GOVERNMENT OF LIBERIA

FISCAL OUTTURN REPORT FOR THE THIRD QUARTER

FISCAL YEAR 2016/2017

JULY 1, 2016 – MARCH 31, 2017

MINISTRY OF FINANCE & DEVELOPMENT PLANNING (MFDP)

MARCH 2017

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This document is prepared in accordance with Section 36.4 of the Public Financial Management (PFM) Act, which requires that the Minister of Finance provides a report to the President, the National Legislature and the general public outlining the budget execution and the revenue collections. Section 13.4 requires that this document outlines any use of the Contingency Fund. Section 26.3 requires that cumulative budget reallocations be reported.

"[T]he Minister shall produce a consolidated quarterly report comparing budget execution and revenue collections to the estimates contained in the National Budget. This report shall be available to the President, the Legislature and the general public within forty five days of the end of the quarter" – Government of Liberia, Public Financial Management Act (2009).

"Fiscal data should be reported on a gross basis, distinguishing between revenue, expenditure and financing; with expenditure classified by economic, functional, and administrative category" – IMF Code of Good Practice on Fiscal Transparency

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ACRONYMS

AfT	Agenda for Transformation
CBL	Central Bank of Liberia
ESRP	Economic Stabilization and Recovery Plan
EVD	Ebola Virus Disease
FX	Foreign Exchange
GDP	Gross Domestic Product
GoL	Government of Liberia
HFO	High Fuel Oil
IDA	International Development Association
IMF	International Monetary Fund
M&As	Ministries and Agencies
MFDP	Ministry of Finance and Development Planning
MTEF	Medium Term Expenditure Framework
PSIP	Public Sector Investment Plan
WAPP	West Africa Power Pool
WASH	Water Sanitation and Hygiene
UNMIL	United Nations Mission in Liberia
USD	United States Dollars

DEFINITIONS

Allotment	An authorization issued to an implementing M&A to incur obligations for specified amounts contained in a legislative appropriation.
Appropriation	An authorization made by law or legislative enactment directing payment out of government funds under specified conditions or for specific purposes.
Cash	Checks cashed or other payments from the consolidated account.
Cash Surplus/Deficit	Revenue minus Expenditure minus net Acquisition of Assets (capital expenditure).
Commitment	Payment request processed through appropriation, allotment, and stamped with pledge of disbursement.
Net Cash from operating activities	Revenue minus Expenditure (not including Capital).

EXECUTIVE SUMMARY

The Liberian economy continues to perform below expectation as a result of decrease in global community prices and existing negative impacts of the 2014 – 2015 Ebola crises. Initially, the economy was estimated to have grown at a modest pace in 2016, at 2.5 percent, up from 0.0 percent in 2015 but has been projected to deteriorate at 0.0 percent. The underperformance is largely attributed to decrease in economic activities, particularly in the mining sector. However, risks to growth in 2016 remain apparent, and could be: the continual decline in the price of the country's key exports commodities, security challenges as a result of UNMIL drawdown, depreciation of the domestic currency, financial sector vulnerability, and the ensuring 2017 general and presidential elections.

The average inflation rate at the end of the period under review stood at 8.9 percent, up from a recorded 7.7 percent during the previous quarter. The 1.2 percentage point rise was on account of depreciation of the Liberian dollars against the US dollars.

The overall balance of payments deficit, marginally deteriorated by 0.2 percent to US$46.0 million for the quarter under review against US$45.9 million recorded in the previous quarter. At the same time, it slightly worsened by 1.5 percent compared to the deficit recorded for the same period of last year. Furthermore, BoP deficit widened, despite the improvement in the current account deficit as a results of Liberia's continued reliance on external goods, income, services, financial investment for domestic consumption.

On the average, Liberian-US dollars exchange rate for the third quarter of FY2016/17 depreciated by 1.2 percent to L$104.02.2/US$1.00 recorded as the average exchange rate for March 2017. Meanwhile the end-of-period exchange rate for the month of March is L$104.5/US$1.00. Compared to the third quarter of FY 206/17, the Liberian dollar depreciated by 3.7 percent on the average. The depreciation of the Liberian dollars was largely as a result of limited inflow of United States Dollars arising from the decline in commodity prices, net injection of Liberian dollars, and UNMIL drawdown, among others.

A draft national budget of US$556.0 million was submitted by the Executive Branch of the Government to the National Legislature on April 30, 2016 for consideration and ratification for the fiscal period beginning July 1, 2016 and ending June 30, 2017. The National Legislature finally approved a fiscal instrument of US$600.2 million which shows a 3.6 percent decrease, compared to FY2015/16 approved budget of US$622.7 million and a 7.9 percent increase compared to the draft submission for FY2016/17.

Total revenue (excluding borrowing) collected at the end of the third quarter of FY2016/17 amounts to US$356.5 million. This represents approximately 59.4 percent of the approved resource envelope. Of the collected amount, tax revenues amounted to US$272.8 million which accounts for 76.5 percent while nontax revenues and grants accounted for US$58.0 million and US$25.7 million respectively thereby reflecting 16.3 percent and 7.2 percent respectively. Compared to the same period of the previous fiscal year, core revenue decreased by 0.5 percent which may be largely attributed to external factors particularly fall in global community prices that impacted our major export products such iron ore, gold, rubber, etc.

Total allotments issued at the end of the third quarter for fiscal year FY2016/2017 amounted to US$412.0 million, compared to US$505.4 million for the same period in FY2015/2016; thus representing a decrease of 18.5 percent. Thus total allotment issued out during the period under review account for 68.6 percent of the total resource envelope.

Total commitment issued out to Ministries, Agencies and Commissions (MACs) at the end of the third quarter of FY2016/17 amounted to US$366.8 million compared to US$385.7 million recorded for the same period in FY2015/16; thus representing a decrease of 4.9 percent. Hence, total commitments account for 89.0 percent of total allotments and 61.1 percent of the total resource envelope.

SECTION 1: MACROECONOMIC DEVELOPMENTS

GDP growth rate within the Liberian Economy has not been performing to expectation since the outbreak of the EVD Virus coupled with the commodity price shock which has affected the mining and panning sector as well as FDI development significantly. As a result of these spillover effect, real GDP growth in 2015 fell below its targeted rate to 0.00 percent and it further plummeted to -1.6 percent due to the exacerbation of the shock in 2016. Besides, the alarming depreciation of the Liberian currency as well as UNMIL drawdown has further worsened the problem. Recovery from the EVD epidemic which erupted in 2014 has remained relatively sluggish and has placed significant strain on the GoL's revenue generating capacity. It has also caused government to reduce its fiscal space by reprioritizing among its PSIP. Growth is projected to modestly rebound to about 2.6 percent in 2017, driven largely by agriculture and fisheries, steady gold production, and improved services. Also, with marginal improvement in iron ore price due to the expansion of the China's economic in the first quarter, the mining sector would add up to GDP.

Amidst these challenges, concerted efforts have been made by the Government of Liberia to implement its priority programs and policies as established in national development plans especially the reprioritized Agenda for Transformation(AfT), the Economic Stabilization and Recovery Plan (ESRP), and the Health Investment Plan.

Average consumer prices reported for the third Quarter of FY 2016/2017 was 13.0 percent, while the end of period rate was recorded also in double digits at 11.8 percent. Inflation rate is expected to remain in double digits in the Liberian Economy due mainly to the continuous depreciation in the Liberian dollars and a gradual rise in global oil price. Also, 3 percent increase in the required reserve as a new requirement to reducing the Liberian dollars in circulation by the CBL is infinitesimal to reducing inflationary pressure in the Liberian Economy. Much needs to be done to mobilize FDI in other sectors besides mining and the rubber subsector of the economy, encourage remittance inflow, and significantly reduce the deteriorating trade balance.

On the average, Liberian-US dollars exchange rate for the third quarter of FY2016/17 depreciated by 1.2 percent to L$104.02.2/US$1.00 recorded as the average exchange rate for

March 2017. Meanwhile the end-of-period exchange rate for the month of March is L$104.5/US$1.00; compared to the third quarter of FY206/17, the Liberian dollar depreciated by 3.7 percent on the average. The depreciation of the Liberian dollars was largely as a result of limited inflow of United States Dollars arising from the decline in commodity prices, net injection of Liberian dollars, and UNMIL drawdown, among others

SECTION 2: BUDGET FY2016/17

The Government of Liberia has demonstrated strong commitments over the years to attain prudent management of available resources. The government adopted a Medium Term Expenditure Framework (MTEF) budgeting since FY2012/13 with a desire of achieving greater macroeconomic stability and public investment through fiscal discipline. The budget is characterized by priorities and strategies stipulated in the Government's Economic Stabilization and Recovery Plan (ESRP) which is intended to stimulate the economy in a way that complements the country's development agenda.

The use of the MTEF budgetary process informs and improves the inter- and intra-Sectoral allocation of resources based on priorities set in the refocused *Agenda for Transformation* (*AfT*), thereby linking the MTEF to the Country's medium term development agenda. It furthermore ensures greater budgetary predictability for line Ministries and Agencies (M&As) and Commissions, and the efficient use of public funds; and renders the budget more predictable, comprehensive, transparent, and capable of producing measurable results.

The FY2016/17 approved National Budget considerably highlights crucial national priorities, particularly expenditures that are geared towards recovering output and growth, strengthening resilience and reducing vulnerability, enhancing public finances and service delivery as media to maintain macroeconomic stability and place the country back on the trajectory of achieving its development objectives as set out in the AfT and National Vision 2030.

Public Sector Investment Program

The fiscal framework of FY2016/17 prioritizes GoL's spending on key programs that have the potential to diversify economic growth and stimulate economic recovery. In an effort to enhance macroeconomic stability and expand the corridors of economic growth and development, the budget focuses on programs which were necessary to address existing impacts of the Ebola epidemic, recover output and growth, strengthen resilience and reduce vulnerability, and invests in critically needed infrastructure in order to ensure that the economic recovery creates jobs and improves welfare conditions in Liberia. In the context of its national development agenda, the Government's Public Sector Investment Plans are grouped in two categories:

A. National High Priority Level Projects: These are national investment priorities designed to meet the goals and objectives of the AfT, and are ranked as follows:

- Priority 1: Ports, Energy, Transport and Information Technology – these include the rehabilitation of the Mt. Coffee Hydroelectric Dam, the West African Power Pool (WAPP), the Heavy Fuel Oil (HFO) Plant, the development and maintenance of major roads, and the installation of the fiber optic backbone in Liberia;

- Priority 2: Health – to support programs and projects implemented by the Ministry of Health;
- Priority 3: Education – to enhance education levels and develop human capacity;
- Priority 4: UNMIL Drawdown – to ensure that national security is enhanced and sustained;
- Priority 5: Capacity Development in line with the National Capacity Development Strategy;
- Priority 6: WASH – supporting and enhancing access to clean water, sanitation and hygiene;
- Priority 7: Youth Empowerment – to create jobs for new entrants into the country's labor force through gainful employment generation;
- Priority 8: Reconciliation – to promote national unity among Liberians;
- Priority 9: Agriculture – to promote agricultural rehabilitation for smallholder farmers and rural entrepreneurs; and
- Priority 10: Economic Enhancement – to provide support for domestic investment and activities that enhance economic growth and poverty reduction.

B. Sector Level Investment Projects: These are projects developed by M&As to meet specific AfT objectives aimed at:

- Maintaining the stability and sustainability of financial systems;
- Promoting equitable access to infrastructure and basic social services;
- Improving the standard of living for the majority of Liberians; and
- Facilitating economic development and growth.

Sector-level projects are selected based on social and economic returns such as the impact on job creation, revenue generation and contribution to public good and sector goals that are consistent with the AfT and their geographical distribution. However, the FY2016/17 National Budget highlights recovery after the public health crisis and tends to focus health, education, agriculture and infrastructure in line with the Government's Economic Stabilization and Recovery Plan.

Stages of the MTEF Budget Process

The MTEF budgetary process and structure encompasses the following phases:

- Strategic Phase –M&As present plans and strategies linking resources to policy priorities based on the Agenda for Transformation;
- Operational Phase – M&As prepare their detailed budgets and
- Budgeting Phase – the budget is structured into the eleven economic sectors consisting of groups of M&As that share common functions. It is also disaggregated into policy areas based on groups of administrative departments and projects within M&As that have common functions.

Fiscal Measures

The focus of the FY2016/17 approved national budget is the GoL's commitment to the implementation of its Economic Stabilization and Recovery Plan geared towards recovery output and growth, strengthening resilience, reducing vulnerability, and keeping its ongoing development agenda on course. Thus, the budget was guided by a number of fiscal measures or principles to ensure the effective and efficient use of the available resources. These measures are divided into two parts, fiscal rules and fiscal targets:

Fiscal Rules

The government of Liberia established fiscal rules in its Public Financial Management (PFM) Act of 2009 and other regulations supplementary to the PFM Act that imposes long-lasting constraint on budgetary aggregates. It is intended to correct distorted inducements and to contain pressures to overspending so as to ensure fiscal discipline and debt sustainability.

- Prioritizing debt repayment, compensation and other non-discretionary payments to prevent the buildup of arrears;
- Prioritizing payment of counterpart funding, i.e. Government's portion of funding for high-impact projects that leverages external financing for much-needed national infrastructure;
- 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 percent of previous 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.

Fiscal Targets

The government of Liberia established fiscal targets for a fiscal year/the MTEF period to complements its fiscal policy set in the Public Financial Management (PFM) Act of 2009 and other regulations supplementary to the PFM Act that imposes constraint on budgetary aggregates. It is intended to correct distorted incentives and to contain pressures to overspending so as to ensure fiscal discipline and debt sustainability.

1. Consultancy Services
   - The remuneration for individual-based consultancy contracts shall not exceed the remuneration of the principal deputy of the institution. In exceptional cases where there is a compelling need, this rule may be relaxed based on approval of PPCC;
   - Consultancy contracts shall not be approved for positions in the civil service structure for which skills can be readily found in an institution;

- Consultancy contracts must be task-based and must clearly include knowledge transfer provisions so that civil servants are trained to take up the task on the expiry of the contract;
- Consultancy contracts for individuals should not be approved for any recurrent tasks within an institution except for specialized units (e.g. Presidential Delivery Unit, ECOWAS Secretariat, etc.) without statutory existence and in such a case, presidential approval will be required. However, this does not affect contracts already in force; and
- Consultancy contracts shall not be for a period more than a Fiscal Year (or 12 months).

2. Travel Restrictions

- The revised travel ordinance shall be reintroduced in Fiscal Year 16/17;
- No more than two persons shall constitute a 'cabinet delegation' (i.e. a delegation led by a cabinet minister) except in cases where expansion of the delegation is approved by the President;
- Any change to travel plans unless expressly approved by a competent authority (i.e., the President or Head of Institution) shall be the full responsibility of the traveler;
- Travels should be properly planned at least a 10 days in advance to avoid exorbitant ticket charges or travel will not be funded, unless approved exceptionally by the President for travel of a cabinet minister;
- Except for the Vice President, Speaker, Pro-Tempore, Chief Justice and Foreign Minister who shall travel by business class, all travels shall be by economy class;
- Total GoL funded representation at any program/event held outside Liberia shall not exceed 5 persons unless special events expressly approved by the President; and
- Total number of days spent abroad for which per diem shall be paid by the GoL shall not exceed seven (7) unless for special events expressly approved by the President.

3. Fuel

- There shall be no personal fuel allowance for any employee. Fuel allowances shall not exceed the following limits for operational use by:
  - office of the Head of entity : maximum 250 gallons
  - office of Deputy Head of entity : maximum 200 gallons
  - office of principal assistants : maximum 150 gallons
  - other units within the entity : maximum 100 gallons

4. Scratch Cards

- Scratch card shall be provided (using post-pay where applicable) only for operational purposes and not as personal allowances and the following limits should not be exceeded:
  - For operational use of the office of the Head of entity : maximum $500
  - For operational of the office of Deputy Head of entity : maximum $375
  - For operational use of the office of principal assistants : maximum $250

- For operational use of other units within the entity : maximum $125

5. Printing and Publication

- Ministries, Agencies, Commissions and Authorities are encouraged to use electronic means such as emailing and publication of documents on their websites rather than physically printing documents to curtail printing costs. Unless otherwise required by Law, the number of printed copies should not exceed 50.

6. Foreign Training/Workshop

- For the fiscal year 2016/17, there shall be absolutely no foreign training, workshop or study tour except otherwise funded by an external agency. This does not apply to foreign scholarships based on national capacity development strategy and managed by the Inter-Ministerial Scholarship Committee; and
- Ministries/Agencies/Authorities/Commissions are encouraged to conduct local training and workshops in their conference rooms or Government-owned facilities preferably where minimum rental fees are required and pay special attention to catering costs.

7. Hiring Freeze

- With the exception of the Ministry of Health, Ministry of Education and security personnel already in training as part of the UNMIL drawdown, there shall be no new hiring of staff into the public service; and
- Exceptions may be granted for direct replacement of employees who have resigned or been pensioned provided there is no upward adjustment of salary or benefits for the position.

8. Purchase of Locally Processed Rice

- All on-budget purchases of rice shall be restricted to locally processed rice. This includes but not limited to purchases by the AFL, Police Training Academy, the Bureau of Correction and Independence Day or special holidays rice bonuses.

9. State Owned Enterprises (SOEs) Pay

- Where board fees are paid to board members, there shall be no sitting fees;
- Cabinet Ministers occupying either statutory or appointed board positions on public corporations or autonomous agencies shall not be entitled to board or sitting fees;
- Boards are required to present proposal for Board fees to the President for approval;
- Commissions without oversight boards are required to submit compensation proposal of senior management for approval by the President; and
- In cases where board has performed exceptionally and bonus is being paid, such proposal should be made to the President for approval.

10. Vehicle Maintenance & Repair

- Government will only be responsible to maintain and insure utility vehicles and vehicles assigned to presidential appointees provided those vehicles have not been purchased under the fleet management program in which case it becomes the responsibility of the owner; and
- Maintenance of Government, mentioned above, shall be the sole responsibility of GSA.

11. Purchase of New Vehicles/Fleet Management Policy

- The existing restriction on the purchase of vehicles shall hereby be enforced;
- There is hereby imposed a freeze on the sale of Government-owned vehicles, including vehicles of public enterprises, under the GSA fleet management policy or other related policies to political appointees;
- GSA shall design a special vehicle purchase scheme for political appointees who do not currently have assigned vehicle and have never benefited from the fleet management program;
- The vehicle purchase scheme shall be offered to civil servants all across the public service with the agreement that vehicles purchased will be used for government business and at same time maintained and insured by the owner; and
- However, vehicles determined by the GSA to have completely deteriorated beyond effective use and are not in working condition for which the cost of repair is prohibitively high shall be auctioned by the GSA.

12. Currency payment

- All Ministries and Agencies should ensure that contract for the purchase of goods or services should be made flexible to accommodate payment in Liberian Dollars as and when necessitated by liquidity conditions; and
- Ministries and Agencies should also make arrangement and be prepared to receive salary and wages in Liberian Dollars. The ratios will be determined based on liquidity position of the Government.

MTEF Budget Sectors

The formulation of the budget on a sector-specific basis highlights the policy direction of the budget and simplifies the budgetary process. This guides the GoL in measuring the impact of the budget on different sectors, and improves the coordination among M&As within each sector during the budget preparation and execution thereby creating a credible budget. The MTEF budget is divided into the following sectors:

- Agriculture
- Education
- Energy and Environment
- Health
- Industry and Commerce
- Infrastructure & Basic Services
- Public Administration
- Security and Rule of Law
- Social Development Services
- Transparency and Accountability

FY2016/2017 Appropriations

A draft national budget of US$556.0 million was submitted by the Executive Branch of the Government to the National Legislature on April 30, 2016 for consideration and ratification for the fiscal period beginning July 1, 2016 and ending June 30, 2017. The National Legislature finally approved a fiscal instrument of US$600.2 million which shows a 3.6 percent decrease, compared to FY2015/16 approved budget of US$622.7 million and a 7.9 percent increase compared to the draft submission for FY2016/17. Table 1 below shows a breakdown of appropriations in the FY2016/17 budget by sector and economic classification, compared to the economic classification totals for the FY2015/16 budget.

The GoL appropriated wage bill accounts for 47.8 percent of the current budget (FY2016/17) compared to about 40.9 percent of the FY2015/16 budget. The increased wage bill can be partly attributed to the scheduled UNMIL drawdown, as the GoL expands its presence across the country to provide coverage previously provided by UNMIL, and the payment of compensation for education and health-care workers previously funded through other streams.

Appropriations for capital expenditure in FY2016/17 are US$10.9 and exclude appropriations for PSIP spending. Including appropriations of US$79.7 million for PSIP spending, appropriation for capital expenditure shows an increase of 9.3 percent, compared to FY2015/16 appropriations for capital expenditure and PSIP spending.

Appropriations for goods and services account for 21.5 percent of the FY2016/17 budget, compared to 23.1 percent of the FY2015/16 budget. The decreased appropriation for goods and services can be attributed partly to the Government's effort to cut back on recurrent expenditure and increase spending on PSIP.

Table : Budgetary Appropriation - FY2016/17 (millions USD)

	Budget Sectors	Compensation of employees	Use of goods and services	Capital Spending	Interest	Grants	Social benefits	Unspecified / PSIP [1]	Total
FY16/17	Agriculture	2.0	2.0	0.1	-	2.6	-	5.3	11.9
	Education	49.5	18.9	0.9	-	14.4	-	2.5	86.2
	Energy and Environment	5.6	5.5	1.0	-	1.0	-	4.0	17.1
	Health	32.5	27.0	0.7	-	13.0	-	4.2	77.4
	Industry and Commerce	5.3	2.0	0.2	-	0.6	-	0.6	8.7
	Infrastructure and Basic Servic(	7.6	4.8	2.4	-	14.6	-	12.8	42.2
	Municipal Government	9.9	1.4	0.3	-	9.0	-	2.4	23.0
	Public Administration	95.2	39.0	2.4	12.7	12.8	1.7	20.4	184.2
	Security and Rule of Law	57.9	19.2	2.0	-	6.9	-	8.9	95.0
	Social Development Services	5.5	3.1	0.3	-	1.2	-	1.0	11.1
	Transparency and Accountabili	16.0	6.1	0.5	-	3.1	-	17.7	43.4
	Total	287.0	129.0	10.9	12.7	79.2	1.7	79.7	600.2
FY15/16	Total	254.6	143.6	12.3	10.0	92.9	1.6	107.8	622.6

Source: FY2015/16 and FY2016/17 National Budgets

Appropriations for the provision of grants account for 13.2 percent of the approved national budget for FY2016/17, compared to 14.9 percent of the FY2015/16 budget.

Based on economic classification, appropriations for compensation of employees registered a positive growth of 12.7 percent in the current fiscal year budget compared to the FY2015/16 budget; similarly, the use of goods and services has decreased by 10.2 percent; capital spending, including appropriations for PSIP of US$79.7 million, shows a decrease of 24.5 percent; appropriation for the provision of grants shows a decrease of 14.7 percent; while appropriation for social benefits increased by 9.2 percent.

On the Sectoral basis, appropriations for agriculture accounts for 2.0 percent of FY2016/17 budget, compared to 1.0 percent of the FY2015/16 budget (US$6.0 million), representing an increase of of105.5 percent.

Appropriations for Education account for 14.4 percent of the FY2016/17 budget compared to 13.5 percent of the FY 2015/16 budget (US$83.9 million), representing a positive growth of 6.6 percent.

Appropriations for Energy and Environment represent 2.8 percent of the FY2016/17 budget compared to about 3.3 percent of the FY 2015/16 budget (US$20.6 million), representing a decrease of 14.2 percent.

Appropriations for Health for FY2016/17 account for 12.9 percent of the budget compared to 11.7 percent of the FY2015/16 budget (US$72.6 million). This represents an increase of 10.6 percent.

Appropriations for Industry and Commerce for FY2016/17 account for 1.5 percent compared to 1.3 percent of the FY2015/16 budget (US$8.3 million), representing an increase of 9.3 percent.

Appropriations for the provision of Infrastructure and Basic Services for FY2016/17 account for 7.0 percent of the total appropriation compared to 12.4 percent of the FY2015/16 budget (US$77.1 million); this represents a decrease of 43.2 percent.

Municipal Government appropriations for FY2016/17 account for 3.8 percent compared to 5.2 percent in FY2015/16 (US$32.2 million), representing a decrease of 25.8 percent.

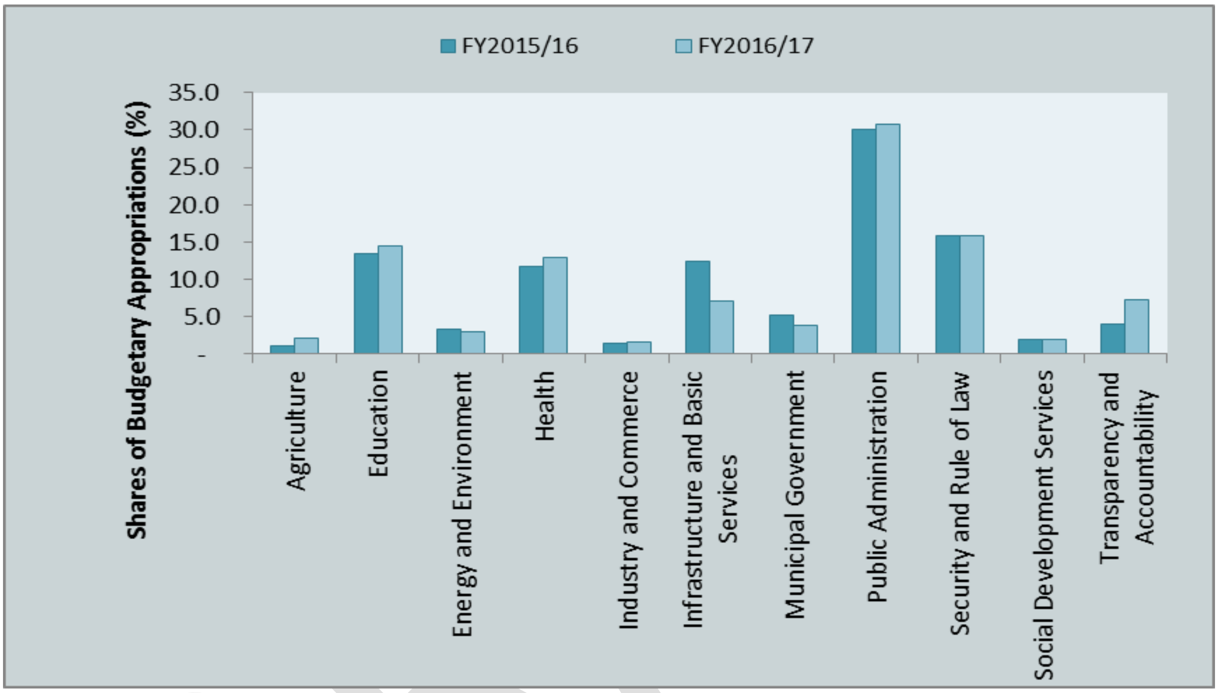
Appropriations for Public Administration account for 30.7 percent of FY2016/17 budget compared to 30.0 percent of FY2015/16 budget (US$186.8 million). This represents an increase of 2.3 percent.

Appropriations for Security and Rule of Law account for 15.8 percent of FY2016/17 budget compared to 15.9 percent in FY2015/16 budget (US$98.9 million), representing a decrease of 0.4 percent.

In FY2016/17, appropriations for the Social Development Services sector account for 1.8 percent compared to 1.9 percent in FY2015/16 budget (US$12.0 million). This represents a decrease of about 4.5 percent.

Appropriations for the Transparency and Accountability sector amounts to 7.2 percent of FY2016/17 budget compared to 3.9 percent in FY2015/16 budget (US$24.2 million) representing an increase of 85.9 percent.

Figure : Comparative Analysis of Budgetary Appropriation for FY2015/16 and FY2016/17



Source: FY2015/16 and FY2016/17 National Budgets

SECTION 3: OUTTURN AND DEVELOPMENTS

This section provides information on the status of revenue collection and budget execution against the National Budget.

GOVERNMENT FINANCE STATISTICS (GFS)

Government Finance Statistics (GFS) is the government balance sheet, which displays the economic activities of the government covering revenues, expenditures, deficit/surplus, transactions in assets, transactions in liabilities and other economic flows. GFS forms the basis for fiscal monitoring by international monetary institutions, most notably the IMF.

Table 2 provides cumulative information of the GoL's Finance Statistics as at end of the third quarter in FY2016/17, on a commitment basis. This includes all commitment expenditure for the period of July 1, 2016- March 31, 2017.

Table : GFS Table, JULY 1, 2016 – MARCH 31, 2017

	Budget	Cash
Total revenue plus grants	560.2	356.5
Total revenue	529.9	330.8
Tax	431.7	272.8
Non- Tax	98.2	58.0
Grants	30.3	25.7
Expenditure (Commitment)	600.2	366.8
Recurrent Expenditure	509.6	350.6
Compensation of employees	287.0	157.4
Use of goods and services	129.0	97.5
Interest	12.7	6.4
Grants	79.2	45.2
Social benefits	1.7	0.9
Financial Asset	-	43.0
Capital expenditure	90.6	16.1
Spending on capital (Incl. PSIP)*	90.6	16.1
Overall balance	-40.0	(10.3)
Financing	40.0	10.3
Accounts Cash (+/-)	2.0	-29.0
Amortization	-	3.0
Domestic Borrowing	-	-
Foreign Borrowing	38.0	36.3
World Bank-IDA	20.0	19.1
International Monetary Fund (IMF)	18.0	17.2

Source: Department of Budget and Fiscal Affairs, Ministry of Finance and Development Planning (MFDP)
*Capital Spending includes PSIP appropriations which are not classified until the point of execution

The government of Liberia realized a total revenue plus grant of US$356.5 million at the end of the third quarter of the fiscal period FY2016/2017 which shows 63.6 percent of the total budgeted revenue and 59.4 percent of the total resource envelope for FY2016/2017. The amount of US$36.3 million was borrowed from international organizations during the period under reviewed for the implementation of the GoL priority infrastructure projects. The government of Liberia executed US$366.8 million to finance its programs which accounts for 65.5 percent of total budgeted revenue; 72.0 percent of budgeted recurrent expenditure, and 61.1 percent of the total resource envelope. The US$366.8 million expenditure against US$336.5 revenue resulted to a deficit of US$10.3 million in the overall balance.

FLOW OF FUNDS

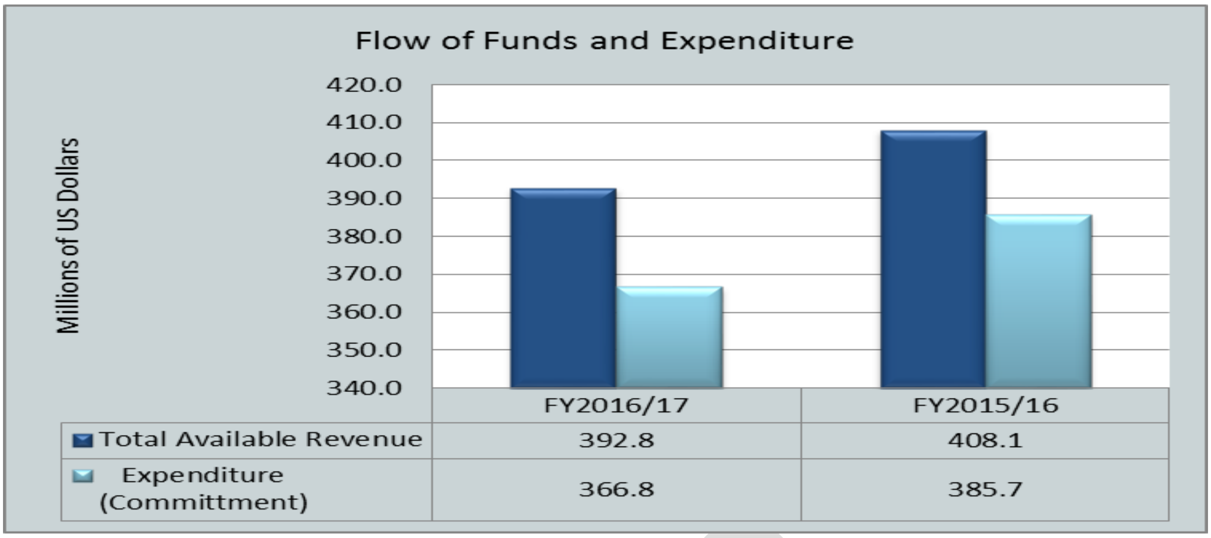
The flow of funds table describes financial flows within the public sector; basically, it highlights how revenues finance expenditures.

Table : Flow of Funds (JULY 1, 2016 – MARCH 31, 2017) (millions USD)

		JUL	AUG	SEP	Oct	Nov	Dec	Jan	Feb	Mar	Total	QIII FY15/16
TA	Total Available Revenue	35.0	31.3	33.3	33.2	38.2	56.2	44.3	34.2	50.7	392.8	408.1
R	Revenue	35.0	31.3	33.3	33.2	38.2	56.2	44.3	34.2	50.7	356.5	358.2
CR	Collected Revenue	32.4	31.3	30.2	33.2	38.2	36.2	44.3	34.2	50.7	330.8	316.0
TX	Tax	29.3	27.6	26.4	28.2	25.2	32.2	37.1	29.4	37.3	272.8	281.9
NTX	Non-Tax	3.1	3.7	3.8	5.1	13.0	4.0	7.2	4.8	13.4	58.0	34.1
G	Grants	2.7	0.0	3.0	0.0	0.0	20.0	0.0	0.0	0.0	25.7	42.2
B	Borrowing	0.0	0.0	0.0	0.0	0.0	36.3	0.0	0.0	0.0	36.3	27.9
CF	Carry Forward	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.0
ECA	Expenditure (Committment)	27.7	21.6	35.6	33.0	45.5	63.2	52.9	37.4	49.8	366.8	385.7
	Compensation of Employees	17.4	12.6	16.7	22.2	19.3	14.9	19.5	14.6	20.2	157.5	155.7
	Use of Goods and Services	4.9	2.3	8.3	5.6	11.7	23.4	16.3	11.2	13.8	97.4	107.7
	Capital Spending	0.0	0.0	0.0	0.0	1.8	6.3	2.6	2.5	2.9	16.2	30.9
	Interest	0.4	0.5	1.3	0.7	1.3	0.5	0.6	0.6	0.6	6.4	2.3
	Grants	3.6	2.4	5.4	2.0	4.3	11.0	5.7	5.1	5.3	44.9	51.6
	Social Benefits	0.1	0.0	0.2	0.1	0.1	0.1	0.0	0.2	0.1	1.0	1.1
	Financial Asset	1.3	3.9	3.6	2.5	6.9	6.8	8.2	3.2	6.9	43.3	36.3
PBA	Projected Balance at Month End	7.4	9.7	-2.3	0.2	-7.3	-6.9	0.0	0.0	0.0	0.7	0.4
BCF	Including Carry Forward	7.4	9.7	-2.3	0.2	-7.3	-6.9	0.0	0.0	0.0	0.7	0.4
BG	Including Grants	7.4	9.7	-2.3	0.2	-7.3	-6.9	0.0	0.0	0.0	0.7	-27.5
BWG	Excluding Grants	4.7	9.7	-5.3	0.2	-7.3	-26.9	0.0	0.0	0.0	-24.9	-69.7
	Financing	0.0	0.0	-2.3	0.0	-7.3	-6.9	0.0	0.0	0.0	-16.6	-82.7
FR	Required	0.0	0.0	-2.3	0.0	-7.3	-6.9	0.0	0.0	0.0	-16.6	-82.7
FI	Identified	-7.4	-9.7	2.3	-0.2	7.3	6.9	0.0	0.0	0.0	-0.7	-0.4
	Accounts cash	-7.4	-9.7	2.3	-0.2	7.3	6.9	0.0	0.0	0.0	-0.7	-0.4
	Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Concessional	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	T-Bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	CBL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Source: Department of Fiscal Affairs, Ministry of Finance and Development Planning

Figure 2: Comparative Analysis of Flow of Funds & Expenditure for Quarter Three of FY15/16 and FY16/17



Source: Department of Fiscal Affairs, Ministry of Finance and Development Planning

Total flow of funds – based on the total available revenue – realized by the Government of Liberia at the end of the third quarter of the fiscal year amounted to US$392.8 million which reflects approximately 65.4 percent of the approved resource envelope of which tax revenues accounted for 69.5 percent while nontax revenues, grants and borrowing account for 14.8 percent, 6.5 percent and 9.2 percent respectively. Table 3 and Figure 2 show the performance of inflow of funds for FY2016/17 as at March 31 2017 compared with the same period for FY2015/16. Compared to the same period for FY2015/16, total inflow of funds decreased by 3.7 percent whereas expenditure on the commitment bases decreased by 4.9 percent.

REVENUE

The approved revenue envelope for FY2016/17 is US$600.2 million, of which core revenue (Tax, non-tax and grant) amounts to US$560.2 million. On-budget borrowing amounts to US$38.00 million for this fiscal year; cash carry-forward accounts for US$2.0 million.

Of the total resource envelope, core revenue accounts for 93.3 percent, of which tax revenues, nontax revenue, and grants account for 77.1 percent, 17.5 percent and 5.4 percent, respectively. Taxes on international trade and taxes on incomes and profits account for a significant portion of tax revenue projections; while property income taxes and administrative fees account for more than ninety percent of non-tax revenues projected.

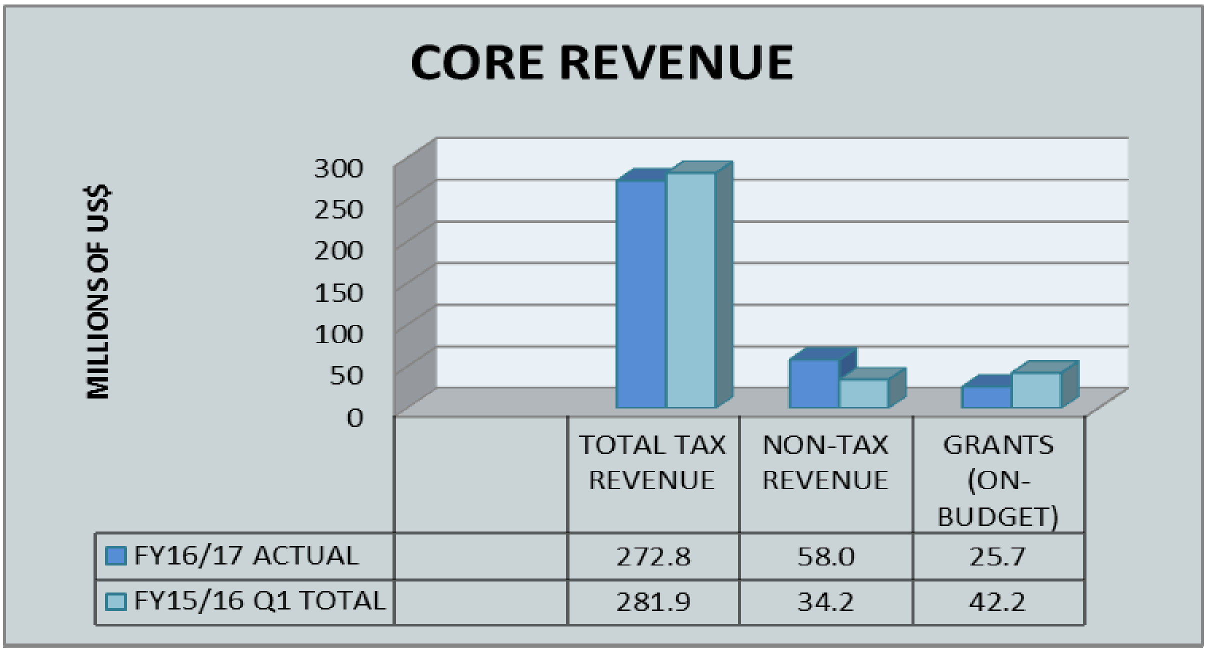
Table : Revenue Performance (JULY 1, 2016 – MARCH 31, 2017(millions USD)

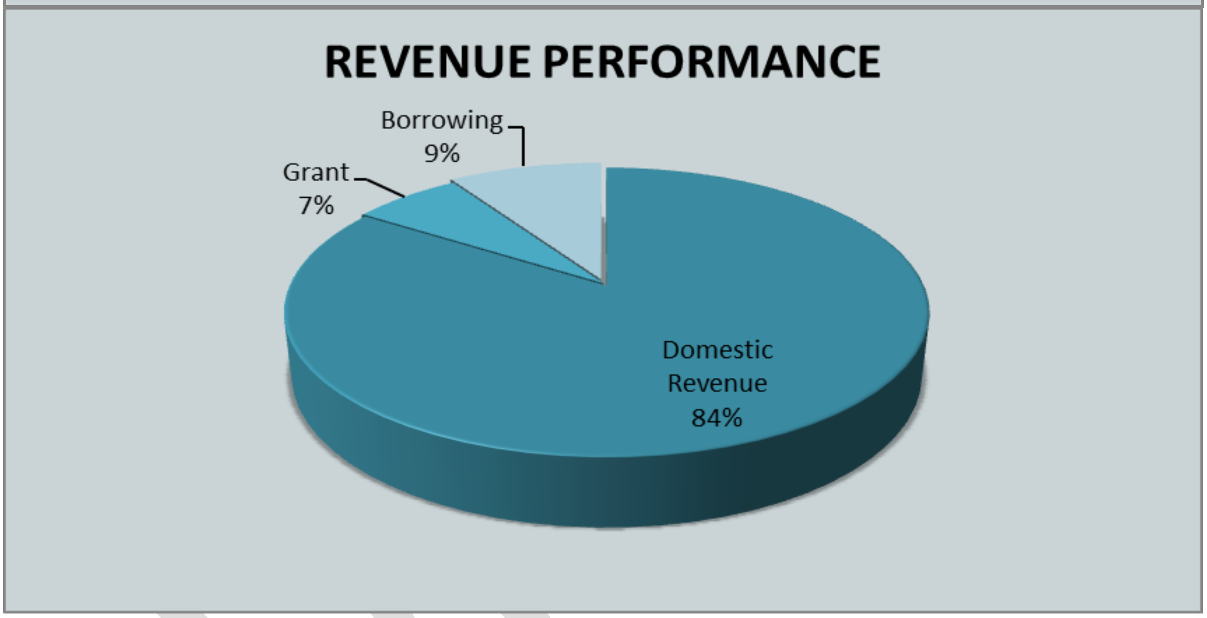
Category (US$m)	FY16/17 Approved Budget	Quarter I			Quarter II			Quarter III			FY16/17	FY15/16
		JUL	AUG	SEP	Oct	Nov	Dec	Jan	Feb	Mar	ACTUAL	QIII TOTAL
Grand Total Revenue including Borrowing	600.2	35.0	31.3	33.3	33.2	38.2	92.6	44.3	34.2	50.7	392.8	408.2
TOTAL CORE REVENUE	560.2	35.0	31.3	33.3	33.2	38.2	56.2	44.3	34.2	50.7	356.5	358.3
TOTAL TAX REVENUE	431.7	29.3	27.6	26.4	28.2	25.2	32.2	37.1	29.4	37.3	272.8	281.9
Taxes On Income & Profits	153.6	11.5	9.5	8.9	14.0	9.2	11.3	13.7	8.9	14.4	101.3	109.2
Property Taxes	7.5	0.3	0.2	0.2	0.1	0.1	0.2	0.7	0.7	0.4	2.9	3.1
Taxes On Goods And Services	54.8	3.4	3.4	3.3	3.0	3.2	3.3	5.3	3.9	4.6	33.3	32.7
Taxes On International Trade	208.4	14.1	14.7	14.0	11.0	12.8	16.0	15.9	15.8	17.9	132.1	136.9
Other Taxes	7.4	0.0	0.0	0.0	0.0	0.0	1.5	1.6	0.1	0.0	3.2	0.0
NON-TAX REVENUE	98.2	3.1	3.7	3.8	5.1	13.0	4.0	7.2	4.8	13.4	58.0	34.2
Property Income	76.9	1.9	2.4	2.7	3.9	11.7	2.0	5.2	3.5	11.6	44.8	21.6
Administrative Fees	17.9	1.1	1.2	1.0	1.2	1.1	1.1	1.3	1.2	1.6	10.9	9.8
Fines, Penalties and Forefeits	3.4	0.1	0.1	0.1	0.0	0.1	0.2	0.5	0.1	0.2	1.4	2.9
Other	0.0	0.0	0.0	0.0	0.0	0.1	0.6	0.2	0.0	0.0	0.9	0.0
GRANTS (ON-BUDGET)	30.3	2.7	0.0	3.0	0.0	0.0	20.0	0.0	0.0	0.0	25.7	42.2
From Foreign Governments	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	33.6
From International Organizations	25.3	2.7	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	5.7	8.6
BORROWINGS	38.0	0.0	0.0	0.0	0.0	0.0	36.3	0.0	0.0	0.0	36.3	27.9
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extenal	38.0	0.0	0.0	0.0	0.0	0.0	36.3	0.0	0.0	0.0	36.3	27.9
CARRY FORWARD	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.0

Source: Department of Fiscal Affairs, Ministry of Finance Development Planning

Total revenue (excluding borrowing) collected at the end of the third quarter of FY2016/17 amounts to US$356.5 million. This represents approximately 59.4 percent of the approved resource envelope. Of the collected amount, tax revenues amounted to US$272.8 million which accounts for 76.5 percent while nontax revenues and grants accounted for US$58.0 million and US$25.7 million respectively thereby reflecting 16.3 percent and 7.2 percent respectively. Table 4 provides breakdown of the GoL resource envelope for FY2016/17, and revenue performance as at end-March 2017.

Figure 3: Comparative Analysis of Revenue Performance for Quarter Three of FY15/16 and FY16/17





Compared to the same period of the previous fiscal year, core revenue experienced a decrease of 0.5 percent mainly on account of a massive fall in revenue from grants.

TAX EXPENDITURES

Tax expenditures are wavier granted to public spending entities and private enterprises intended to promote investment support within government policy objective in various sector of the economy- mining, public transport, agriculture, forestry, education and health during the fiscal year.

During the period under review, total tax expenditures amounted to US$61.1 million compared to US$70.7 million for the corresponding period of FY2015/16; thus representing a decrease of 13.6 percent. Of the exempted amount during the period under review, GoL projects accounted for 12.3 percent compared to 8.9 percent for the corresponding period for FY2015/16; thus representing an increase of 18.9 percent.

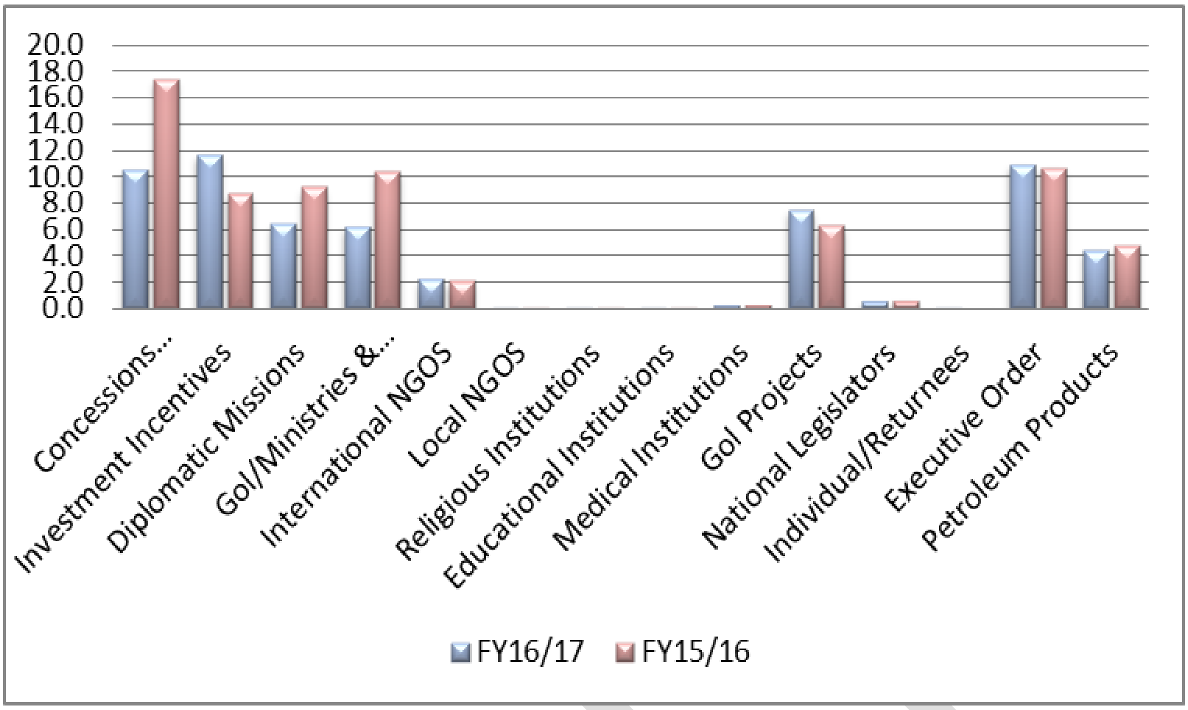
Tax exemptions granted to concession are in accordance with investment incentives as specified in their respective agreements. At the end of the third quarter, tax expenditures analysis shows 19.2 percent was exempted for Investment Incentives; concession agreement 17.4 percent; executive order 10.6 percent; GoL ministries and agencies accounted for 10.4 percent.

Table : Tax Expenditure Summary (JULY 1, 2016 – MARCH 31, 2017 (millions USD)

	JULY	AUG.	SEPT.	OCT	NOV	DEC	JAN	FEB	MAR	FY16/17 TOTAL	QIII FY15/16
Concessions Agreement	0.6	1.4	0.9	1.0	0.7	0.8	1.9	1.2	2.1	10.5	17.4
Investment Incentives	0.6	1.9	0.6	0.8	0.8	0.9	1.6	2.6	1.8	11.7	8.7
Diplomatic Missions	1.5	0.7	0.7	0.4	0.5	0.8	0.9	0.4	0.6	6.4	9.2
GoI/Ministries, Agencies & Public Corp.	0.3	0.4	0.2	0.3	0.4	3.0	1.2	0.2	0.2	6.2	10.4
International NGOS	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.4	2.2	2.1
Local NGOS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Religious Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Educational Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Medical Institutions	0.0	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.3	0.3
GoI Projects	0.7	2.1	0.9	0.6	0.6	0.8	1.1	0.3	0.2	7.5	6.3
National Legislators	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.5	0.6
Individual/Returnees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	-
Executive Order	0.2	0.6	2.0	1.7	1.2	0.9	0.0	0.5	3.8	10.9	10.6
Petroleum Products	0.4	0.5	0.5	0.6	0.6	0.4	0.3	0.5	0.7	4.5	4.7
Total	**4.7**	**8.1**	**6.2**	**5.6**	**5.1**	**8.0**	**7.3**	**6.1**	**9.9**	**61.0**	**70.7**

Source: Liberia Revenue Authority, LRA

Figure 4: Comparative Analysis of Tax Expenditure for FY2015/16 and FY2016/17 Quarter Three



Source: Liberia Revenue Authority, LRA

FINANCING[1]

The Government of Liberia continues to consolidate funding both on and off-budget to finance Public Sector Investment Programs (PSIP) across all sectors.

During the course of the first half of FY2016/17, the total disbursement of off-budget aid and loan through various modalities for projects in various sectors amounts to US$327.9 million; of which grants account for about 79.4 percent while loans account for 20.6 percent. Thus the realized external amount accounts for 41.1 percent of the projected amount of US$798.4 million. This is driven mainly by disbursements made to the Energy and Environment sector (27.3 percent), the Infrastructure and Basic Services sector (22.6 percent), the Public Administration sector (15.7 percent), the Health Sector (8.7 percent) and the Social Development Services sector (7.3 percent) amongst others as evident by Table 6.

[1] **Aid data is yet to be updated from that of the 2nd Quarter**

Table : FY2016/17 Aid Disbursement by Sectors (July 1, 2016 – December 31, 2016)

Budget Sectors	Actual Disbursement Q2			% Share
	Grant	Loan	Total	of Disb.
AGRICULTURE	26.0	4.1	30.0	9.2
EDUCATION	14.2		14.2	4.3
ENERGY AND ENVIRONMENT	72.6	16.8	89.5	27.3
HEALTH	28.6	0.1	28.7	8.7
INDUSTRY AND COMMERCE	0.8		0.8	0.2
INFRASTRACTURE AND BASIC SERVICES	71.8	2.3	74.1	22.6
MUNICIPAL GOVERNMENT	3.2	1.9	5.1	1.6
PUBLIC ADMINISTRATION	9.9	42	51.6	15.7
SECURITY AND RULE OF LAW	5.0		5.0	1.5
SOCIAL DEVELOPMENT SERVICES	23.2	0.8	24.1	7.3
TRANSPARENCY AND ACCOUNTABILITY	4.9		4.9	1.5
Grand Total	**260.2**	**67.7**	**327.9**	**100.0**

Source: Department of Economic Management, Ministry of Finance and Development Planning

Aligned to the Government's medium term development plan – as evident by Table 7 – the Agenda for Transformation (AfT), Economic Transformation accounts for 59.3 percent; followed by Governance and Public Institutions, 18.8 percent; Human Development, 13.1 percent; and Cross-cutting issues 7.3 percent. Peace, Security and Rule of Law pillar recorded the least disbursement.

Table : Aid Disbursement by AfT Pillars (July 1, 2016 - December 31, 2016)

AfT Pillars	Actual Disbursement Q2			% share
	Grant	Loan	Total	of Disb.
Cross-cutting - 5	23.2	0.8	24.1	7.3
Economic Transformation- 2	171.1	23.2	194.3	59.3
Governance and Public Institutions - 4	18.1	43.6	61.6	18.8
Human Development- 3	42.7	0.1	42.8	13.1
Peace, Security and Rule of Law - 1	5.0		5.0	1.5
Grand Total	**260.2**	**67.7**	**327.9**	**100.0**

Source: Department of Economic Management, Ministry of Finance and Development Planning

Total off-budget disbursements of US$284.3 million to various sectors are support from a number of development partners. This reflects 35.6 percent of the annual off-budget aid projection for FY2016/17, 33.5 percent of total aid projection and 86.7 percent of total disbursement. On the other hand, total budget support by development partners of 43.6 million to various sectors accounts for 86.7 percent of total on-budget aid projection for FY2016/17, 5.1 percent of total aid projection and 13.3 percent of total disbursement. Table 8 shows a detail of aid by development partners.

Table : Aid Disbursement by Development Partners (July 1, 2016 - December 31, 2016)

Development Partners	FY2016/17 Projection			% Share	Disbursment at end			% Share	Rate of
	Grant	Loan	Total	of Proj.	Grant	Loan	Total	of Disb.	Disb. to
Off Budget Support									
Abu-Dhabi Fund	-	3.0	3.0	0	-	-	-	-	-
African Development Bank	43.1	12.3	55.5	6.9	43.1	1.0	44	15.5	79.6
BADEA	-	7.5	7.5	0.9	-	1.6	2	-	21.3
China	89.0	-	89.0	11.1	-	-	-	-	-
China EXIM Bank	-	50.0	50.0	6.3	-	-	-	-	-
European Investment Bank						5.6	6		
European Union	60.9	-	60.9	7.6	2.8	-	3	1.0	4.6
Germany	33.6	-	33.6	4.2	29.8	-	30	10.5	88.9
IFAD	-	0.4	0.4	0.0	0.0	1.0	1	0.4	301.3
International Development Association	95.3	52.2	147.5	18.5	52.9	19.4	72	25.4	49.0
Ireland	5.7	-	5.7	0.7	-	-	-	-	-
Japan	26.6	-	26.6	3.3	0.3	-	0	-	1.1
Kuwait	-	7.5	7.5	0.9	-	-	-	-	-
Millennium Challenge Corporation	93.2	-	93.2	11.7	36.4	-	36	12.8	39.1
Norway	33.5	-	33.5	4.2	-	-	-	-	-
OFID	-	5.0	5.0	0.6	-	-	-	-	-
SAUDI FUND FOR DEVELOPMENT	-	5.0	5.0	0.6	-	-	-	-	-
Sweden	0.6	-	0.6	0.1	9.7	-	10	3.4	1,761.8
United Nations Children Fund	25.1	-	25.1	3.1	18.4	-	18	6.5	73.4
UNHCR	1.3	-	1.3	0.2	0.8	-	1	0.3	61.7
United Nations Population Fund	5.9	-	5.9	0.7	0.5	-	1	0.2	9.1
UNOPS					4.6		5		
USAID	128.2	-	128.2	16.1	56.1	-	56	19.7	43.8
World Food Programme	13.5	-	13.5	1.7	-	-	-	-	-
Total	**655.5**	**142.9**	**798.4**	**100.0**	**255.6**	**28.7**	**284.3**	**95.7**	**35.6**
Budget Support									
European Union	12.4	0.0	12.4	24.6	0.0	0.0	0.0	0.0	0.0
International Development Association	0.0	20.0	20.0	39.7	0.0	39.1	39.1	89.5	195.3
Norway	5.0	0.0	5.0	9.9	0.0	0.0	0.0	0.0	0.0
USAID	12.9	0.0	12.9	25.7	4.6	0.0	4.6	10.5	35.4
Total	**30.3**	**20.0**	**50.3**	**100.0**	**4.6**	**39.1**	**43.6**	**100.0**	**86.7**
Grand Total	**685.8**	**162.9**	**848.7**		**260.2**	**67.7**	**327.9**		**38.6**

Source: Department of Economic Management, Ministry of Finance & Development Plann**ing**

ALLOTMENTS

Total allotments issued at the end of the third quarter for fiscal year FY2016/2017 amounted to US$412.0 million, compared to US$505.4 million for the same period in FY2015/2016; thus representing a decrease of 18.5 percent. Thus total allotment issued out during the period under review account for 68.6 percent of the total resource envelope. Table 9 shows a breakdown of GoL allotment by sector and economic classification for the end of the third quarter of FY2016/17, compared to the same period in the previous fiscal year.

Table : Budgetary Allotment as of Q3 for FY2016/17 (millions USD)

	Budget Sectors	Compensation of employees	Use of goods and services	Capital Spending	Interest	Grants	Social benefits	Unspecified	Total
FY16/17	Agriculture	1.8	1.1	0.1	-	0.1	-	-	3.0
	Education	30.1	6.0	0.4	-	13.1	-	-	49.6
	Energy and Environment	3.0	7.7	0.1	-	2.0	-	-	12.8
	Health	25.0	8.4	-	-	15.7	-	-	49.1
	Industry and Commerce	2.5	1.1	0.2	-	0.4	-	-	4.1
	Infrastructure and Basic Service	3.8	11.6	22.0	-	0.9	-	-	38.3
	Municipal Government	5.2	2.0	0.1	-	2.2	-	-	9.5
	Public Administration	78.5	53.4	0.4	7.0	16.0	0.7	-	156.1
	Security and Rule of Law	45.5	19.1	0.7	-	0.5	-	-	65.8
	Social Development Services	2.2	1.1	-	-	1.6	-	-	4.9
	Transparency and Accountabili	8.8	6.5	3.3	-	-	-	-	18.7
	Total	**206.6**	**118.0**	**27.2**	**7.0**	**52.5**	**0.7**	**-**	**412.0**
FY15/16	**Total**	**257.3**	**138.1**	**38.0**	**2.4**	**68.3**	**1.2**	**0.1**	**505.4**

Source: Department of Budget and Fiscal Affairs, Ministry of Finance & Development Planning

During the period under review, compensation of employees accounted for 50.1 percent of the total allotments issued compared to 50.9 percent for end March 2016, thus representing a decrease of 19.7 percent; allotments for the use of goods and services accounted for 28.6 percent compared to 27.3 percent for end March 2016, thus representing a decrease of 14.6 percent; capital spending accounted for 6.6 percent compared to 7.5 percent for the same period in 2016, thus representing a decrease of 28.4 percent; allotment for the provision of grants accounted for 12.8 percent compared to about 13.5 percent at end March 2016, thus representing a decrease of 23.1 percent; and allotments for interest and social benefits account for 1.7 percent and 0.2 percent respectively compared to 0.5 percent and 0.2 percent respectively for the corresponding period of 2016, thus representing an increase of 193.6 percent for interest but a decrease of 46 percent for social benefits.

As regards budget sectors, Public Administration accounted for 37.9 percent of total allotments; security & rule of law, 16.0 percent; Education, 12.0 percent; Health, 11.9 percent; Infrastructure & Basic Services, 9.3 percent; Transparency & Accountability, 4.5 percent; while the remaining budget sectors recorded minimum allotments.

COMMITMENTS

Total commitment issued out to Ministries, Agencies and Commissions (MACs) at the end of the third quarter of FY2016/17 amounted to US$366.2 million compared to US$385.7 million recorded for the same period in FY2015/16; thus representing a decrease of 4.9 percent. Hence, total commitments account for 89.0 percent of total allotments and 61.1 percent of the total resource envelope.

Compensation of employees accounted for 42.9 percent of the total commitments issued as at end-March 2017 compared to over 40.4 percent issued as at end March 2016; thus representing an increase of about 1.1 percent.

The ***use of goods and services***, accounted for 26.6 percent of the total commitments issued as at end March 2017 compared to 27.9 percent issued as at end March 2016; thus representing a decrease of about 9.4 percent.

Capital Spending accounted for 4.4 percent of the total commitments issued as at end March 2017 compared to 8.0 percent issued as at end March 2016; thus representing a decrease of 47.8 percent.

The provision of ***grants***, accounted for 12.3 percent of the total commitments issued as at end March 2017 compared to 13.4 percent issued as at end March 2016; thus representing a decrease of about 12.4 percent.

Interest and ***Social Benefits*** accounted for 1.8 percent and 0.3 percent respectively of the total commitments issued as at end March 2017 compared to 0.6 percent and 0.3 percent respectively, issued as at end March 2016; thus representing an increase of 180.4 percent as regards interest but a decrease of 14.5 percent as regards social benefits.

Financial Assets (departmental advances) accounted for 11.7 percent of the total commitments issued as at end March 2017 compared to 9.4 percent issued as at end March 2016; thus representing an increase of 18.4 percent. Table 10 shows details of GoL's commitments issued during the period under review.

Table : Commitment (July 1, 2016 -- March 31, 2017) (millions USD)

	Budget Sectors	Compensation of employees	Use of goods and services	Capital Spending	Interest	Grants	Social benefits	Financial Asset	Total
FY16/17	Agriculture	3.0	0.9	-	-	1.4		-	5.3
	Education	19.2	16.9	-	-	7.2		-	43.2
	Energy and Environment	8.8	1.6	-	-	2.6		0.7	13.7
	Health	16.4	15.0	-	-	8.1		2.2	41.7
	Industry and Commerce	3.5	1.0	-	-	0.7		-	5.2
	Infrastructure and Basic Servic	8.2	5.7	9.5	-	5.3		2.2	30.8
	Municipal Government	5.6	3.7	-	-	2.0		-	11.3
	Public Administration	58.5	29.5	6.6	6.4	14.3	0.9	-	116.4
	Security and Rule of Law	20.9	17.7	-	-	1.0		24.4	64.0
	Social Development Services	3.7	1.8	-	-	0.7		-	6.2
	Transparency and Accountabili	9.7	3.8	-	-	1.9		13.5	28.9
	Total	**157.4**	**97.5**	**16.1**	**6.4**	**45.2**	**0.9**	**43.0**	**366.8**
FY15/16	**Total**	**155.7**	**107.7**	**30.9**	**2.3**	**51.6**	**1.1**	**36.3**	**385.7**

Source: Department of Fiscal Affairs, Ministry of Finance and Development Planning

BUDGET EXECUTION

Budget execution during the course of the third quarter for the fiscal year 2016/2017 performed as compared to the second quarter. About 61.1 percent of the approved national budget on a commitment basis was achieved at end-March for FY2016/2017. Table 11 provides a summary of budget execution by economic classification in millions of US Dollars, while Table 12 provides a percentage execution of the National Budget.

Of the approved budgetary appropriation of US$600.2 million, US$412.0 million was allotted during the third quarter of FY2016/2017, of which US$366.8 million was committed. Social benefits, compensation of employees' interest and grants accounted for a significant portion of budget execution. Of the total budgetary appropriation, 68.6 percent was allotted at the end of third quarter in March 2017, out of which 89.0 percent was committed. The committed amount represents 61.1 percent of the total budgetary appropriations.

Table : Summary of Budget Execution (July 1, 2016 -- March 31, 2017) (millions USD)

	Budget	Allotment	Commitment
Compensation of employees	287.0	206.6	157.4
Use of goods and services	129.0	118.0	97.5
Capital Spending	10.9	27.2	16.1
Interest	12.7	7.0	6.4
Grants	79.2	52.5	45.2
Social benefits	1.7	0.7	0.9
PSIP	79.7		43.0
Total	**600.2**	**412.0**	**366.8**

Source: Departments of Budget and Fiscal Affairs, Ministry of Finance and Development Planning

Table : Summary of Budget Execution (July 1, 2016 -- March 31, 2017)

	Allotment (% of Budget)	Commitment (% of Allotment)	Commitment (% of Budget)
Compensation of employees	72.0	76.2	54.9
Use of goods and services	91.5	82.7	75.6
Capital Spending	250.2	59.4	148.6
Interest	55.4	91.5	50.7
Grants	66.3	86.1	57.1
Social benefits	38.1	142.6	54.4
Total	**68.6**	**89.0**	**61.1**

Source: Departments of Budget and Fiscal Affairs, Ministry of Finance and Development Planning

PUBLIC DEBT

The total public debt stock as at end- March 2017 is US$824.5 million. Of the total debt shock, domestic debt accounts for US$ 268.3 million (32.5 percent), while the external debt accounts for US$556.2 million (67.5 percent). Compared to the same period last fiscal year, the debt stock shows 16.3 percent increase.

Table : Public Debt Stock as at end-March 2017

	End March 2017	End March 2016
Domestic Debt Details		
CBL	258.2	259.4
LBDI	0.0	0.0
ECOBANK	0.0	0.0
Infrastructure Loan	10.0	10.0
Total Financial Institution	**268.2**	**269.4**
Supplier's Credit	0.0	0.0
Other (Court Debt)	0.1	0.1
Total Domestic Debt (end of period)	**268.3**	**269.5**
External Debt Details		
Disbursed Outstanding Debt (period start)	503.4	386.0
Disbursements	52.8	53.3
Principal Repayments	-0.1	0.0
Net Flows On Debt Stock	52.8	53.3
Interest Payments	0.5	0.0
Exchange rate / other adjustments	0.0	0.0
Total Debt Service	1.0	0.0
Total External Debt (end of period)	**556.2**	**439.3**
TOTAL DEBT STOCK (USD millions)	**824.5**	**708.8**

Source: Department of Economic Management, MFDP

Total debt service amounted to US$12.2 million at the end of the third quarter, FY2016/2017. Of the total debt service, domestic debt service amounted to US$3.4 million or 27.5 percent (of which US$0.6 million was principal repayment and US$2.8 million was interest payment). External debt service payment amounted to US$8.8 million or 72.5 percent (of which US$2.4 million was principal repayment and US$6.5 million was interest payment).

Table : Public Debt Service as at end-March 2017

US$ millions	End March 2017	End March 2016
Domestic Debt Service Details		
Principal	0.6	12.8
Interest	2.8	5.4
Total Domestic Debt Service	**3.4**	**18.2**
External Debt Service Details		
Principal	2.4	5.5
Interest	6.5	7.4
Total External Debt Service	**8.8**	**12.9**
Total Debt Service (USD millions)	**12.2**	**31.1**

SECTION 4: PROSPECTS AND CHALLENGES

Challenging global environment and the decline in commodity prices, slow post-Ebola economic recovery and delay in the passage of the national budget couple with weak performances in key sectors of the economy, mining and agriculture, due to continuous fall in global prices of the country's key exportable commodities – rubber and iron ore remain constrained on the country's economy. As a result, government has been compelled to ensure additional fiscal targets that all spending entities budget be reduced by 5 percent. Furthermore, this has obstructed the smooth execution of the Public Sector Investment Projects (PSIPs).

Despite these challenges, GoL and its partners remain committed to revitalizing the economy through the provision of funding and technical assistance for the implementation of public investment projects like the RIA runway and terminal, the Mount Coffee Hydro Plant, ongoing road, etc. Furthermore, the Government remains focus on its policy interventions in terms of maintaining macroeconomic stability, instituting measures to enhance domestic resource mobilization and ensure efficient and effective delivery of services.

Hence, the FY2016/17 Approved National Budget is skewed towards achieving some key national development outputs including on-going roads, energy, agriculture, and security sector projects while focusing on the conduct of a free, fair and transparency elections.