



Improve the comprehensiveness of the budget reports: Executive Budget Proposal Liberia

Introduction

In the context of the Fiscal Openness Accelerator Project (FOA Project)—launched by the International Budget Partnership and the Global Initiative for Fiscal Transparency with the objective of building the technical capacity of selected governments to improve their fiscal transparency and to implement mechanisms for public participation, the Ministry of Finance and Development Planning of Liberia **will receive technical assistance to build capacity to enhance fiscal transparency.**

To measure progress for the FOA Project per country, a set of indicators were selected, based on the findings of the Fiscal Transparency Report (FTR) of the United States Department of State and the Open Budget Survey (OBS). The second of these indicators is **improving the comprehensiveness of the budget reports as assessed by the OBS**, with the first target being to **achieve at least 61 points for the Executive Budget Proposal**, which obtained 54 points in the 2019 OBS. This document presents a diagnosis of the current state of affairs regarding such indicator based on the current practices and presents a set of actions and considerations to improve.

Diagnosis and international examples

This section presents a diagnosis of the contents of the Executive Budget Proposal based on the findings and observations made on the OBS 2019. It is presented by topic that should be part of the document, being: budget, revenues, debt, macroeconomic framework, decentralization and contingent liabilities.

1. Budget

- Currently question 17 of the OBS, regarding how new policies affect expenditures, has a D. There are short explanations on the reason for sectoral allocations, however it is not possible to identify new policies. In the Preface 2019/20 there is an incipient start that can be worked more to make it useful for the reader. For example, in the section of **Recurrent Expenditure** there are some explanations for the category “Goods and services”, but almost none for most of the others. The table below shows a simple comparison of the description for “Goods and Services” against “Social Benefits”:

<p>b) Goods & Services: Total amount of \$72.1 million has been appropriated for this category. This amount accounts for 13.6 percent of total budget and 14.7 percent of recurrent expenditure. Comparatively, this indicates about 13.1 percent decrease from the FY2018/19 appropriation of \$83.0 million. Given the fiscal constraints, a number of austerity measures were taken to reduce the total appropriation for Goods and Services. It is important to note that of the \$72.1 million, there is a \$40 million of contingent goods and services linked to meeting the World Bank’s budget support triggers.</p>	<p>e) Social Benefits: Estimated at \$1.49 million, this expenditure category constitutes 0.3 percent of recurrent expenditure.</p>
--	--



The same happens in the **Sector Appropriations**. For example, there is a description for the changes in the budget in the sector of Public Administration, but no explanation for the 11.4% decrease in the Transparency and Accountability Sector. In the following table the two sectors can be compared:

<p>Public Administration The Public Administration sector received the appropriation of \$178 million which is 33.8 percent of total budget for fiscal year 2019/20. In comparison to FY2018/19, there is a 0.5 percent increase in appropriation.</p> <p>Paramount amongst the deliverables for this sector in this fiscal year is to conduct the national housing and population census, strengthen domestic revenue mobilization, maintain sustainable debt level and advance reforms in the public sector to ensure an efficient, modern, professional, motivated and productive public sector workforce to foster national growth and development.</p>	<p>Transparency and Accountability Sector The appropriation for the Transparency and Accountability Sector for FY2019/20 budget is \$19.4 million constituting 3.6 percent of total budget. This reflects a 11.4 percent decrease compared with last year's appropriation of \$21.9 million.</p>
---	--

This does not mean that a detailed explanation is required for each minor change in the budget, rather being able to identify what new policies are being implemented or major changes in the budget. As an example, consult South African [Budget Review](#), Chapter 5 (pages 47 to 63), here below is a short extract for public transport spending:

Public transport spending is reduced by R13.2 billion over the next three years, mainly on allocations to the Passenger Rail Agency of South Africa and the *public transport network grant*. The reduced allocation to the agency is mainly due to underspending in previous years, which resulted in huge cash surpluses. The agency is expected to ensure that critical investments are made to stabilise Metrorail. Planning and implementation of integrated public transport networks will be suspended in Buffalo City, Mbombela and Msunduzi as these three cities have progressed the least in launching public transport systems. Accordingly, there will be no allocations to these cities in the 2020 MTEF period.

Public transport spending reduced by R13.2 billion over MTEF period

- Question 19 of the OBS, on the incorporation of the three budget classifications for B-1, presented a discussion on possible downgrade from the previous evaluation of 2017, the determination was to keep an A, although some information was missing. Indeed, the 2017 the Budget document did not include such information as the functional classification had BY-1 without data (view image below), however it was included for the Approved Budget of 2018/19.
- Question 22 of the OBS, on the incorporation of the three budget classifications for B-2, presented a discussion downgrade from the previous evaluation of 2017. This is in line with the discussion on question 19 and the same measures should be considered for improvement.



Image of the **Draft** Budget Table 1.8

	National Budget				2018/19	
1.8 Classification of Expenditure by Functions of Government						
Function	FY2016-17 Actual	FY2017-18 Budget	FY2017-18 Est. Outturn	FY2018-19 Budget	FY2019-20 Projection	FY2020-21 Projection
00 - UNSPECIFIED	-	-	-	120,000	120,000	121,200
0000 - UNSPECIFIED	-	-	-	120,000	120,000	121,200
01 - GENERAL PUBLIC SERVICES	-	-	-	208,850,279	195,350,230	208,400,348
0111 - EXECUTIVE AND LEGISLATIVE ORGA	-	-	-	86,664,231	73,164,182	74,540,312
0112 - FINANCIAL AND FISCAL AFFAIRS (-	-	-	78,005,992	78,005,992	89,106,222
0113 - EXTERNAL AFFAIRS (CS)	-	-	-	13,820,867	13,820,867	14,065,900
0131 - GENERAL PERSONNEL SERVICES(CS)	-	-	-	21,561,388	21,561,388	21,781,464
0132 - OVERALL PLANNING AND STAT.SRVS	-	-	-	1,435,311	1,435,311	1,450,826
0133 - OTHER GENERAL SERVICES (CS)	-	-	-	3,743,572	3,743,572	3,794,915
0160 - GENERAL PUBLIC SERVICES N.E.C.	-	-	-	3,618,918	3,618,918	3,660,710
02 - DEFENSE	-	-	-	32,539,609	30,962,838	31,586,489
0210 - MILITARY DEFENSE (CS)	-	-	-	31,311,934	29,735,163	30,330,998
0220 - CIVIL DEFENSE (CS)	-	-	-	1,227,675	1,227,675	1,255,491
03 - PUBLIC ORDER AND SAFETY	-	-	-	53,373,799	53,176,703	53,888,697
0310 - POLICE SERVICES (CS)	-	-	-	22,937,802	22,937,802	23,242,475
0320 - FIRE PROTECTION SERVICES (CS)	-	-	-	1,847,292	1,650,196	1,676,569
0330 - LAW COURTS (CS)	-	-	-	21,372,142	21,372,142	21,639,419
0340 - 0340PRISONS (CS)	-	-	-	2,059,692	2,059,692	2,089,094
0360 - PUBLIC ORDER AND SAFETY N.E.C.	-	-	-	5,156,871	5,156,871	5,241,140
04 - ECONOMIC AFFAIRS	-	-	-	89,184,892	47,579,638	49,540,106
0411 - GENERAL ECONOMIC AND COMMER.	-	-	-	5,236,103	5,236,103	5,309,748
0412 - GENERAL LABOR AFFAIRS (CS)	-	-	-	1,862,745	1,835,940	1,871,174
0421 - AGRICULTURE (CS)	-	-	-	6,296,815	4,105,103	4,226,535
0422 - FORESTRY (CS)	-	-	-	4,260,061	4,260,061	4,319,468
0435 - ELECTRICITY (CS)	-	-	-	3,889,080	3,889,080	3,999,971
0441 - MINING OF MINERAL RESOURCES	-	-	-	2,624,256	2,624,256	2,659,613
0450 - TRANSPORT	-	-	-	1,518,212	1,486,677	1,509,048
0451 - ROAD TRANSPORT (CS)	-	-	-	58,742,163	19,938,832	21,370,234



Image of the **Approved Budget Table 1.8**

						National Budget	2018/19
1.8 Classification of Expenditure by Functions of Government							
Function	FY2016-17 Actual	FY2017-18 Budget	FY2017-18 Est. Outturn	FY2018-19 Budget	FY2019-20 Projection	FY2020-21 Projection	
00 - UNSPECIFIED	125,000	-	-	120,000	120,000	121,200	
0000 - UNSPECIFIED	125,000	-	-	120,000	120,000	121,200	
01 - GENERAL PUBLIC SERVICES	120,069,405	159,698,995	147,379,317	215,298,247	204,519,237	217,721,435	
0000-UNSPECIFIED	-	-	-	31,783	31,783	32,736	
0111 - EXECUTIVE AND LEGISLATIVE ORGA	63,327,750	72,668,913	66,752,680	93,765,385	83,008,055	84,544,328	
0112 - FINANCIAL AND FISCAL AFFAIRS (31,794,954	43,573,803	40,637,533	48,870,421	48,850,711	49,844,713	
0113 - EXTERNAL AFFAIRS (CS)	13,129,546	13,774,764	12,770,105	13,820,867	13,820,867	14,065,900	
0131 - GENERAL PERSONNEL SERVICES(CS)	2,426,723	15,969,842	15,889,413	20,950,296	20,950,296	21,164,261	
0132 - OVERALL PLANNING AND STAT.SRVS	1,496,847	1,462,644	1,419,919	1,535,311	1,533,340	1,550,743	
0133 - OTHER GENERAL SERVICES (CS)	4,003,116	4,139,957	3,972,046	3,604,082	3,604,082	3,654,031	
0160 - GENERAL PUBLIC SERVICES N.E.C.	3,890,469	4,287,838	4,218,785	3,861,638	3,861,638	3,905,796	
0170 - 0170PUBLIC DEBT TRANSACTIONS	-	3,821,234	1,718,836	28,858,464	28,858,464	38,958,926	
02 - DEFENSE	28,144,020	27,616,609	25,478,891	32,239,609	30,662,838	31,277,489	
0210 - MILITARY DEFENSE (CS)	25,935,462	27,616,609	25,478,891	31,261,934	29,685,163	30,279,498	
0220 - CIVIL DEFENSE (CS)	2,208,558	-	-	977,675	977,675	997,991	
03 - PUBLIC ORDER AND SAFETY	42,477,764	51,058,477	49,726,519	53,791,061	53,593,965	54,318,751	
0310 - POLICE SERVICES (CS)	17,819,362	22,725,069	22,095,714	23,190,802	23,190,802	23,503,065	
0320 - FIRE PROTECTION SERVICES (CS)	854,694	1,656,537	1,609,616	1,847,292	1,650,196	1,676,569	
0330 - LAW COURTS (CS)	17,942,881	21,291,094	20,833,146	21,386,370	21,386,370	21,654,348	
0340 - 0340PRISONS (CS)	1,814,787	2,011,726	1,933,268	2,059,492	2,059,492	2,088,888	
0360 - PUBLIC ORDER AND SAFETY N.E.C.	4,046,040	3,374,051	3,254,775	5,307,105	5,307,105	5,395,881	
04 - ECONOMIC AFFAIRS	17,453,644	28,913,175	27,366,986	80,228,462	46,152,255	47,878,323	

- The country has started progress towards Gender Responsive Budgeting, however the Annex 6 (missing in the Draft Budget 2019/2020) does not include budgeting amounts, which affect the usefulness.



FISCAL OPENNESS ACCELERATOR
Fiscal Transparency for Public Participation
for Better Use of Public Resources



2. Revenues

- While the OBS considers that the EBP provides comprehensive information on revenues, however:
 - OBS Q. 9 There is no clear reason for downgrade from A to C in 2017 to 2019. Here are the comparable tables. The comment of the evaluator does not provide insights for the downgrade:

2016/2017 For OBS 2017							2018/2019 For OBS 2019								
1	TAX REVENUE (I)	881,766	412,331	872,905	401,965	429,184	457,735	498,047							
111	INCOME & PROFIT TAXES	146,287	169,298	140,140	163,650	151,110	162,786	177,393							
113	REAL PROPERTY TAXES	4,257	7,055	4,491	5,208	7,215	7,655	7,813							
114	TAXES ON GOODS & SERVICES	50,116	53,779	51,866	47,399	54,809	63,029	64,343							
Q/w	MOTOR VEHICLE TAXES	5,864	5,861	5,280	5,864	4,443	7,000								
Q/w	MARITIME REVENUE	15,015	15,015	8,321	11,504	11,771	11,130								
115	TAXES ON INTERNATIONAL TRADE	167,213	176,111	176,111	185,165	208,383	224,429	244,427							
Q/w	IMPORT DUTIES	81,213	87,200	87,200	82,212	105,817	111,930	111,930							
Q/w	OTHER CUSTOMS CHARGES ON IMPORTS	64,060	67,246	67,246	75,344	90,276	97,227	105,977							
Q/w	EXCISE TAXES ON IMPORTED GOODS	9,904	10,421	10,421	11,066	12,340	13,183	14,388							
Q/w	FEES ON EXPORT	555	484	484	552	520	560	615							
116	OTHER TAXES	12,752	13,058	67	113	7,967	3,967	3,967							
Q/w	OTHER TAXES PAYABLE SOLELY BY BUSINESS														
Q/w	AGRICULTURE	50	50	50	100	50	50	50							
Q/w	MINING	12,702	12,000	17	12	3,817	3,817	3,817							
Q/w	OTHERS	-	-	-	1	3,500	-	-							
116G	OTHER TAXES PAID BY OTHER THAN BUSINESS OR UNIDENTIFIABLE	-	-	-	-	-	-	-							
14	OTHER NON-TAX REVENUE (II)	65,458	61,380	49,204	65,951	46,703	149,913	60,241							

The table of 2019/2020 is the same as 2018/2019. Which means that Liberia would get a C unless there are changes. Some sources are presented too aggregate, which affects questions 9, 22 and 29. View comparison with the table used as an example from South Africa.

L.4 Summary of FY 2019/20 Resource Envelop

DESCRIPTION	FY-2017/18 OUTTURN	FY-2018/19 APPROVED BUDGET	FY-2018/19 ESTIMATES	FY-2019/20 FORECAST	FY-2020/21 FORECAST	FY-2021/22 FORECAST
GRAND TOTAL RESOURCE ENVELOPE	452,525	570,148	481,006	532,007	534,354	537,320
TOTAL REVENUE	452,525	570,148	481,006	532,907	534,354	537,320
REVENUE (Core Budget)	447,855	557,520	481,006	485,907	484,354	484,320
REVENUE (Contingent Budget)	-	12,628	-	47,000	48,000	49,000
Domestic Revenue (Core Budget)	422,351	506,195	468,356	465,107	467,554	469,520
Domestic Revenue (Contingent Budget)	-	-	-	7,000	8,000	9,000
TOTAL DOMESTIC REVENUE	422,351	506,195	468,356	472,107	475,554	478,520
External Resources (Grants) Core Budget	25,503	51,325	12,650	20,800	18,800	18,800
External Resources (Loans) Contingent Budget	4,670	12,628	-	40,000	40,000	40,000
TOTAL EXTERNAL RESOURCES	30,173	63,953	12,650	60,800	58,800	58,800
1 TAX REVENUE	375,643	402,059	394,156	377,898	379,316	380,744
111 INCOME & PROFIT TAXES	136,140	146,828	170,387	145,398	145,589	145,684
113 REAL PROPERTY TAXES	5,548	6,506	5,362	5,355	5,462	5,571
114 TAXES ON GOODS & SERVICES	46,261	51,487	40,796	45,977	46,252	46,530
Q/w MARITIME REVENUE	8,878	10,308	8,512	12,000	12,000	12,000
Q/w MOTOR VEHICLE TAXES	6,004	7,212	6,826	6,995	7,135	7,278
Q/w OTHER GOODS AND SERVICES	31,581	33,937	25,659	26,982	27,117	27,253
115 TAXES ON INTERNATIONAL TRADE	186,227	195,652	171,889	178,017	178,907	179,802
Q/w IMPORT DUTIES	103,864	100,346	84,680	88,468	88,910	89,355
Q/w OTHER CUSTOMS CHARGES ON IMPORTS	75,384	77,362	78,196	82,006	82,417	82,829
Q/w EXCISE TAXES ON IMPORTED GOODS	6,607	17,347	8,584	7,129	7,164	7,200
Q/w FEES ON EXPORT	373	597	429	414	416	418
116 OTHER TAXES	1,707	1,656	5,762	3,156	3,156	3,156
Q/w AGRICULTURE	50	50	50	50	50	50
Q/w MINING	1,656	1,606	5,612	3,100	3,100	3,100
Q/w OTHERS	1	-	100	6	6	6

Review below the table of revenues from [South Africa's EBP¹](#), particularly the level of detail.

Table 3
Main budget estimates of national revenue
Detailed classification of revenue

2019/20				2020/21		
Budget estimates Before	After tax proposals	Revised estimate	% change on 2018/19 actual	Before tax proposals	After	
						R thousands
806 541 612	820 341 612	778 280 105	5.4%	815 588 183	813 588 183	Taxes on income and profits
539 076 912	552 876 912	527 584 216	7.2%	548 771 494	546 771 494	Personal income tax
						Tax on corporate income
229 608 192	229 608 192	216 718 097	2.2%	230 225 625	230 225 625	Corporate income tax
31 892 515	31 892 515	29 144 409	-2.5%	31 169 089	31 169 089	Secondary tax on companies/dividends tax
702 368	702 368	597 334	-4.4%	638 701	638 701	Interest withholding tax
						Other
5 261 140	5 261 140	4 235 900	3.6%	4 783 092	4 783 092	Interest on overdue income tax
485	485	149	-57.3%	182	182	Small business tax amnesty
18 758 510	18 758 510	18 576 305	6.5%	19 412 896	19 412 896	Taxes on payroll and workforce
18 758 510	18 758 510	18 576 305	6.5%	19 412 896	19 412 896	Skills development levy
17 158 872	17 158 872	16 037 771	5.2%	17 509 810	17 509 810	Taxes on property
						Estate, inheritance and gift taxes
576 793	576 793	563 283	-6.8%	702 682	702 682	Donations tax
2 028 737	2 028 737	2 071 076	0.1%	2 320 507	2 320 507	Estate duty
						Taxes on financial and capital transactions
6 485 122	6 485 122	6 162 990	15.5%	6 865 932	6 865 932	Securities transfer tax
8 068 219	8 068 219	7 240 421	-0.0%	7 620 689	7 620 689	Transfer duties
503 448 985	504 648 985	488 710 646	6.1%	512 266 829	514 266 829	Domestic taxes on goods and services
						Value-added tax
406 966 584	406 210 232	399 432 700	5.5%	421 650 757	421 650 757	Domestic VAT
187 765 494	187 421 845	182 666 047	4.3%	192 962 798	192 962 798	Import VAT
-233 160 795	-233 160 795	-237 896 832	3.8%	-254 058 947	-254 058 947	Refunds
						Specific excise duties
14 582 852	14 969 369	15 420 222	11.9%	16 484 000	16 484 000	Beer
4 337	4 337	4 234	2.3%	4 939	4 939	Sorghum beer and sorghum flour
4 175 241	4 210 880	4 452 108	-0.0%	5 326 196	5 326 196	Wine and other fermented beverages
7 132 148	7 310 092	8 927 713	15.1%	9 281 460	9 281 460	Spirit
12 251 926	12 627 469	14 406 843	19.2%	14 461 679	14 461 679	Cigarettes and cigarette tobacco
475 214	499 671	475 382	15.1%	493 879	493 879	Pipe tobacco and cigars
918 599	918 599	870 038	3.8%	1 002 759	1 002 759	Petroleum products
1 813 615	1 813 615	2 208 036	48.3%	1 781 193	1 781 193	Revenue from neighbouring countries
1 996 067	1 996 067	2 990 033	-18.9%	2 860 369	2 860 369	Health promotion levy
4 454 487	4 454 487	4 112 466	-1.9%	4 328 453	4 328 453	Ad valorem excise duties
81 657 583	82 957 583	79 277 491	5.2%	83 441 153	83 441 153	Fuel levy
						Taxes on use of goods or permission to use goods or to perform activities
1 159 215	1 159 215	1 030 853	-4.8%	1 150 545	1 150 545	Air departure tax
326 371	326 371	325 986	8.5%	360 782	610 782	Plastic bag levy
8 562 485	8 562 485	8 025 000	-4.5%	8 100 339	8 100 339	Electricity levy
41 359	41 359	32 529	-20.1%	37 477	37 477	Incandescent light bulb levy
1 254 788	1 254 788	1 300 225	-6.5%	1 384 995	1 384 995	CO ₂ tax - motor vehicle emissions
790 583	790 583	817 542	12.0%	951 353	951 353	Tyre levy
6 030	6 030	3 170	-42.2%	3 548	3 548	International Oil Pollution Compensation Fund
-	-	-	-	-	1 750 000	Carbon tax
19 149	19 149	19 267	48.9%	26 263	26 263	Turnover tax for micro businesses
265 654	265 654	209 604	-5.9%	220 839	220 839	Other
						Universal Service Fund
61 300 363	61 300 363	57 329 688	2.9%	60 638 807	60 638 807	Taxes on international trade and transactions
						Import duties
60 029 486	60 029 486	56 325 208	2.5%	59 500 218	59 500 218	Customs duties
245 242	245 242	54 308	2.4%	74 619	74 619	Health promotion levy on imports
						Other
932 366	932 366	869 741	37.8%	963 645	963 645	Miscellaneous customs and excise receipts
93 269	93 269	90 412	15.9%	101 324	101 324	Diamond export levy
-344	-344	71	46.7%	71	71	Other taxes
-344	-344	71	46.7%	71	71	Stamp duties and fees
-	-	-	-100.0%	-	-	4) State miscellaneous revenue
1 407 207 998	1 422 207 998	1 358 934 566	5.5%	1 425 417 596	1 425 417 596	TOTAL TAX REVENUE (gross)

¹ Page 212



- On question 18² of the OBS, the Country got a D, which means that there is no information that shows how new policy proposals, as distinct from existing policies, affect revenues. Indeed, the section regarding revenues of the current budget document only includes the Resource Envelope table and there is no narrative discussion on the topic.

The objective of the question is to **identify changes in taxes or sources of revenue**. It is possible that there are no new taxes in the country, which should be stated as well. Look below at an example from the [Budget Review 2020](#) of South Africa (pages 7 and 33 onward):

Government proposes no overall increase in taxes for 2020/21

In this context, substantial tax increases are unlikely to be effective. South Africa already has a relatively high tax-to-GDP ratio compared with other countries at a similar level of development. New tax increases at this time could harm the economy's ability to recover. Consequently, government will not raise additional revenue from tax proposals for 2020/21. Additional revenue from indirect taxes will be offset by personal income tax relief.

The main tax proposals for 2020/21 are:

- Providing personal income tax relief through an above-inflation increase in the brackets and rebates.
- Further limiting corporate interest deductions to combat base erosion and profit shifting.
- Restricting the ability of companies to fully offset assessed losses from previous years against taxable income.
- Increasing the fuel levy by 25c/litre, consisting of a 16c/litre increase in the general fuel levy and a 9c/litre increase in the RAF levy, to adjust for inflation.
- Increasing the annual contribution limit to tax-free savings accounts by R3 000 from 1 March 2020.
- Increasing excise duties on alcohol and tobacco by between 4.4 and 7.5 per cent.

² Does the Executive's Budget Proposal or any supporting budget documentation present information for at least the budget year that shows how new policy proposals, as distinct from existing policies, affect revenues?



3. Debt

- For the OBS 2019 the information on debt was very scant. The only information considered was Fiscal table 1.5 which is extremely aggregate from the point of view of the revenue (question 13). This can be solved with the recommendations for question 14 that is mentioned in the next bullets.

Extract from table 1.5

National Budget 2019/20

	-	8,527	-	40,000	48,000	49,000
TINGENT REVENUE	-	8,527	-	40,000	48,000	49,000
NT REVENUE (Domestic)	-	8,527	-	-	8,000	9,000
REVENUE	-	8,527	-	-	8,000	9,000
REVENUE	-	-	-	-	-	-
NT REVENUE (External Grants and Loans)	25,367	-	-	40,000	40,000	40,000
World bank -IDA)	20,697	-	-	40,000	40,000	40,000
/World Bank (Grant)	4,670	-	-	-	-	-
IAP (REVENUE MINUS EXPENDITURE)	-	(12,629)	-	(0)	0	(0)
FINANCING (ON-BUDGET)	-	12,629	-	-	-	-
IMPORT LOANS	-	-	-	-	-	-
BORROWING	-	12,629	-	-	-	-
IC BORROWING - BRIDGE FACILITY	-	12,629	-	-	-	-
GAP	-	-	-	0	(0)	0

- For question 14 the reviewer mentions that **Annex 1** was missing in the document uploaded which has been solved for the budget 2019/2020. Actions to improve what is currently published:
 - The team in charge of reviewing the documents before uploading should increase due checks of such possible missing pieces.
 - The descriptions and table for this annex 1, do account for some of the core elements, however still some are missing:
 - The interest is mentioned, however **not the interest rate**
 - There is **no maturity profile**
 - The following is a good example to include the composition of the debt from South Africa (view [Budget Review](#) from page 77).

Table 7.6 Total national government debt¹

End of period	2018/19	2019/20	2020/21	2021/22	2022/23
R billion	Outcome	Estimate	Medium-term estimates		
Domestic loans²	2 497	2 859	3 228	3 597	3 957
Short-term	325	361	409	457	512
Long-term	2 173	2 498	2 819	3 140	3 445
Fixed-rate	1 605	1 851	2 075	2 350	2 542
Inflation-linked	568	647	744	790	903
Foreign loans²	291	317	334	382	427
Gross loan debt	2 788	3 176	3 562	3 979	4 384
Less: National Revenue Fund	-243	-238	-222	-227	-230
bank balances ²					
Net loan debt	2 545	2 938	3 340	3 752	4 154
<i>As percentage of GDP:</i>					
Gross loan debt	56.7	61.6	65.6	69.1	71.6
Net loan debt	51.7	57.0	61.5	65.1	67.8

1. A longer time series is given in Table 10 of the statistical annexure at the back of the Budget Review

2. Estimates include revaluation based on National Treasury's projections of inflation and exchange rates

Source: National Treasury

- The graph below is a simple and practical example to display debt maturity:



- Additionally, the table is missing Outturn for BY-1 (for question 31).
- The document of Liberia is currently missing the projected estimates of government borrowing and debt-service costs as percentage of GDP. Here a simple example that could be included:

Table 1.6 Projected state debt and debt-service costs

R billion/percentage of GDP	2019/20	2020/21	2021/22	2022/23
Gross loan debt	3 176.1	3 561.7	3 978.1	4 383.6
	61.6%	65.6%	69.1%	71.6%
Debt-service costs	205.0	229.3	258.5	290.1
	4.0%	4.2%	4.5%	4.7%

Source: National Treasury



4. Macroeconomic framework

- There is no information in the draft budget of macroeconomic estimates. This should be a priority to include, as otherwise it is a serious gap for analysis. The three related questions (15, 16 and 17) of the OBS are marked D.
 - The core information to be included is: discussion of the economic outlook with **estimates of nominal GDP level, inflation rate, real GDP growth, and interest rates.**

Table 3.1 Macroeconomic performance and projections

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Percentage change		Actual		Estimate		Forecast	
Real GDP growth	0.8	1.3	0.6	0.6	0.9	1.4	1.7
Nominal GDP growth	7.1	6.3	4.7	4.8	5.3	6.1	6.4
CPI inflation	6.3	4.7	4.6	4.2	4.4	4.6	4.6
GDP at current prices (R billion)	4 419.4	4 698.7	4 921.5	5 157.3	5 428.2	5 759.0	6 126.3

Source: National Treasury

- The document does not currently include contingent liabilities (OBS-42, 43). This is an important issue to account for, particularly for government guaranteed debt for State Owned Enterprises. The country recently underwent an evaluation of [Debt Sustainability](#), performed jointly by the IMF and the World Bank, which can serve as a baseline to start the reporting.

5. Extra-budgetary funds

- The level of extra-budgetary expenditure other than donor-funded projects which is unreported, referred to in question 33 and 34 of the OBS, get the lowest score (d and b respectively). However, through the review of PI-7(i) of the PEFA 2016 report, we can assess that the amount is negligible, and consequently scored with a B+. The extra-budgetary funds are circumscribed to carry forwards from previous fiscal years, for which controls had been strengthened. As such, the MoF would need a quantification and declaring an estimated amount.
- Regarding donor assistance. The budget document for 2019/20 now includes Annex 3: External Resource Projections. This section includes a subsection of Off-Budget FY2019/2020. The section represents great progress, however it seems somewhat confusing and lacks granularity.

Off-Budget FY2019/2020:

- **Trust Fund:** The Liberia Reconstruction Trust Fund (LRTF) and Integrated Public Financial Management Reform Trust Fund are mechanisms aimed at strengthening the national infrastructure and public finance reform, respectively. The LRTF mechanism supports numerous of projects, including the Cheesemanburg Land-Fill and Urban Sanitation project and the Liberia Road Asset Management project. The **FY2019/2020 projection is US\$2,500,000 or 1% of the total Off – Budget contribution.**
- **Project/ Program Aid:** Is an off – budget projects and programs mechanism used to channel and execute aid through government ministries, agencies and non – governmental organizations. The **FY2019/2020 projection under Program/project Aid is US\$377,412,166.75 or 88.0% of the total Off – Budget contribution.**

Table 4: FY2019/2020 Aid Projection by Modality

Source: Liberia Project Dashboard/ Aid Management &	FY 19/20 AID PROJECTION BY MODALITY				
	AID MODALITY	Grant	Loan	Grand Total	PERCENT
	ON-BUDGET				
	Budget Support	20,800,000.00	40,000,000.00	60,800,000.00	14%
	OFF-BUDGET				
	Project/Program Aid	267,606,615.35	109,805,551.40	377,412,166.75	86%
	Trust Fund	2,500,000.00		2,500,000.00	1%
	Grand Total	290,906,615.35	149,805,551.40	440,712,166.75	100%

A recommended example to support publication of the budget documents is the case of Somalia Aid Management System which publishes real time data of all the donor/aid and humanitarian resources (<https://aims.mop.gov.so/projects>):

Project title	Project value (USD)	FY 2020 planned disbursements (USD)
51270001 Diakonia, Puntland Democratic Governance Program 2016-2020	3,784,662	0
12668 HPS - core support 2019-2021	929,752	361,570
13778 Life & Peace Institute Somalia Programme 2020-2023	4,956,678	1,239,669
5127000002 Forum Syd Programme in Somalia strategy 2017-2022	9,633,216	130,664
12691A0101 EISA Project Support towards a Democratic, Unified and Peaceful Somalia	3,812,880	222,851
11336A0104 Interpeace Somalia Peacebuilding Programme new strategy 2018 - 2022	4,085,593	211,033
Support to Financial Governance Policy Dialogue	4,600,000	0



6. Decentralization

- Question 35 of the OBS refers to the availability of information on transfers to subnational governments, for which the country got a C in 2019. Liberia is a unitary state and therefore has no local government system. All 15 counties perform, some level of financial management through the Social Development Fund and the Country Development Fund though all payments are centralized in Monrovia and county Superintendents are appointed by the President³. For OBS 2019 the heavily centralized system in the country the allocations were not done to the counties, as also recognized in the PEFA evaluation of 2016. Therefore, table 1.5 reflected the situation.

1.5 Allocations by County					
Code	County	FY2016-17 Actual	FY2017-18 Budget	FY2017-18 Est. Outturn	FY
00	NATIONWIDE	47,031,801	49,299,313	44,780,997	36,2
	Total	47,031,801	49,299,313	44,780,997	36,2

- The situation has changed with the Local Government Act of 2018, as transfers and grants to local governments are now contemplated. With this change the consecutive budget documents will need to be updated to include the information of 1) Transfers and Grants from Central Government, 2) Earmarked Transfers for Devolved Functions, 3) Earmarked Transfers for Delegated Functions and 4) County Social Development Fund.

Image of Local Government Act of 2018 (only available as scanned document)⁴

³ Article 2.13 of the Local Government Act of 2018

⁴ Downloadable in <https://erc.undp.org/evaluation/managementresponses/keyaction/documents/download/986>



4.15 Transfers and Grants from Central Government

Counties, cities and townships shall receive the following transfers and grants from the central government:

- a. General Fund;

25

4.18 Earmarked Transfers for Devolved Functions

- a. The central government shall establish transfers for counties, cities and townships to finance functions and responsibilities devolved from central government;
- b. Transparent and equitable allocation formula for each sector for which functions are devolved shall be developed by the Local Government Fiscal Board, and the criteria for each sector formula linked to the specific parameters of the functions being devolved; and
- c. Respective sector ministries and agencies will be required to provide detailed and accurate data for the respective devolved functions on current funding levels and other information for each county, city and township.

4.19 Earmarked Transfers for Delegated Functions

- a. The central government shall ensure that the required funding to carry out delegated functions is made available to counties, cities and townships; and
- b. Respective sector ministries and agencies will be required to provide detailed and accurate data for the cost to implement delegated functions for each county, city and township.

4.20 County Social Development Fund

The central government shall transfer to county governments impacted by the operations of concessions, the annual contributions agreed in the concession agreements signed between the companies and the Government of Liberia.

7. Contingent liabilities

- o The EBP does not contemplate financial and non-financial assets. However, before tackling this challenge it is important to analyze if this information is already contemplated in the balance sheets from which it could be extracted.
- o There is a line item for arrears, however there is no narrative description of reason or analysis of implications, which affects question 41 of the OBS.

223118	Constituency Visit	606,235	1,133,589	895,857	938,589	1,181,541	1,181,541
224115	Local and Other Arrears	160,438	300,000	237,085	300,000	377,654	377,654
25	SUBSIDY	1,130,999	2,471,776	830,533	430,500	1,289,966	2,579,931
251102	Foya Polytechnic	22,878	50,000	16,800	-	-	-
251103	Chainsawer & Timber Dealer Credit Union	45,757	100,000	33,601	-	-	-



Actions

This section presents a consolidated list of actions that could be implemented by Liberia to improve the score of the Executive Budget Proposal based on the diagnosis and examples above.

1. Budget

- In the Preface, particularly in the section of “Major Categories of Expenditure” highlight which are new policies, programs or actions. This can be further disaggregated in the “Public Sector Investment Plan” and “Sector Appropriation”.
- The Draft Budget table 1.8 includes the Functional Classification, however it does not include BY-1.
- Develop the narrative of Annex 6 on Gender Responsive Budget with allocated amounts related to the actions mentioned. The current structure of the annex does not include relation of the objectives and policies with budget figures.
 - Increase controls before publication, Annex 6 on Gender Responsive Budgeting is missing on the 2019/2020 Draft Budget posted online, although it is included in the index.
- Determine if there are quasi-fiscal activities being carried out by the government and state them in the EBP.
- Map all possible earmarked revenues according to law. Currently only the National Road Fund generated from petroleum levy, it is not clear if it is the only earmarked revenue.

2. Revenue

- Include further disaggregation on the Resource Envelope table by including “income and profit taxes”. This will help OBS questions 9, 26 and 29.
- Additional to the Resource Envelope table, the document requires narrative discussions. Including:
 - Identification of new policies that affect revenues.
- The EBP does not include information regarding tax expenditures. This seems to be a medium/long term improvement.

3. Debt

- The descriptions and table for this annex 1, do account for some of the core elements, however some are missing. To improve to, the Annex must include additionally, the interest rate and the maturity profile, including for BY-1, BY and forecast for at least BY+2.
- Include in the primary debt table of Annex 1 the original and estimated outturn for BY-1.

Projections (USD)	FY2019/20			FY2020/21			FY2021/22		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
TOTAL DEBT SERVICE PROJECTIONS(Excl. contingency)	35,012,727	26,006,436	61,019,163	102,138,146	24,608,408	126,746,554	79,288,101	15,116,988	94,405,089
DOMESTIC DEBT	22,487,226	13,450,549	35,937,775	84,043,209	11,134,856	95,178,065	50,498,095	5,079,181	55,577,276
CBL	8,450,044	4,253,640	12,703,684	32,416,913	4,006,462	36,423,375	37,416,913	3,765,688	41,182,601
Capital Notes, Long Term Loan (LRD), Long Term Loan(USD)	8,450,044	4,253,640	12,703,684	32,416,913	4,006,462	36,423,375	37,416,913	3,765,688	41,182,601
IMF RCF CBL*	-	-	-	4,460,000	-	4,460,000	4,460,000	-	4,460,000
IMF ECF CBL*	-	-	-	5,030,000	-	5,030,000	5,030,000	-	5,030,000
CBL Bridge Loan, Suspense account and other drawings	-	-	-	10,000,000	-	10,000,000	15,000,000	-	15,000,000
Commercial Banks	16,037,182	9,204,909	25,242,091	51,626,295	7,128,374	58,754,670	13,073,182	2,113,493	15,186,675
Contracts 7 - (Coupon Bond to B banks)	9,217,465	2,608,890	11,826,355	9,217,465	2,236,192	11,453,657	9,217,465	1,863,493	11,080,958
T-Bills*	-	250,000	250,000	-	250,000	250,000	-	250,000	250,000
T-Bonds*	-	6,196,161	6,196,161	38,559,114	4,642,183	43,201,297	-	-	43,201,297
Sitmax	2,964,000	189,858	3,153,858	-	-	-	-	-	-
Cash & Other Domestic Debt*	395,000	-	395,000	395,000	-	395,000	395,000	-	395,000
NAASCORP*	3,370,717	-	3,370,717	3,370,717	-	3,370,717	3,370,717	-	3,370,717



- While Annex 1 on Public Debt Portfolio, according to the review, was included in the physical version, it was missing in the digital version. Special attention should be given to such kinds of “human errors” which actually affect access to the information.

4. Macroeconomic framework

- The current document lacks macroeconomic framework completely. The basic information that needs to be included is:
 - estimates of nominal GDP level,
 - inflation rate,
 - real GDP growth, and
 - interest rates.
- Use the recent evaluation of [Debt Sustainability](#), performed jointly by the IMF and the World Bank as a baseline to start the reporting contingent liabilities.

5. Extra-budgetary funds

- A small amount of carry forwards is acting and extra-budgetary fund, as it breaks the annuality principle. The MoF should quantify an estimate of this amount and declare it as part of the budget draft.
- Review the information registered by the Aid Management Unit, consider publication of a dataset directly from the aid information registry.
- Improve controls in publication as Annex 3 is missing in the online version of Draft Budget 2019/2020.

National Fisheries & Aquaculture Authority (NAFAA)								
NAFAA	Budget 2018/2019	FY 2018-19 Actual	Budget Estimate 2019-2020				Annual	
			Q1	Q2	Q3	Q4		
NGO revenue	4,002,870	2,277,223	488,674	2,412,757	1,119,205	76,000	2,200,730	
Govt share of revenue	(3,312,261)	(1,779,821)	(376,811)	(1,260,314)	(611,200)	(38,000)	(1,756,325)	
NGO share of Rev	(48,000)	(38,000)						
Total revenue	3,690,609	4,979,400	111,863	1,152,443	508,005	38,000	4,444,405	
Govt share	11,219	11,219	2,352,463	688,888	87,482	3,943,361		
NGO share	1,788,115	1,202,211	447,043	447,043	447,043	447,043	1,788,115	
Other revenue	1,491,275	1,165,970	363,607	363,607	363,607	363,607	1,491,275	
Other expenses								
Total operating expenses	3,887,244	2,464,490	876,899	876,899	876,899	876,899	3,486,597	
Operating profit	(691,765)	175,410	(419,797)	1,482,353	(184,946)	(932,489)	63,383	
Fin expense								

xiv

National Budget 2019/20						
ANNEXES						
Annex 4: Public Sector Investment Plan						
Code Sector/Ministry/Project	FY2017-18 Actual	FY2018-19 Budget	FY2018-19 Est. Outturn	FY2019-20 Budget	FY2020-21 Projection	FY2021-22 Projection
01 Public Administration Sector	5,933,650	10,000,000	3,408,913	1,700,000	978,122	1,230,208
102 Ministry of State for Presidential Affairs	4,152,155	7,000,000	2,386,239	700,000	402,756	506,556
000800 Renovation of the Executive Ma	3,558,990	6,000,000	1,756,540	-	-	-
102400 Humanitarian Outreach	593,165	1,000,000	629,699	700,000	402,756	506,556
114 Liberia Institute of Statistics & Geo-Information Services	1,779,495	3,000,000	1,022,674	1,000,000	575,366	723,652
104200 National Population Census -	1,779,495	3,000,000	1,022,674	1,000,000	575,366	723,652

6. Decentralization funds

- Considering the recently passed Local Government Act of 2018, the EBP will need to include a table disaggregating: 1) Transfers and Grants from Central Government, 2) Earmarked Transfers for Devolved Functions, 3) Earmarked Transfers for Delegated Functions and 4) County Social Development Fund.



7. Accounting

- Review if financial and non-financial assets are being calculated in the balance sheet to start publication, as currently there is no mention to these.
- Include a narrative discussion of the arrears.



FISCAL OPENNESS ACCELERATOR
Fiscal Transparency for Public Participation
for Better Use of Public Resources



GIFT

Annexes

1. Debt current Budget Draft table quick reference