions to be implemented by the executive, but the PAC does not have a specific follow-up system. Also, these recommendations are not specifically linked to those made by the GAC concerning the AFS.

Indicator/Dimension	Score	Brief Justification for Score
31.4 Transparency of legislative scrutiny of audit reports	D	Reports of the PAC are not published on any official website or other means easily accessible to the public.

Source:

#### Coverage

CG.

#### Time period

Last three completed fiscal years.

### 31.1. Timing of Audit Report Scrutiny

It is up to the PAC to ensure that the issues raised in the audit reports are further investigated, when necessary, and that the actions taken by accounting officers are followed up on.

The PAC provided the list of Consolidated Reports endorsed by the legislature and submitted to the President for implementation. During the last 3 fiscal years, it appears that the PAC did not scrutinize any GAC audit report on the annual financial statements. No PAC report showing the review of the GAC audit report was provided to the mission.

In 2018, the PAC only reviewed the Liberia Revenue Authority (LRA) Restated Financial Statements for the fiscal year July 1, 2014, through June 30, 2015.

Reviews of the GAC reports on the consolidated financial statements for FY 2018/19 received by the legislature on March 7, 2014, have yet to be completed.

*In summary*, the PAC has not yet issued any report referring to the GAC audit reports on annual financial statements during the last three fiscal years. Hence, examination of audit reports by the legislature is generally taking more than 12 months to complete.

**Dimension Rating = D\***

### 31.2. Hearings on Audit Findings

The PAC did not issue any report referring to the GAC audit report on annual financial statements during the last three fiscal years. Therefore, no in-depth hearings were taken on key findings of audit reports with responsible officers from audited entities that had received a qualified or adverse audit opinion or a disclaimer. Hearings have yet to start on the financial statements of the Consolidated Fund account.

*In summary*, the PAC has been conducting public hearings on various special audit reports, but hearings on key findings of audit reports with responsible officers from audited entities that received an adverse audit opinion have not been performed during the last three fiscal years.

**Dimension Rating = D**

### **31.3. Recommendations on Audit by the Legislature**

The recommendations made by the legislature relate to all the audit reports produced by the GAC. They do not correspond to follow-up or additional measures relating to the observations made by the GAC on the annual financial reports.

*In summary*, the legislature issues some recommendations on actions to be implemented by the executive, but it does not have a follow-up system to ensure that these recommendations are duly considered by the executive — and that these recommendations are not specifically linked to the observations made by the GAC on the annual financial reports.

**Dimension Rating = D**

### **31.4. Transparency of Legislative Scrutiny of Audit Reports**

The reports of the PAC are endorsed by the national legislature and sent to the President for action. However, they are not published on any website. The website of the Public Account Committee<sup>50</sup> of the national legislature<sup>51</sup> is no longer functioning anymore and there is no information.

*In summary*, reports of the Public Accounts Committee are not published on an official website or by any other means easily accessible to the public.

**Dimension Rating = D**

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<sup>50</sup> <http://pac.gov.lr/>

<sup>51</sup> <http://legislature.gov.lr/>

### 3 OVERALL ANALYSIS OF PFM PERFORMANCE

The objective of this section is to present an integrated analysis using information provided in the preceding sections 2 and 3, and to derive overall conclusions about the performance of PFM systems. In particular, the analysis seeks to assess how the performance of PFM systems may affect the government’s ability to deliver the intended fiscal and budgetary outcomes. It will also identify the main weaknesses of the PFM system.

#### 3.1 PFM Strengths and Weaknesses

Overall, the 2020 PEFA Assessment for Liberia shows a C score, which corresponds to a basic PFM performance.

##### Aggregate Fiscal Discipline

Fiscal discipline is accomplished by control over spending during budget execution, as well as by prudent revenue forecasts for domestic resources. However, revenue collection is not yet sufficient, mainly because of the high level of exonerations.

The control of budget expenditures and treasury operations enables expenditures to be managed within the available resources. However, the rules for budget reallocation are not sufficiently controlled despite efforts by the government to launch the IFMIS to fifty Ministries and Agencies of government. Also, expenditure arrears are not well controlled and monitored because accrual accounting has not yet been implemented.

Figure 9 : Strengths and Weaknesses of the Aggregate Fiscal Discipline



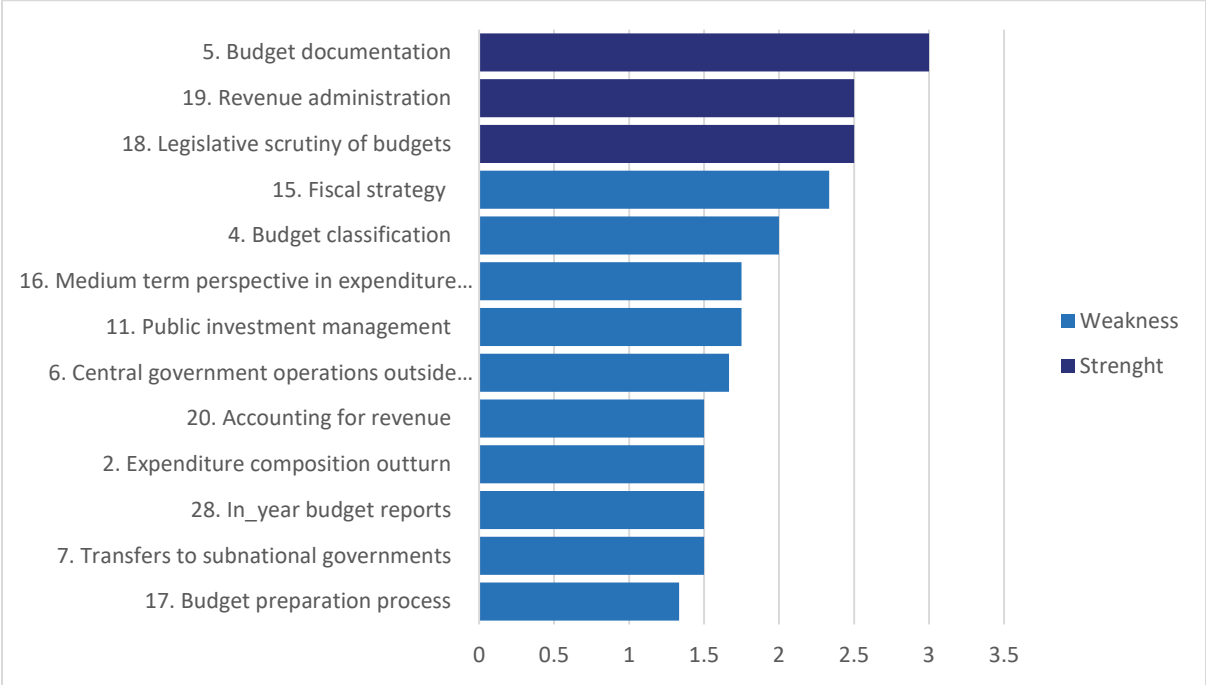
Source: Author’s calculations

##### Strategic Allocation of Resources

The documentation provided to the House of Representatives is rather exhaustive, and the procedures for scrutinizing the draft budget by the House of Representative are well established. There is a multi-year horizon in the budget planning process. However, the budget preparation process is not efficient, which limits the effectiveness

of implementing the MACs’ budget proposals. The emphasis on the overall fiscal framework is not transmitted to the individual MACs. In addition, the lack of visibility during the budget execution process during reallocations of budget allotments between the MACs is important. The Chart of Accounts employs a multi-dimensional analysis of expenditure. This needs to be applied to strengthen the strategic allocation of resources. The LRA has implemented a transparent process for collecting revenues, but exoneration remain important.

Figure 10 : Strengths and Weaknesses in the Strategic Allocation of Resources

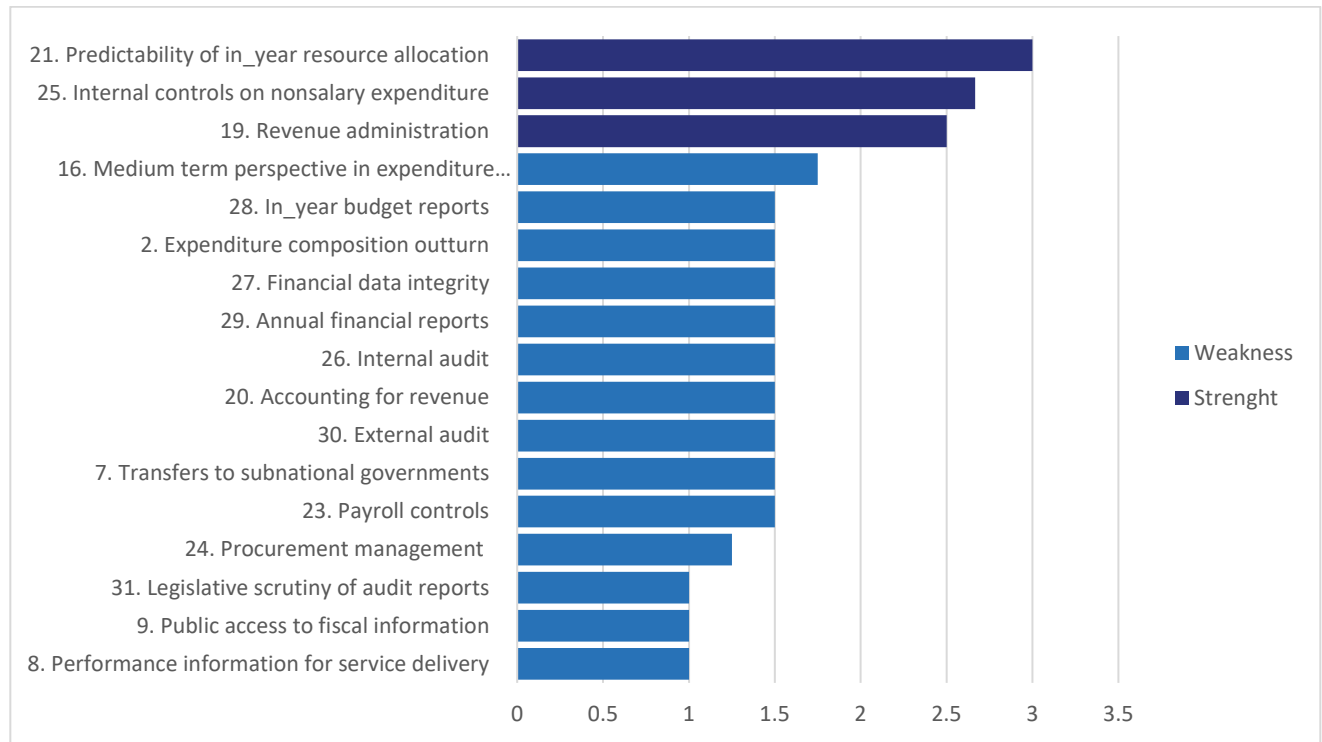


Source: Author’s calculations

*Efficient Use of Resources for Service Delivery*

The current weaknesses in the procurement system are mainly due to the lack of comprehensiveness. Weaknesses in the accountability mechanisms, mainly resulting from the use of the IPSAS cash accounting system, led to a delay in the production of the GAC’s audit report on annual financial statements. This also makes external audits and scrutiny ineffective and hampers the role of the House of Representatives in controlling the efficient use of resources for service delivery. The lack of systematic program evaluations and data on available resources for service delivery units also undermines accountability. On the revenue side, operational efficiency is compromised by the lack of information about tax arrears.

Figure 11 : Strengths and Weaknesses regarding the Efficiency of Service Delivery



Source: Author's calculations

A PEFA Assessment also measures the extent to which PFM systems, processes and institutions contribute to the achievement of desirable budget outcomes, including aggregate fiscal discipline, the strategic allocation of resources, and efficient service delivery. A cross analysis by budgetary outcomes is presented in Table 45.

Table 45: Strengths and Weaknesses by Main Budgetary Outcomes and Pillars/Indicators

Indicator	1. Aggregate Fiscal Discipline	2. Strategic Allocation of Resources	3. Efficient service delivery
<b>Pillar I: Budget reliability is Basic. The government budget is realistic and is implemented as intended, but with significant deviations at the detailed level because actual resources are less than the budget.</b>			
1. Aggregate expenditure outturn	B Aggregate expenditure outturn is generally close to the approved aggregate expenditures, even if there has been an underfunding of planned resources.		
2. Expenditure composition outturn		D+ Because expenditures are underfunded, planned resources have not been provided as planned, leading to significant administrative reallocations.	D+ Variance in expenditure composition by economic type exceeded 15 percent for each year of the period under review, which hampered the efficient delivery of services.
3. Revenue outturn	D+ Actual revenues were less than 92 percent of budgeted revenues in 2017/18 and 2018/19. The variance in revenue composition was more than 10 percent in all three years, but less than 15 percent in FY 2016/17 and 2018/19.		
<b>Pillar II: Transparency of public finances is below Basic. Budget classification is comprehensive, consistent, and accessible to users, but external funding remains off-budget and transfers to subnational governments are not based on clear and transparent rules. Information about service delivery to the public is not sufficient.</b>			
4. Budget classification		C Budget formulation, execution, and reporting are based on administrative, functional, and economic classification. However, the functional classification is not very detailed, which does not enable an optimal allocation of resources.	
5. Budget documentation		B Although the budget documentation and public access is at a good level, there are elements that are missing, such as financial assets, fiscal risks, the budget impact of new policy measures, and estimates of tax expenditures.	

Indicator	1. Aggregate Fiscal Discipline		2. Strategic Allocation of Resources		3. Efficient service delivery	
6. Central government operations outside of financial reports	D+	External financing of expenditures is not reported in annual financial statements, which hampers fiscal discipline.	D+	External financing of expenditures is not reported in annual financial statements, which hampers the strategic allocation of resources.		
7. Transfers to sub-national governments			D+	The horizontal allocation of some transfers to Counties and Districts from the central government is not determined by transparent, rule-based systems, which hampers the strategic allocation of resources.	D+	Counties and Districts receive information about annual transfers from national governments only when the draft budget is published on the MFDP's website. This affects the development of their budget and associated services.
8. Performance information for service delivery					D	A framework of performance indicators relating to the outputs or outcomes is published by some ministries (Education and Health). However, neither the annual performance report nor the documentation showing that surveys were carried out was provided. These are necessary to assess the efficiency of service delivery.
9. Public access to fiscal information					D	Information about service delivery to the public is not sufficient. Only the Annual Budget Execution Report and the external Audit Reports (outside audits on the AFS) are made available to the public in a timely manner.
<p><b>Pilar III: Management of assets and liabilities is Basic. Fiscal risks are not well identified because the monitoring of public enterprises and Counties/Districts is not sufficient. This is also the case with public investment because most of the projects are externally financed. The management of assets and liabilities are partially recorded, but debts and guarantees are prudently planned, approved, and monitored.</b></p>						
10. Fiscal risk reporting	D	Fiscal discipline is undermined by the absence of reports on the financial position and performance of SOEs and Counties/Districts, as well as by the fact that contingent liabilities are not quantified.				



Indicator	1. Aggregate Fiscal Discipline		2. Strategic Allocation of Resources		3. Efficient service delivery	
11. Public investment management	D+	Economic analyses are conducted for most major investment projects, but few investment projects are prioritized because most of the projects are externally financed projects.	D+	The total costs and physical progress of major investment projects are monitored by the implementing government unit. Projections of the total capital costs are not included in the budget documentation, and no information about the implementation of major investment projects is published.		
12. Public asset management	D+	Given the current use of the cash basis IPSAS, not enough information is generated about non-current assets. A register of fixed assets exists with only partial information. Also, only partial information about transfers and disposals is included in the annual financial reports.				
13. Debt management	A	Debt is well managed: debt records are complete and updated monthly, quarterly and annually; loans and the issuance of guarantees are made by the Minister of Finance; a Debt Sustainability Analysis (DSA) is prepared by the IMF and the World Bank, and the report is provided to the legislature.				
<b>Pillar IV: Policy-based fiscal strategy and budgeting is Basic. The fiscal strategy and the budget are prepared for the medium term, but multi-year appropriations are not yet permitted. Also, the budget circular does not contain medium-term expenditure ceilings.</b>						
14. Macroeconomic and fiscal forecasting	B	Medium-term forecasts are prepared and submitted to the legislature, but forecast sensitivities are not presented in budget documents.				
15. Fiscal strategy	C+	Estimates of the fiscal impact of proposed changes in revenue and expenditure policy are prepared by the Ministry of Finance.	C+	A medium-term fiscal strategy is presented to the Parliament, but the progress is not analyzed.		

Indicator	1. Aggregate Fiscal Discipline		2. Strategic Allocation of Resources		3. Efficient service delivery	
16. Medium-term perspective in expenditure budgeting	D+	The budget is pluriannual, but the budget circular does not contain medium-term expenditure ceilings, as multi-year appropriations are not yet permitted.	D+	Sector strategies have been prepared for some sectors, but without complete costing of investments and recurrent expenditures.	D+	Budget proposals are not aligned with estimates presented in the strategic plans and yearly changes to expenditure estimates are not explained.
17. Budget preparation process			D+	The budget preparation process is basic. Budget entities receive a budget circular that is issued to MACs. This does not include ceilings, and there is not enough time for them to complete their detailed estimates. This leads to the late submission of the annual budget proposal by the Ministry of Finance to the Parliament.		
18. Legislative scrutiny of budgets			C+	Parliament often does not have enough time to vote on the draft budget before the end of the fiscal year. Significant administrative reallocations are possible and not easily monitored, hindering the strategic allocation of resources.		
<b>Pillar V: Predictability and control in budget execution is Basic. The budget is implemented within a system of effective standards and processes. However, internal controls are effective for less than 75 percent of the budget expenditures.</b>						
19. Revenue administration			C+	The Liberian Revenue Authority (LRA) provides comprehensive and up-to-date information to taxpayers and prioritizes compliance risks. It also uses a compliance improvement plan. However, not all planned audits are completed.	C+	The stock of revenue arrears older than 12 months represents more than 75 percent of total revenue arrears for the year, hindering the efficiency of service delivery.
20. Accounting for revenues			D+	The LRA obtains weekly data from the entities collecting all central government revenues and transfers to the Treasury. These are made daily. However, the LRA does not prepare a consolidated Revenue Accounts Reconciliation.	D+	The LRA obtains weekly data from entities collecting all central government revenues and transfers to the Treasury. These are made on a daily basis. However, the LRA does not prepare a consolidated Revenue Accounts Reconciliation.

Indicator	1. Aggregate Fiscal Discipline		2. Strategic Allocation of Resources		3. Efficient service delivery	
21. Predictability of in-year resource allocation	B	All budgeted tax revenues are paid into the Consolidated Fund Account, and cash balances are consolidated daily into the TSA. A cash flow forecast is updated monthly. However extra-budgetary funds, particularly for externally financed projects, remain outside of the arrangement.			B	Significant in-year adjustments are frequent. However, they are done in a transparent, but unpredictable way. The MDAs are provided with reliable information about resources available for commitments only one month in advance.
22. Expenditure arrears	D	The stock of expenditure arrears to suppliers is more than 50 percent of total expenditures, but the monitoring is not done for all types of arrears, hindering fiscal discipline.				
23. Payroll controls					D+	The approved staff list, personnel database, and payroll are not directly linked, and are reconciled manually. However, there is no monthly follow-up. Controls are sufficient only for the payroll data of greatest importance, but partial payroll audits are periodically undertaken. The GAC also undertook a payroll audit in 2019.
24. Procurement management					D	The procurement database is reliable for less than the majority of operations, but information is provided to the public. Data show that less than 60 percent of the total value of contracts are awarded through competitive methods. The procurement complaints system is partially compliant with international standards.
25. Internal controls on non-salary expenditures	B	Expenditure commitment controls are in place, but for less than 75			B	The majority of payments are compliant with regular payment procedures.

Indicator	1. Aggregate Fiscal Discipline		2. Strategic Allocation of Resources		3. Efficient service delivery	
		percent of budget expenditures in terms of value.				
26. Internal audit					D+	Internal audit is operational, and audit activities partially meet the professional standards of internal auditing. However, there is no evidence that management gives a partial response to annual audit recommendations for the entities audited.
<b>Pilar VI: Accounting and reporting is below Basic. Accurate and reliable records are maintained, but information is not reliable enough and produced at the appropriate times to meet decision-making and reporting needs.</b>						
27. Financial data integrity					D+	Cash accounting is still used, and no system for monitoring suspense accounts has been designed. The reconciliation of bank accounts does not take place on a regular basis.
28. In-year budget reports	D+	Budget execution reports are prepared quarterly, but they are not issued in a timely manner.	D+	Data accuracy is questionable, and data issues are not highlighted in the quarterly reports.	D+	Budget execution reports are not issued in a timely way, which hinders the follow-up on service delivery.
29. Annual financial reports					D+	Annual financial statements of the Consolidated Fund Account are provided to the General Auditor. However, they are generally incomplete and are not compliant with the International Public Sector Accounting Standards (IPSAS) cash basis. Hence, the Auditor General cannot send his report to the Parliament in due time. This also hinders the follow-up on service delivery.
<b>Pilar VII: External scrutiny and audit is below Basic. Audit reports concerning the AFS are produced too late to allow the Parliament to make appropriate recommendations and exercise effective oversight over the executive.</b>						
30. External audit					D+	The GAC reports highlight relevant material issues, but they are submitted late to the legislature because of the

Indicator	1. Aggregate Fiscal Discipline		2. Strategic Allocation of Resources		3. Efficient service delivery	
						time taken by the government in providing a response.
31. Legislative scrutiny of audit reports					D	The Public Accounts Committee examination of audit reports generally takes more than 12 months to complete, and the reports are not published. The Parliament issues some recommendations, but they are not specifically linked to those provided by the GAC, and there is no systematic follow-up.

## 3.2 Effectiveness of the Internal Control Framework

### *Risk Assessment*

The Internal Audit Agency (IAA) is the lead government agency responsible for internal audit functions in the public sector. It is an autonomous agency whose mission is to assist the government in strengthening internal audit and internal controls in budget-using entities. The IAA controls more than 80 percent of the budget.

Risk assessment is the first step in the IAA's internal audit process in the various ministries, agencies and commissions (MACs). The approach to risk assessment follows the Committee of Sponsoring Organizations (COSO) framework (from the Committee of Sponsoring Organizations of the Treadway Commission), starting at the top with the "Internal Environment" component and going down to the "Oversight" component at the bottom. The other three components of the COSO framework are: risk assessment, control activities, and information and communication. The IAA has identified the following risks as the most critical in the fight against corruption in government: compliance, information management, asset management, and risks related to corporate objectives and functions. The three prevailing objectives of COSO are: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

### *Control Activities*

The IAA manages the activities of the internal audit functions in all audited entities in accordance with section 2.2(a) of the Internal Audit Act. It does so by ensuring a systematic approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

The annual internal audit work plan is largely based on issues/risks arising from the entity-wide risk assessment process. Other factors that feed into the work plan are completed by the entity head based on the internal audit director's experience with the entity.

Internal auditors assist management in achieving effectiveness in several ways, including ongoing audits to provide assurance and advice to management, as well as special audits and periodic risk assessments within the entity to identify and rank risks. They also advise management on appropriate risk mitigation methods.

Unplanned requests from entity heads for special investigations are also included in IAA audits.

All significant issues from risk assessments, audit reports and investigations should be documented and tracked for implementation. However, internal audits and related controls still partially meet the professional standards of internal auditing.

### *Information and Communication*

The IAA produces quarterly reports that are submitted to the Presidency. The quarterly reports summarize the activities of the various internal audit departments of the ministries and agencies, but none of these reports are published. In addition, no annual report is published on the IAA website, and the website has not been functional since February 2020. Also, the "Report" tab was not functional, even at that time.

### *Monitoring*

In accordance with IAA procedures, internal auditors must establish a follow-up process to ensure that management actions have been effectively implemented — or that management has accepted the risk of not acting.

To facilitate the follow-up process, internal audit maintains a database of outstanding audit comments. This database tracks the identifying information of each internal audit report or closing letter, as well as a summary of each finding contained in the report or letter. The database also tracks whether a finding has been corrected, what was done to correct the problem, whether corrective actions need to be tested, and the date the corrective action was completed.

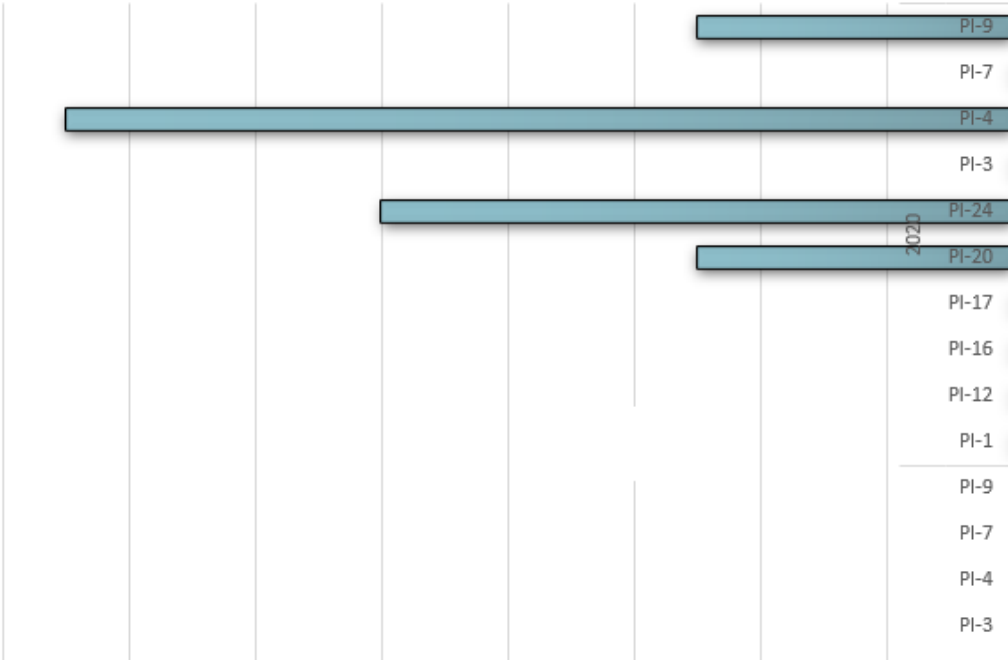
### 3.3 Performance Changes Since Previous Assessments

#### Aggregate Fiscal Discipline

As depicted in Figure 12, three indicators show regression: PI-4 4. Stock and monitoring of expenditure payment arrears; PI-9. Oversight of aggregate fiscal risk from other public sector entities; and PI-24. Quality and timeliness of in-year budget reports. However, the deterioration of these indicators results from a different interpretation of the scores given by the previous assessment.

Only one indicator received a better score than the 2016 PEFA Assessment, but some components show an improvement. Consolidated annual cash flow planning is now being updated monthly on the basis of actual cash inflows and outflows. The degree of compliance with rules for processing and recording transactions improved because the coverage of the IFMIS has increased. The IFMIS covered 90 percent of entities’ budget allotments and 86 percent of their expenditure in value for the FY 2018/19. However, simplified procedures can still be used, particularly in cases of unjustified urgency. This was done for about 55 percent of the spending entities (but only 30 percent in terms of value) for which the IFMIS has not yet been implemented.

Figure 12 : Aggregate Fiscal Discipline: Differences from Previous PEFA Assessment



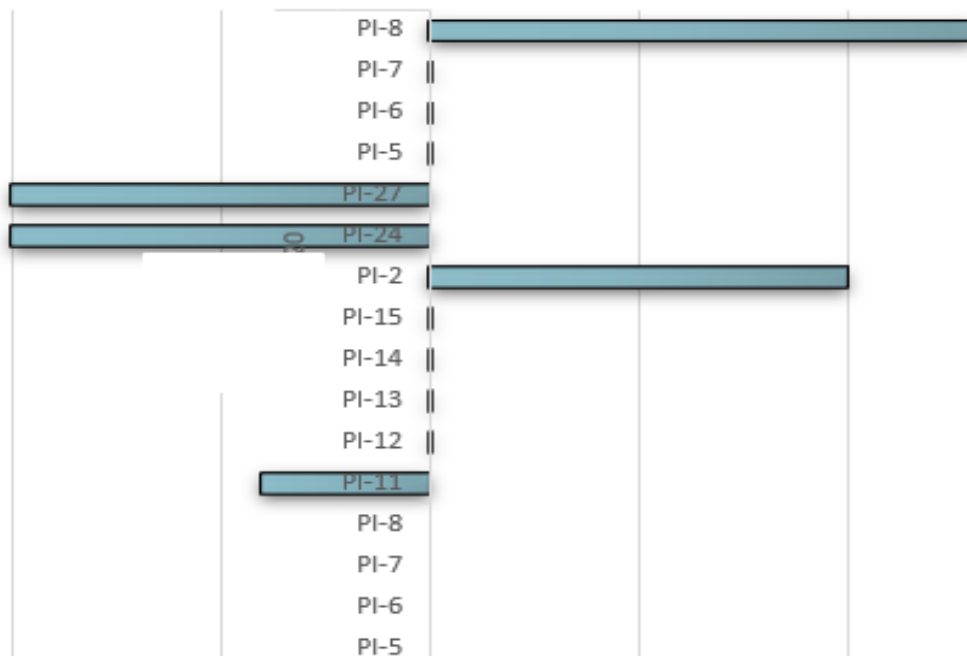
Source: Author’s calculations

### Strategic Allocation of Resources

The strategic allocation of resources increased slightly in 2020, but this was only due to the improvement in the composition of expenditure outturn as compared to the original approved budget (PI-2). The improvement in the transparency of inter-governmental fiscal relations (PI-8) results from a difference of viewpoint in the score given by the previous assessment.

The legislature approved the annual budget with less delay than during the previous evaluation period. However, the adherence to the budget calendar and the guidance on the budget preparation was performed less well. Overall, there was a slight deterioration in the participation of the annual budget preparation process (PI-11).

Figure 13 : Strategic Resource Allocation: Differences from Previous PEFA Assessment



Source: Author's calculations

### Efficient Service Delivery

The government made substantial progress in implementing the IFMIS in all ministries and agencies. However, this did not improve the efficiency of service delivery, which slightly decreased in comparison with the previous assessment.

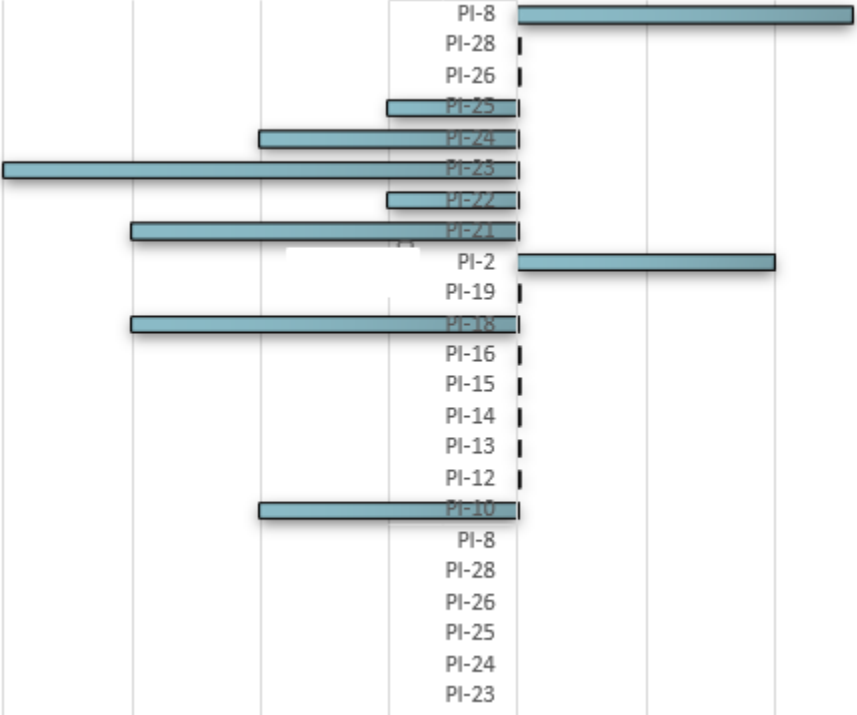
The lack of improvement is mainly due to the fact that no information was provided regarding the percentage of actions taken by managers on major issues raised within the audit reports (PI-21). No special surveys were undertaken within the last 3 years to assess the level of resources received in cash and in kind by both primary schools and primary health clinics across the country (PI-23).

Some progress has been made regarding the timeliness of financial statements. However, according to the GAC, they are not submitted in accordance with the IPSAS cash basis requirements and quality. . The joint Public Accounts and Audit Committee (PAC) of the legislature is conducting public hearings about the outstanding audit reports issued by the GAC, but no tangible progress on audit follow-up appears to have been made.



At the component level, some improvements can be highlighted, such as consolidated annual cash flow plans being updated monthly based on actual cash inflows and outflows, as well as the reduction in delays pertaining to the submission of the financial statements to the Auditor General.

Figure 14: Efficient Services Delivery: Differences from Previous PEFA Assessment



Source: Author's calculations

## Annex 1. Performance Indicator Summary

ID-Indicator	Label	2020	Justification
	<b>Budget Reliability</b>	<b>C</b>	The government budget is realistic and is implemented as intended, but with significant deviation at the detailed level because actual resources are less than the budget.
<b>PI-1</b>	<b>Aggregate expenditure outturn</b>	<b>B</b>	
PI-1	Aggregate expenditure outturn	B	Aggregate expenditure outturn was between 90 and 110 percent of the approved aggregate expenditures in two of the last three fiscal years (2016/17 and 2018/19).
<b>PI-2</b>	<b>Expenditure composition outturn</b>	<b>D+</b>	
PI-2	Expenditure composition outturn by function	C	Variance in expenditure composition by function was less than 15 percent in all three years, but it was more than 10 percent in two of the last fiscal years (2016/17 and 2018/19).
PI-2	Expenditure composition outturn by economic type	D	Variance in expenditure composition by economic type exceeded 15 percent for each fiscal year.
PI-2	Expenditures from contingency reserves	A	The average level of expenditure charged directly to the Contingency Fund was less than 1 percent of the original budget.
<b>PI-3</b>	<b>Revenue outturn</b>	<b>D+</b>	
PI-3	Aggregate revenue outturn	D	Actual revenues were less than 92 percent of budgeted revenues in 2017/18 and 2018/19.
PI-3	Revenue composition outturn	C	Variance in revenue composition was more than 10 percent in all three years.
	<b>Transparency of Public Finances</b>	<b>D+</b>	Transparency of public finances is below Basic. Budget classification is comprehensive, consistent, and accessible to users, but external funding remains off-budget and transfers to subnational governments are not based on clear and transparent rules. Information about service delivery provided to the public is not sufficient.
<b>PI-4</b>	<b>Budget classification</b>	<b>C</b>	

ID-Indicator	Label	2020	Justification
PI-4	Budget classification	C	Budget formulation, execution, and reporting are based on administrative and economic classifications comparable with GFS standards.
<b>PI-5</b>	<b>Budget documentation</b>	<b>B</b>	
PI-5	Budget documentation	B	Budget documentation fulfils all required information benchmarks except for: (i) financial assets; (ii) summary information of fiscal risks; (iii) explanation of budget implications of new policy initiatives; and (iv) quantification of tax expenditures.
<b>PI-6</b>	<b>Central government operations outside of financial reports</b>	<b>D+</b>	
PI-6	Expenditures outside of financial reports	D	As donor-funded expenditures are not reported in annual financial statements, more than 10 percent of budget expenditures are not included in annual financial statements of the Consolidated Fund Account.
PI-6	Revenues outside of financial reports	D	As noted, revenues outside of government financial reports are more than 10 percent of total revenues.
PI-6	Financial reports of extrabudgetary units	B	As externally funded project expenditures are reported annually, detailed financial reports of most of the extrabudgetary expenditures are submitted to the government.
<b>PI-7</b>	<b>Transfers to subnational governments</b>	<b>D+</b>	
PI-7	System for allocating transfers	D	The horizontal allocation of some transfers to Counties and Districts from the central government is not determined by transparent, rule-based systems.
PI-7	Timeliness of information concerning transfers	C	Counties and districts receive information about annual transfers from national governments, usually when the proposed budget is published on the MFDG website.
<b>PI-8</b>	<b>Performance information about service delivery</b>	<b>D</b>	

ID-Indicator	Label	2020	Justification
PI-8	Performance plans for service delivery	D	A framework of performance indicators relating to the outputs or outcomes is published by the Ministries of Education and Health, but, taken together, they account for less than 25 percent of the budget.
PI-8	Performance achieved vis-a-vis service delivery	D	Ministries and agencies do not use to publish an annual performance report or any comparable report.
PI-8	Resources received by service delivery units	D*	No documentation was provided showing that surveys were conducted regarding estimates of resources received by service delivery units for at least one major department.
PI-8	Performance evaluation of service delivery	D	The evaluation of the efficiency or effectiveness of services was conducted by the M&E Unit of the MFDP. However, this unit accounts for less than 25 percent of the budget. Also, it is not required to publish the results.
<b>PI-9</b>	<b>Public access to fiscal information</b>	<b>D</b>	
PI-9	Public access to fiscal information	D	Only the Annual Budget Execution Report and the Audit Reports from the General Auditor were made available to the public in a timely manner.
	<b>Management of Assets and Liabilities</b>	<b>C</b>	<b>Fiscal risks are not well identified because the monitoring of public enterprises and Counties/Districts is not sufficient. This is also the case for public investment because most of the projects are externally financed. The management of assets and liabilities is partially recorded, but debts and guarantees are prudently planned, approved, and monitored.</b>
<b>PI-10</b>	<b>Fiscal risk reporting</b>	<b>D</b>	
PI-10	Monitoring of public corporations	D	Most SOEs do not submit their annual reports to the SOE Financial Reporting and Coordination Unit of the MFDP.
PI-10	Monitoring of subnational governments	D	Annual reports concerning the financial position and performance of Counties and Districts are not published in a timely manner.
PI-10	Contingent liabilities and other fiscal risks	D	The central government entities and agencies do not quantify significant contingent liabilities in their financial reports.
<b>PI-11</b>	<b>Public investment management</b>	<b>D+</b>	

ID-Indicator	Label	2020	Justification
PI-11	Economic analysis of investment proposals	B	Economic analyses are conducted to assess most major investment projects. The analyses are reviewed by an entity other than the sponsoring entity.
PI-11	Investment project selection	D	As most of the projects are externally financed projects (for which there is no pipeline and central review process), less than 25 percent of the major investment projects are prioritized by a central entity.
PI-11	Investment project costing	D	Projections of the total capital cost of major investment projects are not included in the budget documents.
PI-11	Investment project monitoring	C	The total cost and physical progress of major investment projects are monitored by the implementing government unit. Standard procedures and rules for project implementation are in place, but no information about the implementation of major investment projects is published annually.
<b>PI-12</b>	<b>Public asset management</b>	<b>D+</b>	
PI-12	Financial asset monitoring	D	Insufficient information is generated about non-current assets because of the current use of the cash basis IPSAS.
PI-12	Non-financial asset monitoring	D	The government maintains a register of its holdings of fixed assets, but it does not collect information about their usage and age.
PI-12	Transparency of asset disposal	C	Procedures and rules are established for the transfer or disposal of non-financial assets, but only partial information about transfers and disposals is included in the annual financial reports.
<b>PI-13</b>	<b>Debt management</b>	<b>A</b>	
PI-13	Recording and reporting of debts and guarantees	B	Domestic and foreign debt and guaranteed debt records are complete and updated monthly. Data are reconciled quarterly, but not monthly. Comprehensive statistical reports are produced quarterly and annually.
PI-13	Approval of debts and guarantees	A	The central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and they are always approved by the Minister of Finance.

ID-Indicator	Label	2020	Justification
PI-13	Debt management strategy	A	A Debt Sustainability Analysis (DSA), with a horizon of at least three years, is prepared by the IMF and the World Bank under the Extended Credit Facility. It is also publicly reported. Annual reporting against debt management objectives is provided to the legislature. The government's annual plan for borrowing is consistent with the approved strategy.
	<b>Policy-based Fiscal Strategy and Budgeting</b>	<b>C</b>	<b>Policy-based fiscal strategy and budgeting is Basic. The fiscal strategy and the budget are prepared for the medium term, but multi-year appropriations are not yet permitted. The budget circular does not contain medium-term expenditure ceilings.</b>
<b>PI-14</b>	<b>Macroeconomic and fiscal forecasting</b>	<b>B</b>	
PI-14	Macroeconomic forecasts	B	The MFDP prepares medium-term forecasts of key macroeconomic indicators, which are included in the budget documentation submitted to the legislature. However, the projections are not reviewed by an external entity.
PI-14	Fiscal forecasts	B	The government prepares medium-term forecasts of the main fiscal indicators, including revenues, aggregate expenditures, and the budget balance. These forecasts, together with the underlying assumptions, are included in the budget documentation submitted to the legislature.
PI-14	Macro-fiscal sensitivity analysis	C	The government prepares, for internal use, a range of fiscal forecast scenarios based on alternative macroeconomic assumptions. However, the budget documents do not include a discussion of forecast sensitivities.
<b>PI-15</b>	<b>Fiscal strategy</b>	<b>C+</b>	
PI-15	Fiscal impact of policy proposals	C	The MFDP prepares estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the next fiscal year.
PI-15	Fiscal strategy adoption	B	The government has adopted, along with the last budget submitted to the legislature, a medium-term fiscal strategy, including quantitative and/or qualitative fiscal objectives.
PI-15	Reporting on fiscal outcomes	C	The government has prepared an internal report concerning the progress made against its fiscal strategy, but it was not submitted to the legislature.

ID-Indicator	Label	2020	Justification
<b>PI-16</b>	<b>Medium-term perspective in expenditure budgeting</b>	<b>D+</b>	
PI-16	Medium-term expenditure estimates	A	The annual budget presents an estimate of expenditures for the budget year and the two following fiscal years by administrative and economic classification.
PI-16	Medium-term expenditure ceilings	D	The budget circular does not contain medium-term expenditure ceilings. Also, multi-year appropriations are not yet permitted.
PI-16	Alignment of strategic plans and medium-term budgets	D	Sector strategies have been prepared for some sectors, but they do not present a substantially complete costing of investments and recurrent expenditures. Budget proposals are not aligned with estimates presented in the strategic plans.
PI-16	Consistency of budgets with previous year's estimates	D	Budget documents do not provide an explanation of changes to expenditure estimates between the second year of the previous medium-term budget and the first year of the current medium-term budget.
<b>PI-17</b>	<b>Budget preparation process</b>	<b>D+</b>	
PI-17	Budget calendar	D	A budget calendar exists, but the MACs did not have enough time to complete their detailed estimates in a timely manner.
PI-17	Guidance on budget preparation	D	A budget circular is issued to budgetary units, but it does not include ceilings for administrative or functional areas.
PI-17	Budget submission to the legislature	C	The executive has submitted the annual budget proposal to the legislature at least one month before the start of the fiscal year in all the last three years.
<b>PI-18</b>	<b>Legislative scrutiny of budgets</b>	<b>C+</b>	
PI-18	Scope of budget scrutiny	B	The legislature's review covers fiscal policies and aggregates for the coming year, as well as detailed estimates of expenditures and revenues. However, they do not cover medium-term details of expenditures and revenues.
PI-18	Legislative procedures for budget scrutiny	B	Legislative procedures include internal legislative committees, technical support, and negotiation procedures. However, public consultations have not yet taken place.

ID-Indicator	Label	2020	Justification
PI-18	Timing of budget approval	C	The legislature has approved the annual budget within one month of the start of the year in two of the last three fiscal years.
PI-18	Rules for budget adjustment by the executive	C	Clear rules exist for in-year budget changes by the executive, but they allow for significant administrative reallocations. Moreover, it is not clear that they are followed in most cases.
	<b>Predictability and Control in Budget Execution</b>	<b>C</b>	<b>The budget is implemented within a system of effective standards and processes. However, internal controls are effective for less than 75 percent of the budget expenditures.</b>
<b>PI-19</b>	<b>Revenue administration</b>	<b>C+</b>	
PI-19	Rights and obligations for revenue measures	A	The Liberian Revenue Authority (LRA) provides easy access and up-to-date information regarding taxpayers' obligations and rights, including appeal processes and procedures.
PI-19	Revenue risk management	B	The LRA uses a structured and systematic approach for assessing and prioritizing compliance risks for the majority of revenue streams.
PI-19	Revenue audit and investigation	C	Entities collecting most government revenues undertake audits and fraud investigations using a compliance improvement plan. However, less than 75 percent of planned audits were completed.
PI-19	Revenue arrears monitoring	D	The stock of revenue arrears at the end of the last completed fiscal year was below 10 percent of the total revenue collection for the year. However, the revenue arrears older than 12 months were more than 75 percent of the total revenue arrears.
<b>PI-20</b>	<b>Accounting for revenues</b>	<b>D+</b>	
PI-20	Information on revenue collections	A	The LRA obtains weekly data from entities collecting all central government revenues. This information is disaggregated by revenue type and is consolidated into a report.
PI-20	Transfer of revenue collections	A	All tax revenues are paid directly into the Consolidated Fund Account, or transfers to the Treasury are made daily.



ID-Indicator	Label	2020	Justification
PI-20	Revenue account reconciliation	D	The LRA does not prepare a consolidated revenue accounts reconciliation.
<b>PI-21</b>	<b>Predictability of in-year resource allocations</b>	<b>B</b>	
PI-21	Consolidation of cash balances	A	Bank and cash balances are consolidated daily into the TSA. However, extra-budgetary funds remain outside of the arrangement.
PI-21	Cash forecasting and monitoring	A	A cash flow forecast is prepared for the fiscal year, and it is updated monthly based on actual cash inflows and outflows.
PI-21	Information on commitment ceilings	C	Spending entities are provided with reliable information about resources available for commitments only one month in advance.
PI-21	Significance of in-year budget adjustments	C	Significant in-year adjustments are frequent. They are done in a transparent, but unpredictable way.
<b>PI-22</b>	<b>Expenditure arrears</b>	<b>D</b>	
PI-22	Stock of expenditure arrears	D*	The stock of expenditure arrears to suppliers was more than 50 percent of the total arrears. Information about the other types of arrears was not available.
PI-22	Expenditure arrears monitoring	D*	Data concerning the stock and composition of expenditure arrears is produced when annual financial statements are prepared. However, monitoring is not done for all types of arrears.
<b>PI-23</b>	<b>Payroll controls</b>	<b>D+</b>	
PI-23	Integration of payroll and personnel records	D*	The approved staff list, personnel database, and payroll are not directly linked. Staff hiring and promotions are controlled by a list of approved staff positions. All changes made to personnel records are reconciled manually against the previous month's payroll data. However, monthly reconciliation data was not provided.

ID-Indicator	Label	2020	Justification
PI-23	Management of payroll changes	D*	Changes to the personnel records and payroll are usually updated monthly, but no information was provided about personnel records and payroll updates.
PI-23	Internal control of payroll	C	Sufficient controls exist, but only to ensure integrity of the payroll data of greatest importance. Contractors were still not part of the payroll as of the time of the assessment.
PI-23	Payroll audit	C	Partial payroll audits or staff surveys have been undertaken within the last three completed fiscal years. The GAC undertook a payroll audit in 2019.
<b>PI-24</b>	<b>Procurement management</b>	<b>D</b>	
PI-24	Procurement monitoring	D	Databases regarding procurements are maintained only through the prior review mechanism, which represents less than the majority of procurement methods for goods, services and works.
PI-24	Procurement methods	D	The total value of contracts awarded through competitive methods represented much less than 60 percent of the total value of contracts in FY 2018/19.
PI-24	Public access to procurement information	D	The legal and regulatory framework for procurement, the government procurement plans, bidding opportunities, and contract awards are made available to the public. However, they represent less than the majority of procurement operations.
PI-24	Procurement complaints management	C	The procurement complaints system in Liberia meets only 3 benchmarking criteria, namely: Criteria 4) exercises the authority to suspend the procurement process; Criteria 5) issues decisions timely; and Criteria 6) issues decisions that are binding on every party, are not met.
<b>PI-25</b>	<b>Internal controls on non-salary expenditures</b>	<b>B</b>	
PI-25	Segregation of duties	A	Appropriate segregation of duties is prescribed through the entire expenditure process. Responsibilities are clearly articulated.

ID-Indicator	Label	2020	Justification
PI-25	Effectiveness of expenditure commitment controls	C	Expenditure commitment controls are in place and limit commitments to projected cash availability and approved budget allocations. However, the coverage does not include more than 75 percent of the budget expenditures in terms of value.
PI-25	Compliance with payment controls	C	The majority payments are compliant with regular payment procedures, and the majority of exceptions are properly authorized and justified.
<b>PI-26</b>	<b>Internal audit</b>	<b>D+</b>	
PI-26	Coverage of internal audit	B	Internal audit is operational for central government entities representing more than 75 percent of budgeted expenditures, as well as for government entities collecting more than 90 percent of budgeted revenues.
PI-26	Nature of audits and standards applied	B	Internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls, as well as financial compliance. However, internal audits and related controls and inspections only partially meet the professional standards of internal auditing.
PI-26	Implementation of internal audits and reporting	D*	Annual audit programs exist, but there was not enough information provided to check the percentage of programmed audits being completed for the FY 2018/19.
PI-26	Response to internal audits	D*	There is no evidence that management provides a partial response to audit recommendations.
	<b>Accounting and Reporting</b>	<b>D+</b>	<b>Accurate and reliable records are maintained, but information is not reliable enough and produced at appropriate times to meet decision-making and reporting needs.</b>
<b>PI-27</b>	<b>Financial data integrity</b>	<b>D+</b>	
PI-27	Bank account reconciliation	D	Bank reconciliations are not prepared.
PI-27	Suspense accounts	NA	The GoL uses cash accounting, and it has not established a system for monitoring suspense accounts on an extra-accounting basis.

ID-Indicator	Label	2020	Justification
PI-27	Advance accounts	NA	Reconciliation of advance accounts does not generally take place, even annually.
PI-27	Financial data integrity processes	C	Access and changes to records are restricted and recorded, but not all operations result in an audit trail.
<b>PI-28</b>	<b>In-year budget reports</b>	<b>D+</b>	
PI-28	Coverage and comparability of reports	C	The classification allows for comparison to the budget with partial aggregation. Expenditures are covered at both the allotment and payment stages. Expenditures made from transfers to deconcentrated units are not included in the reports.
PI-28	Timing of in-year budget reports	D	Budget execution reports are prepared quarterly, but they are not issued in a timely manner.
PI-28	Accuracy of in-year budget reports	C	Expenditures are captured in quarterly reports at the payment stage. There may be concerns regarding data accuracy, which are not highlighted in the reports. An analysis of the budget execution is provided on a semi-annual basis.
<b>PI-29</b>	<b>Annual financial reports</b>	<b>D+</b>	
PI-29	Completeness of annual financial reports	C	A statement on the Consolidated Fund is prepared annually. Information about revenues, expenditures and bank account balances is not complete, but the omissions are not significant.
PI-29	Submission of reports for external audit	D	Unaudited financial statements of the Consolidated Fund Account for the FY 2018/19 were published within six months by the Office of the Comptroller General to the General Auditor. However, the report was not complete, and it was not completed within 9 months after the end of the fiscal year.
PI-29	Accounting standards	C	Statements are presented in a consistent format over time, but the GAC's reports often mention that they are not prepared in accordance with International Public Sector Accounting Standards (IPSAS) cash basis. Variations between international and national standards are not disclosed in the AFS.
	<b>External scrutiny and audit</b>	<b>D</b>	<b>Audit reports on the AFS are produced too late to allow the Parliament to make appropriate recommendations and exercise effective oversight over the executive.</b>

ID-Indicator	Label	2020	Justification
<b>PI-30</b>	<b>External audit</b>	<b>D+</b>	
PI-30	Audit coverage and standards	B	Financial reports of central government entities representing more than 75 percent of total expenditures and revenues have been audited according to national auditing standards. The audits have highlighted relevant material issues.
PI-30	Submission of audit reports to the legislature	D	The GAC reports on financial statements were submitted to the legislature more than nine months from the date of receipt by the GAC of the AFS from the government.
PI-30	External audit follow-up	C	A formal response is usually provided by the audited entity, but it is often not complete and/or timely.
PI-30	Supreme Audit Institution independence	D	The GAC operates independently from the executive with respect to the procedures for appointment and removal of the Auditor General. However, the MFDP has significant influence on the release of the GAC's budget. Also, the GAC had difficulties in obtaining the requested documents and information in a timely manner.
<b>PI-31</b>	<b>Legislative scrutiny of audit reports</b>	<b>D</b>	
PI-31	Timing of audit report scrutiny	D	Examination of audit reports by the legislature is generally taking more than 12 months to complete.
PI-31	Hearings on audit findings	D	The PAC conducted public hearings about various special audit reports, but they did not refer to key findings of the GAC audit reports.
PI-31	Recommendations on audit by the legislature	D	The legislature provides some recommendations about actions to be implemented by the executive, but the PAC does not have a specific follow-up system. These recommendations are not specifically linked to those made by the GAC concerning the AFS.
PI-31	Transparency of legislative scrutiny of audit reports	D	Reports of the Public Accounts Committee are not published on any official website or other means that are easily accessible to the public.

## Annex 2. Summary of Observations concerning the Internal Control Framework

Information for this annex should be drawn from the PEFA Assessment only. No new information should be collected. Where there is no information to provide a summary of findings, the table should include the words ‘no information available from the PEFA Assessment’.

Internal Control Components and Elements	Summary of Observations
<b>1. Control environment</b>	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control consistently throughout the organization.	The GoL is being diligent in strengthening control procedures relating to commitments, salaries, public contracts, and so on. There is a commitment from the Internal Audit Agency (IAA) to comply with internal controls and establish systems for review. The increasing use of the Committee of Sponsoring Organizations’ integrated framework supports the management philosophy of integrity.
1.2. Commitment to competence	Management and staff are committed to complying with good practices and control measures. This is reflected in the internal audit findings and other reviews. However, neither the responses of the auditees nor the IAA’s reports are disclosed.
1.3. The “tone at the top” (that is, management’s philosophy and operating style)	Management is progressive in the pursuit of reforms, including the implementation of activities that improve the control and management of public finances. This is indicated in the PFM Action Plan and the number of activities either completed or under implementation.
1.4. Organizational structure	The MFDP, the LRA and the IAA are the lead organizations in government in establishing the internal control framework. The LRA currently has an Audit and Risk Management Department, including a Charter. Accountable officers, including a segregation of duties, exists within the government. They have overall responsibility for maintaining the system of internal controls in each MAC.
1.5. Human resource policies and practices	A control system has been implemented for hiring and promotion in accordance with the improved budget. The payroll is now integrated within the IFMIS. However, the transfer of information is still done manually or through electronic systems, which are not directly linked.
<b>2. Risk assessment</b>	
2.1 Risk identification	A risk-based approach is utilized within the government.
2.2 Risk assessment (significance and likelihood)	The fiscal responsibility framework used by the GoL requires the IAA to identify a broad assessment of the risks to the fiscal operations.
2.3 Risk evaluation	Internal audit performs annual risk assessments that are part of the audit planning processes.
2.4 Risk appetite assessment	
2.5 Responses to risk (transfer, tolerance, treatment, or termination)	
<b>3. Control activities</b>	
3.1 Authorization and approval procedures	

Internal Control Components and Elements	Summary of Observations
	Authorizing and approving roles are defined in regulations. The regulations require proper segregation of duties. Discussions with management and the division reflect appropriate segregated of duties for authorization and approval.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	The segregation of duties is implemented within the IFMIS.
3.3 Controls over access to resources and records	The IFMIS IT systems (Free Balance) have strong, password-based access controls and responsibility assignments, based on position classification. Controls over records are based on division implementation.
3.4 Verifications	The number of MACs utilizing the IFMIS has increased. Entities using the IFMIS covered 90 percent of the budget allotment and 70 percent of budget execution in 2018/19. Verification of revenues and expenditures is an ongoing activity for the internal audit staff.
3.5 Reconciliations	Reconciliations are required to be completed weekly, monthly, quarterly, and annually. However, government entities have difficulties in complying with the GAC's request after having submitted the AFS. Follow-up on late reconciliations continues long after the AFS have been submitted.
3.6 Reviews of operating performance	Performance targets are being defined in the MAC's budget planning, but no annual performance or report of the activities performed is published. There is currently no consistent reporting of performance outcomes.
3.7 Reviews of operations, processes, and activities	Business processes, operations, and activities are included within the scope of internal and external audit activities. Both entities also perform performance audits. The GAC is conducting performance audits on the budget execution of selected entities. These reports are published.
3.8 Supervision (assigning, reviewing and approving, and guidance and training)	The structural organization of the government provides the controls for employee supervision and training.
<b>4. Information and communications</b>	The MFDP published on its website the quarterly, comprehensive GFS-compliant fiscal operations reports for Liberia. It also submitted the IPSAS compliant financial statements to the GAC to improve internal budget controls. The GoL establishes forums and other types of meetings for communications with donors, civil society, and other interested parties.
<b>5. Monitoring</b>	
5.1 Ongoing monitoring	Ongoing monitoring and evaluation of business operations occur through internal and external audit.
5.2 Evaluations	Performance audits are conducted by both entities, but only the GAC's reports are published.

Internal Control Components and Elements	Summary of Observations
5.3 Management responses	Management responses to internal audits have not been provided. Response to external audit needs to be further enhanced by the involvement of the Public Accounts and Audit Committee (PAAC).



## Annex 3. Sources of Information

### *Annex 3A: Related Surveys and Analytical Work.*

Related surveys and analytical work can be found in the link below:

[https://drive.google.com/drive/folders/1mFYwXzJDBOs\\_Of731GAQ-ecoKzfSi9NC?usp=sharing](https://drive.google.com/drive/folders/1mFYwXzJDBOs_Of731GAQ-ecoKzfSi9NC?usp=sharing)

*Annex 3B: Lists of Persons Interviewed and Others Who have Provided Information for the PFM Performance Report*

Organization Name	Entity / Position
Government of Liberia, MFDP	Mr. Vee Musa Fofana, RCU Coordinator
Government of Liberia, MFDP	Mr. Lawrence Taylor, Project Manager
Government of Liberia, MFDP Office of the Comptroller and Accountant General	Mr. Prince Leigh, Director, Financial Reporting and Reconciliation
Government of Liberia, MFDP	Mr. Johnson William, Assistant Director, Budget Development and Dissemination
Government of Liberia, MFDP	Mr. Prince Nelson, Director, Revenue Tax Policy Unit, Department of Fiscal Affairs
Government of Liberia, Civil Service Agent	Mr. Isaac Forego, Director, Employment Services
Government of Liberia, Liberia Revenue Authority	Mr. Robert Kamei, Assistant Commissioner, Modernization and Transformation
Government of Liberia, Parliament	Mr. Michael Thomas, Executive Director, Public Accounts, Expenditure and Audit Committee Secretariat
Government of Liberia, GAC (Auditor General)	Mr. John Lester Greaves, Director General, Auditing Commission
Government of Liberia, MFDP, Department of Economic Management	Mr. Frederick Krah, Director, Debt Management Unit
Government of Liberia, MFDP, Department of Economic Management	Mr. Baba S. Conteh, Director, Macroeconomic and Financial Sector Policy
Government of Liberia, Public Procurement and Concessions Commission	Mr. Nathan Bengu, Director
Government of Liberia, MFDP, Department of Budget and Development Planning	Mr. D. Emmanuel Williams II, Director, Public Investment Unit
Government of Liberia, Internal Audit Agency	Mr. Eric Kennedy, Director
Government of Liberia, National Legislature	Mr. Othello Tarbah, Director, Legislative Budget Office
Embassy of Sweden	Mr. Arto Immonen, Counsellor, Democratic Governance
European Union	Ms. Pia Buller, Program Officer
African Development Bank	Ms. Sandrine Ebakise, Senior Governance Officer

## Legislation

### I. BUDGET RELIABILITY

#### 1. Aggregate expenditure outturn

*Section 35 of the PFM Act 2009*

Local government shall adhere to internationally accepted principles.

Section 45 In-Year Reporting and Annual Accounts of State-Owned Enterprises

1. state-owned enterprises shall, within one month after the end of the previous quarter submit their quarterly financial statements to the board of directors for onward submission to the minister, sector minister.
2. state-owned enterprises shall prepare and submit their annual reports to the board of directors for onward submission to the minister, sector minister, auditor general and the bureau of state enterprises two months after the end of the financial year to which they relate. the auditor general shall review the annual report and present his/her opinion to the legislature alongside the audit report of government financial operations for the previous financial year.
3. the minister of finance shall present a statement of the overall performance of state-owned enterprises to the legislature alongside the budget proposals of the following financial year.”

#### 2. Expenditure composition outturn

*Public Finance Management Regulation Part O28*

(1) the comptroller-general shall, on a daily basis, reconcile the general revenue account by matching the bank payment slips with the manager’s check receipt and matching the revenue to the daily collections listing and subsequently the bank statement.

Public Financial Management Regulations O28 1-2

(1) the comptroller-general shall, on a daily basis, reconcile the general revenue account by matching the bank payment slips with the manager’s check receipt and matching the revenue to the daily collections listing and subsequently the bank statement.

(2) revenues accruing to government through donor funding but operating outside of the consolidated fund shall be recorded using the government chart of accounts. the comptroller-general shall ensure there are adequate mechanisms to reconcile project, pool funds and the proposed county treasury accounts.

Section 13 of the Public Financial Management Act 2009

1. in the national budget, the legislature shall approve an amount of public funds not exceeding 5 per cent of total annual domestic revenues, as estimated in the proposed budget to be used as contingency fund”
2. the contingency fund may cover urgent and unforeseen expenditures arising from emergency for which payments cannot be postponed until the passage of a supplementary budget or the next annual national budget without seriously affecting the public interest.
3. the minister shall submit to the president, for approval, all proposals for the use of funds out of the contingency fund.
4. the use of funds out of the contingency fund shall be reported by the minister in the next quarterly outturn covering the month(s) in which the expenditure occurred.

#### Section 7 Tax and Revenues of the Revenue Code of Liberia 2000 and Its Amendments

All tax revenues and other fees collected for the republic of Liberia are paid into the consolidated fund account.

#### Section 8 of the Public Finance Management Act

All public financial transactions, both revenues and expenditures, are to be structured and classified using the same classifications for both budgeting and accounting.

The classifications shall include, but not limited to the following framework:

- i. revenues and other resources will be structured around major titles/heads.
- ii. expenditures and other payments will be classified by administrative/institutional unit responsible for spending, appropriated at spending agency level, and will be further classified according to economic classification and other classifications.

### **3. Revenue outturn**

#### Section 37 Subsection 5 of the PFM Act 2009

The auditor general shall review the final accounts of the national budget produced by the MFDP and submit his/her report, along with the audited final accounts, including responses and clarifications provided by the MFDP on the observations and comments raised by the auditor general, to the national legislature not later than four months after receipt of the unaudited final accounts from the minister (...) the auditor general shall also publish the audit report in the official gazette and make it available to the legislature and the public within one month of the completion of said audit report.

## **II. TRANSPARENCY OF PUBLIC FINANCES**

### **4. Budget classification**

*Regulations Part D18 Classification of Expenditure and Payments of the Public Finance Management*

For the purposes of budgeting and accounting, the expenditures and other payments of government agencies shall be classified by administrative/institutional unit responsible for spending, appropriated at spending agency level, and will be further classified according to economic classification structured around the following major categories of spending

## **5. Budget documentation**

### *Section 12 of the PFM Act 2009*

1. the proposed budget presented by the president to the legislature shall include the following documents:

(a) a budget framework paper.

(b) a detailed annual budget estimates set alongside the previous budget year outturns, current year original budget as well as the actual outturn based on available data, and projected outturns for the current year. the details and contents of the annual budget estimate shall be defined in regulations issued by the minister under this act.

(c) an instrument for the legislature's consideration, which lays out any change(s) in the tax and non-tax revenue policy regimes, which shall be presented not later than the date of submission of the budget estimates to the legislature.

(d) an annexe stating the amounts of outstanding public debt and guarantees.

(e) an annexe summarizing the financial operations of each autonomous agency, indicating in each case the resources to be transferred from the national budget.

(f) an annexe summarizing the annual financial plans (budget) and operations of each state-owned enterprise or financial institution specific formats for such annexe will be prescribed in regulations issued under this act.

(g) an annexe identifying in summary form all donors financing, distinguishing financing in support of central government from other external financing. specific formats for such information will be prescribed in regulations to be issued by the minister under this act.

2. notwithstanding section 12.1.c above, any other proposed act(s), policy or measure which lay out changes in the tax and non-tax revenue policy regimes may be placed before the legislature for its consideration at any time.

3. the proposed budget shall be accompanied by the president's budget message.

## **6. Central government operations outside financial reports**

### *Section 39 Application of the General Financial Management Provisions of the PFM Act*

1. autonomous agencies and special funds under the direct control of the central government shall adopt the same financial management rules and adopt the same financial year as the government.

2. autonomous agencies and special funds must keep full and proper records of the financial affairs of the agency in accordance with the relevant rules and procedures set forth in this act and its regulation.

3. autonomous and semi- autonomous agencies and special funds shall submit their annual accounts to the minister, sector minister and auditor general three months after the end of the fiscal year.

#### Section 41 In-Year Reporting and Annual Accounts for Autonomous Semi-Autonomous Agencies and Special Funds 1

Each autonomous agency and special fund shall submit, within 30 days of the end of each calendar quarter, to the president and the minister, a financial report, in a format and structure prescribed in regulations and instructions issued by the minister pursuant to this act, comparing actual revenues and expenditures to its approved budget plan

##### *Section 41 PFM Act*

All autonomous agencies and special fund shall submit quarterly financial statements one month after end of previous quarter and annual financial statements two months after end of the previous fiscal year to the president, the minister, and the auditor general.

#### Section 9 Gross Basis and Coverage of the Budget of the PFM Act 2009

1. the national budget shall comprise all revenues and expenditures, on a gross basis, of the central government, including transfers of any kind from the national budget to sub-national governments, autonomous agencies and funds, public or private enterprises or financial institutions, non-government entities or institutions, or private persons.
2. the national budget shall, to the extent of the availability of reliable data, include all donors financing provided directly to the budget in support of the central government, general budget support, basket funding of sectors, and funding of government projects.
3. the national budget shall be a single unified budget including both recurrent and capital expenditures.

#### **7. Transfers to Counties and Districts**

##### *Section 9 of the PFM Act 2009*

The national budget shall comprise all revenues and expenditures, on a gross basis, of the central government, including transfers of any kind from the national budget to sub-national governments, autonomous agencies and funds, public or private enterprises or financial institutions, non-government entities or institutions, or private persons.

#### **8. Performance information for service delivery**

##### *Section 36 of the Public Financial Management Act of 2009*

Each spending entity of the GOL shall, prior to the submission of its budget to the legislature, present to the legislature a budget performance report covering the first three quarters of the current budget year.

##### *Section 36 Reporting of the PFM Act 2009*

Each spending entity is required, where applicable, to provide a monthly report on revenues and a quarterly expenditures performance report to the minister in the terms, format and within the timeframe determined by regulations under this act.

*Section 36 Reporting of the PFM Act 2009*

Each spending entity is required, where applicable, to provide a monthly report on revenues and a quarterly expenditure performance report to the minister in the terms, format and within the timeframe determined by regulations under this act.

**9. Public access to fiscal information**

*Section 14 Public Access to the Budget of the Public Finance Management Act (2009)*

1. the proposed budget will be made available to the public immediately following its submission to the legislature.
2. the approved budget will also be available to the public immediately following its publication into handbill.

### III. MANAGEMENT OF ASSETS AND LIABILITIES

**11. Public investment management**

*National Guidelines*

Economic analyses must be carried out in order to assess investment projects.

*Public Financial Management Regulation F-18*

The conditions that investment projects and specific programs approved by the national legislature shall meet, and the procedure for their consideration, shall be determined by the debt management committee.

The conditions that investment projects and specific programs approved by the national legislature shall meet, as well as the procedure for their consideration, shall be determined by the debt management committee.

**12. Public asset management**

*Public Financial Management Regulation U2*

The general services agency shall determine for each government agency or office the items of inventory which can be regarded by it as expendable in the government agency accounting manual. (2) the general services agency shall, in making the determination, not only consider the nature of the item but also the extent of usage of the item so that full accountability is retained for large stocks and expensive inventory even though they are expendable. (3) where small quantities of expendable inventory of low value are received in departments or offices which do not maintain storage facilities, they may be issued for use without being first brought to account in inventories ledger; in which case the payment voucher or inventories voucher shall be certified that the items were received and issued for immediate use.

*Public Financial Management Regulation V5*

- (1) the conditions and terms of disposal or sale of immovable or movable assets shall be determined by the general services agency.
- (2) the conditions and terms of letting of immovable state property (excluding state housing for officials and political office bearers) shall be determined by the general services agency. no state property may be let free of charge without the prior approval of the general services agency.
- (4) the head of government agency must review, at least annually when finalising the budget, all fees, charges, rates, tariffs or scales of fees or other charges relating to the letting of state property to ensure sound financial planning and management.

### **13. Debt management**

#### *Section 28 Government Borrowing of PFM Act 2009*

Subject to the limits of authority granted by the legislature as provided for under article 34d(iii) at the time of approval of the national budget, or at any other time in a fiscal year, the minister is solely responsible for overseeing government borrowing in accordance with specific regulations issued under this act. this includes domestic and foreign borrowing, as well as concessional and commercial borrowing, and short-term liquidity related borrowing.” the minister in consultation with the central bank of Liberia, shall issue specific guidelines related to the issuance of domestic government securities and bonds.

All loan agreement which finance the national budget are to be signed by the minister on behalf of government with the exception of government securities which are handled by the central bank of Liberia under the authority of, and in consultation with, the minister.

#### *Section 29 Government Guarantees of PFM Act 2009 States*

The minister is solely authorised to issue a guarantee on behalf of the government for a loan contracted by a state-owned enterprise or public financial institution up to the limit set by the legislature in approving the national budget.

#### *Section 32 (4) of Public Debt Recording and Reporting States*

The minister shall ensure that there is a debt strategy which will from time to time be updated and published showing details of the terms and conditions of any new borrowing as well as those of loans and guarantees that the government may guarantee from time to time.

#### *Section 32 Public Debt Recording and Reporting of the PFM Act 2009*



The minister is required to maintain up-to-date records of all public debt, including guarantees. records and information on details of holders of government securities will be maintained by the central bank of Liberia twice a year, the minister shall prepare and submit a report to the president and legislature identifying new borrowing and issuance of guarantees, as well as debt repayments, rescheduling, write-offs, and retirements. the minister will prepare and publish a report on public debt outstanding as well as debt service projections over the medium-term.

## **IV. POLICY-BASED FISCAL STRATEGY AND BUDGETING**

### **14. Macroeconomic and fiscal forecasting**

#### *Public Financial Management Regulations C22*

The minister of finance and development policy shall be responsible to the president for developing and implementing a macro economic and fiscal policy framework for Liberia and shall supervise and monitor the finances of the country.

#### *Public Financial Management Regulations C31-4*

Line ministers shall be responsible for ensuring that the spending agency has enough public financial management systems to undertake adequate budget preparation, execution, reporting, accounting and internal control.

ministers of line ministries shall be responsible for preparing the annual budget estimates and the medium-term budget framework for spending agencies.

The first phase of the budget cycle shall start with the update of the draft medium term macroeconomic and fiscal framework by the minister

### **15. Fiscal strategy**

#### *Public Financial Management Regulations F3 8-9*

The minister shall develop a three-year government debt management strategy, which shall be approved by the debt management committee and endorsed by the cabinet. the strategy shall be updated on an annual basis and shall be submitted together with the three-year budget projection for approval by the debt management committee and adoption by the cabinet

#### Section 19 Fiscal Impact Analysis of Draft Legislation of the PFM Act 2019 States

1. all proposed legislation submitted for approval of the legislature shall be accompanied by a fiscal impact analysis, stating the legislature estimated effect on revenues and expenditures for the fiscal year in which the legislation would become effective, as well as the legislation's fiscal impact on multi-year planning and budgeting.
2. the minister shall prepare detailed instructions regarding the nature of the analysis to be done and the process of validating the fiscal impact.
3. the minister shall provide an opinion to the legislature on the adequacy of such fiscal impact analyses.

## **16. Medium term perspective in expenditure budgeting**

### *Public Financial Management Regulations D22*

1) on receipt of estimates from ministries and agencies, the minister shall cause to be conducted budget hearings to review strategic plans and estimates of the government agencies concerned in order to ensure that these plans and estimates are in accordance with the government's macro-economic policy and fiscal framework. (2) where necessary, the minister may require a government ministry or agency to adjust its strategic plans and estimates in order to fulfil the requirements of the government's macro-economic policy and fiscal framework.

### *Public Financial Management Regulations D3 2-3 D6 2*

The preparation of a medium-term expenditure framework (...) will establish indicative spending ceilings for the budget year as well as two outer years in line with policy priorities, through a consultative process that encourages effective consensus and ownership

### *Section 8 of the Public Finance Management Act (2009)*

The minister shall oversee the preparation of the national budget in the context of a medium-term fiscal framework for purposes of achieving national objectives over a multi-year period. the fiscal framework for the national budget shall be based on estimates for the fiscal year and for the two subsequent years, which consider the economic and development policies that are consistent with the government's declared medium-term economic and fiscal objectives".

### *Section 8 of the Public Finance Management Act (2009)*

The minister shall oversee the preparation of the national budget in the context of a medium-term fiscal framework for purposes of achieving national objectives over a multi-year period. the fiscal framework for the national budget shall be based on estimates for the fiscal year and for the two subsequent years, which consider the economic and development policies that are consistent with the government's declared medium-term economic and fiscal objectives.

## **17. Budget preparation process**

### *Public Financial Management Regulations D9*

(2) the minister shall not later than six months before the end of each fiscal year issue a budget call circular detailing the timetable for the preparation and submission of the government's macro-economic policy statement and budget for such period as shall be determined by the president in enactment and which shall be followed by all departments.

### *Section 11 Budget Preparation Cycle and Calendar*

1. the president shall submit the proposed budget and accompanying documents to the legislature no later than 2 months before the start of the fiscal year. 2. the preparation of the national budget shall conform to the process and timetable set forth in section 11.1 above, which will be further supplemented by a detailed cycle established in a published annual budget calendar in the regulations accompanying this act.3. the budget preparation

cycle shall consist of two phases, the first concentrating on the preparation of a budget framework paper and the budget circular, and the second concentrating on the preparation of the detailed annual budget that addresses the policies and priorities set out in the budget framework paper.

*Section 111 of the Public Financial Management (PFM) Act 2009*

The president shall submit the proposed budget and accompanying documents to the legislature not later than two (2) months before the start of the fiscal year

**18. Legislative scrutiny of budgets**

*Section 15 Legislature's Authority and Responsibility to Approve the Budget of the PFM Act 2009*

1. during the fiscal year, the approved budget may be amended through supplementary budgets to be approved by the legislature.
2. the preparation, approval and execution of a supplementary budget is governed by the same rules applicable to the approval and execution of the national budget as specified in this act.
3. the minister shall submit to the legislature a mid-fiscal-year review of the implementation of the budget in the middle of February each year, including an analysis of revenue collections and expenditure performances in the first six months of the fiscal year, and, if necessary, a proposed supplementary budget for approval by the legislature.
4. to ensure that the legislature does receive two different budgets at the same time for passage, the minister shall ensure that all supplementary budgets are submitted to the legislature not later than February 15 of each year. the legislature shall approve all such supplementary budgets of each year.”

*Section 2 General Principles of the PFM Act 2009*

(b) annual basis, the budget authority is granted by the legislature for a fiscal year, unless there are exceptions specified in law.

**V. PREDICTABILITY AND CONTROL IN BUDGET EXECUTION**

**21. Predictability of in-year resource allocation**

*Public Finance Management Regulation Part H9 Operation of Transitory Accounts*

(1) where authorisation has been granted by the minister to open transitory accounts, heads of government agencies or their controllers shall ensure that cash balances on those accounts are immediately deposited to the main treasury account in the central bank. notwithstanding the foregoing generality all public moneys deposited in transitory accounts shall be swept to the main treasury account on a daily basis. in exceptional circumstances, such as for diplomatic missions, as determined by ministerial instruction, deposit shall be made once a month.”

(2) when commercial banks are involved in revenue collection or expenditure payments, the banking arrangements must be negotiated and contracted by the minister in order to ensure that requirements for cash and budget management are appropriately taken into account. the minister may authorize opening of deposit accounts with commercial banks, which shall be selected on a competitive basis to get higher-yielding terms.

#### Regulations Part E8 of the PFM Act 2009 Reallocations

(2) the deputy minister of budget, may approve reallocation of appropriations (...):

(a) except for donor funded projects, in sub regulation 2(g) below, no reallocation may be made from the budget of one government agency to the budget of another government agency, except to address national emergencies about which the president had notified the national legislature;

(b) notwithstanding (a) above, request for reallocation between government agencies may be approved up to a total for the year not exceeding twenty (20) percent of the appropriation for the agency from which the transfer is to be made or twenty (20) . any such transfer exceeding twenty (20) percent of the donor agency's appropriation must meet the approval of the minister and the head of the donor agency.

(c) no reallocation may be made from or into personnel expenditure from other major objects of expenditure or between items within personnel expenditure without written approval of the civil service agency.

(d) no reallocation may be made to increase amounts appropriated for foreign travel or purchase of vehicles;

(e) the rules in (a), (b) and (c) apply to all reallocations approved by the deputy minister of the budget.

(f) request by an agency head for reallocations within an agency and within a program, within goods and services or within capital expenditure shall be approved without limitations.

(g) request by an agency head for reallocations within a program between objects of expenditure may be approved without limitation.

(h) request for reallocations within an agency between programs may be approved up to a total for the year not exceeding ten (10) percent of the original appropriation for the program from which the reallocation is to be made. (i) the minister shall include cumulative reallocations in the quarterly fiscal outturns to be submitted to the legislature in accordance with section 26(2) of the public finance management act,2009.

(3) the deputy minister for budget may delegate the power to authorise reallocations to head of government agency, stating clearly the terms and extent of such delegation.

(4) for a reallocation proposal to be approved, the following conditions shall be met:

(a) on approval of a reallocation application by the minister, the deputy minister for budget or sector minister, a reallocation warrant shall be issued by the minister or sector minister or any authorised officer.

- (b) reallocation warrants shall be numbered consecutively within the year of issue and shall be laid before legislature prior to the subsequent budget.
- (c) sufficient funds must exist in the budget from which they will be transferred to cover the cost of the increased expenditure in the receiving budget, after recognition of planned expenditure and future commitments.
- (d) controls must be in place to restrain expenditure in the reduced budget to the new level.
- (e) if more than one budget holder is involved, all budget holders must agree to the proposed reallocation.
- (f) the expenditure for the proposed activity or event must not conflict with the priorities and objectives of the institution.
- (g) the head of government agency or the accounting officer must maintain a register of all budgetary reallocations.

*Section 23 Annual Revenue and Spending Plans of the PFM Act 2009*

All spending shall be in accordance with the spending plans approved by the minister. any changes to these plans must be notified to the minister in a period not less than seven (7) working days preceding the month in which the spending plan applies.

The minister shall require, within thirty (30) working days following the submission of the proposed budget to the legislature, all ministries and heads of spending agencies, to prepare and submit to the ministry, annual spending plans and timing of revenue inflows (in the case of revenue generating entities) broken down by months, which may be revised.

the finance minister shall:

- prepare an annual plan, broken down by months, for collection of tax, customs, excise and non-tax revenues, as well as any other budgetary

resources appropriated, including balances in the consolidated fund, external grants and domestic and external borrowing, (...)  
- prepare and issue allotments based on the agreed plans.

#### Section 26 Reallocations of National Budget Appropriations of the PFM Act 2009

1. following the adoption of the national budget, all transfers of funds within the budget shall be done consistently with the budget transfer act of 2008.
2. cumulative budget reallocations shall be reported in the quarterly fiscal outturn prepared by the minister.

#### Section 34 Banking Arrangements of PFM Act 2009

the banking arrangements of government will reflect, to the extent possible, the principles of a treasury single account, in which all accounts of central government are essentially managed as one from a cash point of view.”

### **22. Expenditure arrears**

#### *Section 32 Public Debt Recording and Reporting of PFM Act 2009*

Accumulated arrears to suppliers at the end of a fiscal year, which are not likely to be settled within the settlement period, specified in section 27, are considered debt and will be recorded as such, and their settlement included, and reported, in debt service.

### **23. Payroll controls**

#### *PFM Regulations Part T4 Instructions on Salaries Wages and Related Allowances*

(2) no system shall be used in payment of public servant's personnel emolument without the prior approval the minister.

- procedures to be followed in payments of salaries, wages and related allowances shall be provided in the accounting regulations to be issued by the minister in consultation with the auditor general.

- when a public servant's personnel emolument is payable on government automated payroll or the agencies' main payroll, payment by manual vouchers is prohibited except as approved by the minister.

### **24. Procurement management**

#### *Section 127 Decisions on Complaints and Appeals of Public Procurement and Concessions Act*

(1) upon a complaint and/or appeal the complaints, appeals and review panel shall under normal circumstances render its decision within forty-five (45) days after the request for review or appeal is received. that period may be extended by fifteen (15) days. if the panel does not issue a decision within the prescribed or agreed period, the complainant or appellant may proceed directly to a court of competent jurisdiction.

Section 13 Sections 5 and 128 of PPPC and Sections 10 and 125-128 of PPCA

Information on vendors register, procurement plans, contract packages, approved contracts, concession plans, complaints can be obtained from the web site

the PPC Schedule of Thresholds or Procurement Contracts

For the national open competitive bidding, the following estimated contract prices shall require no objection from the commission:

- in the case of contracts for the procurement of goods, us\$500,000
- in the case of contracts for the procurement of services, us\$200,000
- in the case of contracts for the procurement of works, us\$1,000,000

for use of request for quotations (RFQ) , the thresholds that require a no objection from the commission are set as follows:

- in the case of contracts for the procurement of goods, us\$10,000
- in the case of contracts for the procurement of services, us\$10,000
- in the case of contracts for the procurement of works, us\$30,000

for restricted bidding, the following thresholds require no objection from the commission:

- in the case of contracts for the procurement of goods, us\$50,000
- in the case of contracts for the procurement of services, us\$20,000
- in the case of contracts for the procurement of works, us\$100,000

## **25. Internal controls on non-salary expenditures**

### *PFM Regulation E17*

Head of government agency shall not later than fifteen working days after the end of each quarter send quarterly budgetary control reports set out monthly through the appropriate authority to the minister.

### *Public Financial Management Regulations C31*

Line ministers shall be responsible for ensuring that the spending agency has sufficient public financial management systems to undertake adequate budget preparation, execution, reporting, accounting and internal control.

### *Public Financial Management Regulations C35*

Ministers of line ministries shall be responsible for proposing, in a timely manner, the forecast of cash flow requirements on a monthly and quarterly basis including expenditures by appropriation categories to the ministry of finance.

### *Section 25 Commitment Control of PFM Act 2009*

All commitment approvals shall be subject to availability of adequate balance of uncommitted allotments on the budget line(s) against which the commitment are being made.

1. all spending shall be subject to commitment control procedures established in regulations under this act.
2. (...)
3. unless otherwise stipulated in regulations under this act, all commitments shall be approved by the minister or the minister's designee.”

*Sections 5 To 7 of the PFM Act*

*Sections 8 To 38 of the PFM Act*

Detail the Authorities and Responsibilities of Government Officials

Outline the Budget Preparation Budget Execution Accounting and Reporting Framework

## **26. Internal audit**

*Audit Manual Issued by the Internal Audit Secretariat Section 873 Auditees' Response to Audit Findings*

The auditee of the client entity shall be given the opportunity to respond to the audit findings prior to issuance of the final report. the auditee's responses can be included in, or attached to, the final audit report.

however, if the auditee decides to respond after the final audit report is issued, the first page of the final audit report shall be a letter requesting the auditee's written response to the recommendations in the final audit report. in the response, the auditee shall explain how the findings in the final audit report will be resolved and include an implementation timetable.

in some cases, the auditee may choose to respond with a decision not to implement an audit recommendation and to accept the risks associated with an audit finding.

the auditee shall send copies of its response to all recipients of the final audit report if the decision is not to have its response to the recommendations included in the final audit report.

the auditee's decision not to implement an audit recommendation shall be documented in the audit file.

*Part K11 of the Public Finance Management Regulation Functions of Audit Committee*



(1) the audit committee of government agencies or organisations shall:

a) review internal controls, including the scope of internal audit, internal audit plans, internal audit findings, and recommend to the head of government agency the appropriate action to be taken

b) review with the auditor general or other external auditors, as may be appropriate, the scope of their audit plan, the system of internal audit reports and assistance given by officers or staff to the auditors and any findings and action to be taken.

c) be responsible for resolution of any disagreements between management, internal auditors and the auditor general regarding internal controls and financial reporting.

d) co-ordinate all audits of the government agency or organisation.

(2) audit committees in government agencies shall ensure that policies, directives, guidelines and standards for internal auditing are complied with and approved audit recommendations of both internal and external auditing as well as recommendations of expenditure tracking surveys are implemented.

(3) the committee shall consult with the head of government agency but shall not delegate the responsibilities in sub regulation (1).

(4) notwithstanding sub regulations (1) and (2) it shall be the duty of the head of government agency and the auditor general to conduct audits to determine that the organisation's financial statements and disclosures are complete and accurate and are in accordance with international public sector accounting standards as adopted by the government of Liberia.

*Part K8 of the Public Finance Management Regulation*

Duty of heads of government agencies to respond to management letters: a head of government agency, after consultation with the head of his internal audit government agency and other relevant officers, shall respond to a report or management letter from the Auditor-General and to relevant provisions of a ways, means and finance committee report

Section 38 Internal Control and Audit of Act of Legislature in September 2013

The ministers of line ministries and heads of institutions and agencies of government are ultimately responsible for all financial operations and transactions undertaken within their organisation, including any sub-units they supervise or control. the minister or head is assisted by an internal auditor, reporting directly to him or her, whose tasks shall include inter alia: (a) to periodically review the organisation of financial management within the organisation or unit (b) to assess the adherence to all financial management procedures and processes prescribed in this act, its regulations and instructions issued by the minister; (c) to evaluate the adequacy of management checks and balances, and controls, in the financial management practices within the organisation or unit; and (d) to recommend to the line minister or head of agency remedial actions where required or desirable and inform the minister accordingly.

the function, reporting responsibilities, and activities of internal auditors shall be prescribed in regulations under this act, supplemented by instructions and guidelines issued by the minister in collaboration with the auditor general, 3. under this act, copies of all internal audit reports prepared by internal

auditors contracted directly under donor-funded projects shall be provided to the internal auditor of the ministry under which the project is established.  
4. internal audit reports will be made available to the Auditor-General.

#### *Section 38 Internal Control and Audit of PFM Act 2009*

The ministers of line ministries and heads of institutions and agencies of government are ultimately responsible for all financial operations and transactions undertaken within their organisation, including any sub-units they supervise or control. (...) all public sector entities shall be charged with the sole responsibility of establishing and maintaining internal control processes in order to effectively and efficiently conduct the affairs of their respective entities.”

## **VI. ACCOUNTING AND REPORTING**

### **27. Financial data integrity**

#### *Part 18 of the Public Finance Management Regulations- Opening of Suspense Accounts*

(1) where in the course of during transactions, difficulties are met in immediately allocating receipts or payments to the correct account classification; a suspense account may be opened into which amounts may be temporarily posted.

(2) suspense accounts shall be opened only by the comptroller-general with the approval of the deputy minister of expenditure and in only the following circumstances:

a) in the case of payments, such accounts shall be brought to zero balance before the accounts for the financial year are closed.

b) in the case of receipts, such accounts may be carried forward to the following year if the comptroller-general has reason to believe that a third party may be involved.

c) such accounts shall be converted to deposit accounts under an appropriate title before the accounts for the financial year are closed.

(3) no suspense account shall be used to transfer expenditure from one financial year to another.

(4) suspense account used in contravention of this regulation shall constitute breach of financial discipline in accordance with regulation a.20.

#### *PFM Regulations Part R3 Bank Accounts for Ministries and Government Agencies*

(6) the balance of every bank account as shown in a bank statement shall be reconciled with the corresponding cashbook balance at least once every month; and the reconciliation statement shall be filed or recorded in the cash book or the reference to the date and number thereof.

#### *Public Finance Management Act Section 273*

In order to facilitate proper accounting and reconciliation of the consolidated fund, the minister shall establish new bank accounts at the start of each fiscal year for the collection of revenues against the new fiscal year's budget. after ninety (90) days following the end of the preceding fiscal year, all

accounts established for the execution of the budget of the preceding fiscal year shall be closed and balances therein transferred to the new accounts established for the new fiscal year.”

## **28. In-year budget reports**

### *Public Financial Management Regulations C35-8*

- ministers of line ministries shall be responsible for conducting periodic performance reviews and reviewing the monthly, quarterly and annual financial reports before submitting them to the ministry of finance for consolidation;
- a line minister shall ensure the timely preparation of the periodic and annual financial statements and reports of the line ministry and agencies under him in accordance with these regulations and other enactments, and cause these statements and reports to be forwarded to the minister, the auditor general and the Comptroller General; (8) ministers of line ministries are responsible for maintaining accounts and records of agencies in a manner and format prescribed by the minister.

### *Section 263 of Public Financial Management Act (2009)*

The minister shall produce a consolidated quarterly report comparing budget execution and revenue collections to the estimates contained in the national budget. fiscal data shall be reported on a gross basis, distinguishing between revenue, expenditure and financing; with expenditure classified by economic, functional, and administrative category.

### *Section 364 of the Public Financial Management (PFM) Act States*

Quarterly budget execution reports shall be available to the president, the legislature and the general public within forty-five days of the end of the quarter.

### *Sections 364 and Section 371 of the PFM Act 2009*

Based on all the information received from each spending entity, the minister shall produce a consolidated quarterly report comparing budget execution and revenue collections to the estimates contained in the national budget. this report shall be available to the president, the legislature and the general public within forty-five (45) days of the end of the quarter. the format of these monthly and quarterly reports will be prescribed in regulations under this act”. the minister shall prepare the unaudited final account of the national budget and submit it to the auditor general no later than four (4) months after the end of the fiscal year”.

## **29. Annual financial reports**

### *PFM Act 2009*

Final account of the national budget must be submitted to the auditor general no later than four (4) months after the end of the fiscal year.

### *Section 213 of the General Auditing Commission's Act 2014*

The auditor general is responsible for the audit of the public accounts and public funds of the republic of Liberia. the auditor general is therefore responsible for forming or expressing opinions on the financial statements of public accounts and conducts the audit in accordance with international standards of supreme audit institutions (ISSAIS) issued by international organization of supreme audit institutions (INTOSAI).

In line with section 2.1.3 (a) of the GAC act 2014, (...) the auditor general shall carry out such audits and inquiries as he/she considers necessary of public, and funds owned or controlled by the government to enable reporting as required by the act. the financial statements shall comply with the international public sector accounting standards (IPSAS) cash basis, as adopted by the comptroller general.

#### *Section 35 Accounting of PFM Act 2009*

Accounting rules and standards for central government shall adhere to internationally accepted principles and are to be applied consistently to all government agencies, including autonomous agencies, as well as local governments or any other subdivisions of government at the local level, whether in existence or to be established in the future.

#### *Section 37 Sub-Section 2 of the Public Financial Management (PFM) Act 2009 Mandates*

The MFDP shall submit unaudited final accounts in accordance with the content and classifications of the national budget to the auditor general. the comptroller-general shall within a period of four months after the end of each fiscal year, or such other period as legislature may by resolution appoint, prepare the accounts of the consolidated fund for the minister's transmittal to the Auditor-General.:

- '(a) a statement of the assets and liabilities of the consolidated fund at the close of the financial year, annotated with such qualifying information as may affect the significance of figures shown in the statement”;
- '(b) a summary statement of the receipts into and payments from the consolidated fund in comparison with the budget summary for the financial year”;
- (c) a statement of the revenue and expenditure of the consolidated fund for the financial year in comparison with the approved and revised estimates for the year”;
- (d) in relation to the consolidated fund, a statement of transactions during the year and an analysis of the position at the end of the year for: i) the public debt; ii) deposits and other trust moneys ; iii) the securities of government ; iv) advances out of public funds; v) public loans; vi) equity investments; vii) a cash flow statement for the year; and viii) such other statements as may be required by any enactment.”

## **VII. EXTERNAL SCRUTINY AND AUDIT**

### **30. External audit**

#### *Part K4 Submission of the Audit Report to the Legislature*

The Auditor-General shall, within eight months after the end of the immediately preceding financial year to which each of the accounts mentioned in sub regulation (1) , submit his report to legislature and shall, in that report, draw attention to any irregularities in the accounts audited and to any other matter which in his opinion ought to be brought to the notice of legislature

*Section 2112 Cessation and Removal of the GAC Act 2014*

The auditor general may be removed from office by the president in consultation with the legislature, consistent with dur process, only for cause, malfeasance, gross breach of duty, acts of impropriety or failure to carry out his/her duties and functions”.

*Section 215 Terms of Office of the Audit Act 2014*

The auditor general shall hold office for a term of seven years and shall not be eligible for reappointment.”

*Section 34 of the Audit Act 2014*

The general auditing commission (GAC) of the legislature shall be funded by the government of Liberia through budgetary appropriations made by the legislature

*Section 53 of the General Auditing Commission (GAC) Act 2014*

The auditor general empowers to audit the public accounts of the republic of Liberia and of all other public offices.

**The documentation relative to the PFM legislation is gathered in the link below:**

<https://drive.google.com/drive/folders/183KL9frNWUhfVUexgKmVVMv1jsDhIGWR?usp=sharing>

**Other sources of information used to extract evidence for scoring each indicator:**

[https://drive.google.com/drive/folders/1HxzS9ldPjCnO60\\_G-gu8Stzd02Oj5-A7?usp=sharing](https://drive.google.com/drive/folders/1HxzS9ldPjCnO60_G-gu8Stzd02Oj5-A7?usp=sharing)

**List of Entities Within the Scope of the Government**

Functional classification	Entity	Designation
Public Administration		
Public Administration	Commission	National Legislature
Public Administration	Ministry	Ministry of State for President
Public Administration	Commission	Office of the Vice President
Public Administration	Agency	Civil Service Agency
Public Administration	Agency	General Services Agency
Public Administration	Ministry	Ministry of Information, Cultural Affairs and Tourism

Functional classification	Entity	Designation
Public Administration	Ministry	Ministry of Foreign Affairs
Public Administration	Commission	Liberia Institute of Public Administration
Public Administration	Commission	Liberia Institute of Statistics and Geo-Information Services
Public Administration	Commission	Bureau of State Enterprises
Public Administration	Commission	Mano River Union
Public Administration	Ministry	Ministry of Finance and Development Planning
Public Administration	Commission	Liberia Revenue Authority (LRA)
Public Administration	Commission	Tax Appeal Board
Public Administration	Agency	National Food Assistance Agency
<b>Municipal Government</b>		
Municipal Government	Ministry	Ministry of Internal Affairs
Municipal Government	Commission	National Council of Chiefs and Elders
Municipal Government	Commission	National Identification Registry
Municipal Government	Agency	National Disaster Management Agency
Municipal Government	Commission	Monrovia City Corporation
Municipal Government	Commission	Paynesville City Corporation
<b>Transparency and Accountability</b>		
Transparency and Accountability	Commission	General Auditing Commission
Transparency and Accountability	Commission	National Elections Commission
Transparency and Accountability	Commission	Governance Commission
Transparency and Accountability	Commission	Public Procurement and Concessions Commission
Transparency and Accountability	Commission	Center for National Documents
Transparency and Accountability	Commission	Liberia Anti-Corruption Commission
Transparency and Accountability	Commission	Independent Information Commission

Functional classification	Entity	Designation
Transparency and Accountability	Commission	Liberia Land Authority
Transparency and Accountability	Agency	Internal Audit Agency
Transparency and Accountability	Commission	Financial Intelligence Unit
Transparency and Accountability	Commission	Liberia Extractive Industries Transparency Initiative (LEITI)
<b>Security and Rule of Law</b>		
Security and Rule of Law	Commission	Law Reform Commission
Security and Rule of Law	Commission	Judiciary
Security and Rule of Law	Ministry	Ministry of Justice
Security and Rule of Law	Ministry	Ministry of National Defense
Security and Rule of Law	Agency	National Security Agency
Security and Rule of Law	Commission	Executive Protection Services
Security and Rule of Law	Commission	Human Rights Commission
Security and Rule of Law	Commission	National Commission on Small Arms
<b>Health</b>		
Health	Ministry	Ministry of Health and Social Welfare
Health	Commission	John F. Kennedy Medical Center
Health	Commission	Phebe Hospital and School of Nursing
Health	Commission	Liberian Board of Nursing and Midwifery
Health	Commission	Liberia Pharmacy Board
Health	Commission	Liberia Medical and Dental Council
Health	Commission	Liberia College of Physicians and Surgeons
Health	Commission	Liberia Medicines and Health Products Regulatory Authority
Health	Commission	National AIDS Commission
Health	Commission	Jackson F. Doe Hospital
Health	Commission	National Public Health Institute of Liberia
<b>Social Development Services</b>		
Social Development Services	Ministry	Ministry of Youth and Sports

Functional classification	Entity	Designation
Social Development Services	Commission	Liberia Refugee Repatriation and Resettlement Commission
Social Development Services	Commission	National Commission on Disabilities
Social Development Services	Commission	National Veterans Bureau
Social Development Services	Commission	Liberia Agency for Community Empowerment
Social Development Services	Ministry	Ministry of Gender, Children and Social Protection
<b>Education</b>		
Education	Ministry	Ministry of Education
Education	Commission	University of Liberia
Education	Commission	Monrovia Consolidated School System
Education	Commission	Booker Washington Institute
Education	Commission	Cuttington University College
Education	Commission	National Commission on Higher Education
Education	Commission	William V.S. Tubman University
Education	Commission	West African Examinations Council
Education	Commission	Agricultural and Industrial Training Bureau
Education	Commission	Zorzor Rural Teacher Training
Education	Commission	Webbo Rural Teacher Training Institute
Education	Commission	Kakata Rural Teacher Training Institute
Education	Commission	Bassa County Community College
Education	Commission	Bomi County Community College
Education	Commission	Nimba Community College
Education	Commission	Lofa Community College
Education	Commission	Bong Community College
Education	Commission	Grand Gedeh Community College
Education	Commission	Harbel College
Education	Commission	Sinoe Community College
<b>Energy and Environment</b>		
Energy and Environment	Commission	Environmental Protection Agency
Energy and Environment	Commission	National Water Sanitation and Hygiene Commission



Functional classification	Entity	Designation
Energy and Environment	Commission	Forestry Training Institute
Energy and Environment	Ministry	Ministry of Lands, Mines and Energy
Energy and Environment	Commission	Forestry Development Authority
Energy and Environment	Commission	Liberia Water and Sewer Corporation
Energy and Environment	Commission	Liberia Electricity Corporation
Energy and Environment	Agency	Rural Renewable Energy Agency
<b>Agriculture</b>		
Agriculture	Commission	Liberia Agriculture Commodity Regulatory Authority
Agriculture	Ministry	Ministry of Agriculture
Agriculture	Agency	Cooperative Development Agency
Agriculture	Commission	Liberia Produce Marketing Corporation
Agriculture	Commission	Liberia Rubber Development Authority
Agriculture	Commission	Central Agriculture Research Institute
Agriculture	Fund	Rubber Development Fund Incorporated
<b>Infrastructure and Basic Servi</b>		
Infrastructure and Basic Servi	Commission	Liberia Broadcasting System
Infrastructure and Basic Servi	Commission	National Housing Authority
Infrastructure and Basic Servi	Ministry	Ministry of Post and Telecommunications
Infrastructure and Basic Servi	Ministry	Ministry of Transport
Infrastructure and Basic Servi	Ministry	Ministry of Public Works
Infrastructure and Basic Servi	Commission	National Transit Authority
Infrastructure and Basic Servi	Commission	Liberia Telecom Corporation
Infrastructure and Basic Servi	Commission	National Housing and Savings Bank
Infrastructure and Basic Servi	Commission	Liberia Airport Authority
<b>Industry and Commerce</b>		
Industry and Commerce	Commission	National Investment Commission
Industry and Commerce	Ministry	Ministry of Commerce and Industry
Industry and Commerce	Ministry	Ministry of Labour
Industry and Commerce	Commission	Liberia Copyright Office
Industry and Commerce	Commission	Liberia Industrial Free Zone Authority

Functional classification	Entity	Designation
Industry and Commerce	Commission	National Insurance Corporation of Liberia
Industry and Commerce	Commission	National Lottery
Industry and Commerce	Commission	National Bureau of Concessions
Industry and Commerce	Commission	Liberia Intellectual Property Office

## List of Entities Utilizing the IFMIS

MACs	Appropriation	Allotment to Date
Ministry of Agriculture	2,273,962.00	1,655,074.00
Ministry of Education	41,576,649.00	28,583,168.00
Monrovia Consolidated School System	3,887,013.00	2,841,358.00
University of Liberia	16,300,000.00	12,615,145.00
Environmental Protection Agency	1,407,782.00	1,029,974.00
Forestry Development Authority	2,909,849.00	2,141,237.00
Ministry of Mines and Energy	2,161,531.79	1,736,175.79
Rural Renewable Energy Agency	278,272.00	211,456.99
John F. Kennedy Medical Center	6,152,819.00	4,423,250.00
Liberia College of Physicians and Surgeons	1,272,897.00	959,385.00
Ministry of Health	53,903,247.00	40,687,210.00
National AIDS Commission	568,854.00	420,031.00
Ministry of Commerce and Industry	2,075,116.00	1,562,432.00
Ministry of Labour	1,517,155.00	1,143,896.00
National Investment Commission	925,679.00	714,636.00
Ministry of Post and Telecommunications	1,548,567.00	1,171,493.00
Ministry of Public Works	34,373,160.71	17,944,312.71
Ministry of Transport	2,198,761.00	1,471,103.00
Ministry of Internal Affairs	20,935,820.00	13,901,823.00
Monrovia City Corporation	4,180,790.00	3,428,821.00
Civil Service Agency	8,561,793.28	6,905,618.45
General Services Agency	2,198,600.50	1,660,200.24
Liberia Institute of Public Administration	893,691.00	596,595.75
Liberia Institute of Statistics and Geo-Information Services	1,887,177.00	1,245,278.00
Liberia Revenue Authority (LRA)	13,899,700.00	8,934,810.00
Ministry of Finance and Development Planning	95,488,907.35	53,261,561.56
Ministry of Foreign Affairs	16,769,398.95	13,412,903.33
Ministry of Information, Cultural Affairs & Tourism	3,401,394.99	2,812,533.89

<b>MACs</b>	<b>Appropriation</b>	<b>Allotment to Date</b>
Ministry of State for Presidential Affairs	10,247,228.87	7,770,637.40
National Legislature	47,092,304.00	36,080,929.16
Office of the Vice President	2,348,696.00	1,566,873.91
Executive Protection Services	8,484,570.00	6,605,340.94
Human Rights Commission	1,914,066.00	1,446,437.00
Judiciary	14,852,740.13	11,478,981.70
Law Reform Commission	595,040.00	452,700.00
Ministry of Justice	34,270,401.00	25,692,503.00
Ministry of National Defense	13,254,906.00	9,663,658.00
National Security Agency	8,859,111.00	7,525,477.00
Liberia Refugee Repatriation and Resettlement Commission	702,902.00	538,188.00
Ministry of Gender, Children and Social Protection	3,241,090.00	1,447,066.00
Ministry of Youth and Sports	3,626,978.00	2,919,883.00
Center for National Documents, Records and Archives	577,844.00	438,984.00
General Auditing Commission	4,518,236.00	3,254,869.00
Governance Commission	1,138,704.00	861,389.00
Independent Information Commission	230,830.00	172,410.00
Internal Audit Agency	3,590,180.00	2,714,319.93
Liberia Land Authority	1,710,368.00	1,167,732.00
Liberia Anti-Corruption Commission	1,349,759.00	972,575.54
National Elections Commission	11,468,571.00	10,784,708.00
Public Procurement and Concessions Commission	800,754.00	605,061.00
	<b><u>518,423,866</u></b>	<b><u>361,632,206</u></b>
<b>Total budget</b>	<b><u>570,111,173</u></b>	<b><u>518,004,000</u></b>
Percentage of Entities utilizing the IFMIS	<b><u>90.3%</u></b>	<b><u>70%</u></b>

## PI-26. Internal Audit

List of GoL Entities Covered by the IAA

No.	Sectors and Entities
	<b>Public Administration Sector</b>
1	Civil Service Agency
2	General Services Agency
3	Ministry of Information, Cultural Affairs and Tourism
4	Ministry of Foreign Affairs
5	Liberia Institute of Public Administration
6	Liberia Institute of Statistics and Geo-Information Services
7	Ministry of Finance and Development Planning
	<b>Municipal Government Sector</b>
1	Ministry of Internal Affairs
2	National Identification Registry
3	National Disaster Management Agency
4	Monrovia City Corporation
5	Paynesville City Corporation
	<b>Transparency and Accountability Sector</b>
1	National Elections Commission
2	Governance Commission
3	Public Procurement and Concessions Commission
4	Center for National Documents, Records and Archives
5	Liberia Land Authority
	<b>Security and The Rule of Law Sector</b>
1	Judiciary (Supreme Court)
2	Ministry of Justice
3	Liberia National Police
4	Liberia Immigration Service
5	Human Rights Commission
6	National Commission on Small Arms
	<b>Health Sector</b>

No.	Sectors and Entities
1	Ministry of Health
2	John F. Kennedy Medical Center
3	Liberia Medical and Health Products Regulatory Authority
4	National AIDS Commission
5	National Public Health Institute of Liberia
6	Liberia National Red Cross
7	Redemption Hospital
	<b>Social Development Services Sector</b>
1	Ministry of Youth and Sports
2	Liberia Agency for Community Empowerment
3	Ministry of Gender, Children and Social Protection
	<b>Education Sector</b>
1	Ministry of Education
2	Monrovia Consolidated School System
3	National Commission on Higher Education
	<b>Energy and Environment Sector</b>
1	Environmental Protection Agency
2	Ministry of Lands, Mines and Energy
3	Forestry Development Authority
4	Liberia Water and Sewer Corporation
5	Liberia Electricity Corporation
6	Rural Renewable Energy Agency
	<b>Agriculture Sector</b>
1	Ministry of Agriculture
2	Cooperative Development Agency
3	National Fisheries
	<b>Infrastructure and Basic Services Sector</b>
1	Liberia Broadcasting System
2	National Housing Authority
3	Ministry of Post and Telecommunications
4	Ministry of Transport

No.	Sectors and Entities
5	Ministry of Public Works
6	National Transit Authority
7	National Road Fund Agency
	<b>Industry and Commerce Sector</b>
1	National Investment Commission
2	Ministry of Commerce and Industry
3	Ministry of Labour
4	Liberia Maritime Authority
5	National Lottery Authority
6	National Bureau of Concessions

#### Annex 4: Tracking Changes in Performance based on Previous PEFA Framework

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
A		<b>A. Credibility of public finance and budget</b>	C+	D	N.C	N.C		
PI-1	M1	<b>1. Aggregate expenditure outturn compared to original approved budget</b>	C	C	Yes	=		
PI-1(i)		1 (i) The difference between actual primary expenditures and the originally budgeted primary expenditures	C	C	Yes	=	Actual primary expenditures deviated from budgeted expenditures by less than 15 percent in all three years — but by more than 10 percent in two of the last three years (financial year 2016/17 and 2017/18).	Performance is unchanged.
PI-2	M1	<b>2. Composition of expenditure out-turn compared to original approved budget</b>	D+	C+	Yes	+		
PI-2(i)		2 (i) Extent of the variance in expenditure composition during the last three years, excluding contingency items.	D	C	Yes	+	Variance in expenditure composition exceeded 15 percent in only one of the last 3 years (FY 2018/19).	Performance improved for the two first years of the period under evaluation, but declined for the last one.
PI-2(ii)		2 (ii) The average amount of expenditures actually charged to the contingency vote over the last three years.	A	A	Yes	=	The average level of expenditures charged directly to the Contingency Reserve Fund Vote has been less than 3 percent of the original budget.	Performance unchanged.
PI-3	M1	<b>3. Aggregate revenue out-turn compared to original approved budget</b>	B	B	Yes	=		
PI-3(i)		3 (i) Actual domestic revenue collection compared to domestic revenue estimates in the original, approved budget.	B	B	Yes	=	Actual domestic revenues were between 94 and 112 percent of budgeted domestic revenues in FY 2016/17 and 2017/18.	Performance was unchanged, but there was a decline in domestic revenue collection in the last fiscal year.



ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-4	M1	<b>4. Stock and monitoring of expenditure payment arrears</b>	C+	NR	No	N.C		
PI-4(i)		4 (i) Stock of expenditure payment arrears (as a percentage of actual total expenditures for the corresponding fiscal year) and any recent change in the stock	C	NR	No	N.C	The stock of expenditure arrears represents approximately 50 percent of total expenditures in all the last three completed fiscal years. However, comprehensive information is not available.	Comparison is not possible. Arrears to suppliers of more than one year are accounted for as domestic debt.
PI-4(ii)		4 (ii) Availability of data for monitoring the stock of expenditure payment arrears.	B	NR	No	N.C	Data concerning the stock of arrears are generated annually, but domestic arrears only concern those owed to suppliers.	Performance is unchanged. The accrual account has not yet been implemented, and the IFMIS does not record arrears to suppliers that arise from MACs' commitments. However, the MACs make the information available to the MFDP at least annually.
B		<b>B. Completeness and transparency</b>	B	C	N.C	N.C		
PI-5	M1	<b>5. Classification of the budget</b>	B	B	Yes	=		
PI-5(i)		5 (i) The classification system used for formulation, execution, and reporting of the central government's budget.	B	B	Yes	=	The budget formulation and execution are based on administrative, economic, and functional classification (using at least the 10 main COFOG functions), using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards	The USAID's RG3 has supported the GoL, and corrections have been made to the budget classifications.
PI-6	M1	<b>6. Comprehensiveness of information included in budget documentation</b>	A	A	Yes	=		

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-6(i)		6 (i) Share of the 9 elements listed information in the budget documentation most recently issued by the central government (in order to count in the assessment, the full specification of the information benchmark must be met).	A	A	Yes	=	Recent budget documentation fulfills seven of the nine required information benchmarks.	Performance is unchanged. The budget documentation 2020/2021 fulfills 7 of the 9 elements. The elements not provided are financial assets and estimates of the budgetary impact of all major revenue policy changes.
PI-7	M1	<b>7. Extent of unreported government operations</b>	D+	D+	Yes	=		
PI-7(i)		7 (i) The level of extra-budgetary expenditures (other than donor-funded projects), which are unreported, that is, they are not included in the fiscal reports.	B	B	Yes	=	The level of unreported extra budgetary expenditures (other than donor-funded projects) constitutes 1–5 percent of total expenditures.	No change in performance, most of the amount of unreported central government operations comes from external financing. It was not possible to precisely establish the amounts of off-budget expenditures funded by domestic resources, but they mainly consist of cash advances for daily substance allowances. The total amount is between 1 and 5 percent of total expenditures.
PI-7(ii)		7 (ii) Income/expenditure information on donor-funded projects, which is included in fiscal reports.	D	D	Yes	=	Most of the donor-funded expenditures are reported by the PFMU. However, they are not included in the financial statements of the Consolidated Fund Account.	Performance is unchanged. Information on externally financed project disbursements can be provided by the PFMU, but actual expenditures are not included in the AFS.
PI-8	M2	<b>8. Transparency of inter-governmental fiscal relations</b>	NA	D+	No	N.C		

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-8(i)		8 (i) Transparent and rules-based systems in the horizontal allocation among sub-national governments of unconditional and conditional transfers from the central government (both budgeted and actual allocations)	NA	D	No	N.C	The County Development Fund (CDF) and the Social Development Fund (SDF) are the two main governmental pillars supporting transfers from the GoL to the sub-national governments. The horizontal allocation of these transfers is not determined by transparent, rules-based systems.	The component should have been scored in 2016. The CDF was introduced in 2006 as a means of supporting locally driven development projects in the counties. However, this was done without consideration of factors, such as population, county size, socioeconomic needs, and so on.
PI-8(ii)		8 (ii) Timeliness of reliable information to sub-national governments concerning their allocations from the central government for the coming year.	NA	C	No	N.C	Counties and Districts receive annual transfers (at least) when the draft budget is published on the MFDP's website, which was before the start of the exercise for the last fiscal year.	The component should have been scored in 2016.
PI-8(iii)		8 (iii) Extent to which consolidated fiscal data (at least on revenues and expenditures) is collected and reported to the general government according to sectoral categories.	NA	D	No	N.C	Most of the reports concerning the financial position and performance of the Counties and Districts are not published. No consolidation is done by the GoL.	The component should have been scored in 2016.
<b>PI-9</b>	<b>M1</b>	<b>9. Oversight of aggregate fiscal risk from other public sector entities.</b>	<b>C</b>	<b>D+</b>	<b>No</b>	<b>N.C</b>		
PI-9(i)		9 (i) Extent of central government monitoring of the Autonomous Government Agencies (AGAs) and PEs	C	C	Yes	=	Most major AGAs/SOEs submit fiscal reports to the GoL at least annually, but these are unaudited. A consolidated overview is annexed to the budget proposal.	Performance improved because the consolidated overview is now annexed to the budget proposal, but the score is unchanged as accounts remain unaudited.

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-9(ii)		9 (ii) Extent of central government monitoring of sub-national governments' fiscal position.	NA	D	No	N.C	Most of the reports on the financial position and performance of Counties and Districts are not producing and publishing the AFS.	The CDF was introduced in 2006 as a means of supporting locally driven development projects in the counties. Decentralization and local governance policy were launched in 2012.
<b>PI-10</b>	<b>M1</b>	<b>10. Public access to key fiscal information</b>	<b>B</b>	<b>C</b>	<b>No</b>	<b>N.C</b>		
PI-10(i)		10 (i) Share of the 6 elements listed in public access to key fiscal information.	B	C	No	N.C	The government makes available to the public only one of the 6 listed types of information: (3) Year-end financial statements are published within 6 months (but the audit has not yet been completed). However, (1) Citizen Guide FY2018-2019 was published only on 06-27-2019 and the Citizen Guide FY2019-2020 has not been published. Criteria (1) is not satisfied. (2) In-year execution reports are available on the MFDP's website, but not within one month of the end of the period. (5) Contract awards above US\$ 100,000 are posted on the PPCC website annually, but not quarterly.	Not comparable, but performance may have declined. (1) The annual budget documentation was not published on the MFDP's budget portal and website when it was later submitted to the legislature. Hence, the criterion was not satisfied. (4) External audit reports are not available within 6 months of the completed audit.
<b>C(i)</b>		<b>Ci. Planning and budgeting based on public policy</b>	<b>C</b>	<b>D+</b>	<b>Yes</b>	<b>-</b>		
<b>PI-11</b>	<b>M2</b>	<b>11. Orderliness and participation in the annual budget process</b>	<b>D+</b>	<b>D+</b>	<b>Yes</b>	<b>-</b>		

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-11(i)		11 (j) Existence of and adherence to a fixed budget calendar.	C	D	Yes	-	A budget calendar exists, but substantial delays were experienced in its implementation. This left the MACS with so little time to complete detailed estimates that most of them failed to complete them in a timely manner.	No significant change, but a difference in interpretation. The time given to the MDAs is clearly too short for them to prepare adequate proposals. Nevertheless, the assessment of performance change is not meaningful.
PI-11(ii)		11 (ii) Guidance on the preparation of budget submissions.	C	D	Yes	-	A budget circular is issued to the MACs, but it does not include ceilings for individual administrative units or functional areas. The budget estimates are reviewed and approved by the Cabinet only after they have been completed in all details by the MACs.	Performance declined. The 2016 report states that the BFP included ceilings, but it was issued in May and submitted to Cabinet for approval with the Draft Budget at the end of May. It states that the Cabinet did not review the proposed ceilings until after the BCC was issued. However, there were no ceilings in the FY 2019/20
PI-11(iii)		11 (iii) Timely budget approval by the legislature.	D	C	Yes	+	The legislature has approved the annual budget within one month of the start of the year in two of the last three fiscal years.	Performance improved. For the previous evaluation, the budget was approved with more than two months delay in two of the last three years.
PI-12	M2	<b>12. Multi-year perspective in fiscal planning, expenditure policy and budgeting</b>	C	C	Yes	=		

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-12(i)		12 (i) Multi-year fiscal forecasts and functional allocations.	C	C	Yes	=	Forecasts of fiscal aggregates (on the basis of the main categories of economic classification) are prepared for at least two years on a rolling annual basis.	Performance is unchanged. The MTEF is still prepared on a 3-year rolling basis, but the MTEF shows projections only on an economic and functional classification basis. There is no formal link between the medium-term forecasting and the establishment of expenditure ceilings.
PI-12(ii)		12 (ii) Scope and frequency of Debt Sustainability Analysis (DSA)	A	A	Yes	=	DSA for external and domestic debt is undertaken annually. A DSA covering both external and domestic debt has been conducted annually over the last three years by the staff of the IMF. The Debt Management Unit also publishes quarterly reports on the debt position.	Performance is unchanged. A DSA covering both external and domestic debt has been conducted annually over the last three years by the staff of the IMF and /or the World Bank, generally with the GoL's concurrence. The DSA was also being conducted annually at the time of the 2012 assessment.
PI-12(iii)		12 (iii) Existence of costed sector strategies.	D	D	Yes	=	Sector strategies have been prepared for most sectors, but without having completed the costing of investments and recurrent expenditures.	Performance is unchanged. There is still no completed costing of investments and recurrent expenditures.
PI-12(iv)		12 (iv) Linkages between investment budgets and forward expenditure estimates.	D	D	Yes	=	Most investment decisions (which are financed by external resources) have little connection with sectoral strategies. Also, budgeting for investments and recurrent expenditures are separate processes with no recurrent cost estimates being shared.	Performance is unchanged. There is no formal linkage between the PSIP and the requests from the spending entities, which mainly concern recurrent expenditures.

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
C(ii)		<b>Cii. Predictability and control in budget execution</b>	C+	D	N.C	N.C		
PI-13	M2	<b>13. Transparency of taxpayer obligations and liabilities</b>	B	B	Yes	=		
PI-13(i)		13 (i) Clarity and comprehensiveness of tax liabilities.	B	B	Yes	=	Legislation and procedures for most major taxes are comprehensive and clear, with fairly limited discretionary powers of the government entities involved.	Performance is unchanged. Discretionary powers of the LRA are not strongly limited yet because internal control is not sufficiently implemented across the country, which is necessary to improve the score.
PI-13(ii)		13 (ii) Taxpayer access to information on tax liabilities and administrative procedures.	C	C	Yes	=	Taxpayers have access to information on tax liabilities and administrative procedures for the most important taxes, but the information on the other taxes is limited. The web page has not yet been completed: <a href="https://revenue.lra.gov.lr/domestic-tax-laws-regulations/">https://revenue.lra.gov.lr/domestic-tax-laws-regulations/</a>	Performance is unchanged. The LRA is endeavouring to strengthen information availability, but it seems to face capacity constraints. The LRA website is not yet finished, and it does not present enough information — apart for the main categories of taxes.
PI-13(iii)		13 (iii) Existence and functioning of a tax appeals mechanism.	B	B	Yes	=	A tax appeals system of transparent administrative procedures has been completely established and is functional. However, its effectiveness cannot be assessed because no complaints have been reported after 2016.	Performance is unchanged. Some transparency issues do not seem to have been solved.
PI-14	M2	<b>14. Effectiveness of measures for taxpayer registration and tax assessment</b>	B	B	Yes	=		

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-14(i)		14 (i) Controls in the taxpayer registration system.	B	B	Yes	=	Taxpayers are registered in a database system with links to other relevant government registration systems. The database is not yet complete for some non-tax liabilities.	Performance is unchanged. Potential taxpayers are being captured in the SIGTAS, but the system is not yet directly linked to all other taxpayer systems.
PI-14(ii)		14 (ii) Effectiveness of penalties for non-compliance with registration and declaration obligations.	C	C	Yes	=	Penalties for non-compliance generally exist, but the lack of effective application of penalties due to bribery practices is an issue.	Performance is unchanged in terms of score. Penalties for non-compliance are clearly spelled out in the Consolidated Tax Amendments Act of 2011, but their application remains problematic.
PI-14(iii)		14 (iii) Planning and monitoring of tax audit and fraud investigation programs.	B	B	Yes	=	Tax audit and fraud investigations are carried out and reported according to a documented audit plan, with clear risk assessment criteria in at least one major tax area that applies self-assessment.	Performance is unchanged. Risk-based audits continue for all tax groups, with a continued focus on high-risk areas.
<b>PI-15</b>	<b>M1</b>	<b>15. Effectiveness in collection of tax payments</b>	<b>D+</b>	<b>D+</b>	<b>No</b>	<b>N.C</b>		
PI-15(i)		15 (i) Collection ratio for gross tax arrears, that is, the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years).	D	D	Yes	=	The debt collection ratio in the most recent year was below 60 percent, and the total amount of tax arrears is significant (that is, more than 2 percent of total annual collections).	Performance is unchanged. The stock of tax arrears constituted 21.7and 26.3 percent of total tax revenues collected in 2013/14 and 2014/15, respectively. This proportion is much higher than that shown in the 2014 self-assessment.
PI-15(ii)		15 (ii) Effectiveness of the transfer of tax collections to the Treasury by the revenue administration.	A	A	Yes	=	All tax revenues are paid directly into accounts controlled by the Treasury, or	Performance is unchanged.



ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
							transfers are made to the Treasury daily.	
PI-15(iii)		15 (iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury.	B	D	No	N.C	The Liberian Revenue Authority (LRA) obtains quarterly revenue data from entities collecting all central government revenues. However, a complete reconciliation of tax assessments, collections, arrears, and transfers to the Treasury is not being done.	Performance is unchanged, but there is disagreement with the previous assessment. According to the Auditor General, a full reconciliation of the revenues collected by the LRA is not being done. The score in the 2016 assessment appears to have been too high.
<b>PI-16</b>	<b>M1</b>	<b>16. Predictability in the availability of funds for commitment of expenditures</b>	<b>C+</b>	<b>C+</b>	<b>Yes</b>	<b>=</b>		
PI-16(i)		16 (i) Extent to which cash flows are forecasted and monitored.	B	A	Yes	+	A cash flow forecast is prepared for the fiscal year and updated monthly. This is done on the basis of actual cash inflows and outflows.	Performance is improved due to consolidated annual cash flow plans being updated monthly on the basis of actual cash inflows and outflows.
PI-16(ii)		16 (ii) Reliability and horizon of periodic in-year information to the MACs concerning ceilings for expenditure commitments.	C	C	Yes	=	Ministries and Agencies (M&As) are provided with reliable information about the available resources for commitment 1-2 months in advance.	Performance is unchanged. Allotments (commitment ceilings) continue to be issued, but only on a monthly basis.
PI-16(iii)		16 (iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of the management of the MACs.	C	C	Yes	=	Significant in-year budget adjustments are done frequently, but they are undertaken with transparency.	Performance is unchanged. Reallocations of allotments between the MACs are frequent, but they are made with relative transparency.
<b>PI-17</b>	<b>M2</b>	<b>17. Recording and management of cash balances, debts and guarantees</b>	<b>B+</b>	<b>B+</b>	<b>Yes</b>	<b>=</b>		

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-17(i)		17 (i) Quality of debt data recording and reporting.	B	B	Yes	=	Domestic and foreign debt and guaranteed debt records are complete and updated monthly. Data are reconciled quarterly. Comprehensive statistical reports are produced quarterly and annually.	Score is unchanged. Data are still reconciled quarterly.
PI-17(ii)		17 (ii) Extent of the consolidation of the government's cash balances.	B	B	Yes	=	Most cash balances are calculated and consolidated at least weekly. However, the TSA does not yet cover all GoL-held accounts. Bank accounts held by the MACs, especially donor project accounts, remain outside of the TSA and the daily cash consolidation process.	Performance is unchanged. The TSA covers only domestic resources and budget support. It does not cover donor-funded/externally financed programs/projects.
PI-17(iii)		17 (iii) Systems for contracting loans and the issuance of guarantees.	A	A	Yes	=	The central government's contracting of loans and the issuance of guarantees are made against transparent criteria and fiscal targets. They are approved only by the MFDP.	Performance is unchanged. The Minister of Finance is the sole authority able to contract loans and issue guarantees on behalf of the government. Contracting of debt and issuance of guarantees are made against transparent criteria.
<b>PI-18</b>	<b>M1</b>	<b>18. Effectiveness of payroll controls</b>	<b>C+</b>	<b>NR</b>	<b>No</b>	<b>N.C</b>		

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-18(i)		18 (i) Degree of integration and reconciliation between personnel records and payroll data.	B	NR	No	N.C	The payroll is supported by full documentation of all changes made to personnel records, but data about reconciliation was not provided.	Performance improved due to the introduction of the Civil Service Management System (CSMS), which has electronically linked personnel and payroll records of non-military civil servants. The military payroll and database are not covered by the CSMS, and they are not linked, thus limiting the overall score to a B.
PI-18(ii)		18 (ii) Timeliness of changes to personnel records and the payroll.	C	NR	No	N.C	Required changes to the personnel records and payroll are generally updated monthly, but the data on personnel records and payroll updates was not provided.	Not comparable. Requested data was not provided.
PI-18(iii)		18 (iii) Internal controls of changes to personnel records and the payroll.	C	C	Yes	=	The power and rules for changing pay states are clearly established, but not all wage payments are processed yet through the IFMIS.	Performance is unchanged. Internal control laws, and procedure manuals are in place at each stage of the payment process. The establishment of the CSMS also helped to strengthen internal controls. Weaknesses remain in the control of personnel records.
PI-18(iv)		18 (iv) Existence of payroll audits to identify control weaknesses and/or ghost workers.	C	C	Yes	=	Partial payroll audits/staff surveys have been undertaken within the last 3 years	Performance is unchanged. The biometric finger printing and payment using bank accounts are still ongoing. Some staff are still paid by check.
PI-19	M2	19. Competition, value for money and procurement controls	B+	B+	Yes	=		

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-19(i)		19 (i) Transparency, comprehensiveness, and competition in the legal and regulatory framework.	B	B	Yes	=	The legal framework meets five of the six listed requirements. Criterion 5 is not satisfied. No information about complaints has been published after 2016.	The score is unchanged, but performance decreased because the criterion 5 is not satisfied. Also, criterion 3 should have been considered as satisfied. The Public Procurement and Concession Commission (PPCA) covers all procurement undertaken by government entities, with the specified exception of military equipment. However, the criterion is considered satisfied because the acquisition of military equipment is out of the scope of the assessment.
PI-19(ii)		19 (ii) Use of competitive procurement methods.	A	A	Yes	=	When contracts are awarded by methods other than open competition, they are justified in accordance with the legal requirements in all cases.	Performance is unchanged. In all cases, there was justification by the procuring entity and the approval by the PPCC for the use of procurement methods other than the open competitive method.
PI-19(iii)		19 (iii) Public access to complete, reliable, and timely procurement information.	B	B	Yes	=	At least 3 of the 4 key information elements are complete and reliable for government units representing 75 percent of procurement operations. They are made available to the public in a timely manner.	Performance is unchanged. Procurement plans, representing more than 90 percent of procurement values, bidding opportunities, and resolution of procurement complaints are now posted on the PPCC's website. Data about complaints have not been published since 2016. Contract

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
								awards have not been published for 2018/2019
PI-19(iv)		19 (iv) Existence of an independent administrative procurement complaints system.	B	B	Yes	=	The procurement complaints system (CARP) meets six of the seven listed criteria, including criteria (i) and (ii).	Performance is unchanged. Criteria (vi) is still not satisfied. No information about complaints is available on the PPCC website after 2016.
<b>PI-20</b>	<b>M1</b>	<b>20. Effectiveness of internal controls for non-salary expenditures</b>	<b>C+</b>	<b>C</b>	<b>No</b>	<b>-</b>		
PI-20(i)		20 (i) Effectiveness of expenditure commitment controls.	B	C	No	-	Expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations for the majority of expenditures, with some exceptions (urgent expenditures).	Performance may have declined or remains unchanged if the previous rating was too optimistic. Effective commitment control measures exist through the IFMIS, limiting expenditure commitments to approved allotments. However, it does not cover more than 75 percent of expenditures in terms of value.
PI-20(ii)		20 (ii) Comprehensiveness, relevance, and understanding of other internal control rules/ procedures.	C	C	Yes	=	Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, and clearly understood by spending entities. Controls are deficient for about 50 percent of the MACs, which are not yet using the IFMIS.	Performance is unchanged. Internal control laws, regulations and the Financial Management Manual (FMM) are comprehensive and simple to understand. Nevertheless, implementation of the IFMIS, which should have strengthened the understanding of controls, is not completed. Also, coverage is still insufficient.

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-20(iii)		20 (iii) Degree of compliance with rules for processing and recording transactions.	C	C	Yes	=	Rules are complied with in a significant majority of transactions. The IFMIS was covering 90 percent of entities' budget allotments, and 70 percent of their expenditures in terms of value for the FY 2018/19. However, the use of unjustified simplified/emergency procedures may remain for 55 percent of spending entities (but only 30 percent in terms of value).	Performance may have improved because the coverage of the IFMIS has increased, but not significantly enough to upgrade the rating. Simplified procedures can still be used, particularly in cases of unjustified urgency for about 56 percent of the spending entities for which the IFMIS has not yet been implemented.
<b>PI-21</b>	<b>M1</b>	<b>21. Effectiveness of internal audit</b>	<b>C+</b>	<b>NR</b>	<b>Yes</b>	<b>-</b>		
PI-21(i)		21 (i) Coverage and quality of the internal audit function.	B	B	Yes	=	Internal audit is operational for about 70 percent of central government entities (in terms of expenditures), substantially meeting professional standards. It is focused on systemic issues (at least 50 percent of staff time).	Performance is unchanged. Internal audit is functional at 57 MACs representing 70 percent of total government expenditures. Internal audit generally meets internal audit (IA) standards. More than 50 percent of internal audit staff time is spent assessing the efficiency of internal controls.
PI-21(ii)		21 (ii) Frequency and distribution of reports.	C	C	Yes	=	The MACs prepare quarterly internal audit reports that are first sent to the IAA. Then they are sent to the audited spending entity and to the Ministry of State for Presidential Affairs (Office of the President).	Performance is unchanged. The GAC and the MFDP do not receive copies.

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-21(iii)		21 (iii) Extent of management response to internal audit findings.	C	NR	Yes	-	Information was provided about the percentage of actions taken by managers on major issues raised within the audit reports.	An audit tracker system across the MACs has been implemented. Some report data was provided as evidence.
C(iii)		<b>Ciii. Accounting, data recording and reporting</b>	<b>C+</b>	<b>D+</b>	<b>N.C</b>	<b>N.C</b>		
<b>PI-22</b>	<b>M2</b>	<b>22. Timeliness and regularity of accounts reconciliation</b>	<b>D+</b>	<b>D</b>	<b>No</b>	<b>N.C</b>		
PI-22(i)		22 (i) Regularity of bank reconciliations	C	D	No	N.C	Bank reconciliations for all Treasury-managed bank accounts does not take place on a regular basis. It generally takes more than 8 weeks of the end of the period. This is the main reason why it takes so much time for the GAC to produce its report on the AFS.	Performance is unchanged, but there is disagreement with the score given by the previous assessment. The process of reconciliation likely takes more than 2 months instead of 1 month. An unknown number of MACs held accounts that remain outside of the monthly reconciliation process. The GAC takes more than one year to finalize the report on the AFS because of government delays in providing explanations for the discrepancies pointed out by the GAC.
PI-22(ii)		22 (ii) Regularity of reconciliation and clearance of suspense accounts and advances.	D	D	Yes	=	Reconciliation and clearance of suspense accounts and advances are not performed by the MFDP.	Performance is unchanged. The GoL does not maintain suspense accounts. Petty cash advances are treated as transfers and not advances.
<b>PI-23</b>	<b>M1</b>	<b>23. Availability of information about resources received by service delivery units</b>	<b>B</b>	<b>D</b>	<b>Yes</b>	<b>-</b>		

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-23(i)		23 (i) Collection and processing of information to demonstrate the resources that were actually received (in cash and in-kind by the most common front-line service delivery units), with a focus on primary schools and primary health clinics.	B	D	Yes	-	No Public Expenditure Tracking Survey (PETS) has been maintained and no special surveys were undertaken within the last 3 years to assess the level of resources received in cash and in-kind by both primary schools and primary health clinics across the country. The MoH uses Accpac, but this system is an accounting system and not a PETS.	Performance decreased. No PETS was conducted on the health and education sectors during the period under review.
<b>PI-24</b>	<b>M1</b>	<b>24. Quality and timeliness of in-year budget reports</b>	<b>C+</b>	<b>D+</b>	<b>No</b>	<b>N.C</b>		
PI-24(i)		24 (i) Scope of reports in terms of coverage and compatibility with budget estimates.	B	B	Yes	=	Classification allows for comparison with the budget, but only with some aggregation. Expenditures are covered at both the commitment and payment stages.	Performance is unchanged. Quarterly fiscal outturn reports are comparable with approved budget estimates at the sectoral and economic classification level, but with some degree of aggregation. Expenditures are captured at both the commitment and payment stages.
PI-24(ii)		24 (ii) Timeliness in issuing the reports.	C	D	No	N.C	Budget execution reports are prepared quarterly, and the last quarterly report is issued more than 8 weeks from the end of the quarter.	Most of the spending entities do not provide the reports in a timely manner despite the greater use of the IFMIS. The situation was likely the same in 2016. Therefore, the situation is likely unchanged.



ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-24(iii)		24 (iii) Quality of information.	C	C	Yes	=	There are some concerns about the accuracy of the information, which are not indicated in the reports produced by the MFDP. However, they are highlighted in the internal audit reports and the GAC reports. This does not undermine their usefulness.	Performance is unchanged. Data concerns are not highlighted in the quarterly fiscal outturn reports. The Auditor General concerns include reconciliation challenges, and non-acquittal of advances and transfers to the M&As. The MFDP is making efforts to improve data quality and produce a weekly fiscal report.
<b>PI-25</b>	<b>M1</b>	<b>25. Quality and timeliness of annual financial statements</b>	<b>C+</b>	<b>C+</b>	<b>No</b>	<b>-</b>		
PI-25(i)		25 (i) Completeness of the financial statements.	C	C	Yes	=	A consolidated government statement is prepared annually containing information about revenues, expenditures and bank account balances. The reports are generally not complete. With the use of IPSAS cash, the information concerning non-current assets is incomplete.	The consolidated financial statements for FY 2018/19 were prepared with adequate information about revenues, expenditures and bank account balances. However, there information about non-current assets is still incomplete. Information about donor projects is also incomplete.
PI-25(ii)		25 (ii) Timeliness of submission of the financial statements.	B	C	No	-	The 2018/19 consolidated government statement was submitted for external audit within 6 months of the end of the fiscal year. However, the report was not completed before May 2020.	Performance is unchanged. The AFS submitted to the GAC are generally not complete, which did not seem to be verified at the time of the previous assessment.

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-25(iii)		25 (iii) Accounting standards used.	C	C	Yes	=	The Government adopted IPSAS cash basis in 2009, but it is not fully compliant with IPSAS cash, as external assistance and other assistance received is not included in the notes. Arrears are included, but they are considered as domestic debts after one year.	Performance is unchanged. The mandatory disclosure of notes to the financial statements based on IPSA cash basis is still not met.
C(iv)		<b>Civ. External monitoring and auditing</b>	<b>C</b>	<b>C</b>	<b>N.C</b>	<b>N.C</b>		
<b>PI-26</b>	<b>M1</b>	<b>26. Scope, nature, and follow-up of external audit</b>	<b>D+</b>	<b>D+</b>	<b>Yes</b>	<b>=</b>		
PI-26(i)		26 (i) Scope/nature of audit performed (including adherence to auditing standards).	B	B	Yes	=	Central government entities, representing more than 75 percent of total expenditures, are audited annually. A wide range of financial audits is performed and generally adheres to auditing standards, focusing on significant and systemic issues.	Performance is unchanged. There was a better compliance with INTOSAI standards by the GAC, with greater focus on systemic audit issues. There is still no complete audit of assets and liabilities.
PI-26(ii)		26 (ii) Timeliness of submission of audit reports to legislature.	D	D	Yes	=	Audited financial statements are submitted to the legislature more than 12 months from their receipt by the GAC from the GoL. The Auditor General's Report on Consolidated Fund Financial Statements for FY 2016/2017 was completed more than twenty-two months from receipt of the financial reports by the GAC. The audits for FY	Performance is unchanged, mainly due to the GoL's delay in responding to the GAC requests.

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
							2017/2018 and FY 2018/109 are still ongoing.	
PI-26(iii)		26 (iii) Evidence of follow-up on audit recommendations.	D	D	Yes	=	Internal audit units and the Presidential Special Task Force are beginning to follow up on the implementation of the GAC's recommendations. However, there is no evidence of executive follow-up on audit recommendations.	Performance is unchanged. There is still little evidence of executive follow-up on audit recommendations.
<b>PI-27</b>	<b>M1</b>	<b>27. Legislative scrutiny of the annual budget law</b>	<b>B+</b>	<b>B+</b>	<b>No</b>	<b>N.C</b>		
PI-27(i)		27 (i) Scope of the legislature's scrutiny.	A	B	No	N.C	The legislature's review covers fiscal policies, as well as details of expenditures and revenues. However, it does not cover the medium-term fiscal framework and medium-term priorities, even if the information is annexed to the budget. The vote is only for the next following year.	Not comparable. The MTEF for the next three fiscal years does not present estimates according to the administrative classification, and medium-term expenditures are not analyzed by the PAC. The score for the 2016 PEFA assessment should have been B.
PI-27(ii)		27 (ii) Extent to which the legislature's procedures are well-established and respected.	A	A	Yes	=	The legislature's procedures for the budget review are firmly established and respected. They include internal organizational arrangements, such as the	Performance is unchanged. The PACs were already in place in 2016.

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
							Public Account Committees (PACs).	
PI-27(iii)		27 (iii) Adequacy of time for the legislature to provide a response to budget proposals, including both the detailed estimates and, where applicable, to the proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined).	A	B	Yes	-	The legislature had less than two months (but at least one month) to review the budget proposals.	Performance declined. The legislature had at least two months to review the budget at the time of the previous evaluation.
PI-27(iv)		27 (iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature.	B	C	No	-	Clear rules exist for in-year budget amendments by the executive. It cannot be asserted, and they are usually respected, but they allow for extensive administrative reallocations.	Performance is likely unchanged. The 2012 rating seems to have been overestimated for this component. The reports do not confirm that the budget execution procedures are well controlled. Extensive administrative reallocations are still observed for the period under review.
<b>PI-28</b>	<b>M1</b>	<b>28. Legislative scrutiny of external audit reports</b>	<b>D+</b>	<b>D+</b>	<b>Yes</b>	<b>=</b>		

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
PI-28(i)		28 (i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years).	D	D	Yes	=	Examination of audit reports by the legislature is taking more than 12 months to complete.	Performance is unchanged. The Public Accounts and Audit Committee (PAAC) carries on with its review of the GAC's audit reports. Reviews of the GAC's report on the consolidated financial statements for FY 2016/17 submitted to the legislature in October 2019 have yet to be completed. The GAC's reports on the AFS for 2017/18 and 2018/19 have not yet been completed. Therefore, they cannot be reviewed.
PI-28(ii)		28 (ii) Extent of hearings on key findings undertaken by the legislature.	B	B	Yes	=	In-depth hearings on key findings take place with responsible officers from the audited entities. They concern mainly the entities having received an adverse audit opinion from the GAC on various audit reports (but not yet on the AFS).	Performance is unchanged. Public hearings were already held at the date of the previous assessment.
PI-28(iii)		28 (iii) Issuance of recommended actions by the legislature and implementation by the executive.	C	C	Yes	=	Actions are recommended by the PAC, but there is little evidence of the actions taken by the executive.	Performance is unchanged. The legislature has prepared and submitted reports to the executive that contain recommendations for implementation of measures, and it has sent reminder letters in 2020. No further action has been taken by the executive until now.
D		<b>D. Donor practices</b>	<b>D</b>	<b>D</b>	<b>Yes</b>	<b>=</b>		

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
D-1	M1	<b>D-1. Predictability of Direct Budget Support</b>	D	D	Yes	=		
D-1(i)		D-1 (i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body).	D	D	Yes	=	Budget support disbursements fell short of budgeted amounts by more than 15 percent in the two of the last three fiscal years.	Performance is unchanged.
D-1(ii)		D-1 (ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates).	D	D	Yes	=	Donors do not provide quarterly estimates concerning direct budget support.	Performance is unchanged.
D-2	M1	<b>D-2. Financial information provided by donors for budgeting and reporting on projects and programs</b>	D+	D+	Yes	=		
D-2(i)		D-2 (i) Completeness and timeliness of budget estimates by donors for project support.	C	C	Yes	=	At least half of donors (including the five largest) provide complete budget estimates for disbursement of project aid for the government's coming fiscal year. This is done at least three months prior its start. Estimates may use donor classifications and not be consistent with the government's budget classification.	Performance is unchanged. About 80 percent of donors provided estimates of anticipated aid in a timely manner. However, it is not in a format consistent with the Government's budget classification for the preparation of its budget.

ID	Method	Label	2016	2020	Comp	Evol	Justification	Justification of Evolution
D-2(ii)		D-2 (ii) Frequency and coverage of reporting by donors regarding actual donor flows for project support.	D	D	Yes	=	Donors provide quarterly reports at the end of the quarter concerning the disbursements — but not necessary within two months after the end of the period.	Performance is unchanged. About 90 percent of donors provided information on disbursements, but not always on a quarterly basis. It was less than 2 months after the end of the period, and the reporting is generally not consistent with the GoL's budget classification system.
<b>D-3</b>	<b>M1</b>	<b>D-3. Proportion of aid that is managed by use of national procedures</b>	<b>D</b>	<b>D</b>	<b>Yes</b>	<b>=</b>		
D-3(i)		D-3 (i) Overall proportion of aid funds to the central government that are managed through national procedures.	D	D	Yes	=	Less than 50 percent of aid funds to the central government are managed through national procedures.	Performance is unchanged. Less than 50 percent of aid funds to the GoL were managed through national procedures in FY 2018/19.

## Annex 5: Calculation of Budget Variances for PI-1, 2 and 3

### Calculation for PI-1 and PI-2

Data for FY 2016/17

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
01 Public Administration Sector	169.38	166.25	148.7	17.5	17.5	11.8%
02 Municipal Government Sector	23.03	21.02	20.2	0.8	0.8	3.9%
03 Transparency and Accountability Sector	43.41	33.38	38.1	-4.7	4.7	12.4%
04 Security and Rule of Law Sector	94.95	83.80	83.4	0.4	0.4	0.5%
05 Health Sector	77.41	54.07	68.0	-13.9	13.9	20.4%
06 Social Development Services Sector	11.09	12.46	9.7	2.7	2.7	28.0%
07 Education Sector	86.17	76.34	75.7	0.7	0.7	0.9%
08 Energy and Environment Sector	17.07	15.50	15.0	0.5	0.5	3.4%
09 Agriculture Sector	11.90	6.24	10.4	-4.2	4.2	40.3%
10 Infrastructure and Basic Services Sector	42.22	37.72	37.1	0.6	0.6	1.8%
11 Industry and Commerce Sector	8.75	7.22	7.7	-0.5	0.5	6.1%
Allocated expenditures	585.36	514.02	514.0	0.0	46.6	
Interest	12.73	10.86				
Contingency	2.11	3.45				
Total expenditures	600.20	528.33				
Overall (PI-1) variance						88.0%
Composition (PI-2) variance						9.1%
Contingency share of budget						0.6%



**Data for FY 2017/18**

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
01 Public Administration Sector	173.05	172.05	164.5	7.6	7.6	4.6%
02 Municipal Government Sector	19.30	17.26	18.3	-1.1	1.1	5.9%
03 Transparency and Accountability Sector	44.61	44.87	42.4	2.5	2.5	5.8%
04 Security and Rule of Law Sector	86.01	89.13	81.8	7.4	7.4	9.0%
05 Health Sector	77.05	73.06	73.2	-0.2	0.2	0.2%
06 Social Development Services Sector	11.80	9.63	11.2	-1.6	1.6	14.1%
07 Education Sector	82.81	81.85	78.7	3.1	3.1	4.0%
08 Energy and Environment Sector	13.42	15.06	12.8	2.3	2.3	18.0%
09 Agriculture Sector	6.33	5.32	6.0	-0.7	0.7	11.5%
10 Infrastructure and Basic Services Sector	38.76	16.78	36.8	-20.1	20.1	54.4%
11 Industry and Commerce Sector	7.65	8.04	7.3	0.8	0.8	10.5%
Allocated expenditures	560.77	533.05	533.1	0.0	47.2	
Interest		2.98				
Contingency	2.79	3.83				
Total expenditures	563.56	539.86				
Overall (PI-1) variance						95.8%
Composition (PI-2) variance						8.9%
Contingency share of budget						0.7%

**Data for FY 2018/19**

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
01 Public Administration Sector	173.77	194.66	163.9	30.7	30.7	18.8%
02 Municipal Government Sector	21.09	17.31	19.9	-2.6	2.6	13.0%
03 Transparency and Accountability Sector	21.93	24.22	20.7	3.5	3.5	17.1%
04 Security and Rule of Law Sector	86.18	89.70	81.3	8.4	8.4	10.3%
05 Health Sector	81.70	64.77	77.1	-12.3	12.3	16.0%
06 Social Development Services Sector	11.82	10.91	11.2	-0.2	0.2	2.2%
07 Education Sector	85.36	74.11	80.5	-6.4	6.4	8.0%
08 Energy and Environment Sector	12.34	13.39	11.6	1.7	1.7	15.0%
09 Agriculture Sector	7.85	5.52	7.4	-1.9	1.9	25.4%
10 Infrastructure and Basic Services Sector	57.25	32.77	54.0	-21.2	21.2	39.3%
11 Industry and Commerce Sector	7.18	6.76	6.8	0.0	0.0	0.1%
Unspecified	0.00	0.22	0.0	0.2	0.2	-
Allocated expenditures	566.48	534.34	534.3	0.0	89.3	
Interest						
Contingency	3.67	5.81				
Total expenditures	570.15	540.15				
Overall (PI-1) variance						94.7%
Composition (PI-2) variance						16.7%
Contingency share of budget						1.0%

**Data for FY 2016/17**

Economic Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
20 Capital investment	80.4	0.0	70.8	-70.8	70.8	100.0%
21 Compensation of employees	285.3	268.5	251.1	17.4	17.4	6.9%
22 Use of goods and services	129.0	151.6	113.5	38.1	38.1	33.6%
23 Consumption of fixed capital	10.7	26.1	9.4	16.7	16.7	177.0%
24 Interest and other charges	12.7	10.9	11.2	-0.3	0.3	3.1%
25 Subsidies	0.0	0.0	0.0	0.0	0.0	-
26 Grants	80.4	69.7	70.8	-1.1	1.1	1.5%
27 Social benefits	1.7	1.5	1.5	0.0	0.0	1.5%
<b>Total Expenditures</b>	<b>600.2</b>	<b>528.3</b>	<b>528.3</b>	<b>0.0</b>	<b>144.3</b>	
Overall variance						88.0%
Composition variance						27.3%

**Data for FY 2017/18**

Economic Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
21 Compensation of employees	298.0	307.8	288.3	19.5	19.5	6.8%
22 Use of goods and services	97.7	125.9	94.5	31.4	31.4	33.3%
23 Consumption of fixed capital	0.0	1.6	0.0	1.6	1.6	14715.9%
24 Interest and other charges	0.0	3.0	0.0	3.0	3.0	-
25 Subsidies	3.6	2.9	3.5	-0.6	0.6	16.7%
26 Grants	67.7	63.1	65.5	-2.3	2.3	3.6%
27 Social benefits	1.0	0.8	0.9	-0.1	0.1	13.8%
31 Non-financial assets	65.3	10.7	63.2	-52.5	52.5	83.0%
41 Domestic liabilities	10.1	6.1	9.7	-3.6	3.6	37.3%
42 Foreign liabilities	20.2	14.0	19.6	-5.5	5.5	28.2%
<b>Total Expenditures</b>	<b>533.3</b>	<b>515.9</b>	<b>515.9</b>	<b>0.0</b>	<b>111.0</b>	
Overall variance						96.7%
Composition variance						21.5%

**Data for FY 2018/19**

Economic Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
21 Compensation of employees	317.1	316.6	301.6	15.0	15.0	5.0%
22 Use of goods and services	91.7	115.5	87.2	28.3	28.3	32.4%
25 Subsidies	2.5	1.2	2.4	-1.2	1.2	49.4%
26 Grants	54.5	48.1	51.8	-3.7	3.7	7.2%
27 Social benefits	0.0	1.3	0.0	1.2	1.2	2697.8%
31 Non-financial assets	74.3	31.1	70.7	-39.6	39.6	56.1%
41 Domestic liabilities	6.8	7.2	6.5	0.7	0.7	11.2%
42 Foreign liabilities	23.2	19.2	22.1	-2.8	2.8	12.8%
<b>Total Expenditures</b>	<b>540.1</b>	<b>513.7</b>	<b>513.7</b>	<b>0.0</b>	<b>89.0</b>	
Overall variance						95.1%
Composition variance						17.3%

## Calculation for the 2011 Framework

### Data for FY 2016/17

Administrative or Functional Head	Budget	Actual	AdjustedBudget	Deviation	Absolute Deviation	Percent
01 Public Administration Sector	169.38	167.60	149.1	18.5	18.5	12.4%
02 Municipal Government Sector	23.03	21.02	20.3	0.7	0.7	3.7%
03 Transparency and Accountability Sector	43.41	33.38	38.2	-4.8	4.8	12.6%
04 Security and Rule of Law Sector	94.95	83.80	83.6	0.2	0.2	0.2%
05 Health Sector	77.41	54.07	68.2	-14.1	14.1	20.7%
06 Social Development Services Sector	11.09	12.46	9.8	2.7	2.7	27.6%
07 Education Sector	86.17	76.34	75.9	0.5	0.5	0.6%
08 Energy and Environment Sector	17.07	15.50	15.0	0.5	0.5	3.2%
09 Agriculture Sector	11.90	6.24	10.5	-4.2	4.2	40.4%
10 Infrastructure and Basic Services Sector	42.22	37.72	37.2	0.6	0.6	1.5%
11 Industry and Commerce Sector	8.75	7.22	7.7	-0.5	0.5	6.3%
<b>Allocated expenditures</b>	<b>585.36</b>	<b>515.36</b>	<b>515.4</b>	<b>0.0</b>	<b>47.3</b>	
Interest	12.73	10.86				
Contingency	2.11	3.45				
<b>Total Expenditures</b>	<b>600.20</b>	<b>529.68</b>				
Overall (PI-1) variance						88.2%
Composition (PI-2) variance						9.2%
Contingency share of budget						0.6%

**Data for FY 2017/18**

<b>Administrative or Functional Head</b>	<b>Budget</b>	<b>Actual</b>	<b>Adjusted Budget</b>	<b>Deviation</b>	<b>Absolute Deviation</b>	<b>Percent</b>
01 Public Administration Sector	173.05	172.24	164.6	7.7	7.7	4.7%
02 Municipal Government Sector	19.30	17.26	18.4	-1.1	1.1	5.9%
03 Transparency and Accountability Sector	44.61	44.87	42.4	2.4	2.4	5.8%
04 Security and Rule of Law Sector	86.01	89.13	81.8	7.3	7.3	9.0%
05 Health Sector	77.05	73.06	73.3	-0.2	0.2	0.3%
06 Social Development Services Sector	11.80	9.63	11.2	-1.6	1.6	14.1%
07 Education Sector	82.81	81.85	78.7	3.1	3.1	3.9%
08 Energy and Environment Sector	13.42	15.06	12.8	2.3	2.3	18.0%
09 Agriculture Sector	6.33	5.32	6.0	-0.7	0.7	11.5%
10 Infrastructure and Basic Services Sector	38.76	16.78	36.9	-20.1	20.1	54.5%
11 Industry and Commerce Sector	7.65	8.04	7.3	0.8	0.8	10.4%
<b>Allocated expenditures</b>	<b>560.77</b>	<b>533.24</b>	<b>533.2</b>	<b>0.0</b>	<b>47.3</b>	
Interest		2.98				
Contingency	2.79	3.83				
<b>Total Expenditures</b>	<b>563.56</b>	<b>540.05</b>				
Overall (PI-1) variance						95.8%
Composition (PI-2) variance						8.9%
Contingency share of budget						0.7%

## Data for FY 2018/19

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
01 Public Administration Sector	173.77	196.80	164.6	32.2	32.2	19.6%
02 Municipal Government Sector	21.09	17.31	20.0	-2.7	2.7	13.3%
03 Transparency and Accountability Sector	21.93	24.22	20.8	3.4	3.4	16.6%
04 Security and Rule of Law Sector	86.18	89.70	81.6	8.1	8.1	9.9%
05 Health Sector	81.70	64.77	77.4	-12.6	12.6	16.3%
06 Social Development Services Sector	11.82	10.91	11.2	-0.3	0.3	2.6%
07 Education Sector	85.36	74.11	80.8	-6.7	6.7	8.3%
08 Energy and Environment Sector	12.34	13.39	11.7	1.7	1.7	14.6%
09 Agriculture Sector	7.85	5.52	7.4	-1.9	1.9	25.7%
10 Infrastructure and Basic Services Sector	57.25	32.77	54.2	-21.4	21.4	39.6%
11 Industry and Commerce Sector	7.18	6.76	6.8	0.0	0.0	0.5%
Unspecified	0.00	0.22	0.0	0.2	0.2	-
<b>Allocated expenditures</b>	<b>566.48</b>	<b>536.48</b>	<b>536.5</b>	<b>0.0</b>	<b>91.4</b>	
Interest						
Contingency	3.67	5.81				
<b>Total Expenditures</b>	<b>570.15</b>	<b>542.30</b>				
Overall (PI-1) variance						95.1%
Composition (PI-2) variance						17.0%
Contingency share of budget						1.0%

Year	for PI-1	for PI-2.1	for PI-2.3
	Total Deviation	Composition Variance	Contingency Share
2016/17	88.2%	9.2%	0.8%
2017/18	95.8%	8.9%	
2018/19	95.1%	17.0%	

**Calculation for PI-3**

**Data for FY 2016/17**

Economic Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
TAX RECEIPTS						
Taxes on Income and Profits	137,479	143,853	130,071.8	13,781.2	13,781.2	10.6%
Property Taxes	3,978	5,096	3,763.7	1,332.3	1,332.3	35.4%
Taxes on Goods and Services	44,580	46,329	42,178.1	4,150.9	4,150.9	9.8%
Taxes on International Trade	178,319	184,635	168,711.4	15,923.6	15,923.6	9.4%
Other Taxes	3,159	3,164	2,988.8	175.2	175.2	5.9%
OTHER RECEIPTS: NONE			0.0	0.0		0.0%
Other Receipts	81,150	78,766	76,777.7	1,988.3	1,988.3	2.6%
EXTERNAL ASSISTANCE			0.0	0.0		0.0%
Grants from Multilateral Agencies	62,382	31,345	59,020.9	-27,675.9		0.0%
Grants from Bilateral Agencies	12,940	5,685	12,242.8	-6,557.8	6,557.8	53.6%
Grant from Norway	4,300	0	4,068.3	-4,068.3	4,068.3	100.0%
BORROWING			0.0	0.0		0.0%
Borrowings from Multilateral Agencies	17,288	19	16,356.5	-16,337.5		0.0%
Borrowings from Bilateral Agencies	0	17,288	0.0	17,288.0	17,288.0	0.0%
Other Borrowings	0	0	0.0	0.0	0.0	0.0%
Other Borrowings (Domestic)	0	0	0.0	0.0	0.0	0.0%
CONTINGENT REVENUES			0.0	0.0		0.0%
Contingent Tax Revenues	0	0	0.0	0.0	0.0	0.0%
Contingent Other Revenues	0	0	0.0	0.0		0.0%
Contingent Other Revenues (Additional 16,750)	0	0	0.0	0.0		0.0%
Brought Forward 1	0	0	0.0	0.0		0.0%
Cash Carry Forward FY-14/15	0					
<b>Total Revenues</b>	<b>545,575</b>	<b>516,180</b>	<b>516,180.1</b>	<b>0.0</b>	<b>65,265.7</b>	
Overall variance						94.6%
Composition variance						12.6%



**Data for FY 2017/18**

Economic Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
TAX RECEIPTS						
Taxes on Income and Profits	147,743	139,102	118,245.7	20,856.3	20,856.3	17.6%
Property Taxes	7,730	5,548	6,186.7	-638.7	638.7	10.3%
Taxes on Goods and Services	53,963	46,260	43,189.1	3,070.9	3,070.9	7.1%
Taxes on International Trade	189,918	183,255	152,000.3	31,254.7	31,254.7	20.6%
Other Taxes	2,050	1,706	1,640.7	65.3	65.3	4.0%
OTHER RECEIPTS: NON – TAX RECEIPTS				0.0	0.0	
Other Receipts	100,371	46,481	80,331.6	-33,850.6		0.0%
EXTERNAL ASSISTANCE			0.0	0.0		
Grants from Multilateral Agencies	50,640	4,806	40,529.6	-35,723.6	35,723.6	88.1%
Grants from Bilateral Agencies	4,300	4,670	3,441.5	1,228.5		0.0%
BORROWING			0.0	0.0		
Borrowings from Multilateral Agencies		20,697	0.0	20,697.0	20,697.0	0.0%
Borrowings from Bilateral Agencies			0.0	0.0	0.0	0.0%
From Domestic Sources	5,000	0	4,001.7	-4,001.7		0.0%
CONTINGENT REVENUES			0.0	0.0		
Contingent Tax Revenues			0.0	0.0	0.0	0.0%
Contingent Other Revenues			0.0	0.0	0.0	0.0%
Contingent Other Revenues (Additional Resources)			0.0	0.0	0.0	0.0%
Brought Forward	1,848		1,479.0	0.0	0.0	0.0%
Cash Carry Forward FY-15/16	1,848		1,479.0	0.0	0.0	0.0%
Total revenues	565,411	452,525	452,525.0	0.0	112,306.4	
Overall variance						80.0%
Composition variance						24.8%

**Data for FY 2018/19**

Economic Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
TAX RECEIPTS						
Taxes on Income and Profits	146,828	161,819	124,226.7	37,592.3	37,592.3	30.3%
Property Taxes	6,506	5,001	5,504.5	-503.5	503.5	9.1%
Taxes on Goods and Services	51,457	41,807	43,536.2	-1,729.2	1,729.2	4.0%
Taxes on International Trade	195,652	173,743	165,535.2	8,207.8	8,207.8	5.0%
Other Taxes	1,656	6,462	1,401.1	5,060.9	5,060.9	361.2%
OTHER RECEIPTS: NON – TAX RECEIPTS				0.0	0.0	
Other Receipts	104,096	80,903	88,072.5	-7,169.5		0.0%
EXTERNAL ASSISTANCE			0.0	0.0		0.0%
Grants from Multilateral Agencies	36,000	12,650	30,458.5	-17,808.5	17,808.5	58.5%
Grants from Bilateral Agencies	15,325		12,966.0	0.0		0.0%
BORROWING			0.0	0.0		0.0%
Borrowings from Multilateral Agencies	12,628		10,684.2	0.0	0.0	0.0%
Borrowings from Bilateral Agencies	0	0	0.0	0.0	0.0	0.0%
From Domestic Sources			0.0	0.0		0.0%
CONTINGENT REVENUES			0.0	0.0		0.0%
Contingent Tax Revenues	0	0	0.0	0.0	0.0	0.0%
Contingent Other Revenues	0		0.0	0.0	0.0	0.0%
Total revenues	570,148	482,385	482,385.0	0.0	70,902.2	
Overall variance						84.6%
Composition variance						14.7%

## Calculation for the 2011 framework

Data for FY 2016/17

Economic Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
<b>TAX RECEIPTS</b>						
Taxes on Income and Profits	137,479	143,853	141,517.0	2,336.0	2,336.0	1.7%
Property Taxes	3,978	5,096	4,094.8	1,001.2	1,001.2	24.4%
Taxes on Goods and Services	44,580	46,329	45,889.4	439.6	439.6	1.0%
Taxes on International Trade	178,319	184,635	183,556.5	1,078.5	1,078.5	0.6%
Other Taxes	3,159	3,164	3,251.8	-87.8	87.8	2.7%
<b>OTHER RECEIPTS: NON – TAX RECEIPTS</b>			<b>0.0</b>	<b>0.0</b>		<b>0.0%</b>
Other Receipts	81,150	78,766	83,533.5	-4,767.5	4,767.5	5.7%
<b>CONTINGENT REVENUES</b>			<b>0.0</b>	<b>0.0</b>		<b>0.0%</b>
Contingent Tax Revenues I	0	0	0.0	0.0	0.0	0.0%
Contingent Other Revenues	0	0	0.0	0.0		0.0%
Brought Forward	0	0	0.0	0.0		0.0%
Cash Carry Forward	0					
<b>Total Revenues</b>	<b>448,665</b>	<b>461,843</b>	<b>461,843.0</b>	<b>0.0</b>	<b>9,710.6</b>	
Overall variance						102.9%
Composition variance						2.1%

Data for FY 2017/18

Economic Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
<b>TAX RECEIPTS</b>						
Taxes on Income and Profits	139,102	143,853	157,625.0	-13,772.0	13,772.0	8.7%
Property Taxes	5,548	5,096	6,286.8	-1,190.8	1,190.8	18.9%
Taxes on Goods and Services	46,260	46,329	52,420.0	-6,091.0	6,091.0	11.6%
Taxes on International Trade	183,255	184,635	207,657.5	-23,022.5	23,022.5	11.1%
Other Taxes	1,706	3,164	1,933.2	1,230.8	1,230.8	63.7%
<b>OTHER RECEIPTS: NON – TAX RECEIPTS</b>						
Other Receipts	46,481	78,766	52,670.5	26,095.5		0.0%
<b>CONTINGENT REVENUES</b>						
Contingent Tax Revenues			0.0	0.0	0.0	0.0%
Contingent Other Revenues (Additional Resources)		16,750	0.0	16,750.0	16,750.0	0.0%
Brought Forward			0.0	0.0	0.0	0.0%
Cash Carry Forward FY-15/16			0.0	0.0	0.0	0.0%
<b>Total Revenues</b>	<b>422,352</b>	<b>478,593</b>	<b>478,593.0</b>	<b>0.0</b>	<b>62,057.2</b>	
Overall variance						113.3%
Composition variance						13.0%

Data for FY 2018/19

Economic Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
<b>TAX RECEIPTS</b>						
Taxes on Income and Profits	161,819	139,102	145,496.0	-6,394.0	6,394.0	4.4%
Property Taxes	5,001	5,548	4,496.5	1,051.5	1,051.5	23.4%
Taxes on Goods and Services	41,807	46,260	37,589.9	8,670.1	8,670.1	23.1%
Taxes on International Trade	173,743	183,255	156,217.2	27,037.8	27,037.8	17.3%
Other Taxes	6,462	1,706	5,810.2	-4,104.2	4,104.2	70.6%
<b>OTHER RECEIPTS: NON – TAX RECEIPTS</b>			<b>0.0</b>	<b>0.0</b>		<b>0.0%</b>
Other Receipts	80,903	46,481	72,742.2	-26,261.2		0.0%
<b>CONTINGENT REVENUES</b>			<b>0.0</b>	<b>0.0</b>		<b>0.0%</b>
Contingent Tax Revenues	0	0	0.0	0.0	0.0	0.0%
Contingent Other Revenues		0	0.0	0.0	0.0	0.0%
<b>Total Revenues</b>	<b>469,735</b>	<b>422,352</b>	<b>422,352.0</b>	<b>0.0</b>	<b>47,257.6</b>	
Overall variance						89.9%
Composition variance						11.2%

Year	Revenue Deviation	Composition Variance
2016-17	103%	2.1%
2017-18	113%	13.0%
2018-19	90%	11.2%