

Government of Liberia

Budget Framework Paper

FY 2013/14

CONTENTS

EXECUTIVE SUMMARY

Budget process and strategy

1. The Public Financial Management Law passed in 2009 ushered in a substantial change in the budget process in Liberia, with the introduction of the first Medium-Term Expenditure Framework (MTEF) budget process in fiscal year (FY) 2012/13.

2. The Budget Framework Paper brings together into a single document three key elements of importance to the budget: (i) an overview of the economy and fiscal trends; (ii) the Medium-Term Fiscal Framework (MTFF); and (iii) the medium-term expenditure plans and priorities.

3. The Agenda for Transformation and Public Sector Investment Plan provide the overall roadmap for Liberia's medium term economic growth and development strategy; the Medium Term estimates in this budget cover the three-year period 2013/14 to 2015/16 and are aligned with the priorities set out in the AfT and PSIP.

4. The Government firmly believes that equal opportunity for all people is essential to the construction of a just and democratic society. It will therefore promote sustainable development for both women and men in Liberia by ensuring that the budget is gender responsive.

5. In order to achieve middle-income status of US$1000 per capita Liberia needs to achieve over 8 per cent real GDP growth per annum. This will only be achieved and poverty will only be reduced if this growth is sustainable and inclusive and if necessary public and private investment takes place. The government will therefore focus on investment spending, including by coordinating with development partners through the newly established Liberian Development Alliance (LDA).

Economic and fiscal overview

6. The global economic outlook continues to offer cause for concern, with weak external demand and low prices of Liberian exports a risk to growth. However, Liberia has experienced strong economic performance despite the headwinds.

7. The latest IMF estimates performed in consultation with the Ministry of Finance as part of the First Review of the Extended Credit Facility suggest growth of 8.2 per cent in 2012, moderating to 7.5 per cent in 2013 and 5.2 per cent in 2014, before increasing again in 2015 and 2016. Estimates from the Ministry of Finance's own macroeconomic model (the Liberia Macroeconomic Forecasting Model) paint a marginally more optimistic picture, forecasting real GDP growth of 8.6 per cent in 2013 and 6.9 per cent in 2014.

8. Agriculture and services have been the main components of nominal GDP in the past. However, the anticipated increase in iron ore production is expected to significantly boost the mining sector's share of output and become the largest source of export revenue.

9. The increase in the annual budget from US$98 million in FY2005/06 to an approved Budget of US$672.1 million in FY2012/13 demonstrates the considerable improvement in the country's economic outlook and the Government's sound fiscal management. The execution of the national budget has improved each year as PFM reforms have taken hold.

10. In FY 2012/13, as of end-quarter 3, tax revenue is on target and expected to match budget projections for the end of the fiscal year of US$384.65 million. However, non-tax revenues are likely to fall short of the budget forecast. Contingent revenues have underperformed, reflecting the more uncertain concession payments that this revenue line is designed to capture.

11. Development partners continue to provide crucial assistance through grants in the form of (on-budget) budget support and (off-budget) project aid. During FY2011/12 a total of $340 million was tracked by the Ministry of Finance's Aid Management Unit. This rose to US$537 million in FY2012/13, made up of US$45 million in budget support and US$492 million of off-budget aid in the form of grants and loans.

12. The execution of the FY2012/13 budget has now entered the final quarter of the fiscal year. Despite the many challenges, including numerous extra expenditure pressures and the slow pace in the completion of procurement plans by most ministries and agencies, the execution of the budget over the last three quarters has been moderately successful. Total disbursements for FY2012/13 as of 31 March were US$380 million, around US$55 million below the total approved allotment of US$435 million, producing an 87% execution rate against allotments.

Medium-Term Fiscal Framework

13. The Medium-Term Fiscal Framework (MTFF) uses the latest economic, fiscal and revenue data to establish the resource envelope and expenditure ceilings for the three years covered by the Medium-Term Expenditure Framework (MTEF).

14. The resource envelope (revenue, grants and on-budget borrowing) for FY2013/14 is US$553 million, growing to US$581 million in FY2014/15 and US$624 million in FY2015/16. This represents a reduction from the US$672 million in the approved National Budget of FY2012/13, primarily because fewer one-off concession payments are expected.

15. Core tax revenue is expected to continue to grow strongly during the three-year MTEF period, driven by the growing economy and improvements to tax policy and administration.Core non-tax revenue is forecast to come in below the FY2012/13 approved budget forecast in FY2013/14, as a result of risk-adjustments based on FY2013/14 performance and an expectation of lower dividends.

16. The government is focused on increasing the core tax base in a sustainable and growth-enhancing way through a number of measures that will commence, or continue, over the next fiscal year, including ongoing automation and modernization of tax administration, tax payer education, real estate 'block mapping' exercises, migration to the Common External Tariff and the implementation of Value Added Tax.

17. The latest information from donors suggests that grants in the form of budget support will also grow in FY2013/14, but may fall slightly in the outer years, FY2014/15 and FY2015/16.No contingent revenue payments have been included for FY2013/14 – 2015/16 as the potential revenue streams, including payments related to iron ore concessions and the forestry backlog, were considered too uncertain.

18. Total on-budget borrowing in the form of budget support is forecast to be US$10 million, from the World Bank's International Development Association (IDA). Off-budget borrowing is

expected to be a further US$139.9 million in FY2013/14. This includes disbursements of a number of IDA loan agreements which are already in place and, subject to ratification by the Legislature, disbursement of: the recently signed agreement with the European Investment Bank for the development of Mt. Coffee hydroelectric dam; the Kuwaiti loan for port rehabilitation; and of the African Development Bank and International Fund for Agricultural Development loans related to the small tree crops revitalization program.

19. The fiscal rules from FY2012/13 Budget remain in place. The expenditure rules help to guide government spending, encouraging investment and the development of Liberian businesses. The debt rules guide borrowing and ensure that borrowing is undertaken with fiscal prudence and sustainability in mind.

20. The MTEF for FY13/14 – 15/16 is focussed on consolidating strategic activities embarked on in FY12/13 and targeting interventions towards achieving the AfT priorities.As a result, recurrent expenditure in the draft Budget for FY2013/14 is $428.8 million (net of US$13 million amortization), while investment spending (in the form of national priority and sector PSIP projects) is $111.1 million. The recurrent ceilings for most M&A's have been held constant. The general exception stems from the application of salary increases and consideration of key funding pressures anticipated in the ensuing budget. In addition to this, US$648.8 million is expected in off-budget donor support ("project aid") during FY2013/14, comprised of US$525.4 million in grants and US$123.3 million in loans.

21. The Government remains committed to a large-scale infrastructure investment program, as sustaining the investment in priority projects is crucial to reducing poverty and achieving inclusive long-term growth. For FY2013/14 the categories of National Priority Projects have therefore been expanded from four to ten, to allow the Government to prioritise resource allocation to the most pressing areas and to ensure that the government meets its obligations to donor funded projects.

22. The Ministry of Finance is responsible for tracking, managing and mitigating fiscal risks, related to revenue, expenditure, debt and execution/operational risks. The Ministry of Finance is working to strengthen its risk management systems in an open and transparent way, to help maintain confidence in the Government's fiscal policy framework, and the BFP therefore includes a risk assessment matrix.

23. For the first time the BFP also helps to provide some insight into the financial positions of key State Owned Enterprises (SOEs).These SOEs are currently an important element of the Liberian economy; clear and transparent oversight of the organizations will help ensure that public services are delivered to the highest possible standard, progress is made towards development goals, and policy decisions can be taken with sufficient information.

LEGISLATIVE REQUIREMENTS

The requirements for the Budget Framework Paper are set out in Section 11 of the Public Financial Management Law, 2009 and in Part D.6 of the associated regulations, as below.

D.6. Documents and Contents of Proposed Budget

(1) The Proposed National Budget to be presented to the Legislature shall be accompanied by the budget framework paper, outlined in Section 11 of the Public Finance Management Act 2009 updated to reflect the draft budget submitted to the Legislature.

(2) The budget framework paper shall contain the following:

(a) an analysis of the economic and fiscal trends, and the assumptions underlying the medium term macroeconomic and fiscal framework of the budget;

(b) an explanation of the government's policy priorities and how these are reflected in the budget;

(c) a statement of key fiscal risks that may affect budget execution;

(d) the essential features of the medium term expenditure framework, where this has been prepared; and

(e) a summary statement of revenues and expenditure performance, using the main economic categories identified in Section 8(d) of the Public Finance Management Act 2009, for the last two years showing the surplus or deficit in each of the years, and indicating the use to which it was put (in the case of surplus) or the means of financing (in the case of deficit);

(f) a summary statement of revenues and expenditures, using the main economic categories identified in Section 8(d) of the Public Finance Management Act 2009, for the three years showing the projected surplus or deficit in each of the years, and indicating the use to which it will be put (in the case of surplus) or the means of financing (in the case of deficit).;

(g) a summary statement of off-budget donor funding showing name of project and program, funding agency, recipient government agency, disbursements effected in the previous financial year, projected disbursement in the following financial year;

(h) a summary statement of the performance of State-Owned Enterprises and their annual financial plans for the following year showing revenues, expenditures and changes in net worth;

(i) a summary statement of the performance of public corporations and Special Funds showing incomes accruing to them including any donor funding, cash flow statement, outstanding debt if any that includes arrears to vendors and borrowing requirements for the following financial year;

(j) a summary statement of budgetary implications of new legislations on the proposed budget as well as the financial implication over the two outer years, consistent with the provisions of Section 19 of the Public Finance Management Act, 2009.

(3) The detailed annual budget estimates shall show the previous budget year outturns, the current year original budget as well as the year-to-date outturn based on available data, and projected outturns.

(4) The detailed estimates, which will include both revenues and expenditures, will be structured according to the classifications specified in Section 8(d) of Public Finance Management Act 2009.

(5) *The detailed estimates will include overall as well as agency level summaries by the various classifications utilized in the budget.*

I. BUDGET PROCESS AND STRATEGY

BUDGET PROCESS

1. The Public Financial Management Law passed in 2009 ushered in a substantial change in the budget process in Liberia, with the introduction of the first Medium-Term Expenditure Framework (MTEF) budget process in fiscal year (FY) 2012/13.

2. The MTEF process has three main objectives: to ensure fiscal discipline by spending what the public sector can afford; to allocate resources in line with national priorities; and to ensure those resources are used as efficiently as possible.

3. To strengthen the link between national priorities and the budget the MTEF calls for two separate stages of the budget preparation process: a strategic phase and an operational phase. The strategic phase is used to review high-level priorities and strategies before detailed resource allocation is undertaken as part of the operational phase. The operational phase of the budget preparation concludes with the passing of the national budget by the legislature.

4. The MTEF has a three year rolling baseline. This means that revenues (the amount of money coming into Government) and expenditure (the amount of money Government intends to spend) must be planned over a three-year horizon, in line with national priorities.Any planning also needs to take into account the off-budget expenditure by donors. Since Ministries and Agencies are informed of the resources that are likely to be available to them over a three-year period they are then able to plan ahead.

5. The Budget Framework Paper (BFP) is the final product of the strategic phase of the budget. This is the third BFP produced in Liberia's history, and is written in accordance with Section 11 of the Public Financial Management Act. It is used to guide the operational phase of the budget, including facilitating consultation with the National Legislature on revenue and expenditure priorities.

6. The BFP brings together into a single document three key elements of importance to the budget:

   (i) **Overview of the economy and fiscal trends** –this provides an assessment of recent macroeconomic and fiscal performance and a macroeconomic outlook for the coming years. The outlook helps make clear the economic assumptions underlying forecasts of the resource envelope, particularly tax and non-tax revenue, and provides context for choices about expenditure in the budget.

   (ii) **Medium-Term Fiscal Framework (MTFF)** – this establishes the resource envelope available over the three-year period of the MTEF. This is designed to capture all sources of revenue (tax revenue and non-tax revenue), grants from donors, and any likely borrowing (both domestic and foreign). The MTFF also sets out any fiscal rules that the government has agreed to abide by and an overview of fiscal risks, both on the expenditure and revenue side.

(iii) **Medium-term expenditure plans and priorities** – these sets out the Government's policy prioritiesand how, given the resource envelope identified in the Medium Term Fiscal Framework, these will be reflected inthe budget.

POLICY AGENDA

7. The MTEF is designed to draw consistent linkages between the medium and long-term policy objectives in Liberia's national development agenda, as set out in Agenda for Transformation and Vision 2030, and the framework for resource allocation: the national budget.

8. The Agenda for Transformation provides the overall roadmap for Liberia's medium term economic growth and development strategy. This has a five-year horizon and has five pillars:

    - Peace, Security and the Rule of Law;
    - Economic Transformation;
    - Human Development;
    - Governance and Public Institutions; and
    - Cross-cutting Issues

9. The Medium Term estimates in this budget will cover the three-year period 2013/14 to 2015/16 and are aligned with the priorities set out in the Agenda for Transformation through planning by sector working groups at the line ministry and agency level.

10. The Government has also published a Public Sector Investment Plan (PSIP) that provides a blueprint for the government to prioritize national and sector investment spending that has high social and economic returns.

11. Transparency and openness of the budget will continue to be a priority. A Citizen's Guide to the approved national budget for FY12/13 was developed and published and a new electronic billboard has also been erected, with support from development partners, which will allow the Ministry of Finance to keep the general public informed about the budget's contents and execution.

12. The Ministry of Finance has also developed a methodology for public expenditure tracking, including a survey in the health and education sectors, with options to review both GoL and pooled fund financing to service delivery units in the country. This will be used as part of the broader objective of measuring budget performance.

GENDER RESPONSIVE BUDGETING

13. The Government firmly believes that equal opportunity for all people is essential to the construction of a just and democratic society. It will therefore, through the National Budget, reinvigorate the application of the National Gender Policy (NGP), adopted in 2009 to help the Government in promoting sustainable development for both women and men in Liberia. The

Policy demonstrates the commitment by the Government to eliminate all forms of gender-based discrimination in order to achieve gender equity.

14. Ensuring that the budget is gender responsive involves having a clear appreciation of how public expenditure, through implementation of policies, projects and programs, will affect men, women and marginalized groups in society. This does not mean developing strategies that will involve women only; rather it considers how the budget will affect different groups in society and is consistent with 'cross-cutting' issues from the Agenda for Transformation.

15. When preparing detailed budget proposals, Ministries and Agencies are required to identify these requirements and ensure that the cost implications are integrated in budget estimates. Gender issues should be reflected in the Ministries and Agencies mission statements and should address:

    - Where most of the money is spent and who is the ultimate beneficiary;
    - Identifying budget items that specifically target women or men, boys or girls and the proportion of the budget going to these items;
    - Programs which are most important for gender equality. This question is important for large item expenditures (e.g., health care) as well as lower cost expenditures (e.g., sexual harassment training) and how much is being spent on these services/programs;
    - Type of information needed to analyze impact (data and mode of collection); and
    - Ministries and Agencies should disaggregate by sex all relevant indicators and include gender-related indicators in performance measurements in the future and expected outcomes.

THE PATH TO MIDDLE INCOME

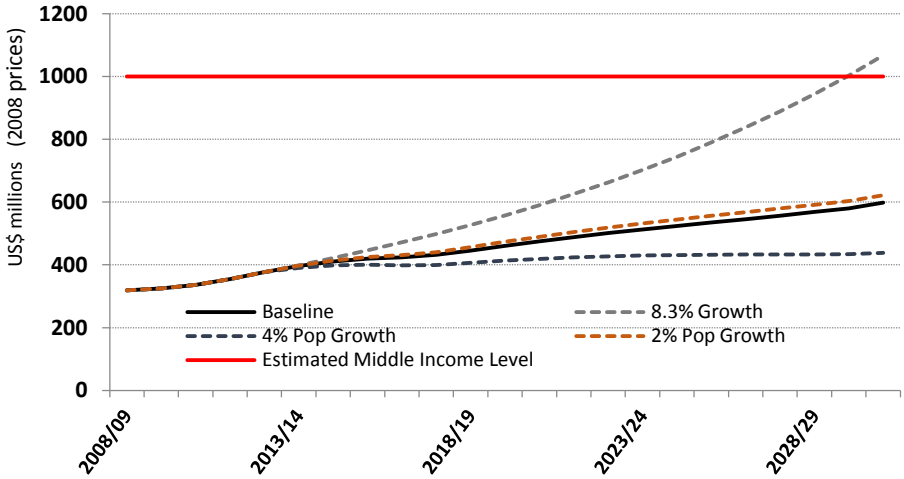
16. Liberia is at a crossroads, moving on from the emergency stabilization phase associated with the aftermath of the protracted civil conflict that devastated the country, to economic recovery and transformation. Vision 2030 sets out the country's long-term goal; to make Liberia a middle income country by 2030.

17. While there is no single definition for "middle income" status, one target is per capita income of more than US$ 1,000. In order to achieve this by 2030, the economy will have to grow at an average rate of over 8 per cent annually in real terms (i.e. excluding inflation).

18. The growth in natural resource production alone will not be sufficient to achieve this – nor will it generate the kind of sustainable and equitable development targeted by the AfT and Vision 2030. While output from the natural resource sectors is expected to support near-term growth, broader based development across agriculture, services and industry will be necessary.

FIGURE 1: REAL GDP GROWTH REQUIRED TO MEET MIDDLE-INCOME STATUS

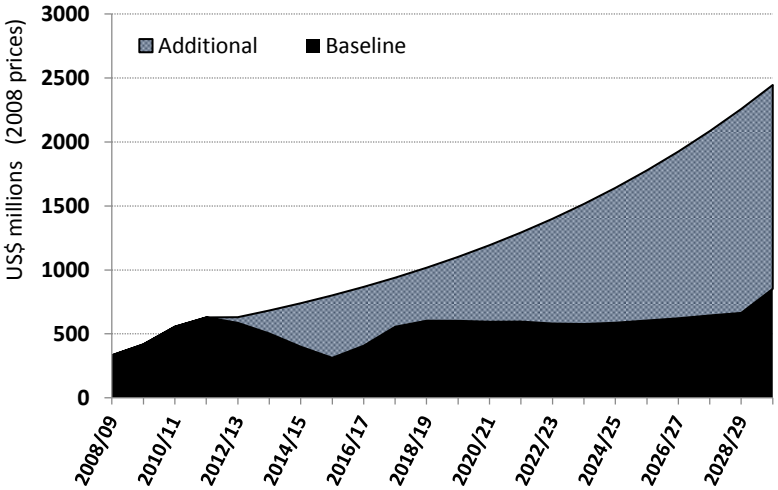
Source: Liberia Macroeconomic Forecasting Model, Ministry of Finance



19. This will require substantial public and private sector investment, in both human and physical capital; it is only through this investment that productivity will be able to rise on a sustained basis. The fiscal rules governing expenditure are designed to prioritize investment spending to help achieve this, and the PSIP provides the blueprint for key public sector investment projects.

FIGURE 2: INVESTMENT REQUIRED TO ACHEIVE VISION 2030

Source: Liberia Macroeconomic Forecasting Model, Ministry of Finance



20. The first quarter of FY2012/13 saw low execution on capital spending. The subsequent quarters have seen a significant increase, but it highlights that, for this coming fiscal year, a major challenge is ensuring that the infrastructurespending planned in the budget remains on track.

21. There remains a significant gap in the government's ability to finance the investment necessary over the short and medium-term. This is why the Government is determined to work closely with development partners to mobilize additional resources, using the newly established Liberian Development Alliance (LDA) and the Agenda for Transformation to coordinate and guide investment.

II. ECONOMIC AND FISCAL OVERVIEW

GLOBAL MACROECONOMIC OUTLOOK

22. The global economic outlook continues to offer cause for concern. Although there have been some signs of improvement, the Euro-area remains troubled, the US has yet to fully rebound, and there is a continued threat of a slow-down in Latin America and Asia, including in China. This represents a risk to the price and volume demanded of Liberian exports, particularly iron ore, rubber and logging.

23. According to the IMF October 2012 World Economic Outlook (WEO), global economic growth is projected to be 3.6 percent in 2013, lower than the forecast in the July 2012 WEO update. Growth in the advanced economies is projected to expand by 1.5 percent in 2013, a downward revision of 0.3 percentattributed to weaker activity in the Euro-area.

24. Growth in emerging and developing economies is projected to expand by 5.6 percent in 2013, a downward revision of 0.2 percent. However, the IMF further suggest that activities in many emerging economies are expected to be supported by the policy easing that began in late 2011 or early 2012 and, in net fuel importers, by lower oil prices, depending on the extent of the pass-through to domestic retail prices.

25. Growth in Sub-Saharan Africa (SSA) is thought to have moderated to 5.0 percent in 2012, but is expected to pick up to 5.7 percent in 2013 owing to the region's relative insulation from external financial shocks.

26. World trade volume was projected to grow by 3.2 percent in 2012 and by 4.5 percent in 2013, a downward revision of 0.7 percent for 2013 compared to July 2012. Imports of advanced economies and developing and emerging markets are estimated to have grown by 3.3 percent and 6.6 percent in 2012 respectively. Exports of advanced economies are projected to grow 3.6 percent in 2012, while exports for emerging markets and developing economies 5.7 percent.

DOMESTIC ECONOMIC PERFORMANCE AND OUTLOOK

27. Liberia has recently experienced strong economic performance despite continued weakness in the global economy. The IMF Article IV consultation performed in 2012 estimated that Gross Domestic Product (GDP) grew in real terms at 8.2 per cent in 2011, 8.9 per cent in 2012, and projects growth of8.3 per cent in 2013 and 5.6 per cent in 2014. This Article IV, in consultation with the Ministry of Finance, also revised upwards the estimates of the 2008 base level of nominal GDP by nearly 40%, from US$831.6 million to US$1,100.5 million, to reflect updated estimates of the size of the service sector.

28. The subsequent IMF First Review of the Extended Credit Facility program, also in consultation with the Ministry of Finance, moderated the estimated and projected growth rates slightly, to 8.3 per cent in 2012, 7.5 per cent in 2013 and 5.2 per cent in 2014, but increased them in 2015 and 2016.

29. Estimates from the Ministry of Finance's own macroeconomic model (the Liberia Macroeconomic Forecasting Model) paint a marginally more optimistic picture, with real GDP growth projected to be 8.6 per cent in 2013 and 6.9 per cent in 2014. This model continues to be refined as more data becomes available.

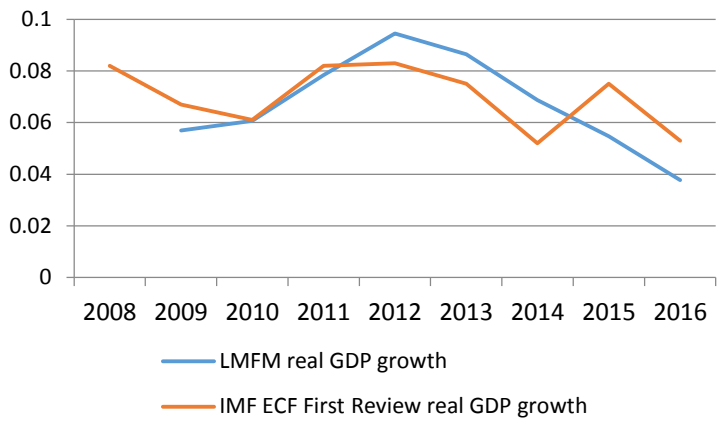


FIGURE 3: REAL GDP GROWTH FORECASTS

Source: IMF ECF First Review; Liberia Macroeconomic Forecasting Model, Ministry of Finance

30. A regional comparison of GDP growth also indicates that growth in Liberia has been faster than in a number of other West African countries and is expected to remain close to the average for the region in the future.

TABLE 1: REAL GDP GROWTH RATE COMPARISON (PER CENT, YEAR ON YEAR)

	2010	2011	2012	2013	2014	2015	2016
Côte d'Ivoire	2.4	(4.7)	8.1	7.0	7.3	7.5	7.6
Ghana	8.0	14.4	8.2	7.8	8.1	7.4	7.5
Guinea	1.9	3.9	4.8	5.0	5.2	19.9	19.7
Liberia	6.1	8.2	8.3	7.5	5.2	7.5	5.3
Niger	8.0	2.3	14.5	6.6	7.3	6.9	7.0
Nigeria	8.0	7.4	7.1	6.7	6.6	6.3	6.7
Sierra Leone	5.3	6.0	21.3	7.5	13.0	4.9	4.9
Average	5.7	5.4	10.4	7.0	7.6	8.6	8.4

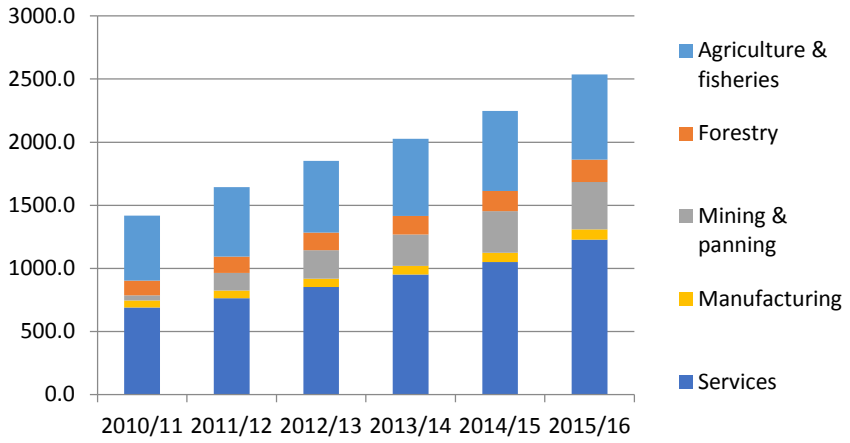
Source:WorldEconomic Outlook and IMF ECF First Review

31. Agriculture and services have been the main components of nominal GDP in the past.The large infusion of funding into the agricultural sector by donors and government has contributed significantly to its resuscitation. The service sector, dominated by trade, transportation, construction, communications and banking, continues to expand.The anticipated increase in iron ore production is expected to boost the mining sector's share of output and become the largest source of export revenue.

FIGURE 4: SECTORAL CONTRIBUTION TO NOMINAL GDP

Source: IMF ECF First Review and Ministry of Finance calculations

Note: US$ millions, market prices



32. Liberia, like most developing countries, continues to carry imbalances in its current account. While this is forecast to grow in the near term, due to the importation of capital goods and low world prices for exports, the balance of payments position is expected to see steady improvement as the export sector of the economy becomes more diversified and imports of essential commodities continueto fall. A program with the IMF, the Extended Credit Facility, provides financial support tohelp reduce the risk associated with extended current account deficits.

33. Liberia's total export of goods and services fell from US$871.46 million in 2008 to US$415.97 million in 2009 following the global financial crisis, and further reduced to US$334.69 million in 2010. This figure rebounded, however, to US$966.33 million in 2011.

34. Liberia's exports are dominated by commodities; the total value of commodity exports increased from US$167.45 million in 2008 to US$364.53 million in 2011 and made up 88 per cent of exports in the first three quarters of 2012.

35. While the commodities are varied: rubber, cocoa, scrap metal and, more recently, palm oil and iron ore, rubber remains the main driver—averaging about 78 percent of exports between 2008 and 2011. However, iron ore is becoming increasingly prominent as Arcelor Mittal begins operations, and accounted for an estimated 35% of total exports for 2012,with rubber accounting for 32%. Given the high prospects for the commencement of iron ore exports by China Union, the commodity is expected to become the main export earner of the country.

FISCAL PERFORMANCE AND EMERGING CHALLENGES

36. The increase in the annual budget from US$98 million in FY2005/06 to an approved Budget of US$672.1 million in FY2012/13 demonstrates the considerable improvement in the country's economic outlook and the Government's sound fiscal management.The execution of the national budget has improved each year as PFM reforms have taken hold and efficiency is expected to continue to improve through reductions in waste and fraud and increases in the speed of budget execution.

REVENUE AND GRANTS

37. Core tax and non-tax revenues have continued to rise on the back of sustained economic growth, tax policy reforms and efforts to improve compliance, with tax and non-tax revenue in the approved Budget for FY2012/13 projected to be 34 per cent higher than in FY2011/12. As government continues to institute reforms, there are opportunities for deepening and widening the tax base.

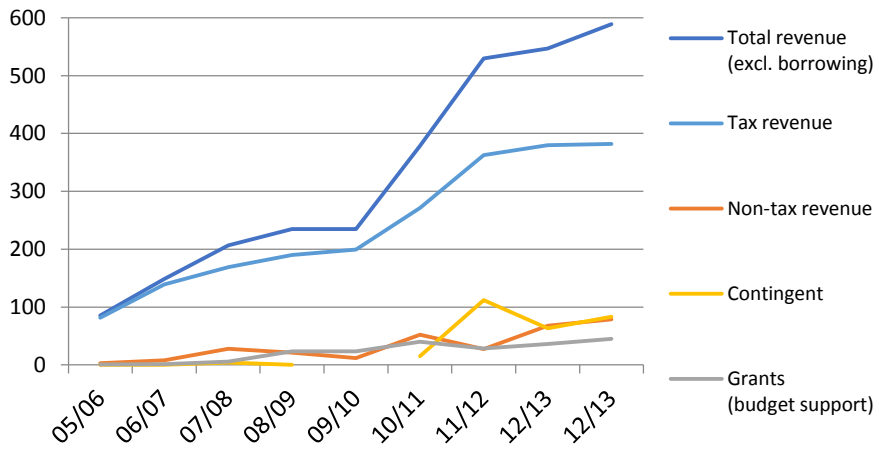
38. During FY2011/12 tax revenues out-performed the budget forecasts by US$36 million, or 16 per cent. However, non-tax revenues fell short by US$14.8million, or 22 per cent. In FY 2012/13, as of end-quarter 3, tax revenue is on target and expected to match budget projections for the end of the fiscal year of US$384.65million. Non-tax revenues have proved disappointing again, with the total for the fiscal year expected to be US$67.68million, US$8.5million below budget projections.

39. Contingent revenues have underperformed, reflecting the more uncertain concession payments that this revenue line is designed to capture. Projections for FY2012/13 were for US$83 million of revenue; however as of end-quarter 3 only US$40.85million had been received and the revised end-year projections stood at US$63.30million. This is mainly the result of a shortfall in revenues from two concession holders (totaling US$12million) and the forestry backlog (US$6.7million).

FIGURE 5: CORE AND CONTINGENT REVENUE FY2005/6 – 2012/13

Source: Ministry of Finance fiscal outturns

Notes: US$ millions. FY12/13 data is based on end of year forecast as of 31 March 2013



40. Development partners continue to provide crucial assistance through grants in the form of (on-budget) budget support and (off-budget) project aid. During FY2011/12 a total of $340 million was tracked by the Ministry of Finance's Aid Management Unit and disbursed by ten Development Partners, through five aid modalities: (a) budget support, (b) pooled funds, (c) trust funds, (d) GoL executed projects and (e) non-GoL executed projects.

41. The majority of Development Partner funds were delivered through project support with US$242.7 million (72%) in disbursements, and consisting of both GoL executed projects (US$66.5 million), and non-GoL executed projects (US$177 million). A total of US$27.4 million (8.1%) was received in budget support, US$9.8 million in pooled funding, and US$59.6 million in the Liberia Reconstruction Trust Fund, reflecting an increase in the use of government systems.

42. Approximately US$45million of budget support was included in the approved budget for FY2012/13, made up of US$5 million of loans from the World Bank International Development Association and the remainder in grants.As of end-quarter 3 grant disbursements stood at US$30.9 million, with a grant from the African Development Bank (AfDB) at risk, which may result in end-year disbursements coming in under budget projections. A further US$492 million of off-budget aid was also projected for the year, made up of US$422 million of grants and US$70 million of loans.

43. With aid constituting such a large part of total public disbursements, predictability is keyto avoiding fiscal instability. On average, actual disbursement by donors was 111% of planned disbursement in FY2011/12. But this masks significant variation between donors, with percentage of actual disbursement varying from 49% to 219%.

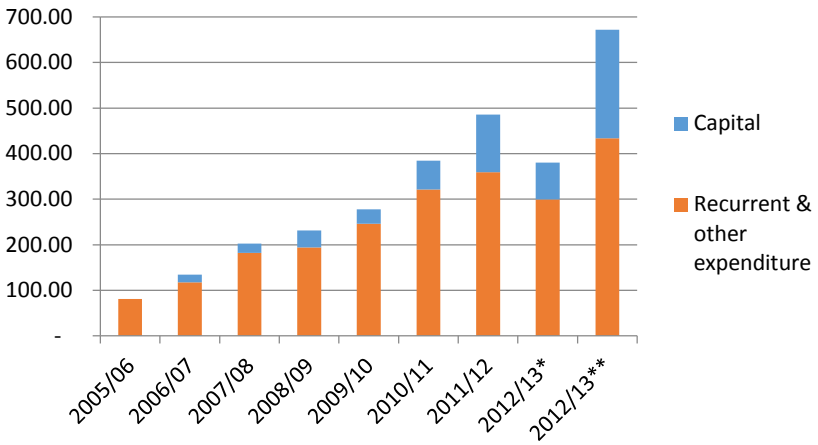
EXPENDITURE

44. Analysis of expenditure for the last seven years suggests a positive outlook for the future.Expenditure in FY2005/06 stood as low as US$81.1 million and increased by 499 per cent to US$486 million in FY 2011/12 as shown by the chart below.

FIGURE 6: SPLIT BETWEEN RECURRENT AND CAPITAL EXPENDITURE FY2005/06 – 2012/13

Source: Ministry of Finance fiscal outturns

*Notes: FY2012/13 * data is actual expenditure as of end-quarter 3. FY2012/13 ** data is the approved Budget.*



45. The initially low level of capital spending is partly a result of the pressures to focus on recurrent items as the country emerged from conflict and partly reflects the challenging environment in which capital spending is taking place, with impediments such as slow procurement, the risk of corruption and the adverse weather conditions associated with the rainy season.

TABLE 2: DISBURSEMENT COMPARED TO APPROVED BUDGETS FY2005/6 - 2011/12 (US$ MILLIONS)

Source: Ministry of Finance fiscal outturns

Notes: Disbursement for FY2012/13 as of end of quarter 3. The supplemental budgets submitted in FY2006/07 and FY2010/11 are not included in the approved budget figures.

Fiscal year	App Budget	Disbursement	Proportion
2005/06	97.8	81.07	83%
2006/07	135.0	134.64	101%
2007/08	199.4	202.9	102%
2008/09	298.1	231.46	78%
2009/10	372.0	277.6	75%
2010/11	369.4	384.6	104%
2011/12	516.4	485.7	94%
2012/13	672.1	380.2	57%

46. Table 2 shows actual disbursements against approved budgets for the last eight fiscal years. While the proportion of disbursement to approved budget fluctuates over time, reflecting revenue uncertainty, FY 2011/12 showed relatively strong budget execution with disbursements at 94% of the approved budget.

47. The execution of the FY2012/13 budget has now entered the final quarter of the fiscal year. Despite the many challenges, including numerous extra expenditure pressures and the slow pace in the completion of procurement plans by most ministries and agencies, the execution of the budget over the last three quarters has been moderately successful. Funding has been provided for key projects under the Public Sector Investment Programs (PSIP) and has covered the energy, roads rehabilitation, water and sanitation, health, education, and security sectors.

TABLE 3: FY2012/13 DISBURSEMENTS AS AT 31 MARCH 2013 (US$)

Category	Approved Budget	Mid year Performance	Qrt3 Performance	Year to date Performance
Recurrent	**433,759,790**	**186,673,868**	**112,554,387**	**299,228,255**
o/w Employees compensation	194,800,684	96,262,842	56,609,309	152,872,151
o/w Goods & services	136,777,380	60,120,203	44,566,392	104,686,595
Public Sector Investment Plan	**238,290,624**	**37,300,877**	**43,623,480**	**80,924,357**
o/w National Level	132,957,868	23,901,809	27,516,786	51,418,595
o/w Sector Projects	105,332,756	13,399,068	16,106,694	29,505,762
Grand Total	**672,050,414**	**223,974,745**	**156,177,868**	**380,152,613**

Source: Department of Budget, Ministry of Finance

48. Total disbursements for FY2012/13 as of 31 March were US$380 million, around US$55 million below the total approved allotment of US$435 million, producing an 87% execution rate against allotments. Due to the significant revenue risks highlighted above, total expenditure is expected to come in below the approved budget. As a result, the Government is prioritising the execution of the national level projects in the fourth quarter, particularly the rehabilitation of roads and bridges, energy, youth development and national capacity building and reconciliation.

FINANCING

49. The period up to 2010 saw the government running a cash-based balanced budget, in line with the Heavily Indebted Poor Countries debt-relief program (HIPC)requirements. Following HIPC completion in 2010 the Government is ready and able to borrow again, but is committed to only doing so in a fiscally prudent and sustainable way.

50. In FY2011/12 the Government borrowed – and therefore ran a fiscal deficit – of US$39.5 million (2.1% of GDP). Of this, US$20.7 million was foreign borrowing, all from the World Bank's International Development Agency (IDA), and US$27.4 was domestic borrowing from the Central Bank of Liberia (CBL). The Government has repaid the US$7.5 million bridge loan from the CBL, used to smooth revenue at the end of the 2011/12 fiscal year, and is finalizing the terms of the repayment of the US$20 million used as part of the overdraft facility.

51. In FY2012/13 disbursements of IDA loans continued. The government also signed a number of new loan agreements, including with the European Investment Bank, but these will not disburse until FY2013/14 onwards.

III. MEDIUM-TERM FISCAL FRAMEWORK: 2013/14 – 2015/16

52. The Medium-Term Fiscal Framework (MTFF) uses the latest economic, fiscal and revenue data to establish the resource envelope and expenditure ceilings for the three years covered by the Medium-Term Expenditure Framework (MTEF).

53. The MTFF also sets out the Government's two sets of fiscal rules, related to government spending and government borrowing. These are designed to ensure that investment and development of Liberian businesses is prioritized, and that, where investment is financed by borrowing, it is done in a fiscally responsible and sustainable way.

54. The government is focused on increasing the core tax base in a sustainable and growth-enhancing way through a number of measures that will commence, or continue, over the next fiscal year.

55. On the administrative front, the Department of Revenue will continue with the automation of tax administration, particularly through the use of SIGTAS, and customs modernization, including the continuing roll out of ASYCUDA.

56. There is the potential for increases in core revenue, particularly in areas such as real estate, overdue taxes, and income tax, if they can be tapped into to yield better results. The Department of Revenue is already improving tax compliance through tax payer education, particularly for small and medium businesses and taxpayers outside Monrovia, and will be strengthening internal audit functions. A 'block-mapping' exercise commencing in quarter four of FY2012/13 will help to uncover gaps in the real tax base and lead to an increase in revenue.

57. The migration to the Common External Tariff (CET) will ensure a harmonized tariff across West Africa, and the implementation of the Value Added Tax (VAT) system will boost revenue and widen the tax base. These are still a work in progress and are expected to be further progressed as the new Revenue Authority becomes operational.

RESOURCE ENVELOPE

58. Core tax revenue is expected to continue to grow strongly during the three-year MTEF period, driven by the growing economy and improvements to tax policy and administration. Taxes on income and profits, property taxes, domestic goods taxesand property income are projected to perform particularly strongly. However taxes on international trade are at risk of poor performance, partly due to the fall in import duty collected from essentials, as import volumes are expected to fall.

59. Core non-tax revenue is forecast to come in below the FY2012/13 approved budget forecast in FY2013/14, as a result of risk-adjustments based on FY2013/14 performance and an expectation of lower dividends. However it is expected to recover and grow in line with the wider economy in FY2014/15 and FY2015/16, driven by steady growth in royalties and rents and administrative fees.

60. The latest information from donors suggests that grants in the form of budget support will also grow in FY2013/14, before falling slightly in the outer years, FY2014/15 and FY2015/16.However, this fall likely reflects in part incomplete information from donors and so future projections may be higher. A breakdown of projected donor support is available as an annex.

61. The large resource envelope for the current fiscal year, 2012/13, was driven in part by an expectation of nearly US$80 million of one-off concession payments, as well as substantial borrowing. No contingent payments have been included for FY2013/14 as the potential revenue streams – including payments related to iron ore concessions and the forestry backlog – were considered too uncertain. This baseline assumption for zero contingent revenue continues in FY2014/15 and FY2015/16.

62. Total on-budget borrowing in the form of budget support is forecast to be US$10 million, from the World Bank's International Development Association (IDA). Off-budget borrowing is expected to be a furtherUS$139.9 million in FY2013/14. This includes disbursements of a number of IDA loan agreementswhich are already in place (US$106.4 million in FY2013/14) and, subject to ratification by the Legislature, disbursement of the recently signed agreement with the European Investment Bank for EUR45 million, approximately US$65 million, for the development of Mt. Coffee hydroelectric dam (US$16.8 million in FY2013/14), disbursement of the Kuwaiti loan for port rehabilitation (US$5.6 million in FY13/14) and disbursement of African Development Bank and International Fund for Agricultural Development loans related to the small tree crops revitalization program (US$2.1 million and US$8.9 million respectively in FY2013/14).

TABLE 4: RESOURCE ENVELOPE 13/14 – 15/16

RESOURCE ENVELOPE (USD millions)	**12/13 Budget**	**13/14 forecast**	**14/15 forecast**	**15/16 forecast**
Total resource envelope (incl. project aid)	**1,249.708**	**1,341.957**	**1,249.846**	**1,112.306**
Total "on budget" resource envelope	**672.050**	**553.263**	**581.247**	**623.847**
Total core + contingent	**589.016**	**543.263**	**571.247**	**613.847**
Core (including project aid grants)	**1,020.378**	**1,192.030**	**1,098.623**	**1,057.812**
Core (excluding project aid grants)	**505.620**	**543.263**	**571.247**	**613.847**
Tax	382.236	424.755	469.221	519.372
Non Tax (including concessions)	78.589	67.348	73.526	80.615
Grants	559.553	699.926	555.876	457.825
Budget support	44.795	51.160	28.500	13.860
Project aid [Off-budget]	514.758	648.767	527.376	443.965
Contingent	**83.396**	**-**	**-**	**-**
Tax	70.386	-	-	-
Non Tax	13.010	-	-	-
Grants	-	-	-	-

Borrowing	143.934	149.927	151.223	54.494
External	133.934	149.927	151.223	54.494
IDA credits [Budget support loans]	5.000	10.000	10.000	10.000
IDA credits [Project aid loans]	58.900	106.380	94.820	22.480
European Investment Bank (Mt. Coffee)	-	16.913	30.119	17.130
Kuwaiti (Greenville Port guarantee)	-	5.600	8.400	-
AfDB small tree crop revitalization project	-	2.133	2.133	2.133
IFAD small tree crop revitalization project	-	8.900	5.750	2.750
Other	70.034	-	-	-
Domestic	10.000	-	-	-
Cash Carry-Forward	**3.000**	**-**	**-**	**-**

Source: Approved Budget FY12/13 and Ministry of Financeforecasts

MTFF ASSUMPTIONS

63. The revenue forecast is built on a number of economic assumptions regarding the macroeconomy, adjustments to the historical trend based on revenue performance in the current fiscal year, and data obtained about key firms or aspects of the economy, such as concession holders and expectations for concession revenues in the future.

TABLE 5: KEY MACROECONOMIC DATA INPUTS TO THE REVENUE FORECAST

Variable	Source	2012/13	2013/14	2014/15	2015/16
Labor force growth	LMFM	2.4%	2.4%	2.4%	2.4%
Nominal GDP growth	IMF ECF	12.7%	9.5%	10.8%	11.0%
Agricultural sector growth	IMF ECF	3.6%	7.5%	3.5%	4.9%
Forestry sector growth	IMF ECF	6.2%	6.8%	8.3%	7.1%
Mining sector growth	IMF ECF	63.1%	9.3%	32.8%	35.1%
Manufacturing sector growth	IMF ECF	8.2%	6.4%	5.8%	6.8%
Service sector growth	IMF ECF	11.5%	11.5%	10.5%	11.2%
Consumer price inflation	IMF ECF	6.6%	5.7%	5.0%	5.0%

Source: Liberia Macroeconomic Forecasting Model, Ministry of Finance; IMF ECF First Review

64. This MTFF has utilised GDP and inflation projections from the macro-fiscal framework agreed with the IMF as part of the first review of the ECF programme. Assumptions about the growth of the labour force are drawn from the Ministry of Finance's own Macroeconomic Forecasting Model, which will be used more for baseline projections as refinements are made and additional data becomes available. A detailed forecast ofmacroeconomic variables is available in the annex.The table below summarises the most important factors affecting the forecast for each tax and non-tax revenue line.

TABLE 6: KEY ASSUMPTIONS FOR FY2013/14 REVENUE FORECAST

Revenue line	Assumptions
Tax revenue	
Taxes on income and profits	• Labor income taxes driven by projected labor force growth of 2.4%.

Increase of US$37.7m (30%) over FY12/13 approved Budget	• Corporate profit taxes driven by nominal GDP forecast. • Strong mid-year performance in 12/13 will be repeated.
Taxes on property *Increase of US$1.9m (60%)*	• Department of Revenue investment in real property evaluation and enforcement increases taxes.
Taxes on goods and services *Increase of US$9.3m (15%)*	• Domestic goods tax and service taxes expected to grow compared to FY12/13 approvedBudget due to strong performance. • Domestic excise reduced from current budget due to rate conflict following policy change in FY11/12.
Taxes on international trade *No change*	• Lower import volume of essentials leads to fall in import duty on essentials other than rice and petroleum. • Project lower CUF and GST than current budget based on current poor performance.
Non-tax revenue	
Property income *Decrease of US$10.2m (-19%)*	• Reduction in projected dividend/transfers from NOCAL by US$8m. • Conservative forecast of revenues from royalties and rents reflecting key risks around forestry and minerals.
Administrative fees and charges *Decrease of US$4m (-18%)*	• Lower than current fiscal year due to one-off payments in FY12/13 and poor current performance at sector ministries.
Fines, penalties and forfeits *Increase of US$3m (143%)*	• Expected to rise based on current performance.

Source: Department of Revenue, Ministry of Finance

FISCAL RULES

EXPENDITURE

65. Through the Agenda for Transformation the Government has highlighted its commitment to delivering key national infrastructure projects and creating a solid base for economic growth by revitalising the private sector and, in particular, Liberian businesses.

66. In the FY2012/13 Budget the Government formulated a set of fiscal rules to help guide spending and ensure it is in line with Government priorities. These rules will be maintained for the FY2013/14 Budget and state that:

    - 25% of the Budget should be on investment
        - Of which, at least 10 percent should be expenditure on the energy sector (i.e. at least 2.5% of the Budget)
    - No more than 34% of the Budget will be on personnel costs
    - At least 25% of GoL spending will be on Goods and Services provided by Liberian Businesses
    - At least 25% of GoL spending on furniture should be from capable local manufacturers
    - Transfers from investment to recurrent should be no more than 5% of M&A investment appropriations in a given year will be transferred to recurrent
    - No more than 15% of capital projects should be administrative overheads

BORROWING

67. Following the completion of the Heavily Indebted Poor Countries (HIPC) debt-relief programme in 2010, and the corresponding forgiveness and write-down of around US$4.5 billion of debt, the Government put in place fiscal rules as part of the FY2012/13 Budget to guide borrowing and ensure that future borrowing is undertaken with fiscal prudence and sustainability in mind:

    - All borrowing must be undertaken for the purposes of investment, consistent with the Public Sector Investment Plan (PSIP).
    - Total debt stock must not exceed 60% of the given calendar year's GDP as contained in the PFM Regulations.
    - Prior to new borrowing being undertaken a Debt Sustainability Analysis (DSA) must be carried out and presented to the Debt Management Committee (DMC) to ensure debt rules are not breached.

68. Individual loans are governed by rules stating that:

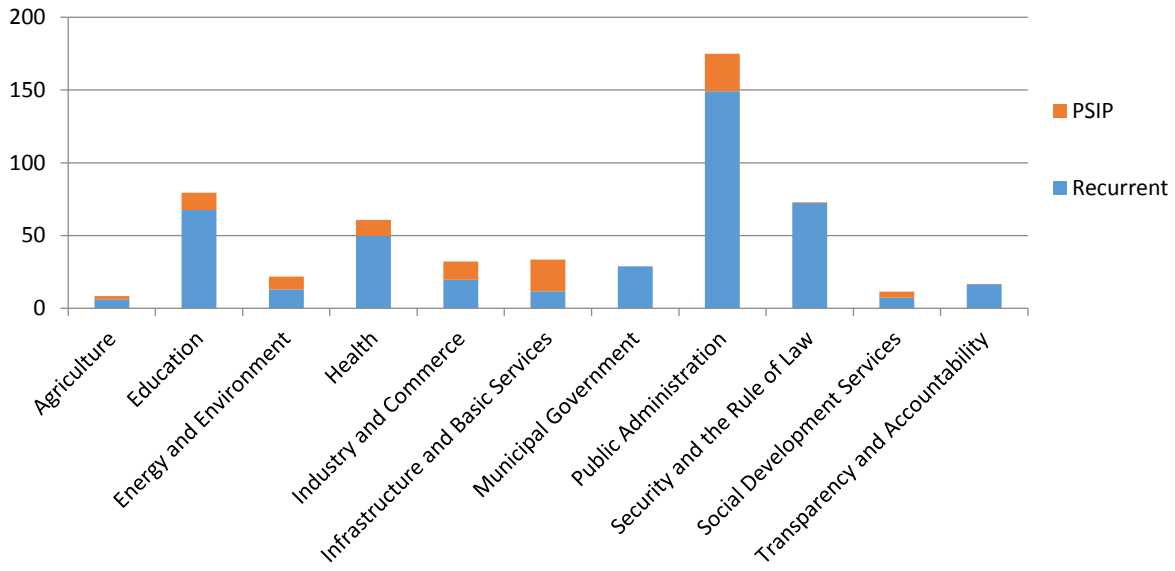
    - Concessional loans are those with a grant element of above 65%
    - Commercial loans are those with a grant element below 35%

MEDIUM-TERM EXPENDITURE FRAMEWORK

69. The MTEF for FY13/14 – 15/16 is focussed on consolidating strategic activities embarked on in FY12/13 and targeting interventionstowards achieving the AfT priorities. The government has proposed measures to control growth in recurrent spending and remains committed to a large-scale infrastructure investment program, as sustaining the investment in priority projects is crucial to reducing poverty and achieving inclusive long-term growth. The Ministry of Finance has therefore worked closely with Ministries and Agencies to reduce waste and streamline projects.

70. As a result, recurrent expenditure in the draft Budget for FY2013/14 is $428.8 million (net of US$13 million amortization, which is the repayment of debt principal and arrears), while investment spending (in the form of national priority and sector PSIP projects) is $111.1 million.The recurrent ceilings for most M&A's have been held constant. The general exception stems from the application of salary increases and consideration of key funding pressures anticipated in the ensuing budget.

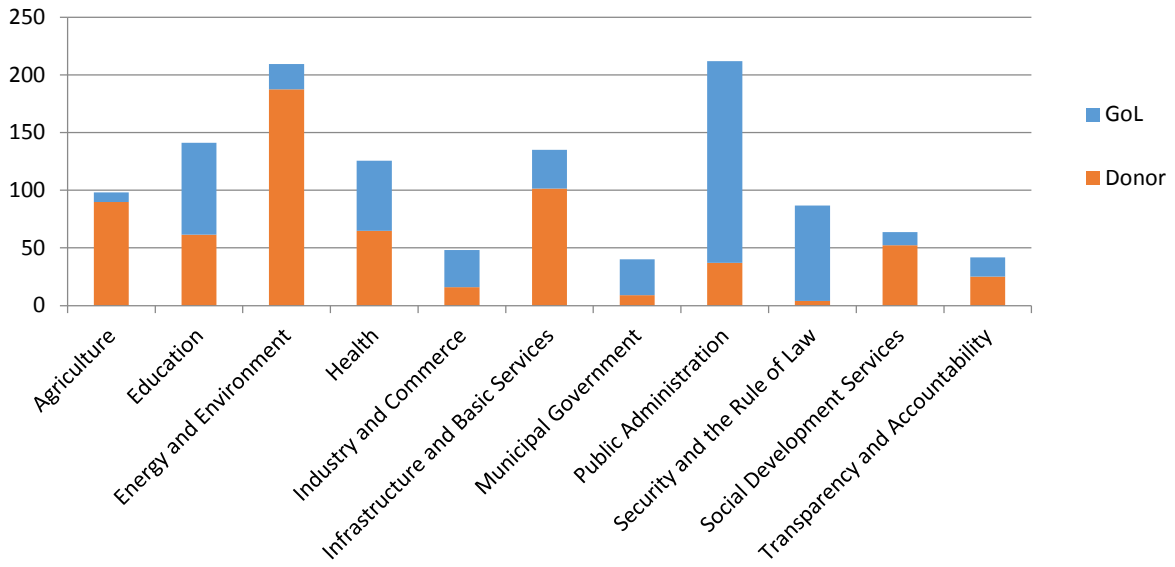
FIGURE 7: BREAKDOWN OF FY13/14 GOL EXPENDITURE BY SECTOR AND TYPE



Notes: US$ millions
Source: Ministry of Finance Draft Budget FY2013/14

71. In addition to this, US$648.8 million is expected in off-budget donor support ("project aid") during FY2013/14, comprised of US$525.4 million in grants and US$123.3 million in loans. This support is spread across the eleven sectors, with an emphasis on energy and the environment (US$187.7 million), infrastructure and basic services (US$101.5 million), agriculture (US$89.75 million), health (US$64.8 million) and education (US$61.6 million).

FIGURE 8: BREAKDOWN OF FY2013/14 EXEPENDITURE BY SECTOR AND SOURCE

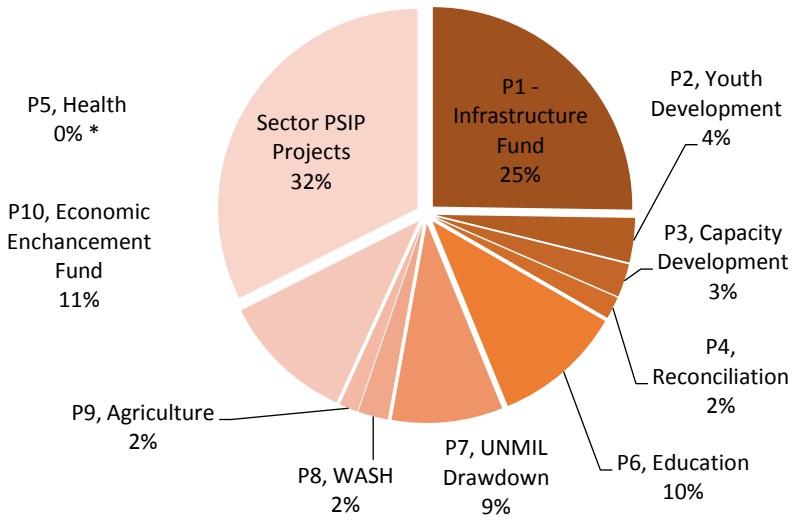


Notes: US$ millions
Source: Ministry of Finance Draft Budget FY2013/14

72. As in the FY2012/13 Budget, investment spending will be made up of both national level and sector level projects based on the PSIP.For FY2013/14 the categories of National Priority Projects have been expanded from four to ten, to allow the Government to prioritise resource allocation to the most pressing areas and to ensure that the government meets its obligations to donor funded projects. These National Priority Projects now include:

- P1 – Infrastructure Fund (Ports, energy, transport & technology) – rebuilding severely damaged infrastructure so as to enhance economic growth & development;
- P2 – Youth Empowerment – skills development and employment opportunities for youths;
- P3 – Capacity Development – based on the 10 year plan;
- P4 – Reconciliation – based on the agreed roadmap;
- P5 Health – Fixed Amount Reimbursable Arrangement (FARA) with USAID;
- P6 Education – to meet the quota for education in the budget;
- P7 UNMIL Drawdown – to strengthen the main security organs;
- P8 WASH – to meet government's obligations to donor funded projects;
- P9 Agriculture – to meet government's obligations to donor funded projects; and
- P10 –Economic enhancement Fund – foreign direct investment framework for concessions.

FIGURE 9: PSIP SPLIT BY PRIORITY PROJECT CODE



Source: Ministry of Finance Draft Budget FY2013/14

Notes: Total PSIP expenditure US$111.1 million.
** Sector PSIP Projects include US$11 million of P5 – Health expenditure related to USAID FARA.*

FISCAL RISKS

73. The Government – and the Ministry of Finance in particular – is responsible for tracking, managing and mitigating fiscal risks; any events that pose a threat, or opportunity in the case of "upside" risks, to the Government's fiscal position and as a consequence, to the Liberian economy, or vice versa. They can be divided between revenue, expenditure, debt and execution/operational risks.

74. Revenue risks are related to any unexpected increase or decrease in tax or non-tax revenues, grants or loans. Expenditure risks stem from differences between actual budget expenditure and the appropriations in the approved budget, either because a particular project or service cost more (or less) than expected, or because unplanned for expenditure has been deemed necessary. Debt risks are events that pose a threat to the Government's ability to maintain a sustainable debt stock and to pay its domestic and external creditors on time. Finally, execution or operational risks are related to the budget and financial processes, including IT systems, financial systems, personnel, and relationships with suppliers and/or Ministries & Agencies.

75. The Ministry of Finance is working to strengthen its business planning process as part of the Public Sector Financial Management reform agenda. In the course of systems planning, officials aim toimprove the identification, assessment and management of the risks associated with key policies, objectives and processes.

76. For personnel, risks are imbedded in the systems with which we ensure that we recruit, retain and motivate high caliber staffs who have the skills and experience to deal with the wide variety of work required by ministries and agencies.

77. Financial management systems are specific to individual business areas, such as the management of the Consolidated Fund and the other accounts at the center of the Government's finances.The framework for dealing with the financial management systems is built on a process of risk assessment managed by the Ministry of Finance's Internal Audit team and approved by the Audit Committee.

78. A table in the annex provides a breakdown of the key risks in each category and the identified mitigation or management strategy. Transparency in risk management will help to ensure that all key risks are tracked and managed appropriately and, in so doing, will help to maintain confidence in the Government's macroeconomic and fiscal policy framework.

STATE OWNED ENTERPRISES

79. State Owned Enterprises (SOEs) are currently an important element of the Liberian economy, providing and facilitating public and private services, including water, sanitation, electricity, telecommunications and transport.

80. Clear and transparent oversight of these organizations will help ensure that public services are delivered to the highest possible standard, progress is made towards development goals, and policy decisions can bet taken with sufficient information. Furthermore, given that the Government is ultimately responsible for these organizations, it will also help the monitoring of fiscal risks that might stem from any SOEs.

81. To facilitate this, an SOE secretariat has been established and is currently headquartered in the Ministry of Planning and Economic Affairs. All SOEs have been asked to present financial details for FY2013/14, including projected revenue and expenditure for the future, though the focus is on the eight largest organizations. An annex provides a summary forecast of these SOE's revenue and expenditure for FY2012/13 and 2013/14:

- Liberia Electricity Company (LEC)
- Liberia Maritime Authority (LMA)
- Liberia Petroleum and Refinery Company (LPRC)
- Liberia Telecommunications Authority (LTA)
- Liberia Water and Sewerage Company (LWSC)
- National Oil Company of Liberia (NOCAL)
- National Ports Authority (NPA)
- Robert International Airport (RIA)

ANNEX I –PUBLIC INVESTMENT (PSIP) IN FY2013/14

Key:
r = Recurrent budget based on FY12-13 Outturn
c = Counterpart funding for donor projects. This is fixed in agreements with development partners.
g = Government planned investments.
** = Includes General Claims

Classification	Type	FY13-14 Budget
Recurrent	**	**442,149,237**
Compensation	*r*	222,598,477
Goods and Services	*r*	121,343,282
Grants	*r*	94,088,345
Capital Assets	*r*	4,119,132
o/w recurrent General Claims		**93,725,970**
National Priority Projects		**75,099,076**
P1 - Infrastructure Fund		***28,044,826***
RAP(Road 1 Redlight to Gbarnga, Road 2: Gbarnga to Ganta-Guinea Border, Road 3: Caldwell Bridge and Road 4: Fesibility Study for Ganta to Zwedru Road)	*c*	*4,500,000*
West Africa Power Pool(Compensation for persons and properties)	*c*	*3,500,000*
Mount Coffee Rubber Tree Compensition	*c*	*3,500,000*
Labour based public works projects along the Fishtown -Harper road: local costs	*c*	*544,826*
Ongoing Roadworks, Pavements and Bridges	*g*	*10,000,000*
Maintenance of roads and bridges nationwide	*g*	*3,000,000*
Monrovia Fiber Optic Backbone	*g*	*3,000,000*
P2, Youth Development		***4,000,000***
Community Development Fund	*g*	*4,000,000*
P3, Capacity Development		***3,000,000***
National Capacity Development Fund	*g*	*3,000,000*
P4, Reconciliation		**2,000,000**
Reconciliation	*g*	*2,000,000*
P5, Health		-
P6, Education		***11,666,562***
P7, UNMIL Drawdown		***10,000,000***
P8, WASH		***2,704,000***
Constuction of Latrines in Monrovia Communities	*g*	*500,000*
Emergency Monrovia Urban Sanitation (EMUS) Counterpart funding	*c*	*2,204,000*
P9, Agriculture		***1,683,688***
Counterpart funding: Agricultural rehabilitation for smallholder farmers and rural enterpreneurs including women	*c*	*1,683,688*
P10, Economic Enchancement Fund		*12,000,000*
Foreign direct investment frameworks for concessions	*g*	*12,000,000*
Sector PSIP Projects		**36,014,100**
O/W Renovation of the Executive Mansion Building and Relocation of MOS Offices to the Executive Mansion Compound [included under Sector PSIP projects total]	*g*	*9,789,100*
O/W Support to Rural Clinics and Health Workers (FARA) [included under Sector PSIP projects total]	*c*	*11,000,000*
Total		**553,262,413**

ANNEXII – FISCAL OUTTURN 2010/11

Preliminary outturn below – the final outturn is available on the Ministry of Finance website.

Statement of Revenue, Expenditure and Changes in Fund Balance
For Full Year Ending the 30th June 2011

Receipts/Payments	Annual Budget	Revenue vs Disbursement	Revenue vs Cleared Cheques
Receipts			
Tax Revenue	231.3	267.3	267.3
Non-Tax Revenue	67.1	52.3	52.3
Other Revenue (Grants)	60.2	40.3	40.3
Deferred Collection	15.0	15.0	15.0
Supplemental	24.0	0.0	0.0
Earmarked Collection	0.0	3.9	3.9
TOTAL	**397.6**	**378.7**	**378.7**
Payments			
Wages, Salaries and Employee Benefits	141.4	138.0	137.4
Goods and Services	92.8	86.0	85.6
Consumption of Fixed Capital	63.7	62.9	62.3
Subsidies	15.8	14.4	14.5
Grants/Transfers	75.0	66.9	66.7
Social Benefits	0.5	0.5	0.5
Refunds	0.0	0.0	0.0
Financial Arrears	6.1	5.2	5.1
Domestic Liabilities	6.6	6.4	6.4
Foreign Liabilities	6.6	6.2	6.1
TOTAL	**408.4**	**386.5**	**384.7**
Increase/Decrease in Cash	-10.7	-7.7	-6.0
Carry Forward from Previous	10.7	14.5	14.5
Closing Balance June 30th 2011		6.7	8.4

Source: Office of the Comptroller, Ministry of Finance

Figures are in United States Dollars

ANNEX III – FISCAL OUTTURN 2011/12

Preliminary outturn below – the final outturn is available on the Ministry of Finance website.

(US$ million)	Original Budget	Checks Cashed	Commitment	2010/11 Checks
Revenue	502.6	461.0	461.0	384.1
Tax	283.5	364.8	364.8	288.4
Non- Tax	59.3	27.1	27.1	52.5
Grants	48.0	28.3	28.3	43.2
Budget	48.0	28.3	28.3	43.2
Contingent	111.8	40.8	40.8	0.0
Expenditure	443.1	428.6	428.6	352.1
Compensation of employees	176.6	181.5	181.5	126.9
Use of goods and services	129.1	119.6	119.6	116.9
Interest	6.5	2.5	2.5	14.0
Subsidies	33.4	37.3	37.3	46.1
Grants	96.7	87.2	87.2	47.3
Social benefits	0.8	0.5	0.5	0.9
Sale of Non-Financial Assets	0.0	0.0	0.0	0.0
Acquisition of Non-Financial Assets	99.4	72.1	72.6	34.0
Spending on Capital	63.4	52.0	52.0	34.0
IDA Capital	36.0	20.1	20.7	0.0
Net Cash from operating activities	59.5	32.4	32.4	32.0
Cash Surplus/Deficit	-39.8	-39.7	-40.3	-1.9
Financing	31.0	40.1	40.6	0.0
Amortization	-10.0	-7.6	-7.6	0.0
Domestic Borrowing	0.0	27.5	27.5	0.0
CBL Bridge Loan	0.0	7.5	7.5	0.0
CBL Overdraft	0.0	20.0	20.0	0.0
Foreign Borrowing	41.0	20.1	20.7	0.0
O/W IDA	41.0	20.1	20.7	0.0
Net Change in Stock of Cash	-8.8	0.3	0.3	-1.9
Accounts Cash to (+)/from (-)	-8.8	0.3	0.3	-1.9

Source: Departments of the Ministry of Finance

ANNEX IV – DEVELOPMENT ASSISTANCE

Aid by modality (US$)			
	FY13/14	**FY14/15**	**FY15/16**
Grants	576,694,686	430,936,291	54,295,490
Loan	133,293,454	134,939,454	49,610,454
Total	**709,988,140**	**565,875,745**	**103,905,944**

Aid by type (US$)			
	FY13/14	**FY14/15**	**FY15/16**
Budget support	61,159,880	38,499,760	23,860,000
Project aid	648,828,260	527,375,985	80,045,944
Total	**709,988,140**	**565,875,745**	**103,905,944**

Budget support by donor (US$)			
	FY13/14	**FY14/15**	**FY15/16**
African Development Bank (AfDB)	12,243,200		
European Union (EU)	27,916,680	14,499,760	13,860,000
International Development Association (IDA)	10,000,000	10,000,000	10,000,000
United States Agency for International Development (USAID)	11,000,000	14,000,000	
Total	**61,159,880**	**38,499,760**	**23,860,000**

Project aid by donor (US$)			
	FY13/14	**FY14/15**	**FY15/16**
African Development Bank (AfDB)	25,920,000	31,680,813	-
Denmark	-	-	-
Department for International Development (DFID)	19,867,400	6,607,650	-
European Investment Bank (EIB)	16,913,454	30,119,454	17,130,454
European Union (EU)	29,890,177	28,584,302	10,435,490
Federal Republic of Germany	46,416,000	57,416,000	-
France	1,290,000	1,290,000	-
International Development Association (IDA)	166,892,333	125,509,333	22,480,000
Irish Aid	-	-	-
Japan	30,052,257	-	-
Norway	40,128,334	30,616,667	-
Swedish International Development Cooperation Agency (Sida)	38,669,000	24,464,000	-
United Nations High Commissioner for Refugees (UNHCR)	-	-	-
United Nations International Children's Education Fund (UNICEF)	30,000,000	30,000,000	30,000,000
United Nations Population Fund (UNFPA)	2,530,000	2,530,000	-
United States Agency for International Development (USAID)	170,072,000	139,336,285	-
World Food Programme (WFP)	27,827,870	16,923,738	-
World Health Organization (WHO)	2,297,743	2,297,743	-
Total	**648,766,568**	**527,375,985**	**80,045,944**

ANNEXV – FISCAL RISKS MATRIX

Expenditure risks			
Risk	**Likelihood**	**Impact**	**Mitigation or management strategy**
Increase in essential commodity prices – food or oil/fuel	Medium	*Low* – increases in the price of basic goods would affect the poorest households the most and may require additional government or donor intervention.	*Management:* The Government already has in place the rice fund and oil and fuel reserves, which can be used to smooth supply during periods of market stress.
Cost overrun on national projects	Low	*Medium* – given the range and size of national projects, cost overrun that has to be covered by GoL would have significant fiscal implications.	*Mitigation:* Project units in ministries and agencies track project progress to minimise unexpected overrun.
State Owned Enterprises (SOEs) require financial assistance from central government	Low	*Medium* – A number of SOEs are both large and provide critical services.	*Mitigation*: MoF has established an SOE unit that will track SOE's financial positions, including profit/loss and debt accrued.
The National Social Security and Welfare Corporation (NASSCORP) is unable to meet its liabilities as a pension fund	Medium	*High* – Shortfalls in NASSCORP funding could require significant capital injection from the Government to prevent pensions being unavailable to pension holders.	*Mitigation*: Study of NASCORP balance sheet to take place and appropriate action to ensure it is solvent.
Revenue risks			
Risk	**Likelihood**	**Impact**	**Mitigation or management strategy**
Continued global economic downturn, including in countries importing Liberian goods and services	Medium	*Medium* – lower commodity prices and a fall in exports would lead to a reduction in GDP, in government revenues and, potentially, investment in the concessions sector.	*Management:* MoF to track key export markets to provide advance warning of emerging fiscal challenges and facilitate resource planning.
Concession revenue is lower than forecast	Medium	*Medium* –concession revenue constitutes a sizeable portion of the total resource envelope.	*Mitigation:* Government prioritises necessary action (e.g. meeting requirements in concession agreements) and/or enforcement. *Management:* Ensure that more risky revenue is tied to expenditure that is lower priority or can be scaled up/ down.
Non-tax revenue underperforms forecast	Low	*Medium* – non-tax revenues have underperformed in recent fiscal years.	*Mitigation* – the revenue forecast has been adjusted based on previous performance, minimising the risk of substantial shortfalls.
Debt risks			
Risk	**Likelihood**	**Impact**	**Mitigation or management strategy**
T-Bills	Low	*Medium*–the introduction of	*Mitigation* – the government's debt

		T-Bills poses a liquidity risk in the event that commercial banks were one day unwilling to roll over their investment, forcing the government would to repay the principle.	strategy means that T-Bills will not be used for long-term investment and only issued in sustainable amounts.
Guarantees for SOEs, e.g. Kuwaiti loan to NPA (US$14m)	Low	*Medium* – if an SOE were to default on a guaranteed loan then the government could be liable for substantial payments. The risk is increased by the potential for investors in SOEs to look at the quality of the guarantee rather than the quality of the projects or investments of the SOE.	*Mitigation* – the SOE unit will track SOE's financial positions and together with the Macro-Fiscal Analysis Unit will assess whether the risk of non-payment by an SOE has increased. *Management* – guarantees will be included in the measurement of the debt stock in order that the government can budget for repayment if necessary.
Execution/operational risks			
Shortcomings in the reconciliation process result in incorrect estimates of available revenue	Low	*High* –As at the end of FY2011/12, overspend is possible where reconciliation is incomplete.	*Mitigation* – Reconciliation of commitments with cash expenditure is performed on a weekly basis, with reports provided to the Minister of Finance, and monitoring of government balances takes place on a daily basis.
Budget is approved and passed by the legislature after the start of fiscal year 13/14	Low	*Medium* – delays limit maximum disbursements to ministries and agencies and hold up investment projects.	*Mitigation:* Engagement of cabinet and the legislature to ensure all parties have the opportunity to input to the approved Budget.
Technical systems used for revenue and budgeting (IFMIS) are compromised	Low	*Low* – existing oversight structures limit scope for fraud of this nature.	*Mitigation:* GAC considering a report on how to improve technical security

ANNEX VI – STATE OWNED ENTERPRISES FY12/13 FORECAST

All forecasts are currently preliminary and included for reference purposes only. The quality of forecasts will improve as the SOE unit within the Ministry of Finance increases capacity and receives updated information.

FY 2012/13 Inflows Forecast						
SOE	**Operating Revenue**	**GoL Subsidy**	**Total Inflows**	**Donor Provided Funds**	**Borrowings / Guarantees**	**Total Cash Available for Spending**
LWSC	$2,398,226	$1,951,695	$4,349,921	$0	$0	$4,349,921
NPA	$26,122,617	$8,000,000	$34,122,617	$0	$12,000,000	$46,122,617
NOCAL	$28,900,000	$0	$28,900,000		$0	$28,900,000
RIA	$4,471,880	$726,730	$5,198,610		$0	$5,198,610
LTA	$7,505,900	$0	$7,505,900		$0	$7,505,900
LPRC	$21,406,948	$0	$21,406,948		$0	$21,406,948
LEC	$18,500,000	$637,000	$19,137,000	$37,000,000	$0	$56,137,000
LMA	$21,100,000	$12,766,732	$21,100,000		$0	$21,100,000
LIBTELCO	$8,638,400	$300,000	$8,938,400		$8,607,000	$17,545,400
NTA	$2,558,430	$1,436,232	$3,994,662		$1,021,544	$5,016,206
FDA	$9,400,000	$4,724,000	$9,400,000		$0	$9,400,000
Total	**$151,002,401**	**$30,542,389**	**$164,054,058**		**$21,628,544**	**$222,682,602**

FY 2012/13 Outflows Forecast (US$)							
SOE	**Operating Expense**	**Capital Expenditure - Entity Funded**	**Total Outflows - GoL**	**Capital Expenditure - Donor Funded**	**Total Outflows**	**Net Surplus / (Deficit) - GoL**	**Projected Dividends Consol Funds**
LWSC	3,796,572	226,500	4,023,072	0	4,023,072	326,849	0
NPA	14,951,881	21,169,000	36,120,881	0	36,120,881	-1,998,264	1,050,000
NOCAL	15,000,000	3,500,000	18,500,000	0	18,500,000	10,400,000	10,400,000
RIA	5,377,200	642,200	6,019,400	0	6,019,400	-820,790	100,000
LTA	6,377,600	919,000	7,296,600	0	7,296,600	209,300	7,869,000
LPRC	10,698,610	5,847,222	16,545,832	0	16,545,832	4,861,116	2,000,000
LEC		0	0	37,000,000	37,000,000	19,137,000	0
LMA	11,471,871	800,000	12,271,871	0	12,271,871	8,828,129	20,168,000
LIBTELCO	5,098,790	0	5,098,790	0	5,098,790	3,839,610	0
NTA	2,558,430	2,920,428	5,478,858	0	5,478,858	-1,484,196	0
FDA	3,460,000	0	3,460,000	0	3,460,000	5,940,000	9,400,000
Total	**78,790,954**	**36,024,350**	**114,815,304**	**37,000,000**	**151,815,304**	**49,238,754**	**50,987,000**

ANNEX VII – STATE OWNED ENTERPRISES FY13/14 FORECAST

All forecasts are currently preliminary and included for reference purposes only. The quality of forecasts will improve as the SOE unit within the Ministry of Finance increases capacity and receives updated information.

FY 2013/14 Inflows Forecast						
SOE	Operating Revenue	GoL Subsidy	Total Inflows	Donor Provided Funds	Borrowings / Guarantees	Total Cash Available for Spending
LWSC	$17,510,620	$527,000	$18,037,620	$16,200,000	$0	$34,237,620
NPA	$35,019,183	$0	$35,019,183		$17,167,000	$52,186,183
NOCAL	$33,235,000	$0	$33,235,000		$0	$33,235,000
RIA	$6,806,333	$726,727	$7,533,060		$0	$7,533,060
LTA	$8,256,490	$0	$8,256,490		$0	$8,256,490
LPRC	$23,962,198	$0	$23,962,198		$0	$23,962,198
LEC	$30,100,000	$637,000	$30,737,000	$100,000,000	$0	$130,737,000
LMA	$23,778,367	$12,760,267	$36,538,634		$0	$36,538,634
LIBTELCO	$13,849,233	$300,000	$14,149,233		$9,632,000	$23,781,233
NTA	$6,180,396	$1,436,232	$7,616,628		$979,544	$8,596,172
FDA	$13,500,000	$3,724,000	$17,224,000		$0	$17,224,000
Total	**$212,197,820**	**$20,111,226**	**$232,309,046**	**$116,200,000**	**$27,778,544**	**$376,287,590**

FY 2013/14 Outflows Forecast (US$)							
SOE	Operating Expense	Capital Expenditure - Entity Funded	Total Outflows - GoL	Capital Expenditure - Donor Funded	Total Outflows	Net Surplus / (Deficit) - GoL	Projected Dividends Consol Funds
LWSC	8,159,096	2,315,553	10,474,649	16,200,000	26,674,649	7,562,971	0
NPA	18,832,127	29,297,262	48,129,389		48,129,389	-13,110,206	550,000
NOCAL	17,945,000	3,850,000	21,795,000		21,795,000	11,440,000	11,440,000
RIA	7,037,000	1,557,400	8,594,400		8,594,400	-1,061,340	100,000
LTA	7,015,360	1,010,900	8,026,260		8,026,260	230,230	250,000
LPRC	13,137,847	8,031,550	21,169,397		21,169,397	2,792,801	2,000,000
LEC	0	0	0	100,000,000	100,000,000	30,737,000	0
LMA	11,351,197	1,047,937	12,399,134		12,399,134	24,139,500	22,069,000
LIBTELCO	10,175,778	0	10,175,778		10,175,778	3,973,455	0
NTA	6,180,396	123,700	6,304,096		6,304,096	1,312,532	0
FDA	1,452,000	1,616,000	3,068,000		3,068,000	14,156,000	13,500,000
Total	**101,285,801**	**48,850,302**	**150,136,103**	**116,200,000**	**266,336,103**	**82,172,942**	**49,909,000**