FY2018/19 BUDGET FRAMEWORK PAPER

--

Presented to the National Legislature of the Republic of Liberia on the 30th April 2018 at the Capitol Hill, Monrovia, Liberia

This *Budget Framework Paper* is compiled using the latest accessible information from various departments within the Ministry of Finance and Development Planning in addition to other external sources. Some of the materials contained in this document are unedited or subject to revision. Additional copies of this document can be obtained at:

Communication & External Relations Unit

Ministry of Finance & Development Planning

P.O. Box 10-9016

1000 Monrovia, 10 Liberia

The document is also available online at: www.mfdp.gov.lr

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACRONYMS

AfT	Agenda for Transformation
BFP	Budget Framework Paper
CSA	Civil Service Agency
CSM	Civil Service Management
DMU	Debt Management Unit
DBDP	Department of Budget and Development Planning
ESRP	Economic Stabilization and Recovery Planning
EVD	Ebola Virus Disease
GDP	Gross Domestic Product
GoL	Government of Liberia
IFMIS	Integrated Financial Management Information System
IAA	Internal Audit Agency
LIPA	Liberia Institute of Public Administration
LRA	Liberia Revenue Authority
M&As	Ministries and Agencies
MFDP	Ministry of Finance and Development Planning
MTDS	Medium Term Debt Strategy
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
PFM	Public Financial Management
PSIP	Public Sector Investment Plan
SWG	Sector Working Group
WEO	World Economic Outlook

FORWARD

The National Budget for FY2018/19 addresses critical national priorities and emerging public expenditure demands consistent with the government's Pro-Poor Agenda for Prosperity and Development intended for governance, and the country's medium term development plan (which takes into consideration the Sustainable Development Goals and the African Union's Agenda 2063) with the ultimate objective of moving the country towards middle income status by 2030.

Despite the smooth political transition, the macroeconomic environment under which the current budget is being prepared has been relatively challenging. The commodity price decline, proved more persistent than expected, thus affecting production and investment in the traditional export sectors (rubber and iron ore) of the economy. The drawdown of UNMIL peacekeeping operations generated significant fiscal pressures since the government now has had to increase its own security spending. Deterioration in the supply of foreign exchange due to shortage of US dollars during the last quarter of 2017 spiked inflationary pressures and posed serious risk to both internal and external balances. The uncertainties that surrounded the just-ended general and presidential elections also seem to have stifled demand and muddled domestic and foreign investment. Consequently, growth is below expectation and the ensuing fiscal space that said growth generates is constrained. Given these challenges, we have crafted austerity measures aimed at constraining the recurrent expenditures so as to free up resources to be invested in the achievement of the new administration's pro-poor initiatives.

The government of Liberia remains committed to addressing these challenges and will continue to mobilize concerted efforts and resources to implement its priority programs and projects. Over the past few years, the IMF's Extended Credit Facility (ECF) and Rapid Credit Facility (RCF) arrangements have been very instrumental in dealing with the balance of payment gap created by existing macroeconomic shocks. Although the country's program with the IMF has ended in November 2017, our commitments to the Fund under the just ended program continue and we envisage a new program with the IMF in the immediate future.

In the midst of these challenges, the medium-term prospect remains positive, and growth is expected to rebound. As an outcome of the just ended political transitions and heeding to the call of the people to make the presence of government felt positively in their lives, we have commenced the process of setting up a new administration with the objective of not only focusing on growth but also concerning ourselves with how the dividends of said growth are distributed amongst the governed. Furthermore, the anticipated increase in the global prices of rubber and iron ore, and the reprioritized spending on infrastructural projects, coupled with the peaceful manner in which the political transition occurred, have gone a long way in restoring our confidence that economic activities will pick-up over the medium term. The economy is estimated to grow at 3.9 percent in 2018, from 2.5 percent projected in 2017, driven mainly by increased activities in the mining, agriculture and services sectors.

Fiscal Year 2018/19 marks the seventh year of implementation of the Medium Term Expenditure Framework (MTEF) budget. Although the first cycle of MTEF budgeting, from FY2012/2013 to FY2014/15, registered some desired level of successes, including gradual improvements in budgeting systems and service delivery, subsequent MTEF periods have been challenged by relatively higher revenue risks and emerging expenditure pressures. FY2019/20 will see a major emphasis on implementing the Government's new 5-year medium-term growth strategy in Government budget planning. Potential delays in donor support payment and low domestic capacity to generate earmarked revenue sometimes correspond to spending cuts in key priority areas, thus undermining planned investment programs. To expand existing fiscal space and reduce vulnerabilities, the government will embark on a number of economic and structural reform programs, including the anticipated amendment of Public Financial Management (PFM) Act of 2009 to reflect current needs and realities, strengthening fiscal responsibilities, promoting effective budget execution and financial management practices, improving SOEs governance and cash management, among others.

The ensuing fiscal year (FY2018/19) national budget provides funding to support key priority areas such as educational and health care programs, agriculture, energy and infrastructural projects, in line with existing national policy priorities and emerging pro-poor programs.

Hon. Samuel D. Tweah
Minister of Finance & Development Planning
April 2018

EXECUTIVE SUMMARY

Budget Process

1. The MTEF procedure has three main objectives: allocating resources in line with national priorities; guaranteeing fiscal discipline by projecting what resources the public sector can generate; and ensuring national resources are used resourcefully.

2. To strengthen the link between national priorities set out in the national development plan (both medium term and long term) and the budget, the MTEF sets out two separate phases 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. The operational phase of the budget preparation involves the allocation of resources to sectors and various spending entities/units and concludes with the passing of the national budget by the national legislature. The Budget Framework Paper (BFP) is the final output of the strategic phase of the budget.

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

    a. **OVERVIEW OF THE ECONOMY and FISCAL TRENDS**: This provides an assessment of recent macroeconomic and fiscal performances and a macroeconomic outlook for the coming years. The outlook presents in a clear tone economic assumptions underlying the forecasts of the resource envelope, particularly tax and non-tax revenue and provides the context for choices about expenditure in the budget.

    b. **MEDIUMTERM FISCAL FRAMEWORK (MTFF)**: This establishes the resource envelope available over the three-year period of the MTFF. It is prepared to capture all sources of revenue (tax revenue and non-tax revenue), grants from donors, and any likely borrowings (both domestic and external). The MTFF also sets out any fiscal rules that the government has agreed to abide by and provides an overview of fiscal risks, from both the expenditure and revenue perspectives.

    c. **GOVERNMENT EXPENDITURE PLANS AND PRIORITIES**: The Medium Term Expenditure Framework (MTEF) presents the Government's policy priorities and how, given the resource envelope identified in the MTFF, these will be reflected in the budget.

Policy Agenda

4. The successor plan to the Agenda for Transformation (AfT) - which is currently being crafted, remains the overall roadmap for Liberia's medium-term economic growth and development strategy. To stimulate and sustain grow in a manner that benefits the poor, the new administration has embarked on the process of crafting pro-poor strategies in support of the successor plan to the AfT in order to stimulate and stabilize the economy in a way that will complement the country's development agenda through diversification of the economy, strengthening resilience by reducing vulnerabilities, and consolidating public finance through service delivery in the public sector.

5. The MTEF is designed to draw consistent linkages between the medium and the long-term policy objectives as set out in the AfT, its successor plans and the Vision 2030, government policy direction and the framework for resource allocation – the national budget.

6. The AfT and its successor plan, as part of the Liberia Rising 2030 provide the overall roadmap for achieving the objectives of the country's medium-term economic growth and development strategy. Launched in December 2012, the AfT has a five-year horizon and comprises five pillars: Peace, Security and the Rule of Law; Economic Transformation; Human Development;

Governance and Public Institutions; and Cross-cutting Issues. Almost mid-way into the implementation of the AfT, the country recorded a deadly outbreak of the Ebola Virus Disease (EVD) which diverted the economy from the trajectory envisaged in the AfT. Hence to place the economy on the trajectory of sustained economic growth and development, the Government then subsequently drafted and begun the implementation of its ESRP in FY2014/15 in the wake of the Ebola outbreak to mobilize funding for investment in key sectors of the economy. The AfT has expired but a framework for the development of a successor plan has been developed and plans are underway to have a full blown out plan developed. This presents a unique opportunity for the new administration of President Weah to incorporate his pro-poor agenda into said plan.

7. In order to revitalize the economy and to lessen the dependence of the economy on the volatile mining sector, a policy of economic diversification is being adopted. Under this, the agriculture sector Liberia Agriculture Transformation Agenda (LATA) has been operationalized and it is expected to receive boost from President Weah's Pro Poor Agenda through strengthening land right, providing technical, financial and mechanical support to farmers for development of low agricultural land. Focus on infrastructures as electricity, farm-to-market roads and the likes remain a high priority for the new administration.

8. In response to the new combined responsibilities of the MFDP, Sector Working Groups held joint budgeting and planning forums as part of preparation for the FY2018/19 budget. These Sector Working Groups and subsequent AfT Pillar Meetings reviewed the AfT priorities in light of the downturn in the prices of the country's primary export products, the new administration agenda and presented a refocused set of priorities that can be used to craft another medium-term development plan. This National Budget provides funding for the continued implementation of the Government's contribution to the implementation of the Health Investment Plan, the Liberia Agricultural Transformation Agenda and for implementation of AfT activities targeted at poverty reduction.

Economic and Fiscal Overview

9. From 2005 to 2013, the Liberian economy grew gradually until the period 2014 and 2015 when it was derailed by the deadly EVD epidemic in addition to a persistent fall in the country's terms of trade which then led to a downturn in economic activities which reached a trough in 2016 but rounded slighted in 2017.

10. The current outlook is increasingly challenging for the Liberian Economy. Not only is it weighed down by the impact of the slow recovery from the EVD as well as the uncertain commodity price shock but also by the slower-than-needed progress toward economy-wide diversification, UNMIL drawdown, as well as the alarming depreciation in the value of the Liberia currency. As a consequence, this has inhibited the Government's revenue generating capacity while ballooning its expenditure outlay; the net effect has been an increase in public debt. However, falling global prices of fuel and food could help mitigate the abovementioned impact.

11. In spite of these challenges, activities in the domestic economy are expected to rebound with improvement particularly in the mining & panning sector – the main driver for growth as evident by **Figure 1** – followed by the forestry sector. Additionally, with gleams of hope in diversification coupled with the continuation of the implementation of key infrastructure projects as well as prudent policy measures to tackle this mild recession, relatively low but stable growth is highly anticipated.

12. Real GDP growth is projected at 3.9 percent in 2018 compared to a projection of 2.5 percent in 2017. This represents a downward revision of the values relative to the projections made in the

FY2017/18 BFP of 5.2 percent for 2018 and 3.2 percent for 2017. Besides the agriculture & fisheries and the mining & panning sectors, recovery is still being constrained by low performances in the other sectors as evident by **Figure 1**; thus signaling a medium-term growth forecast that is a challenge as shown in the sector real GDP growth contained in **Table 1**.

13. Consumer prices are broadly expected to remain in double digits on average due to the alarming depreciation in the value of the Liberian dollar which is triggering an increase in the domestic currency denominated prices of fuel and non-fuel items. Headline inflation is projected at 11.4 percent in 2018 from 11.9 percent recorded in 2017 and it is further projected at 10.0 percent in 2019. This poses a challenge to the realization of the pro-poor agenda and the country's adherence to the ECOWAS convergence criteria regarding single digit inflation.

14. To stimulate economic recovery and to place the economy on the trajectory of sustained economic growth, the proposed fiscal framework for FY2018/19 budget prioritizes spending on key government programs that have the potential to spur pro poor economic growth and to create the enabling political environment to sustain said growth. Prominent amongst those priorities are infrastructure and energy to reduce the cost of doing business in the country and education and health to improve the productivity of workers, amongst others.

15. Due to the slow pace of recovery in economic activities, the government's fiscal space is constrained; as a consequence the public external debt is projected to worsen from 35.3 percent of GDP in 2017 to 40.1 percent of GDP in 2018. Against the backdrop of slight improvement in economic activities, credit to the domestic private sector projected to increase slightly in 2018 to 24.6 percent of GDP up from 22.4 percent of GDP in 2017 (thus representing an annual percentage increase of 10.2 percent) and it is expected to increase steadily in the medium term.

16. As a consequence of the country's failure to diversify its production and add value to its output, the external sector indicators are projected to worsen in 2018. The current account balance including grants is projected to worsen at a deficit of 30.1 percent of GDP in 2018 compared to a deficit of 26.1 percent of GDP in 2017 while the current account balance excluding grants is projected to improve at a deficit of 62.1 percent of GDP in 2018 compared to a deficit of 66.9 percent of GDP in 2017. Improvements are projected in the trade balance in 2018 from a deficit of 26.1 percent of GDP up from a deficit of 28.6 percent of GDP in 2017 on account of improvement in exports with imports remaining relatively stable.

17. Due to the front-loading of donor grants during the Ebola period and the fact that donor countries have started experiencing donor fatigue towards Liberia, grants (donor transfers, net) are projected to fall in 2018 to 32 percent of GDP down from 40.8 percent in 2017. Improvements are projected in the country's gross official reserves in 2018 to US$476 million up from US$426 million in 2017 which translates into improvements in the months of import cover to 3.2 in 2018 up from 2.7 in 2017. We also anticipate an improvement in the CBL's net foreign exchange position to US$180 million in 2018 up from to US$149 million in 2017.

Medium Term Fiscal Framework

18. The projected resource envelope for FY2018/19 is US$562.2 million; this value represents 0.24 percent decline in the government's revenue intake compared to the FY2017/18 approved budget of US$563.6 million (but an increase of about 4.8 percent of the recast budget of US$536.2 million). Relative to the recast budget for FY2017/18, the increase in the resource envelope for FY2018/19 is mainly attributable to an increase in tax revenue by 16.6 percent which has been tampered by a decrease in non-tax revenue (about 7.8 percent) and also a drop in on-budget support grant (by nearly 36.8 percent). The shrinkage in non-tax revenue is due to weakening projected performance of non-tax receipts from royalties and rent, administrative fees, and the anticipated contribution to Millennium Challenge Corporation (MCC) road fund fee.

19. In FY2018/19, tax revenue is projected at US$430.9 million (about 78.4 percent of the core revenue and 76.6 percent of the total resource envelope); non-tax revenue is projected at US$67.3 million (representing 12.3 percent of the core revenue and about 12.0 percent of the total resource envelope); grants US$51.3 million (representing 9.3 percent of the core revenue and 9.1 percent of the total resource envelope).

Medium Term Expenditure Framework

20. The Medium-Term Expenditure Framework (MTEF) for FY2018/19 is based on the resource envelope of US$562.2 million. The proposed FY2018/19 budget consists of US$488.7 million (86.9 percent of total spending) of recurrent expenditures of which Compensation of Employees accounts for US$303.5 million (about 54.0 percent of the resource envelope but 62.1 percent of the recurrent spending); Grants account for US$63.9 million (11.4 percent of the resource envelope but 13.1 percent of total recurrent spending); the use of Goods and Services accounts for US$78.9 million (14.0 percent of the resource envelope but 16.1 percent of total recurrent spending); foreign liabilities account for US$23.0 million (4.1 percent of the resource envelope but 4.7 percent of total recurrent spending); non-financial assets account for a little close to US$11.0 million (nearly 2.0 percent of the resource envelope but 2.3 percent of total recurrent spending); domestic liabilities account for US$7.0 million (1.2 percent of the resource envelope but 1.4 percent of total recurrent spending); and subsidies account for US$1.5 million (0.3 percent of the resource envelope but 0.31 percent of total recurrent spending). This leaves US$73.5 million (13.1 percent of the resource envelope) available for spending on the Public Sector Investment Program (PSIP).

21. To accomplish the government policy priorities, fiscal rules have been formulated and will be aggressively adhered to so as to guide expenditure claims on the proposed resource envelope.

LEGISLATIVE REQUIREMENTS

In section 11 of the Public Financial Management Law of 2009 and in Part D.6 of its associated regulations, the requirements for the Budget Framework Paper are set out as shown 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 of 2009 updated to reflect the draft budget submitted to the Legislature.

2. The budget framework paper shall contain the following:

   i. An analysis of the economic and fiscal trends, and the assumptions underlying the medium term macroeconomic and fiscal framework of the budget;

   ii. An explanation of the government’s policy priorities and how these are reflected in the budget;

   iii. A statement of key fiscal risks that may affect budget execution;

   iv. The essential features of the medium-term expenditure framework, where this has been prepared; and

   v. A summary statement of revenues and expenditure performance, using the main economic categories identified in Section 8(d) of the Public Finance Management Act of 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);

vi. A summary statement of revenues and expenditures, using the main economic categories identified in Section 8(d) of the Public Finance Management Act of 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);

vii. A summary statement of off-budget donor funding showing names of project and program, funding-agency, recipient government agency, disbursements effected in the previous financial year, projected disbursement in the following financial year;

viii. 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;

ix. 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;

x. 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 of 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 of 2009.

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

ECONOMIC AND FISCAL OVERVIEW

22. In Brief:

a. The proposed framework for FY2018/19 budget presents a challenging macroeconomic outlook, although global growth forecast is slightly being revised upward due mainly to notable improvement in economic activity around Europe, Asia, and the anticipated changes of recent US tax policy.

b. Growth in the domestic economy is sharply undermined by persistent shocks such as global commodity price decline, slowed EVD recovery, the completion of the UNMIL drawdown, low foreign currency reserves, alarming exchange rate depreciation, and the uncertainty that surrounded the 2017 general and presidential elections which delayed donor and business decision making.

c. Consistent with the government's pro-poor agenda, the Liberian economy is expected to perform moderately in 2018, and the medium-term outlook remains positive as economic activities improve further amidst reprioritized infrastructure spending. Real GDP is estimated to grow at 3.9 percent in 2018.

d. The resource envelope for FY2018/19 is projected at US$562.2 million, 0.24 percent below the FY2017/18 approved budget of US$563.6 million but 4.8 percent higher than the recast FY2017/18 budget of US$536.2 million.

GLOBAL MACROECONOMIC OUTLOOK

23. The stronger momentum experienced in global growth in 2017 is expected to lag into 2018 and 2019, with global growth revised up to 3.9 percent for both years (0.2 percentage point higher relative to the fall forecasts). For the two-year forecast horizon, the upward revisions to the global outlook results mainly from advanced economies, where growth is now expected to exceed 2 percent in 2018 and 2019. This forecast reflects the expectation that favorable global financial conditions and strong sentiment will help maintain the recent acceleration in demand, especially in investment, with a noticeable impact on growth in economies with large exports. In addition, the U.S. tax reform and the associated fiscal stimulus are expected to temporarily raise U.S. growth, with favorable demand spillovers for U.S. trading partners. The expected global macroeconomic effects account for around one-half of the cumulative upward revision to the global growth forecast for 2018 and 2019, with a range of uncertainty around this baseline projection.

24. The growth forecast for 2018 and 2019 has also been revised up for other advanced economies, reflecting in particular stronger growth in advanced Asian economies, which are especially sensitive to the outlook for global trade and investment. The growth forecast for Japan has been revised up for 2018 and 2019, reflecting upward revisions to external demand, the supplementary budget for 2018, and carryover from stronger-than-expected recent activity. The aggregate growth forecast for the emerging markets and developing economies for 2018 and 2019 is unchanged, with marked differences in the outlook across regions.

25. Emerging and developing Asia will grow at around 6.5 percent over 2018–19, broadly the same pace as in 2017. The region continues to account for over half of world growth. Growth is expected to moderate gradually in China (though with a slight upward revision to the forecast for 2018 and 2019 relative to the fall forecasts, reflecting stronger external demand), pick up in India, and remain broadly stable in the ASEAN-5 region.

26. In Latin America, the recovery is expected to strengthen, with growth of 1.9 percent in 2018 (as projected in the fall) and 2.6 percent in 2019 (a 0.2 percentage point upward revision). This change primarily reflects an improved outlook for Mexico, benefiting from stronger U.S. demand, a firmer recovery in Brazil, and favorable effects of stronger commodity prices and easier financing conditions on some commodity-exporting countries. These upward revisions more than offset further downward revisions for Venezuela.

27. Growth in the Middle East, North Africa, Afghanistan, and Pakistan region is also expected to pick up in 2018 and 2019, but remains subdued at around 3.5 percent. While stronger oil prices are helping a recovery in domestic demand in oil exporters, including Saudi Arabia, the fiscal adjustment that is still needed is projected to weigh on growth prospects.

28. The growth pickup in Sub-Saharan Africa (from 2.7 percent in 2017 to 3.3 percent in 2018 and 3.5 percent in 2019) is broadly as anticipated in the fall, with a modest upgrade to the growth forecast for Nigeria but more subdued growth prospects in South Africa, where growth is now expected to remain below 1 percent in 2018–19, as increased political uncertainty weighs on confidence and investment.

29. An improving global growth outlook, weather events in the United States, the extension of the OPEC+ agreement to limit oil production, and geopolitical tensions in the Middle East have supported crude oil prices. These have risen by about 20 percent between August 2017 (the reference period for the October 2017 WEO) and mid-December 2017 (the reference period for the January 2018 WEO Update), to over $60 per barrel, with some further increase as of early January 2018. Markets expect prices to gradually decline over the next 4–5 years—as of mid-

December, medium-term price futures stood at about US$54 per barrel, modestly higher than in August.

30. The increase in fuel prices raised headline inflation in advanced economies, but wage and core-price inflation remains weak. Among emerging market economies, headline and core inflation have ticked up slightly in recent months after declining earlier in 2017.

31. As of early January 2018, the U.S. dollar and the euro remain close to their August 2017 level in real effective terms. The Japanese yen has depreciated by 5 percent on widening interest differentials, while the sterling has appreciated by close to 4 percent as the Bank of England raised interest rates in November and as expectations of a Brexit deal rose. Across emerging market currencies, the renminbi has appreciated by around 2 percent; the Malaysian ringgit has rebounded by about 7 percent on an improved growth outlook and stronger commodity prices, and the South African rand by close to 6 percent on perceptions of reduced political uncertainty.

32. In 2018, the prices of rice, softwood logs, and spot crude are projected to increase; the prices of hardwood logs and rubber are expected to remain relatively stable while the price of iron ore will decline. However, as the swing in economic activities unfolds in the future, the prices of these commodities might fluctuate. **Table 2** displays the values of these commodities.

33. Risks to the outlook are broadly balanced in the near term, but—as in the October 2017 WEO—remain skewed to the downside over the medium term. One notable threat to growth is a tightening of global financing terms from their current easy settings, either in the near term or later. Over the medium term, a potential buildup of vulnerabilities if financial conditions remain easy, the possible adoption of inward-looking policies and noneconomic factors pose notable downside risks. An increase in trade barriers would weigh on global investment and reduce production efficiency, exerting a drag on potential growth in advanced, emerging market, and developing economies. A failure to make growth more inclusive and the widening of external imbalances in some countries, including the United States, could increase pressures for inward-looking policies.

34. The policy challenges for low-income countries amidst turbulences in the global economy are particularly complex, as they involve multiple, sometimes conflicting goals. These include supporting near-term activity; diversifying their economies and lifting potential output to maintain progress toward their Sustainable Development Goals; building buffers to enhance resilience, especially in commodity-dependent economies grappling with a subdued outlook for commodity prices; and tackling high and rising debt levels in many cases. Policy initiatives should continue to focus on broadening the tax base, mobilizing revenue, improving debt management, reducing poorly targeted subsidies, and channeling spending into areas that lift potential growth and improve the livelihoods of all (infrastructure, health, and education). Efforts to strengthen macro-prudential frameworks and greater exchange rate flexibility would improve resource allocation, reduce vulnerabilities, and boost resilience.

DOMESTIC ECONOMIC PERFORMANCE AND OUTLOOK

35. Liberia's macroeconomic environment remains relatively challenging but partly resilient. The country recorded robust macroeconomic performance between 2009 and 2013 with growth averaging at around 7.1 percent. The EVD epidemic placed strains on economic activity in the middle part of 2014. Consequently, Real GDP growth projections have been revised downward since. Decisive policy actions, coupled with concerted international support, and coordinated community engagement helped to overcome the epidemic. However, recovery from the EVD epidemic has been relatively slow given the persistence of external shocks, with average growth rate projection of 3.9 percent in 2018. The drop-in commodity prices, UNMIL drawdown, and

the downward adjustment of aid flows in FY2014-15 also continue to weigh heavily on the economy, with high internal and external balances.

36. In 2012, the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Extended Credit Facility (ECF) intended to support Liberia's economic and structural reform programs. In December 2016, the Board extended the ECF arrangement to November 2017 in order to restore macroeconomic stability and promote inclusive growth, especially during the period leading to October 2017 general and presidential elections.

37. Beyond the expiration of the ECF arrangement in November 2017, the government, however, will continue to update its macroeconomic policies and programs in line with its long-term development agenda as emerging priorities unfold, consistent with the current government's pro-poor agenda.

38. Despite the current macroeconomic challenges, there is a prospect of a growth rebound and the medium-term outlook remains positive. The expansion of iron ore and gold production is expected to offset weaker activities in forestry and service sectors, leading to 3.9 percent growth in 2018. The post-election period is also expected to stimulate aggregate demand as investors' confidence increases. **Table 1** displays key macroeconomic variables of the Liberian economy.

Table 1: Key Macroeconomic Indicators, 2016 -- 2021

	2016 Est.	2017 Proj.	2018 Proj.	2019 Proj.	2020 Proj.	2021 Proj.
Real GDP growth (%)	-1.6	2.5	3.9	5.0	6.0	6.3
Agriculture and Fisheries	6.4	1.8	2.6	3.8	4.3	4.6
Forestry	0.0	-8.0	-4.0	6.0	6.0	6.0
Mining and panning	-33.0	28.8	29.9	14.0	16.7	11.0
Manufacturing	-5.2	1.4	1.6	4.6	5.1	6.2
Services	2.1	1.0	1.2	3.0	4.0	5.8
Nominal GDP (millions of U.S. dollars)	2101.0	2115.0	2125.0	2246.0	2438.0	2599.0
Nominal GDP growth (%)	3%	1%	0%	6%	9%	7%
Inflation						
Consumer price growth (average, %)	8.8	11.9	11.4	10.5	9.5	8.5
Consumer price (end of period)	12.5	12.4	11.0	10.0	9.0	8.0
Financial						
Credit to private sector-M2 (% of GDP)	20.3	22.4	24.6	25.9	26.3	27.4
Current account balance including grant (% of GDP)	-24.6	-26.1	-30.1	-25.7	-24.3	-23.5
Total Revenue and Grants (% of GDP)	31.4	29.3	29.5	27.4	27.3	27.0
Total Expending including net lending (% of GDP)	35.6	36.8	35.4	32.4	31.2	30.2
Public external debt (% of GDP)	28.0	35.3	40.1	44.4	45.6	45.7
Overall fiscal balance including grant (% of GDP)	-4.2	-7.4	-5.9	-5.0	-3.9	-3.2

***Source**: Ministry of Finance and Development Planning, Liberia*

39. Over the medium term, economic growth is projected to rise at around 6.0 percent, significantly higher than previous years since the EVD outbreak, but relatively lower than the pre-Ebola level of nearly 8 percent growth rate. The medium-term growth prospect is driven mainly by the expansion in mining, manufacturing, and agriculture sectors.

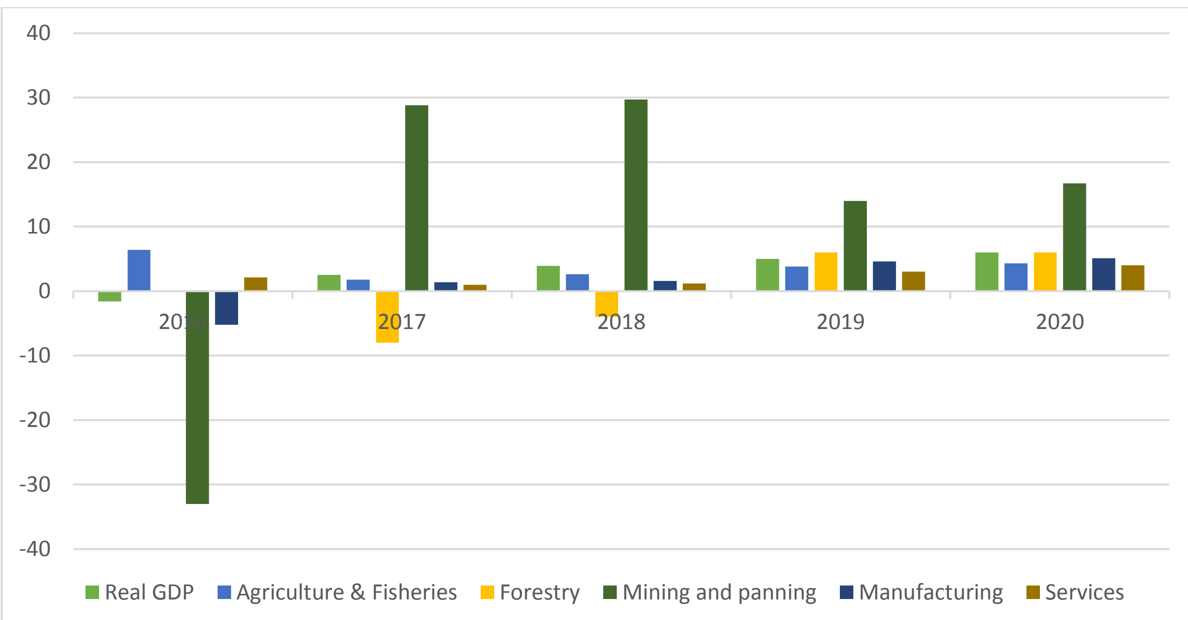
40. Consumer prices are projected to fall in single digit over the medium-term, averaging at around 8 percent, as domestic currency appreciates, and international food and oil prices stabilize to offset inflationary pressures in related goods and services. Headline inflation is projected at 11.4

percent in 2018 down from the 11.9 percent in 2017 and it is further projected at 10.5 percent in 2019 and 9.5 percent in 2020.

41. The lasting effect of Ebola epidemic, the commodity price decline, and withdrawal of UNMIL peacekeeping operation further worsened Liberia's macroeconomic condition. The persistent decline in the prices of iron ore and rubber seem to have caused delays in additional foreign investment inflows, thus affecting job creation in the natural resource sector. UNMIL drawdown and election-induced uncertainty tend to have significantly weakened domestic aggregate demand. The drawdown has further posed significant fiscal pressure on the national budget since government has had to increase its own security spending. These factors also appear to have reduced net foreign currency inflow into the economy.

42. Exogenous shocks from weakening global environment and enduring domestic uncertainties have affected macroeconomic performance since 2014, leading to mixed growth patterns, where the economy experienced flat real GDP growth rate (0 percent) in 2015, a contraction in 2016 (-1.6 percent), moderate recovery as projected in 2017 (2.5 percent), and higher positive recovery in 2018 (3.9 percent) as estimated. The medium-term growth rates also remain positive throughout the MTEF period, with more promising outlook. **Figure 1** portrays this data.

Figure 1: Sectoral Real GDP Growth Rate, 2016 -- 2020



***Source**: Ministry of Finance and Development Planning, Liberia*

43. The trade balance is expected to improve further in 2018 due to protracted decline in imports, the anticipated increase in gold exports, the opening of new iron ore mine site, and a further decline in UNMIL-induced import payment. The current account balance is however deteriorating as gains from trade and services balance exceed declines in current transfers and income payment.

44. The depreciation of the exchange rate is mostly fueled by the shortage of US dollars in the foreign exchange reserve, thus leading to a spike in inflation. The decline in net remittance inflows and aid disbursements due mainly to UNMIL drawdown has substantially reduced total foreign exchange inflows. The shortage of foreign exchange has also undermined Central Bank of Liberia's monetary policy intervention such as its regular foreign exchange auction, resulting to higher depreciation of the Liberian dollar and increasing price pressures.

45. The government's total revenue as percentage of GDP is projected at 29.5 percent in 2018 up slightly from 29.3 percent in 2017. Total Expenditures are projected to increase considerably from 36.8 percent of GDP in 2017 to 35.4 percent in 2018 – given the fiscal pressure induced by UNMIL drawdown and the reprioritized public spending on infrastructural projects and government's pro-poor programs. As a percentage of GDP, the overall fiscal balance (including grants) is expected to narrow downward moderately from 7.4 percent in 2017 to 5.9 percent in 2018.

46. The public external debt is projected to worsen further as a result of lower fiscal space and emerging public expenditure demands to around 35.3 percent of GDP in 2017 to 40.1 percent in 2018.

47. Credit growth to the private sector has recovered slightly and non-performing loans (NPLs) have relatively declined. However, the banking sector is still suffering from high level of NPLs due to unfavorable domestic environment. Credit to the domestic private sector is projected to improve in 2018 to 24.6 percent of GDP, up from 22.4 percent in 2017.

48. The current account balance, including grants, is expected to deteriorate further from 26.1 percent of GDP in 2017 to 30.1 percent in 2018. Over the medium term, there is relatively slight improvement in current account balance, the gross official reserves, and the CBL's net foreign exchange position as economic activities increase.

49. The current account balance, including grants, is expected to deteriorate further from 26.1 percent of GDP in 2017 to 30.1 percent in 2018. Over the medium term, there is relatively slight improvement in current account balance, the gross official reserves, and the CBL's net foreign exchange position as economic activities increase.

50. Despite mixed progress in maintaining stable macroeconomic environment, the persistence of both internal and external shocks that have consistently undermined the country's growth prospects underscores existing vulnerabilities and structural constraints. In addition, as UNMIL drawdown comes to closure, accompanied by declining term of trade and the postponement of ongoing priority projects, the economy could face high level of vulnerability as foreign exchange earning falls drastically in the midst of higher inflationary pressures as well as slowly recovery of commodity prices as shown in **Table 2**.

Table 2: Annual Average World Prices for Liberia's Key Export Commodities

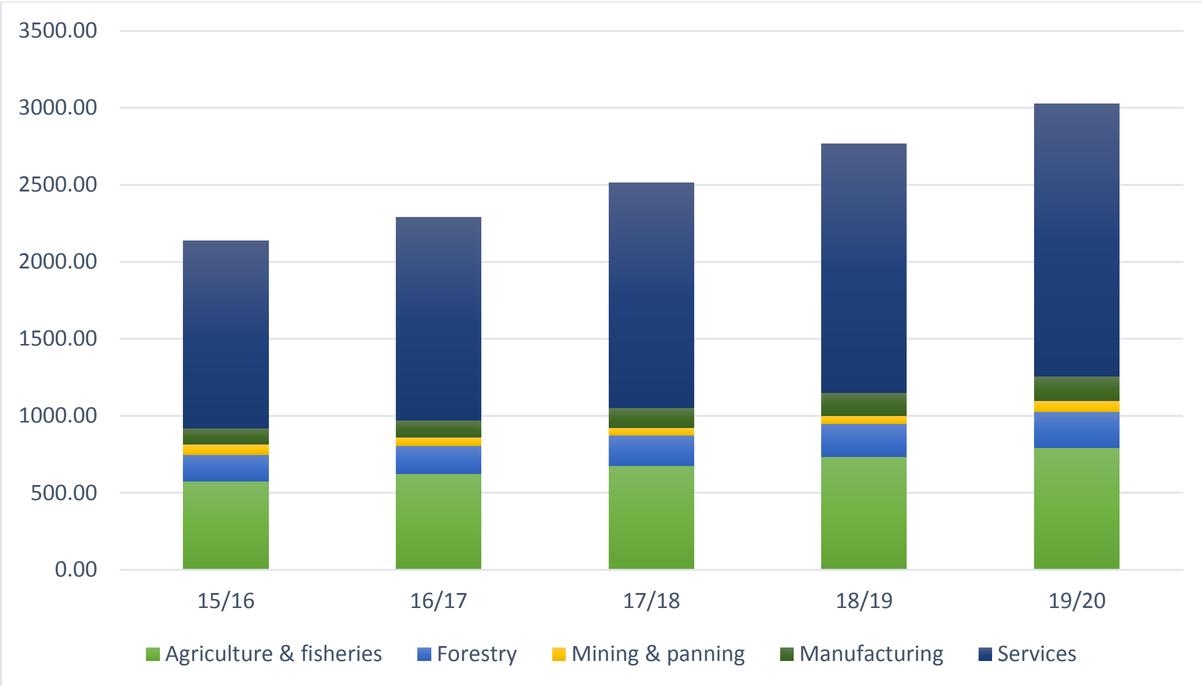
		Prices			
Commodity	***In Metric tons***	***2015***	***2016***	***2017***	***2018***
Iron ore	*$/MT*	*55.2*	*57.55*	*68.7*	*58.7*
Rubber	*cts/lb*	*70.7*	*72.06*	*91.01*	*80.85*
Round Log(Hardwood)	*$/M3*	*246*	*276.02*	*266.70*	*268.4*
Round Log(Softwood)	*$/M3*	*160.6*	*153.12*	*162.50*	*160.9*
Sawn Wood (Hard wood)	*$/M3*	*833.3*	*694.62*	*691.70*	*697.4*
Sawn Wood (Soft wood)	*$/M3*	*309.5*	*284.69*	*304.90*	*306.6*

Source: *The International Monetary Fund monthly commodity prices.*

51. In nominal term, GDP growth overtime has remained relatively stable and has seen some level of diversification across sectors. The services sector has shown the largest growth rate in nominal GDP over time, followed by the agricultural and fisheries sector. The forestry sector has grown moderately followed by the manufacturing sector. The mining and panning sector seems to be gradually recovering from its current deteriorating conditions, although records the lowest contribution to nominal GDP over time. However, downside risks remain which could thwart the

anticipated recovery and growth from previous earmarked levels of nominal GDP shown in **Figure 2**.

Figure 2: Sectoral Composition of Nominal GDP, FY2015/2016 -- FY2019/2020



***Source**: Ministry of Finance and Development Planning, Liberia*

52. The implementation of the country's medium and long term development agenda, beginning from 2014, remains grossly challenged by emerging public expenditure needs amid tighter revenue envelope and scope. The government however remains supportive and will continue to prioritize programs and projects to increase the pace of economic growth in various sectors of the economy in order to ensure macroeconomic stability, inclusive growth and development and as well as economic diversification; all of these with one objective in mind – the poor benefiting from the dividends of said growth.

53. For FY2018/19, the following interventions will be prominent on our list of priorities: Financing effective pro-poor programs, financing the security sector and its administrative units in the wake of the UNMIL drawdown;

   a. Timely servicing of the country's debt obligations;

   b. Financing the continuation of on-going and emerging infrastructure projects;

   c. Financing programs and projects that support sustainable diversification of the agriculture and manufacturing sectors so as to increase income, generate jobs and enhance food security.

   d. Where applicable financing health projects and interventions.

FISCAL PERFORMANCE

54. In FY2018/19, fiscal policy will depend on the prevailing macroeconomic challenges. The continuation of the reprioritized strategies for the medium term consistent with the government's

pro-poor agenda, the Sustainable Development Goals (SDGs) and the Africa Agenda 2063 will be some of the key challenges that the government coffers will have to address. In the wake of expenditure increases, fiscal authorities will have to remain committed to containing recurrent spending below a reasonable threshold (to the extent possible) in order to accelerate inclusive growth via improved tax revenue collection by broadening the tax base, so as to increase public sector investments.

55. For FY2018/19, the government will continue to support programs and projects, including actions to generate and sustain growth through economic diversification and value addition. The government will also seek to strengthen the budget process and improve public financial management and supervision. Financing the security sector amidst the completion of the UNMIL drawdown in July 2018 and the Pro-poor agenda are imperatives for this fiscal year. The current decline in concession activities and the weak domestic demand have posed enormous fiscal challenges for the Government. This has been further exacerbated by the lingering slow post-EVD recovery, UNMIL drawdown and external macroeconomic shocks.

56. We further acknowledge that these priorities can only be delivered in stable macroeconomic environment and as such, we commit ourselves to fostering a harmonious relationship with the Central bank of Liberia, which will in turn complement our efforts to ensure effective domestic resource mobilization and execution.

BUDGETARY PROCESS AND AGENDA

BUDGETARY PROCESS

57. The MTEF process has three main objectives: allocating resources in line with national priorities; ensuring national resources are used efficiently; and guaranteeing fiscal discipline by spending what the public sector can afford.

58. To support the link between national priorities set out in the national development plan and the budget, the MTEF sets out two separate phases of the budget preparation process: a strategic phase and an operational phase.

59. The strategic phase is used to review high-level priorities and strategies before detailed resource allocation is undertaken. The operational phase of the budget preparation involves the allocation of resources to sectors and various spending entities/units, and concludes with the passing of the national budget by the national legislature.

60. The Budget Framework Paper (BFP) is the final output of the strategic phase of the budget. The FY2018/19 edition of the BFP, like early ones, is written in accordance with Section 11 of the Public Financial Management Act, and it is intended to facilitate consultation with the National Legislature on revenue and expenditure priorities for the fiscal year 2018/2019.

61. 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 performances and a macroeconomic outlook for the coming years. The outlook presents in a clear tone economic assumptions underlying the forecasts of the resource envelope, particularly tax and non-tax revenue, and provides the 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. It is prepared to capture all sources of revenue (tax revenue and non-tax revenue), grants from donors, and any likely borrowings (both domestic and external). The MTFF also sets out any fiscal rules that

the government has agreed to abide by and an overview of fiscal risks, from both the expenditure and revenue perspectives.

iii. Government expenditure plans and priorities-the Medium-Term Expenditure Framework-this presents the Government's policy priorities and how, given the resource envelope identified in the Medium Term Fiscal Framework, these will be reflected in the budget.

62. The GoL has continued to improve its public financial management processes based on lessons learned from the implementation of its first round of MTEF budget and on current realities of the global decline in the prices of primary products. Prominent amongst the institutional reforms undertaken over the last year are:

A. Credible, Comprehensive Budget and the Implementation of Structural Reform Agenda

❖ **Implementing the budget as planned:**

i. In furtherance of the government's effort to improve budget planning and execution, collaboration with the budget committees domiciled in Ministries, Agencies and Commissions as well as the National Legislature are being strengthened, making spending entities more active and engaged with the Department of Budget and Development Planning (DB&DP). This collaboration which brings deeper understanding and consensus amongst stakeholders continues during FY2018/19 budget preparation process.

ii. A combined budget call circular for the FY2018/19 budget was issued in March instead of two call circulars that should have been issued respectively in December 2017 and February 2018. Usually, the first call circular provides guidance to spending entities on preparing strategic plans for budget submissions, while the second provides guidance on preparing detailed budget submissions.

❖ **Improving coverage and reliability of donor funding in budget and accounts:**

i. To ensure reliability in donor budget funding in each fiscal period, the government's transactions, including donor-funded projects are uploaded into the Integrated Financial Management Information System (IFMIS). However, donor funded transactions may not be executed on a real-time basis due to issues associated with the chart of accounts harmonization.

ii. Aid flow projections are disbursed based on need and availability. The rationale for non-disbursed aid flows vary among donors. Key factors remain the non-achievement of budget support triggers set out by donors and the huge forecast error between projected aid flows and actual flows, which remains a persistent challenge for budgeting, planning, and liquidity management. The government however will continue to improve this coverage to ensure timely and credible implementation of donor funded projects.

B. Revenue Mobilization

❖ **Ensuring efficiency and transparency in resource mobilization and execution:**

i. Early in 2016, the Government of Liberia contracted an international IT auditing firm to conduct forensic audit of the SIGTAS and ASYCUDA to provide assurances as to the integrity of the two systems, and to build on the audit findings to improve the systems. Final audit report was issued to give the Authority a firm basis to institute additional controls and to proceed with new reforms. The contract for the second phase of SIGTAS implementation is under review. The contract to be signed between the Government of Liberia and SOGEMA Technologies, Inc. includes upgrade, maintenance and support, interfacing SIGTAS with ASYCUDA and Liberia Business Registry, tax e-services, amongst others and to enhance efficiency in tax collection.

ii. As part of the on-going integrity check, the government also requested the General Auditing Commission (GAC) to conduct a comprehensive system audit of the IFMIS. Currently, the results are being analyzed and actions thereof will begin as soon as possible.

iii. To improve efficiency in financial management, the Government has installed IFMIS system in nearly 50 ministries and agencies (M&As) and there is ongoing effort to increase this coverage. As it stands, all public transactions are processed in IFMIS. However, M&As that do not have IFMIS system installed, they are required to process their transactions into the system at Ministry of Finance and Development Planning.

iv. For efficient accounting and reporting purposes, the government moved nearly 30 donor-financed projects from the Sun Accounting System to the National Government System (IFMIS). To extend this initiative further, live IFMIS processing of these donor projects will continue and new projects will be executed through the IFMIS system.

v. For Fiscal Year 2018/19, the implementation of the Treasury Single Account (TSA) remains one of the key priority areas for the government, as outlined in the new Public Financial Management (PFM) Strategy and Action Plan. To buttress this effort, the MFDP recently established a new unit called the Treasury Single Account Section (TSAS). TSAS designs TSA structure based on the Liberian treasury system with support from the IMF. Importantly, TSA outreach to M&As has begun, and several presentations and workshops have been conducted, and these are expected to deepen their understanding of TSA.

❖ **Revenue administration and tax policy reforms:**

i. The government continues to exert effort to improve revenue administration and tax reform programs. The Liberian Revenue Authority (LRA) was purposely established to push this drive. Since the LRA began operational in July 2014, the Institution has thus setup strong regulatory mechanisms to monitor and accelerate revenue intakes, introduced first phase of strategic management and debt audit systems for large tax payers, completed sectorial audit manuals, implemented goods and services tax return for specified industries and online filing system, and amongst others.

ii. Despite these achievements however, the government understands the need to expand LRA's capacity to further mobilize domestic revenues in order to increase the country's constrained fiscal space. To this end, the LRA has established an integrated compliance management system to streamline and strengthen revenue mobilization and execution. In the first half of 2017, a Compliance Management Framework (CMF) was put together which defines the strategies for large tax payers.

iii. There are on-going plans to introduce a Value Added Tax (VAT) system in Liberia, but this is not a quick start. The implementation will not begin until 2019 due to major economic and logistical constraints. The government anticipates that the use of VAT will increase the scope of revenue generation, by improving its efficiency and performance, which is part of ECOWAS joint regional agreement. Currently the VAT Steering Committee has been setup, and Minister of Finance and Development Planning serves as the Chair. The VAT Project Team (VPT) has been finalized, and the MFDP has been collaborating with LRA to develop VAT White Policy Paper, implementation roadmap, and a draft VAT Act. The VAT process was however recommended to be delayed by IMF technical assistance mission to ensure proper preparation a year from now. Meanwhile, the government will continue to initiate stakeholder's engagements and will later submit the VAT bill for ratification by 2019, while building LRA's capacity to implement the project effectively.

POLICY AGENDA

63. Over the medium term, successor plans to the Agenda for Transformation (AfT) remain the overall roadmap for Liberia's economic growth and development strategy. Just as the Ebola epidemic necessitated an Economic Stabilization and Recovery Plan that sets out appropriate policies and strategies to stabilize and stimulate the economy in a way that will complement the country's developmental agenda through recovering output and growth, strengthening resilience and reducing vulnerabilities, strengthening public finance to enhance service delivery; all designed with the intend of placing the country on the trajectory of sustained economic growth and development necessary for achieving the objectives of Vision 2030, we expect adjustments to our medium term plans to reflect the existing realities.

64. Liberia Rising 2030 and the successor plans to the Agenda for Transformation provide the overall roadmap for the country medium-term economic growth and development strategy. Launched in December 2012, the Agenda for Transformation had a five-year horizon and comprised five pillars: Peace, Security and the Rule of Law; Economic Transformation; Human Development; Governance and Public Institutions; and Cross-cutting Issues.

65. With the end of the AfT in 2017, process is underway to develop the successor medium term development plan to reflect President Weah's pro poor agenda. This new plan will incorporate the Global Sustainable Development Goals (SDGs) and the African Union's Agenda 2063. The focus will be on presenting the bottom up sectorial priorities in the draft plan, to which the new administration can add the top-down priorities to form a comprehensive agenda for the development of Liberia for the next five years.

REVENUE AND DEVELOPMENT PARTNERS' SUPPORT

REVENUE PERFORMANCE AND PROJECTIONS

66. To broaden the tax base and improve revenue collection, the Government of Liberia has continuously embarked on numerous tax policy reforms aimed at strengthening domestic resource mobilization as evident by the development of a Domestic Resource Mobilization Strategy that is currently awaiting cabinet approval for publication and implementation. This might gradually improve tax compliance over the years and it could lead to an increase in

revenue collection over the medium term. Total revenue collected, including grants and borrowing, as at the end of March 2018 amounted to US$319.5 million with an end-of-year projection of US$473.9 million compared to the recast budget of US$536.2 million.

67. The end-of-year revised projection of US$473.9 million, against the recast national budget of US$536.2 million, reflects lower-than-expected tax and non-tax revenues, driven mainly by protracted gradual recovery in commodity prices that has adversely affected the royalty payment from the mining sector. An additional risk to the remaining revenue outturn for FY2017/18 includes continuous depreciation of Liberian Dollar which threatens to increase price thereby reducing domestic demand and the uncertainties surrounding donor budget support.

68. The projected resource envelope for FY2018/19 is US$562.2 million (Table 3). This is 0.24 percent lower than the FY2017/18 approved budget of US$563.6 million; 4.8 percent higher than the recast budget of US$536.2 million for FY2017/18; and 18.6 percent higher than the revised year end projection of US$473.9 million.

69. Total domestic revenue for FY2018/19 is projected at US$498.2 million (88.6 percent of the resource envelope), up from US$444.9 million for FY2017/18 recast budget and US$403.6 million for the estimated end of year outturn; reflecting an increase of 12.0 percent as regards the recast budget but 23.4 percent as regards the estimated end of year outturn. Domestic resource mobilization is expected to improve over the medium term.

70. Tax revenue is projected to increase by 7.3 percent in FY2018/19 compared to FY2017/18 approved budget; increase by 15.9 percent compared to the recast budget; and increase by 20.4 percent compared to the estimated end of year outturn. This increase is due mainly to a projected performance of tax receipts from Maritime operations, other goods and services, and taxes on international trade, which include import duties, custom charges, exercise taxes, and fees on export.

71. Non-tax revenue is projected to decrease by about 33.0 percent compared to the FY2017/18 approved budget; decrease by 7.8 percent compared to the recast budget; but increase by about 47.0 percent compared to the estimated end of year outturn. The decrease relative to the recast budget is due to a fall in expected tax intake from administrative fees, contribution to MCC road fund, and royalties.

72. Grants are projected to decrease by about 6.6 percent compared to the FY2017/18 approved budget; decrease by 40.0 percent compared to the recast budget; and also decrease by 27.0 percent compared to the estimated end of year outturn. This is due to the fact that most of the country’s donor assistances were frontloaded during the EVD crisis coupled with donor fatigue.

DEVELOPMENT PARTNERS’ REPORT

73. For FY2018/19 as seen in Annex II Table 7, total external resource is projected at US$595.5 million of which grants account for US$418.7 million (70.3 percent) while loans account for US$176.8 million (29.7 percent). On-budget donor assistance amount to US$24.0 million (4.0 percent) while off-budget donor assistance amounts to US$571.5 million (96 percent).

74. Of the on-budget donor assistance, grants account for US$20.0 million while loans account for US$4.0 million. Similarly, off-budget grants amount to US$398.7 million while off-budget loan account for US$172.8 million. Infrastructure & Basic Services account for 29.9 percent of donor assistance while Energy and environment account for 21.2 percent. For details, please refer to Annex II Table 7.

75. Total actual external resource disbursed as at the end of the second quarter of FY2017/18 is US$259.3, representing 36.1 percent of total projection of US$718.5 for FY2017/18. Of the disbursed amount, US$222.8 million (85.9 percent) was grant while US$36.2 million (about 14.0

percent) was from loan. Of the US$259.3 million, US$4.8 million (1.9 percent) of the amount expended was channeled through the national budget while the remainder (US$254.5 million or 98.1 percent) was directed through trust fund and project aid mechanisms.

EXPENDITURE

76. Despite modest recovery from the lingering EVD crisis, the government continues to prioritize public spending in line with its policy goals and objectives consistent with its medium and long term development plans.

77. Trends in government approved budget since FY2005/6 has increased from US$97.8 million to US$563.6 million in FY2017/18—an upsurge of US$465.8 million. In the same period, expenditures increased from US$81.1 million to US$536.2 million respectively — an upsurge of US$455.1 million.

78. Although budget execution has improved in recent years, variations in its execution remain a major challenge. Revenue uncertainties, in-year transfer requests and cuts, government austerity (fiscal measures) and a limited absorptive capacity for project execution still remain a challenge. As of the end-March 2018 of FY2017/18 budget execution period, commitments amounted to US$341.3 million or 63.7 percent of the fiscal year budget execution rate.

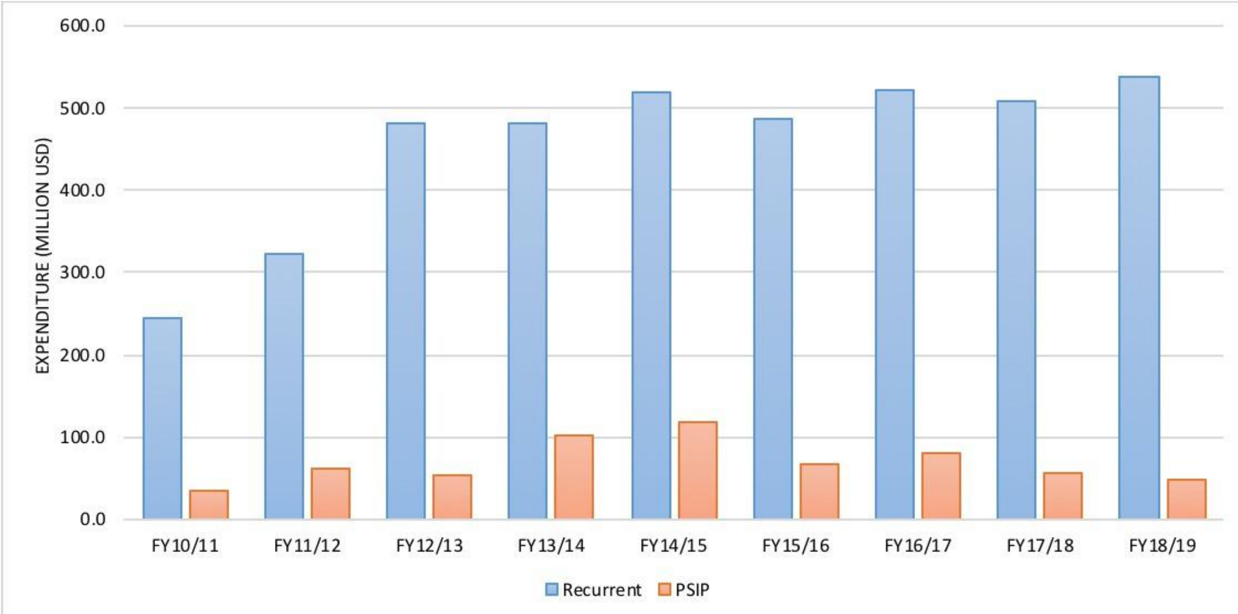
79. Since the introduction of the first round of the MTEF budgeting, capital spending has relatively improved. The creation of the Public Investment Unit within the MFDP to evaluate project proposals and implementation status has further enhanced the effectiveness of resource allocation towards various priorities across sectors.

Table 3: Disbursement vs. Approved Budget from FY2005/2006 to FY2017/2018, (in million USD)

Fiscal Years	Approved Budget	Disbursements	Execution (%)
2005/06	97.8	81.1	82.9
2006/07	135.0	134.6	99.7
2007/08	199.4	202.9	101.8
2008/09	298.1	231.5	77.7
2009/10	372.0	277.6	74.6
2010/11	369.4	384.6	104.1
2011/12	516.4	485.7	94.1
2012/13	672.1	593.5	88.3
2013/14	582.9	530.6	91.0
2014/15	635.2	621.7	97.9
2015/16	622.7	484.6	77.8
2016/17	600.2	555.8	92.6
2017/18	563.6	341.3*	60.6

Source: *The Ministry of Finance & Development Planning, Liberia*
** Disbursement as at end-March 2018 and still ongoing.*
Note: The approved budget figures for FY2006/07 and FY2010/2011 do not include supplemental budgets submitted

Figure 3: Split between Recurrent and PSIP from FY2005/2006 to FY2020/2021, (in million USD)



Source: *The Ministry of Finance & Development Planning, Liberia*

FINANCING

80. Government financing has continuously relied on external support (both bilateral and multilateral) since the completion of the Highly Indebted Poor Country (HIPC) initiative in 2010. Concessional external financing is utilized to finance investment in projects that have high rates of returns to the economy.

81. Total external resources (both borrowing and grant) on-budget realized as at end Quarter 2 FY2017/18 amounted to US$4.8 million, which is 9.7 percent of total on-budget projection for the same period. Of the actual off-budget external resources receipts (US$254.5 million), US$54.6 million came from the World Bank IDA while US$75.8 million was sourced from the USAID, and US$24.6 million came from the Millennium Challenge Corporation (MCC).

82. As at end of Quarter 2, FY2017/18, total aid modality off-budget disbursement on various sector projects amounts to US$254.5 million (38.1 percent) of total off-budget aid projection. This disbursement is driven by the Health Sector (23.5 percent), Energy & Environment Sector (21.9 percent), followed by Infrastructure & Basic Services Sector (17.0 percent) .

83. In FY2017/18, the MFDP in collaboration with the Central Bank of Liberia and in compliance with the IMF program requirement, has continuously issued Liberian-dollar denominated Treasury Bills (T-bills) with the objective of managing revenue volatility (bridge financing) and developing and deepening the domestic debt market. This is also a monetary policy instrument used by the CBL to manage Liberian dollar liquidity. From July 2017 through December 2017, a total of L$367.8 million (excluding interest) worth of T-bills were offered, of which L$263.7 million were redeemed.

Table 4: Treasury Bills Issuance

Date	Maturity Date	T-Bill Offered	Interest Accrued	Total Settlement	Status
6-Apr-17	6-Jul-17	51,839,468.46	410,531.54	52,250,000.00	Redeemed
4-May-17	3-Aug-17	52,818,146.23	431,853.77	53,250,000.00	Redeemed
6-Jun-17	5-Sep-17	55,331,481.76	403,518.24	55,735,000.00	Redeemed
7-Jul-17	6-Oct-17	37,373,060.07	347,439.93	37,720,500.00	Redeemed
4-Aug-17	3-Nov-17	31,883,882.50	300,117.50	32,184,000.00	Redeemed
1-Sep-17	3-Dec-17	32,144,750.34	352,749.66	32,497,500.00	Redeemed
6-Oct-17	5-Jan-18	58,187,842.57	672,153.43	58,859,996.00	Pending
5-Nov-17	4-Feb-18	29,626,027.40	373,972.60	30,000,000.00	Pending
1-Dec-17	2-Mar-18	18,591,813.49	234,686.51	18,826,500.00	Pending
Total		**367,796,472.82**	**3,527,023.18**	**371,323,496.00**	

Source: *The Ministry of Finance & Development Planning, Liberia*

MEDIUM TERM FISCAL FRAMEWORK, FY2016/17—FY2018/19

84. The Medium Term Fiscal Framework (MTFF) uses the latest economic and Extended Credit Facility data to establish the resource envelope and expenditure ceilings for the three outer years covered by the Medium Term Expenditure Framework (MTEF). FY2018/19 marks the seventh year of rolling MTEF budgets since its adoption in FY2012/13.

85. Despite the slow pace of the economic recovery in FY2017/18, real GDP is projected to increase moderately in 2018 to 3.9 percent which is higher than the 2.5 percent real GDP obtained in 2017. This growth in real GDP will be driven mainly by the mining & panning and agricultural & fisheries sectors.

86. Considering the slow pace of economic activity in various sectors of the economy due to the impact of reduced term of trade, the continuous depreciation in the Liberian dollars, and the front loading of budget support to mitigate the EVD in 2014 and 2015, the government is projecting a highly constrained resource envelope in FY2018/19 as well as in the outer years of FY2019/20 and FY2020/21. Table 6 (Annex I) provides a detailed fiscal table for the medium term.

87. Total revenue is projected in FY2018/19 at US$562.2 million, representing a decrease of 0.24 percent compared to the approved FY2017/18 budget of US$563.6 million but an increase of 4.8 percent compared to the recast budget of US$536.2 million.

88. Excluding grant, domestic revenue is projected to decrease by 0.7 percent in FY2018/19 to US$498.2 million compared to the approved budget amount of US$501.8 million for FY2017/18; but increase by 12.6 percent compared to the recast budget and also increase by 23.4 percent compared to the end of year projected outturn.

89. Tax revenue is projected to increase by about 7.3 percent for FY2018/19 compared to the FY2017/18 approved budget; increase by 16.6 percent compared to the recast budget; and also increase by 20.4 percent compared to the estimated end of year projected outturn. Non-tax revenue is projected to decrease by about 33.0 percent for FY2018/19 compared to the FY2017/18 approved budget; decrease by 7.8 percent compared to the recast budget; but increase by 47.0 percent compared to the estimated end of year projected outturn.

90. Due to the prevailing global economic challenges coupled with the unpredictable outlook in external resources, resource mobilization remains a potential task over the medium term period.

Nonetheless, efforts are being made towards enhancing domestic resource mobilization by means of tax policy measures as well as narrowing the fiscal scope through government's own austerity measures that are set to be implemented beginning FY2018/19.

MTEF ASSUMPTIONS

91. The revenue forecast is based on the latest available economic assumptions and adjustment to historical trends based on revenue performance in the current fiscal year and expectations for concession revenues. From the recent macro-framework, the GDP and inflation projections of the MTFF are based.

Table 5: Key Macroeconomic Data Inputs to Revenue Forecast

	2015	2016	2017	2018	2019	2020	2021
	Est.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
Real Sector							
Real GDP growth (%)	0.0	-1.6	2.5	3.9	5.0	6.0	6.3
Agriculture and Fisheries	0.7	6.4	1.8	2.6	3.8	4.3	4.6
Forestry	2.0	0.0	-8.0	-4.0	6.0	6.0	6.0
Mining and panning	-15.9	-33.0	28.8	29.9	14.0	16.7	11.0
Manufacturing	-1.5	-5.2	1.4	1.6	4.6	5.1	6.2
Services	4.3	2.1	1.0	1.2	3.0	4.0	5.8
Nominal non-mining per capital GDP (U.S. dollars)	452.0	460.0	441.0	429.0	443.0	468.0	487.0
Nominal GDP (millions of U.S. dollars)	2039.0	2101.0	2115.0	2125.0	2246.0	2438.0	2599.0
Nominal GDP growth (%)	0.0	3.0	1.0	0.0	6.0	9.0	7.0
Inflation							
Consumer price growth (average, %)	7.7	8.8	11.9	11.4	10.5	9.5	8.5
Consumer price (end of period)	8.0	12.5	12.4	11.0	10.0	9.0	8.0

Source*: Ministry of Finance and Development Planning, Liberia*

BORROWING

92. Since the completion of the HIPC debt-relief program, there has been no formal domestic debt market established in Liberia. In the recent past, the only domestic borrowing activity has been through the CBL. The government has made significant progress in advancing the operationalization of the Treasury bill issuances.

93. The Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) framework is currently being used for recording and analyzing debt statistics.

94. The financing of development programs through borrowing has been guided by the Medium Term Debt Strategy (MTDS) prepared in July 2014 but has since expired in June of 2017. However, the government has drafted a new MTDS that is before cabinet for approval and subsequent implementation. Despite the fact that we do not have a current MTDS, the country's current borrowing practices are still being guided by the expired MTDS. Over the medium term, FY2017/18 to FY2019/20, government operations will continue to be guided by the fiscal measures adopted on borrowing during the execution of the approved MTEF budget as follows:

- 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; and
- 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.

95. In the context of individual loans:

- Concessional loans are those with a grant element of above thirty-five (35) percent and in IDA terms, above 50 percent; and
- Commercial loans are those with a grant element below thirty-five (35) percent.

MEDIUM TERM EXPENDITURE FRAMEWORK

EXPENDITURE PRIORITIES

96. For FY2018/19, Government will continue its focus on diversification of the economy with emphasis placed on the Agriculture and Infrastructure Sectors consistent with the Liberia Agriculture Transformation Agenda (LATA) in order to lessen Liberia's dependence on the extractive sector, which are vulnerable to external shocks. Education, Health and youth empowerment remain top priorities, while in FY2017/18, ensuring security in light of the complete UNMIL drawdown remains of prime importance as it is crucial to the achievement of the Pro-poor agenda.

97. The FY2018/19 draft budget proposes US$562.2 million of total expenditure, of which recurrent expenditure accounts for US$488.7 million (86.9 percent of the resource envelope); while the remainder US$73.5 million (13.1 percent) will go towards PSIP expenditure. The expenditure section of Table 6 (Annex I) provides a breakdown of the total spending for FY2018/19.

RECURRENT

98. The recurrent expenditure budget projection for FY2018/19 is US$488.7 million. This amount represents a marginal increase of 0.7 percent compared to the recast budget and also a 13.1 percent increase compared to the projected end of year outturn. The expenditure section of Table 6 (Annex I) provides a breakdown of the recurrent spending

99. Recurrent expenditure is broken down, according to economic classification as follows:

- ❖ Compensation of Employees accounts for US$303.5 million (about 54.0 percent of the resource envelope but 62.1 percent of the recurrent spending). This represents a marginal increase of 0.3 percent compared to the recast budget;
- ❖ Grants account for US$63.9 million (nearly 11.4 percent of the resource envelope but 13.1 percent of total recurrent spending). This represents an increase of 2.1 percent compared to the recast budget;
- ❖ The use of Goods and Services accounts for US$78.9 million (14.0 percent of the resource envelope but 16.1 percent of total recurrent spending). This represents a decrease of 12.6 percent compared to the recast budget;

- ❖ Foreign liabilities account for US$23.0 million (4.1 percent of the resource envelope but 4.7 percent of total recurrent spending). This represents an increase of 64.3 percent compared to the recast budget;
- ❖ Non-financial assets account for US$11.0 million (nearly 2.0 percent of the resource envelope but 2.3 percent of total recurrent spending). This represents an increase of 423.8 percent compared to the recast budget;
- ❖ Domestic liabilities account for US$7.0 million (1.2 percent of the resource envelope but 1.4 percent of total recurrent spending). This represents an increase of 14.8 percent compared to the recast budget; and
- ❖ Subsidies account for US$1.5 million (0.3 percent of the resource envelope but 0.31 percent of total recurrent spending). This represents a decrease of 48.3 percent compared to the recast budget.

100. Projections for the outer years are indicative, and based on the following assumptions:

- ❖ Compensation is maintained at current levels or within the limits of 5 percent increase from the recast budget;
- ❖ Non-Financial Assets which fund road maintenance activities have been preserved
- ❖ Significant cuts have been made to enable fiscal space for funding PSIP projects aligned with the Pro-Poor Governance agenda. These include:
    - Preserving essential lines, then undertaking targeted cuts to goods and services,
    - Cutting subsidies by 50 percent, and
    - Preserving education, compensation and health related Grants and undertaking targeted cuts to all other lines

PUBLIC SECTOR INVESTMENT PLAN (PSIP)

101. The estimated PSIP portfolio for FY2018/19 is US$73.5 million, which accounts for 13.1 percent of total expenditures. This represents a 45.0 percent increase in PSIP spending relative to the FY2017/18 recast budget of US$50.6 million. The expenditure section of Table 6 (Annex I) provides a breakdown of the PSIP spending.

ANNEX I. Medium Term Fiscal Table

Table 6: Medium Term Fiscal Table

	FY2016/17 Actual	FY2017/18 Recast Budget	FY2017/18 Est. Outturn	FY2018/19 Draft Budget	FY201920 Forecast	FY2020/21 Forecast
RESOURCE ENVELOPE	**555,779**	**536,200**	**473,901**	**562,154**	**511,260**	**528,034**
TOTAL REVENUE+GRANTS+CONTINGENT REVENUE	**555,779**	**536,200**	**473,901**	**549,526**	**511,260**	**528,034**
CORE REVENUE	**555,779**	**523,884**	**473,901**	**549,526**	**511,260**	**528,034**
TAX REVENUE	416,905	369,612	357,841	430,859	444,306	458,661
NON TAX REVENUE	48,744	73,032	45,805	67,342	66,955	69,373
EXTERNAL GRANTS	90,130	81,240	70,255	51,325	-	-
TOTAL CONTINGENT REVENUE	**-**	**12,316**		**-**		
CONTINGENT REVENUE (Domestic)	**-**	**2,316**		**-**		
TAX REVENUE	-	2,316	-	-	-	-
CONTINGENT REVENUE (External)	**-**	**10,000**		**-**		
Loan	-	6,000	-	-	-	-
Grants	-	4,000	-	-	-	-
FUNDING GAP (REVENUE MINUS EXPENDITURE)	**-**	**-**	**-**	**(12,628)**	**-**	**-**
IDENTIFIED FINANCING (ON-BUDGET)	**40,000**	**-**		**12,628**		
BUDGET SUPPORT LOANS	**38,000**	**-**	**-**	**-**	**-**	**-**
World Bank – IDA	20,000	-	-	-	-	-

IMF ad hoc augmentation (contingent loan)	18,000		-	-	-	-
DOMESTIC BORROWING	**-**	**-**	**-**	**12,628**	**-**	**-**
DOMESTIC BORROWING - BRIDGE FACILITY				12,628		
CARRY FORWARD	**2,000**	**-**		**-**		
Consolidated Fund	2,000	-	-	-	-	-
UNFUNDED GAP	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL EXPENDITURE (RECURRENT & PSIP)	**555,779**	**536,200**	**473,901**	**562,154**	**511,260**	**528,034**
TOTAL RECURRENT	**489,223**	**485,571**	**432,211**	**488,734**	**472,934**	**444,083**
CORE RECURRENT	**489,223**	**485,571**	**432,211**	**488,734**	**472,934**	**444,083**
COMPENSATION	287,302	302,537.55	302,538	303,456	303,456	303,456
GRANTS	52,313	62,619.83	38,667	63,858	50,645	40,165
SOCIAL BENEFITS	1,382	791.75	787	48	48	48
USE OF GOODS AND SERVICES	102,742	90,355.78	74,942	78,872	78,872	62,552
INTEREST AND OTHER CHARGES	-	-	2,958	-	-	-
SUBSIDY	-	2,907.90	1,131	1,494	1,185	940
CONSUMPTION OF FIXED CAPITAL		1,178.21	1,131	-	-	-
DOMESTIC LIABILITIES	7,787	6,097.95	2,478	7,000	7,000	7,000
FOREIGN LIABILITIES	5,464	14,039.20	6,315	23,000	23,000	23,000
NON-FINANCIAL ASSETS	19,501	2,064.00	1,266	11,006	8,729	

						6,923
PSIP	**66,556**	**50,629**	**41,690**	**73,420**	**38,327**	**83,951**
Core PSIP	**56,352**	**50,629**	**41,690**	**73,420**	**38,327**	**83,951**
SECTOR PROJECTS	**30,886**	**50,629**	**41,690**	**73,420**	**38,327**	**83,951**
Public Administration	**10,342**	**10,965**	**10,265**	**16,000**	**-**	**-**
National Population Census 2018	-	-	-	3,000	-	-
Renovation of Executive Mansion	10,342	10,000	10,000	13,000	-	-
Household Income Expenditure Survey	-	150	150	-	-	-
Humanitarian Outreach	-	500	50	-	-	-
Development Professional Skills of local Liberia Expert	-	250	-	-	-	-
National Museum	-	65	65	-	-	-
Municipal and Local Government	**-**	**1,150**	**1,063**	**2,500**	**-**	**-**
Clean Cities Campaign	-	-	-	2,000	-	-
MCC CLUS Project	-	-	-	500	-	-
Rollout of Biometric IDs Across Government	-	400	313	-	-	-
Solid Waste	-	750	750	-	-	-
Transparency and Accountability	**14,788**	**22,388**	**21,572**	**-**	**-**	**-**
Elections	14,788	22,388	21,572	-		
Security and Rule of Law	**763**	**3,453**	**3,084**	**2,000**	**-**	

						-
Election Security	-	3,185	2,841	-		
UNMIL Drawdown	763	168	168	-		
Construction of Military Hospital		100	75	2,000		
Health Sector	**-**	**1,025**	**300**	**1,580**	**-**	-
Construction of New Laboratory		275	-			
Expanding and Improving Mental Health Services		-	-	1,180		
Upgrade of equipment & Facility at JFK		500	300			
Development Professional Skills of local Liberia Expert		250	-			
Improving Delivery of Medical Services at JFD Memorial Hospital		-	-	400		
Youth Development and Social Protection Services	**-**	**1,050**	**1,050**	**3,000**	**-**	-
National Job Creation Program		-	-	1,000		
High Vulnerable Population at Risk		-	-	500		
Renovation of a Facility designated as Shopping Mall for Street Sellers		-	-	500		
Humanitarian Outreach of First Lady		-	-	1,000		
Cleaning of Beach & Waterways		200	200			
LACE Special Project	-	850	850	-		
Education Sector	**-**	**2,600**	**1,300**	**5,000**	**-**	-
Construction and Establishment of Laboratories for six Public High Schools		-	-	750		
Renovation of 69 Selected Public Schools		-	-	750		
Provision of 333,333 Sitting Capacities for All Public Schools		-	-	2,000		
Construction of Faculty Housing Facilities at Sinje Campus		-	-	500		

Construction of Dormitories, Staff Housing and Cafeteria facilities		-	-	500		
Supply and Provision of Water & Re-electrification Systems at WRTTI		-	-	150		
Provision of Printing Equipment for National Exams		-	-	350		
WASSCE Fees for public and private schools		1,900	900			
Digital Registration System		150	-			
Wifi Connection for registration system		150	-			
Enrollment of teachers on payroll		250	250			
Harmonization of underpaid personnel		150	150			
		-	-			
Energy and Environment	**-**	**4,100**	**2,500**	**-**	**-**	**-**
Maintenance of Traffic & Street Lights		300	-			
Construction of new street lights		300	-			
CPF: Compensation WAPP		3,500	2,500			
		-	-			
Agriculture Sector	**-**	**-**	**-**	**2,780**	**-**	**-**
Rice Value Chain Development				2,600		
Development Improved Varieties & Seeds of Basic Food Crops (Staple)				180		
Infrastructure Sector	**4,994**	**2,698**	**556**	**40,560**	**38,327**	**83,951**
RIA Terminal	-		-	500		-
Roads Construction with Asphalt Pavement	-		-	36,480	38,327	83,951
Construction of Pro-Poor Housing Units	-		-	1,200		
National Postal Address System	-		-	200		-

NTA Capacity Development Project	-		-	40		
Construction of Du River Bridge	-		-	700		
Construction of Junk River Bridge	-		-	500		
Construction of Timbo River Bridge	-		-	800		
Construction of Yassadu-Tengia Bridge	-		-	140		
Legislative Projects for Rural Development	1,225		-	-		
Liberia Civil Aviation Authority - JSP Runway	-	556	556	-		
Rural Road Maintenance		2,000				
RAP Payments for Sanniquellie Luogatua Road		141				
CPF: WAPP	3,768	-	-	-		
Industry and Commerce	**-**	**1,200**	**-**	**-**	**-**	**-**
Stimulus credit line for the Private		1,000				
Repairs & maintenance of Public buses		200				
National Priority Projects (PPP)	**25,466**	**-**	**-**	**-**		
Other Sector Projects	6,650		-	-		
On-going Roads	18,816					
Contingent PSIP	**10,205**	**-**	**-**	**-**	**-**	**-**
Other Sector Projects	10,205		-	-		

ANNEX II. DEVELOPMENT ASSISTANCE

Table 7: Medium Term AID Projections

FY 2018/2019 AID PROJECTION BY DONOR				
DONOR	**Grant**	**Loan**	**Grand Total**	**Percentage**
African Development Bank	14,407,548	71,373,858	85,781,405	14.4%
BADEA		7,000,000	7,000,000	1.2%
China	15,000,000		15,000,000	2.5%
China EXIM Bank		25,000,000	25,000,000	4.2%
European Union	23,504,156		23,504,156	3.9%
Germany	40,460,611		40,460,611	6.8%
IFAD		6,068,240	6,068,240	1.0%
International Development Association	55,398,641	42,362,940	97,761,581	16.4%
Ireland	1,737,036		1,737,036	0.3%
Japan	15,308,968		15,308,968	2.6%
Kuwait		5,000,000	5,000,000	0.8%
Millennium Challenge Corporation	42,110,625		42,110,625	7.1%
Norway	600,000		600,000	0.1%
OFID		10,000,000	10,000,000	1.7%
SAUDI FUND FOR DEVELOPMENT		10,000,000	10,000,000	1.7%
Sweden	41,643,885		41,643,885	7.0%
UNDP	3,423,001		3,423,001	0.6%
United Nations Children Fund	19,703,500		19,703,500	3.3%
United Nations High Commission for Refugees	2,276,307		2,276,307	0.4%
United Nations Peace Building	8,673,888		8,673,888	1.5%
United Nations Population Fund	1,247,000		1,247,000	0.2%
UNODC	2,414,248		2,414,248	0.4%
USAID	129,013,180		129,013,180	21.7%
World Health Organization	1,770,622		1,770,622	0.3%
Grand Total	**418,693,215**	**176,805,037**	**595,498,252**	**100.0%**

FY 2018/2019 AID PROJECTION BY NATIONAL BUDGET SECTOR				
NATIONAL BUDGET SECTOR	**Grant**	**Loan**	**Grand Total**	
AGRICULTURE	19,870,465	17,321,397	37,191,862	6.2%
EDUCATION	29,808,487		29,808,487	5.0%

ENERGY AND ENVIRONMENT	96,316,732	29,786,469	126,103,202	21.2%
HEALTH	70,351,562	10,100,000	80,451,562	13.5%
INDUSTRY AND COMMERCE	2,875,273		2,875,273	0.5%
INFRASTRACTURE AND BASIC SERVICES	69,441,341	108,703,027	178,144,368	29.9%
MUNICIPAL GOVERNMENT	5,330,622		5,330,622	0.9%
PUBLIC ADMINISTRATION	28,565,325	9,102,384	37,667,709	6.3%
SECURITY AND RULE OF LAW	28,556,781		28,556,781	4.8%
SOCIAL DEVELOPMENT SERVICES	48,543,092	1,791,760	50,334,852	8.5%
TRANSPARENCY AND ACCOUNTABILITY	18,833,534		18,833,534	3.2%
Grand Total	**418,493,215**	**176,805,037**	**595,298,252**	**100.0%**

FY 2018/2019 AID PROJECTION BY MODALITY				
Modality	**Grant**	**Loan**	**Grand Total**	Percentage
On-Budget	**20,025,496**	**4,000,000**	**24,025,496**	**2.1%**
Budget Support	20,025,496	4,000,000	24,025,496	100.0%
Off-Budget	**398,667,718**	**172,805,037**	**571,472,756**	**49.0%**
Pool Fund	1,240,740		1,240,740	0.2%
Project/Program Aid	394,926,978	172,805,037	567,732,016	99.3%
Trust Fund	2,500,000		2,500,000	0.4%
Grand Total	**817,360,933**	**349,610,075**	**1,166,971,008**	**100.0%**
Percentage	**70.0%**	**30%**		

ANNEX III: STOCK OF PUBLIC DEBT AND DEBT SERVICE FOR FY2017/18

Table 8: Public Debt as at end December 2017 (in millions USD)

Domestic Debt Details	QTR I	QTR II
CBL	256.1	256.7
LBDI	-	-
ECOBANK	-	-
Infrastructure Loan	10.0	10.0
Sub-total Financial Institution	**266.1**	**266.7**
Supplier's Credit		
Other Arrears		
Total Domestic Debt (end of quarter)	**266.1**	**266.7**
External Debt Details		
Disbursed Outstanding Debt (period start)	581.9	602.1
Disbursements	20.2	5.8
Principal Repayments	-	0.0

Net Flows On Debt Stock	602.1	607.9
Interest Payments	1.8	0.8
Exchange rate / other adjustments	-	**-0.2**
Total Debt Service	**1.8**	**0.8**
Total External Debt (end of period)	**602.1**	**607.7**
TOTAL DEBT STOCK	**868.24**	**874.4**

Source*: Ministry of Finance and Development Planning, Liberia*

Table 9: Public Debt Service as at end December 2017 (in million USD)

US$ millions	**QTR I**	**QTR II**
Domestic Debt Service Details		
Principal	0.00	0.00
Interest	1.10	0.38
Total Domestic Debt Service	**1.10**	**0.38**
External Debt Service Details		
Principal	0.00	0.00
Interest	1.80	0..62
Total External Debt Service		**0.62**
Total Debt Service	**1.10**	**1.00**

Source*: Ministry of Finance and Development Planning, Liberia*

ANNEX IV: FISCAL RULES

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.
- Consultancy contracts shall not be for a period more than a Fiscal Year (or 12 months).
- The government will postpone the extension of the wage structure reform, so far implemented in the MFDP, the Ministry of Gender, Children and Social Protection and the Civil Service Agency.

Travel restrictions

- 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.
- 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.

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 (e.g. assistant minister) : maximum 150 gallons
    - other units within the entity: maximum 100 gallons

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

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.

Foreign Training/Workshop

- 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.

- 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.

Wage Cuts and Harmonization

- There shall be a wage cut in the Executive Branch of Government. This will affect all public sector employees (SoEs and Central Government) and the sacrifice will only affect 4,140 employees out of a total of 71,000 plus employees across the public sector, who are earning above US$1000 in allowances;
- An exemption is granted to all employees earning US$1,000 or below in USD allowances. The rationale is to shield health, education, security sector, and social services workers who basically earned US$1,000 or below
- There is also a provision to align all appointed public official in the executive to the allowance scale of Ministers, their deputies, and assistants. Meaning, no head of agency will earn more allowance than a cabinet minister, except otherwise advised by the President.
- Payroll cut shall be calibrated as below:
    - 1,000 and below (exempt)
    - 1,001 to 1,500 = (3.5 percent x difference between 1,500 & 1,000)
    - 1,501 to 2,500 = 52.5 Plus (5 percent x difference b/w 2500 & 1500)
    - 2,501 to 5,000 = 125 Plus (7.5 percent x difference b/w 5,000 & 2,500)
    - 5,001 to 7,861 = 375 Plus (10 percent x difference b/w 7,861 & 5000)
    - Above 7,861 or ministerial scale (align appropriately)

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.

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
- In cases where board has performed exceptionally and bonus is being paid, such proposal should be made to the President for approval.

- All State-Owned Enterprises will submit their budget to the President for final approval prior to submission

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.
- Maintenance of Government, mentioned above, shall be the sole responsibility of GSA

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.
- 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.

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.
- 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.

Borrowing

- 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; and

- 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.