



GOVERNMENT OF LIBERIA
Ministry Of Finance and Development Planning



**FACT SHEET OR SHORT CITIZEN'S GUIDE
TO THE FY2016/17 DRAFT NATIONAL BUDGET**

The National Budget is one of the most important government policy documents in any nation. It shows how the Government expects to raise money from the economy and how it wants to spend this money on public goods and services. The Budget also identifies ways in which the Government wants to change the economy and to develop the country. Since the National Budget is so important; there is a serious need to make sure that every Liberian has all the necessary information they need to so they can know the value of this budget. This **Budget Fact Sheet (or Short Citizen's Guide)** provides some of the most important information that everyone should know about the FY2016/17 Draft National Budget that is currently before the National Legislature.

1. REVENUE SUMMARY

The total amount the Government has planned to collect in FY2016/17 is **US\$555,993,000**, which would be a decline of almost 11% compared to the original approved budget of US\$622,743,420 that was passed for FY2015/16. This reduction is mainly because of difficult situations the Liberian economy is facing. The world market demand has fallen for iron ore and rubber which are the top two raw materials that Liberia sells to the rest of the world. At the same time, the world economy is not growing as fast as before. This means those countries that buy raw materials from Liberia for their factories will not buy as much as before. In addition, budget support from donors will be much less than previous years because most of the money that was planned to be received at this time was given in advance to handle the Ebola problem in 2014 and 2015.

Even with the decline in the total resource envelope, the Government will continue to deliver critical public goods and services, in addition to providing funds for projects designed to keep on implementing the country's development plan, as set out in the Agenda for Transformation (Aft).

The total resource envelope is comprised of:

- US\$495.6 million in revenue raised from domestic sources (taxes and non-tax revenue);
- US\$30.2 million in grants;
- US\$30.1 million in contingent revenue;

Table 1: Domestic Revenue

| Revenue Source | FY2015/16 Approved Budget | FY2015/16 Projected Outturn | FY2016/17 Draft Budget |
|---|---------------------------|-----------------------------|------------------------|
| TOTAL (Core Revenue + Loans + Contingent) | 622,743,420 | 552,765,451 | 555,993,000 |
| CORE REVENUE + GRANTS | 554,137,716 | 494,159,451 | 525,832,000 |
| CORE REVENUE (Tax+Non-Tax Revenue +Carry Forward) | 497,907,035 | 440,488,451 | 495,572,000 |
| TAX REVENUE | 412,336,087 | 372,905,000 | 398,696,000 |
| Taxes On Income & Profits | 162,303,563 | 140,140,000 | 162,303,563 |
| Taxes On Property | 7,054,802 | 4,691,000 | 7,054,802 |
| Taxes On Goods And Services | 53,778,819 | 51,866,000 | 53,778,819 |
| Taxes On International Trade | 176,141,101 | 176,141,101 | 176,141,101 |
| Other Taxes | 13,058,000 | 67,000 | 13,058,000 |
| NON-TAX REVENUE | 61,391,948 | 43,404,000 | 96,876,000 |
| CARRY FORWARD | 24,179,000 | 24,179,451 | 0 |
| GRANTS | 56,230,681 | 53,671,000 | 30,260,000 |

| Revenue Source | FY2015/16 Approved Budget | FY2015/16 Projected Outturn | FY2016/17 Draft Budget |
|---------------------------|---------------------------|-----------------------------|------------------------|
| European Union | 47,040,000 | 44,480,000 | 12,230,000 |
| USAID | 9,190,681 | 9,191,000 | 12,940,000 |
| Norway (Forest Agreement) | 0 | 0 | 5,000,000 |
| LOANS | 58,605,704 | 58,606,000 | 0 |
| CONTINGENT REVENUE | 10,000,000 | - | 30,161,000 |
| Tax Revenue | - | - | 24,504,383 |
| Non-Tax Revenue | - | - | 6,991,095 |
| Norway (Forest Agreement) | 10,000,000 | 0 | 0 |

- Total **tax revenue** is expected to decrease by **US\$13,640,087 or 3.3%** from the original approved amount of **US\$412,336,087** for FY2015/16 budget. This decrease in tax revenue is because of the decline in the mining and rubber sectors. However, there are good opportunities for improvement in other sectors in the coming budget years. The expected improvement in tax revenue in FY2016/17 will mainly depend on the ongoing community tax sensitization and awareness campaigns on real estate properties (land, houses and other properties).
- Total **Non-tax revenue** of **US\$96,876,000** is expected to grow by **US\$35,484,052 or 57.8%** compared to **US\$61,391,948** that was approved in the FY2015/16 budget. This expected growth will be driven by improvements in the performance of State Owned Enterprises (SOEs) like Liberia Petroleum Refining Company, National Port Authority and others.
- Total **Core Grants** are projected at **US\$30,260,000** in FY2016/17, which is expected from the European Union under the State Building Contract, USAID-FARA, and the Norwegian Government Forestry Agreement. These figures represent a decrease of 73.6 percent against the FY2015/16 approved budget.
- Total **Contingent Revenue** of **US\$30,161,000** will come from our domestic revenue streams, driven by increases in tax rates on tobacco, alcoholic beverages and GSM excise. Contingent revenue is the kind of money that government will receive only when certain conditions are met. This year's contingent revenue will be collected if the National Legislature approves certain proposals that have been presented by the Executive.

Table 2: Externally Sourced Resources (donor budget support)

| Description | FY2015/16 Approved Budget | FY2015/16 Projected Outturn | FY2016/17 Projection |
|---|---------------------------|-----------------------------|----------------------|
| Total External Revenue | 124,836,385 | 112,276,385 | 30,260,000 |
| Core Grants | 114,836,385 | 112,276,385 | 30,260,000 |
| European Union (State Building Contract) | 47,040,000 | 44,480,000 | 12,320,000 |
| United States Agency for International Development (Fixed Amount Reimbursable Allowance - FARA) | 9,190,681 | 9,190,681 | 12,940,000 |
| African Development Bank | 28,605,704 | 28,605,704 | 0.00 |
| World Bank-IDA | 30,000,000 | 30,000,000 | 0.00 |
| Norwegian Government (Forest Preservation Agreement) | 0.00 | 0.00 | 5,000,000 |
| Contingent Grant and Loans | 10,000,000 | 0.00 | 0.00 |
| Norwegian Government (Forest Preservation Agreement) | 10,000,000 | 0.00 | 0.00 |

2. EXPENDITURE SUMMARY

Total expenditure for FY2016/17 is divided between **US\$487,185,260** (87.6 percent) for recurrent expenditure and **US\$68,807,740** (12.4 percent) for PSIP.

Table 3: FY2016/17 Projected Expenditure Summary

| Description | FY2015/16 Approved Budget | FY2015/16 Projected Outturn | FY2016/17 Draft Budget |
|---|---------------------------|-----------------------------|------------------------|
| TOTAL EXPENDITURE | 622,743,420 | 552,765,451 | 555,993,000 |
| Recurrent Baseline | 514,940,808 | 485,756,577 | 487,185,260 |
| Compensation | 254,583,501 | 260,799,500 | 261,409,113 |
| Consumption of Fixed Capital | 12,256,713 | 8,228,481 | 3,859,515 |
| Grants | 92,156,719 | 77,274,819 | 89,771,116 |
| Social Benefits | 1,584,000 | 0.00 | 981,000 |
| Use of Goods and Services | 141,869,958 | 128,835,942 | 105,181,284 |
| Other General Claims | 12,489,917 | 10,617,835 | 0.00 |
| Debt Principal & Arrears | 21,605,709 | 22,605,709 | 25,983,232 |
| Public Sector Investment Plan (PSIP) | 107,802,612 | 67,008,874 | 68,807,740 |

2.1 Recurrent Expenditure

Table 4 shows how recurrent operational costs are broken down by sector; this includes public debt repayments and General Claims in order to provide clearer comparisons across sectors.

Table 4: Three-Year Budget Estimates by Sector

| Sector | FY2015/16 Approved Budget | FY2015/16 Projected Outturn | FY2016/17 Recurrent Budget |
|-----------------------------------|---------------------------|-----------------------------|----------------------------|
| Agriculture | 5,995,810 | 5,356,124 | 12,359,440 |
| Education | 83,832,003 | 79,965,385 | 83,473,764 |
| Energy and Environment | 20,634,038 | 13,719,270 | 13,885,493 |
| Health | 72,618,517 | 64,521,130 | 76,995,161 |
| Industry and Commerce | 8,306,842 | 7,641,092 | 9,021,346 |
| Infrastructure and Basic Services | 77,138,069 | 56,647,835 | 34,375,169 |
| Municipal Government | 32,195,080 | 14,011,899 | 19,597,936 |
| Public Administration | 186,858,114 | 183,876,117 | 162,487,829 |
| Security and Rule of Law | 98,889,362 | 90,461,015 | 90,769,226 |
| Social Development Services | 12,048,921 | 12,619,402 | 10,527,460 |
| Transparency and Accountability | 24,226,664 | 23,945,731 | 42,500,176 |
| TOTAL | 622,743,420 | 552,765,000 | 555,993,000 |

2.2 Public Sector Investment Plan

Total amount needed for the Public Sector Investment Plan (PSIP) is **US\$209.1 million**. But due to the tight budget situation, only **US\$68.8 million** will be funded in FY2016/17. **Table 5** below provides a list of projects which have been considered priorities for inclusion in the Draft National Budget. Less than half of the amount of money required has been found. Government is still seeking for ways to get the remaining amount.

Table 5: Priority Projects in FY2016/17 Draft National Budget

| Project or Program | Expected Output/Outcome | Estimated Cost | Core PSIP | Contingent PSIP | Balance |
|--|---|--------------------|-------------------|-------------------|--------------------|
| Support to UNMIL Transition Plan | To enable the security and justice sector to assume national security responsibilities as UNMIL prepares to leave | 20,000,000 | 3,000,000 | 7,000,000 | 10,000,000 |
| Public building renovation (Executive Mansion) | To provide more conducive workspace for the direction and management of the affairs of state and government | 10,000,000 | 3,005,650 | 3,994,350 | 3,000,000 |
| Preparations for and conduct of the 2017 Representative and Presidential Elections | Smooth transfer of power from this government to the next government | 30,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Support to Agriculture Sector | Funding to increase food production and support local farmers | 10,000,000 | 2,000,000 | 3,000,000 | 5,000,000 |
| Counterpart Funding | Provision to fulfil Government's obligations to donor-funded projects in roads and energy sector | 15,100,000 | 2,962,969 | 4,744,771 | 7,392,260 |
| Roads Maintenance and Completion of On-going Roads Works | More investments in roads maintenance and completion of on-going roads | 23,000,000 | 12,578,121 | 421,879 | 10,000,000 |
| Tubman University Renovation | To complete renovation of staff housing and engineering building | 300,000 | 0.00 | 0.00 | 300,000 |
| Water & Sanitation Expansion | To facilitate expansion of LWSC services outside Monrovia | 1,000,000 | 0.00 | 0.00 | 1,000,000 |
| Construction of Chiefs' Compound | Continue construction of office and accommodation for National Council of Chiefs & Elders | 300,000 | 0.00 | 0.00 | 300,000 |
| NHA Housing Policy Project | Housing facilities for low income earners | 1,000,000 | 0.00 | 1,000,000 | 0.00 |
| National Museum Renovation | Funding to modernize and secure historical treasures of the country | 400,000 | 400,000 | 0.00 | 0.00 |
| LACE Special Project | Critical interventions for community development | 300,000 | 300,000 | 0.00 | 0.00 |
| Constituency (Rural) Development Fund | Sustaining investments in legislative constituencies by providing housing facilities for healthcare, security and education professionals | 3,650,000 | 3,650,000 | 0.00 | 0.00 |
| Thermal Diesel (HFO) | Funding to complete the on-going HFO Power Station project located on the Bushrod Island | 750,000 | 750,000 | 0.00 | 0.00 |
| NASSCORP | Arrears on Government's contributions to civil servants' social security payments | 3,000,000 | 0.00 | 0.00 | 3,000,000 |
| Nimba County Court | Construction of Judicial facilities in Nimba County | 1000000 | 0.00 | 0.00 | 1,000,000 |
| Ganta-Yekepa Road | Resettlement payment; and payment to keep contractor engaged with the project | 37000000 | 0.00 | 0.00 | 37,000,000 |
| Neighborhood Roads | Construction and rehabilitation of roads in urban and rural communities | 51000000 | 0.00 | 0.00 | 51,000,000 |
| Labor Force Survey | To determine the number of people working in different fields, and those who are looking for jobs | 300000 | 0.00 | 0.00 | 300,000 |
| Household Income & Expenditure Survey | To determine how much money Liberian families receive and spend each year, and what they spend on most | 1000000 | 0.00 | 0.00 | 1,000,000 |
| TOTAL PSIP | | 209,100,000 | 38,646,740 | 30,161,000 | 140,292,260 |

3. THE STORY BEHIND THE FY2016/17 BUDGET

The economic situation under which this Draft Budget will be executed is going to be very tough compared to previous budget years. This will have a slow-down effect on government revenue. Government cannot borrow at this time because it went above the credit limit when it needed money to combat Ebola. Most of the grant (money gifts) from abroad that was planned for this time was used in FY2014/15 to fight Ebola and to manage the other problems caused by that disease. Real GDP (or the production of goods and services) will grow by only 2.5% in 2016. This means tax collection will not be as much as before. These conditions will start to improve in 2017 when the economy will grow by 4.7%.

Even though Liberia fought hard to overcome the Ebola Virus Disease (EVD) outbreak, the country is facing many other challenges in raising money. Business activities and agriculture have not fully returned to normal. Prices of iron ore and rubber continue to fall. The gradual departure of UNMIL means government needs to spend more money on security. The coming elections for President and Representatives in 2017 will also add more stress on the budget.

However, the Government of Liberia is still committed to address these challenges through policies and actions that will bring positive results. For example, the Government has introduced changes in the way it provides health services to the people using the lessons learnt from Ebola. Spending on medicines, health workers, and ambulances has increased. In order to reduce costs, all the security agencies are sharing ideas on how to take over from UNMIL rather than each agency working on its own. The Government is giving direct cash support to farmers so that other crops, instead of rubber will be the main sources of income.

4. MEDIUM TERM EXPENDITURE FRAMEWORK (THREE-YEAR BUDGET PLAN)

The Medium-Term Expenditure Framework (MTEF) is a budget process that predicts revenue and expenditure over a three-year timeline in order to achieve some important outcomes:

- Better revenue estimate are used to prepare budgets so that the budget is closely tied to what government will receive over time.
- Through proper planning, funds put in the budget can be used by many agencies in the same sector or groups of agencies in different sectors. This allows all institutions of government to get involved in the planning process to ensure the limited resources go only to the most important policies and programs that are agreed through consultations.
- Government is a better position to predict how much it expects to raise and spend over several years. This allows ministries, agencies and branches of government to schedule their spending priorities over a medium-term horizon (three years instead of one year).
- Public money is used more efficiently because government institutions have flexibility in managing their budgets. This means they can plan to carry out more activities in the year they expect more money and fewer activities in the year they expect less money.

It is important to understand that passing the budget for FY2016/17 National Budget is not the same approving spending for three years. In line with the Constitution, only the budget for FY2016/17 will be passed, while the next two years will be used as a guide for future planning.

5. THE KEY TO A SUCCESSFUL AND EFFECTIVE BUDGET

For the budget to achieve its intended results, it has to be properly managed on both the revenue and expenditure sides. In light of this, certain things are very critical to the passage of the Draft FY2016/17 National Budget:

- Passing the budget on time will allow both the Ministry of Finance and spending entities to update their spending plans, work plans and procurement plans, especially for activities that have to do with preparing for the 2017 elections and those projects that have to be planned in the rainy season and carried out in the dry season.
- While the Legislature and the general public discuss the Draft National Budget, the Ministry of Finance will be prepared at all times to provide the necessary information it has control over so as to help the National Legislature to pass the budget before July 1.
- The Liberia Revenue Authority (LRA) and the Ministry of Finance will continue to study the revenue estimates in the budget to ensure that all the amounts of money from various sources are correct, and that the information about those amounts are also correct. Whenever these facts change, the Legislature will be informed so that the budget law is based on accurate information.