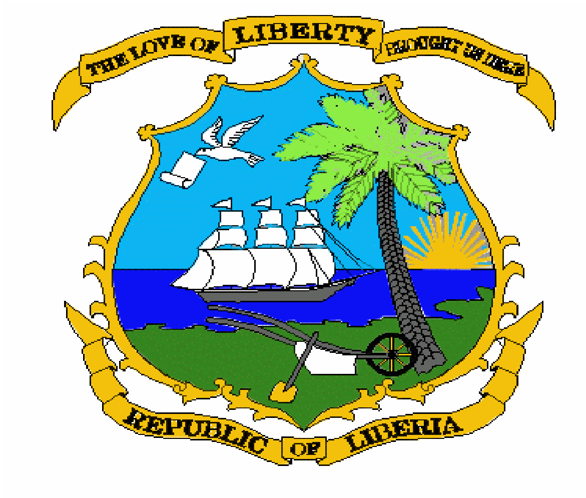
GOVERNMENT OF LIBERIA



Public Expenditure and Financial Accountability Assessment (PEFA) 2016 on Liberia’s Public Financial Management Systems

Final REPORT – July 2016

AECOM

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Abbreviations and Acronyms

AfDB	African Development Bank
AfT	Agenda for Transformation
AGA	Autonomous Government Agency
AMU	Aid Management Unit
AP	Action Plan
ASYCUDA	Automated System of Custom Data
BCC	Budget Call Circular
BCE	Bureau of Customs and Excise
BFP	Budget Framework Paper
BIR	Bureau of Internal Revenue
CAG	Comptroller and Accountant General
CARP	Complaints, Appeals and Review Panel
CBL	Central Bank of Liberia
CoA	Chart of Accounts
CBOs	Community Based Organizations
CG	Central Government
COFOG	Classification of Functions of Government
CSA	Civil Service Agency
CSOs	Civil Society Organizations
CSMS	Civil Service Management System
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
DCRU	Data Capture and Reconciliation Unit
DBS	Direct Budget Support
DMU	Debt Management Unit
DoB	Department of Budget
DoR	Department of Revenue
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
ERSP	Economic Recovery and
FAD	Fiscal Affairs Department
FY	Fiscal Year
FMM	Financial Management Manual
GAC	General Auditing Commission
GAPS	Government Accounting Payroll System
GDP	Gross Domestic Product
GFSM	Government Finance Statistics Manual
GoL	Government of Liberia

HRM	Human Resource Management
IAS	Internal Audit Secretariat
IAA	Internal Audit Agency
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
INTOSAI	International Organization for Supreme Audit Institutions
IPFMRP	Integrated Public Financial Management Reform Project
IPSAS	International Public Sector Accounting Standards
LBO	Legislative Budget Office
LIBA	Liberian Business Association
LCC	Liberia Chambers of Commerce
LRD	Liberian Dollar
LRA	Liberia Revenue Authority
M&As	Ministries and Agencies
M&E	Monitoring & Evaluation
EPM&FSD	Economic Policy Macroeconomic & Financial Sector Division
MoA	Ministry of Agriculture
MoE	Ministry of Education
MoF	Ministry of Finance
MoHSW	Ministry of Health and Social Welfare
MDTS	Medium Term Debt Strategy
MTEF	Medium-Term Expenditure Framework
NA	Not Applicable
NOCAL	National Oil Company of Liberia
NS	Not Scored
NSA	Non State Actors
NR	Not Rated
PAAC	Public Accounts and Audit Committee
PAN	Personnel Action Notice
PE	Public Enterprise
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMU	Project Financial Management Unit
PFM-PR	Public Financial Management Performance Report
PI	Performance Indicator
PIU	Project Implementation Unit
PMO	Project Management Office

PPCA	Public Procurement and Concessions Act
PPCC	Public Procurement and Concessions Commission
PRS	Poverty Reduction Strategy
PSIP	Public Sector Investment Program
PSU	Payroll Services Unit
RCU	Reform Coordination Unit
RS	Reform Strategy
SDU	Services Delivery Unit
SIGTAS	Standard Integrated Government Tax Administration System
SNG	Sub-national government
SOE	State Owned Enterprise
TAS	Tax Administration System
TSA	Treasury Single Account
TIN	Taxpayer Identification Number
UK	United Kingdom
USAID	United States Agency for International Development
USD	United States Dollar

Fiscal Year in Liberia: 1st of July to June 30th
Currency unit = Liberian dollar
Exchange rate US$1 = 90 Liberian dollars (February, 2016)

Integrated Assessment of PFM Performance

1. Summary

Despite considerable IT-based modernisation of PFM systems, PFM performance progress has been uneven showing weak results in some areas. The establishment of a Treasury Single Account (TSA), an Integrated Financial Management Information System (IFMIS), the Standard Integrated Government Tax Administration System (SIGTAS), the Automated System for Customs Data Administration (ASYCUDA), and the Civil Service Management System (CSMS), alongside considerable amounts of TA from development partners (DPs) together provided a solid basis for strengthening PFM performance. Human resource capacity constraints, power and connectivity problems, financial resource shortfalls, the impact of the Ebola Virus Disease (EVD), frequent in-year budget adjustments and insufficient compliance with expenditure commitment and other non-salary internal controls combined together to slow the pace of reform and to reduce budget credibility . The extent of budget adjustments indicated issues in accurate budget preparation and late approval of the draft budget by the Legislature.

The 2012 PEFA summary assessment expressed the hope that the on-going strengthening of PFM systems would enable the phasing out of cash rationing and the phasing in of an efficient budget execution system that provided for the timely availability of resources to execute the approved budget during the year. This has not happened. Allotments (ceilings on budget releases/approvals to spend) are still issued on a month-to-month basis, M&As not being allowed to commit expenditures that would result in monthly expenditure ceilings being breached. The credibility of the budget remains low, as represented by low scores for PIs 1-2 (aggregate and disaggregated expenditure performance) and significant payment arrears (PI-4). The last mentioned have grown in recent years, partly due to expenditure commitments being entered into outside the commitment control system. Compliance with internal control systems in general remains an issue.

The EVD impacted PFM performance to an extent, but of course this was beyond the control of GoL, thus limiting the comparability of PFM performance at the end of FY 2014/15 with that at the end of FY 2011/12. The budget preparation process for FYs 2014/15 and FY 2015/16 was highly compressed, given the emergency situation, leading to reduced scores for PI-11 than would have otherwise been the case. Budgets were approved several weeks after the end of the fiscal year and then adjusted in response to the unfolding emergency situation. The crisis impacted on domestic revenues (PI-3) due to the impact of EVD on revenue-generating economic activity. Maintenance of aggregate fiscal discipline under such circumstances required expenditure adjustments, impacting negatively on the scores for PI-1 & 2.

GoL in fact managed the revenue and expenditure pressures posed by EVD quite well, the scores for PIs 1-2 comparing favourably with the 2012 PEFA scores under non-emergency circumstances, as discussed below.

2. Summary by core dimension

(i) Budget credibility(PI-1- PI-4)

The scores for PIs 1-3 were higher than those under the 2012 assessment, despite the expenditure and revenue pressures posed by EVD. GoL was under pressure to reallocate resources towards tackling EVD at a time when domestic revenues were under pressure due to the economic contraction brought about by EVD. It achieved this through making substantial cuts in non-essential discretionary recurrent expenditure and allocating a portion of the savings towards fighting EVD under the new Economic Stabilisation and Recovery Program (ESRP). GoL was also able to obtain substantial DP funding for ESRP, which helped to offset substantial shortfalls in direct budget support (DBS), as assessed under D-1. Improvements in revenue forecasting (PI-3) helped to reduce forecasting errors notwithstanding the inherent difficulties in forecasting revenues during an epidemic. This facilitated expenditure programming.

On the downside, payments arrears have been rising in recent years, albeit from a small base and much lower than at the time of the 2012 assessment. Arrears averaged 6.7% of expenditure during FYs 2013/14-2014/15, up from 2.2% of expenditure at the end of FY 2012/13.In a cash-based control environment (i.e. cash-on-delivery), arrears can only occur through capital project contracts, payments certificates being periodically submitted by contractors for payment. This can happen if contracts are signed outside the control of IFMIS, as has been the case, particularly under Ministry of Public Works on an emergency basis, or if allotments are cut after they have been issued due to unexpected financial resource shortfalls. Arrears eventually have to be paid off, at the expense of the delivery of goods and services planned for future budgets.

There is a transparency issue with regard to the measurement of arrears. The official figures for arrears, as presented in the debt reports prepared by Debt Management Unit, only show historical pre-2006 arrears. They do not show arrears to suppliers that arise for the reasons mentioned immediately above. The annual reports of the Auditor General on the consolidated annual financial statements of GoL note that these should be disclosed, as one of the requirements of IPSAS Cash, but that they are not (PI-25).

(ii) Comprehensiveness and transparency (PI-5 to PI-10)

Performance improved for all the five PIs assessed:

PI-5 on budget classification systems*: *Performance improved. A CoFOG-consistent functional classification (PI-5) was introduced in FY 2011/12, enabling an increase in the rating to B from C. A sub-functional classification segment exists in the Chart of Accounts (CoA), but is applied only to some M&As and is not used consistently.

PI-6 on comprehensiveness of information in budget documentation: Performance improved due to seven out of nine budget documentation information benchmarks now being met, an increase from six; the score increases to A from B. The third benchmark on deficit financing and its composition is now included in budget documentation.

PI-7 on the extent of reporting on extra-budgetary operations: *Performance is unchanged, the overall score remaining at D+.* The main unreported operation under dim. (i) remains the expenditure funded by cash advances that are carried forward to the next financial year. The situation has not changed, the score for dim. (i) remaining at B. Reporting on externally financed projects/ programs has improved due more detailed information on disbursements is being provided in budget documentation, notably in the form of Annex 1 in the FY 2015/16 budget and through the annual fiscal outturn reports. Development Partners (DPs) are cooperating well with the Aid Management Unit's (AMU) requests for the routine provision of information. Expenditures are not reported on, however, thus significantly detracting from transparency, as what counts is what is actually spent. The score for dim. (ii) thus remains at D.

Total DP-financed disbursements are as large as GoL's budget and 75% of this consists of off-budget project/program support (the remainder is direct budget support). DP disbursements are reported on, but not the expenditures out of these. The omission of such a large proportion of public expenditure from the scrutiny of the budget preparation process detracts considerably from the comprehensiveness and transparency of the annual budget. As noted under D-2 the linkages between DP-assistance and the GoL budget are minimal (D+), as is the use of country systems by DPs (D score). Some improvement is taking place through the on-going migration of DP-related data contained in the database of MFDP's Project Financial Management Unit (PFMU) to IFMIS, in which case the DP assistance would become on-budget. DP projects handled by PFMU comprise, however, only about 25% of all DP project/program assistance.

PI-8 on the transparency of inter-governmental fiscal relations: This indicator is not yet applicable, as GoL is still in the process of preparing its decentralization program.

PI-9 on the extent of oversight of the financial operations of the 39 state-owned enterprises (SOEs) and autonomous government agencies (AGAs) has improved**.** Annual unaudited accounts for 12 of these (the largest) are now being routinely submitted to the SOE Unit in MFDP; the score increasing to C from D. The submission of audited accounts would be preferable, but the auditing process is several years behind and thus lacks meaning. The SOE Unit prepares an annual report on the 12 SOEs/AGAs that report to it, a summary of which appears as an annex in the annual budget document. Such monitoring is not conducted by the Comptroller and Accountant General (CAG) for the 13 smaller SOEs/AGAs that submit unaudited annual accounts to it. Fourteen SOEs/AGAs, presumed to be even smaller, do not report to MFDP at all.

PI-10:The extent of fiscal information provided to the public has strengthened*, the score increasing to B from C.* The number of available information elements increased to three from two, audited annual financial statements now being provided on a timely basis..

(iii)Policy-based budgeting (PI-11 & PI-12)

PI-11 on budget preparation: The onset of EVD in April 2014 disrupted the budget preparation process, so comparison of performance between the 2016 and 2012 PEFA assessments lacks meaning. The overall score fell to D+ from B. The budget preparation process for FY 2015/16 was highly compressed, and ceilings were provided to M&As only for recurrent expenditure based on the previous budget and without Cabinet's prior approval. But this did not affect the quality of budget preparation, as the requirements for preparing the recurrent budget were easier to meet and did not require prior Cabinet approval of ceilings, these being based on last year's budget. Moreover, capital budgeting was centralised under the Public Sector Investment Plan (PSIP), with direction being provided by Cabinet to Sector Working Groups, thereby also simplifying budget preparation for individual M&As. Centralisation of PSIP in this way has actually made it easier to ensure that capital budgets are policy oriented, consistent with the objectives of ESRP.

Dimension (iii) on the timeliness of budget approval scored D, as in the 2012 assessment, but late approval reflects the procedures of the Legislature rather than the quality of the budget preparation process. Late approval disrupts the budget execution process (PI-27 (ii-iii)), due to the 1/12th budget execution rule, which undermines the link between the projected budget, which is based on policy objectives, and actual expenditure.

Nevertheless, the quality of the budget preparation process may be less than it could be due to deficiencies in costing, both in price and volume terms. Such deficiencies are not well-captured under PI-11, so high scores do not necessarily indicate high quality budgets. Deficiencies may reflect technical capacity constraints and/or a high degree of uncertainty in cost estimation.

PI-12 on the medium term perspective in budgeting: The Medium-Term Expenditure Framework (MTEF) was introduced in FY 2012/13, but is not functioning. The MTEF was not shown in the FY 2014/15 budget and is shown only on an economic classification basis in the FY 2015/16 budget, thus omitting the purpose of expenditure. The EVD rendered a medium term perspective somewhat meaningless. The centralisation of the capital budget through the PSIP under the control of Cabinet means that M&As no longer have a capital budgeting function. DP-funded off-budget projects and programs comprise a large proportion of public expenditure, but, being- off-budget, are not included in the MTEF, thereby also reducing its meaningfulness.

The MTEF is likely to evolve on a sector basis, through the linkage that is being developed through the centralized PSIP through Sector Working Groups (SWGs) that have been established. These have a strategic focus (they are required to prepare annual plans with a strategic focus) and cover both recurrent and capital expenditure. In terms of the PEFA Framework, these developments imply increasing scores in future for PI-12 (iii) and (iv) on costed strategic plans and linkages between capital budgets and implied future recurrent costs.

(iv) Predictability and control in budget execution (PI-13 to PI-21)

(iv. i) Revenue administration, PIs 13-15

PI-13: Transparency of taxpayer obligations and liabilities: *Performance is unchanged (score B+**).*** The main legislative change was the reform of the 2000 Tax Code in 2011 through the Consolidated Tax Amendments Act. This did not reduce the extent of discretion. It attempted to make the incentive system more transparent, but the scope for non-transparent discretion seems significant. The legal status of the Act is unclear. The score for dimension (i) remains at B.

The extent and effectiveness of taxpayer education remains limited, the score for dimension (ii) remaining at C. The Liberia Revenue Authority (established in 2013) is endeavoring to strengthen taxpayer services all over the country, but is handicapped by capacity constraints and high levels of illiteracy. The activities of the Taxpayer Services Unit are not posted on LRA's website, which, moreover, appears not be kept up to date. The Government Gazette, which contains new legislation, is not published in hard copy. The Liberia Chamber of Commerce considers that LRA can do more in terms of tax payer education.

The performance of the tax appeals mechanism, in the form of the Board of Tax Appeals (BoTA) remains unchanged (B rating).It has been operating since 2011 and is fully functional, but some issues hamper its effectiveness: the charging of fees, which deters potential appellants, and the difficulty in reaching agreement with LRA on the final determination of liability.

PI-14:Effectiveness of measures for taxpayer registration and tax assessment:

- Controls in the taxpayer registration system strengthened through the installation of SIGTAS at the time of the 2012 assessment. Most potential taxpayers now have Taxpayer Identification Numbers (TINs). Non-tax revenue is in the process of coming under the scope of SIGTAS. The score for PI-14 (i) increased to B from C.
- The effectiveness of penalties for non-compliance remains unchanged (C score for PI-14 ii), but recent successes in levying and collecting penalties point towards a strengthening trend. .
- Risk-based tax audits continue to take place on the three classes of taxpayer groups, but the main focus continues to be on the large taxpayer group. Capacity constraints hinder expansion of audit effort to cover medium and small taxpayer groups (score unchanged at C).

PI-15: Effectiveness in collection of tax payments.

- PI-15(i) scores D, unchanged from the 2012 PEFA assessment. Data from LRA show that tax arrears represented 21.7% and 26.3% of total tax collections for FY2013/14 and 2014/15 respectively. This proportion has increased significantly from that recorded in the 2014 self-assessment.
- The effectiveness of the transfers of collected revenues to CAG's Account in the Central Bank of Liberia (CBL) remains strong (A rating).
- Reconciliation between taxes assessed and taxes collected has strengthened as a result of the establishment of SIGTAS. This has enabled the timely updating of taxpayer accounts by tax type in response to payments of taxes through the CBL system (score increased to B from C).

(iv.ii) Budget execution, cash and debt management: PIs 16-17

The main improvements have been the increased frequency of updates of cash flow forecasts (PI-16 (i) and easier calculation and consolidation of GoL's cash balances (PI 17 ii) due to the establishment of the TSA. Progress in this area is a necessary but not sufficient condition for efficient budget execution. The uncertainty of the timing of cash inflows (domestic revenues and budget support) combined with frequent in-year adjustments to the budget (still a C score for PI-16 iii), partly due to late approval of budgets (PI-11 iii), results in allotments still having only a 1 month horizon (C rating for PI-16 ii). This means that M&As can only be certain of cash availability to pay for goods and services for delivery for up to one month ahead. Ideally M&As would be able to commit expenditures for payments up to the end of the year, thus facilitating orderly and efficient budget execution.

The TSA covers all M&A accounts held in CBL, representing a large proportion of all GoL-held bank account balances, but bank accounts held by M&As in commercial banks (including DP project accounts) are still outside TSA, contrary to the PFM law of 2009. This is mainly due to the absence of the infrastructure needed to link commercial banks with the Central Bank of Liberia. A consolidated cash management plan is therefore not yet possible and thus the decision making with regard to allotments is not sufficiently informed. The full cash management benefits of a TSA have therefore yet to be realized.

(iv. iii): Internal controls (PIs 18-21)

Payroll controls* (PI-18) *have strengthened considerably since the 2012 assessment through the installation of the IT-based Civil Service Management System (CSMS) in the Civil Service Agency (CSA) in 2014. Personnel data provided by M&As are entered into CSMS, which is electronically linked with the payroll. The payroll for the next month is checked by CSA prior to running it to make sure it is consistent with last month's payroll adjusted for changes. The CSMS does not include military personnel, which constitute about 10% of GoL personnel.

The CSMS is a necessary but not sufficient condition to ensure that everyone who is on the payroll should be on the payroll and is being paid the right amount on time:

- The CSMS itself cannot guarantee the accuracy of the personnel records data entered into it. A separate cleansing exercise has been taking place in M&As led by CSA, through which a large number of 'ghosts' have been identified and removed from CSMS. A related exercise is an ongoing biometric (finger printing) verification project to identify all the government employees that survived cleansing. On the basis this, each verified employee receives a unique identification number. The final product will be an accurate personnel database, changes to which can only be made against this number.
- The processes for making actual changes to the payroll (e.g. appointment of a new employee) are not undertaken through CSMS and tend to be bureaucratic and time consuming (often up to 3 months, resulting in efficiency losses.
- The CSMS does not guarantee that controls in the system are watertight. In principle, the IT-based nature of CSMS should provide for stronger controls relative to a manual system due to the automatic generation of audit trails and less scope for tampering. But the security protocols for entering the system in the first place need to be tight, requiring partly manual processes to make them so. In the case of Liberia, security protocols were breached during the inception of CSMS. The problems caused are still being addressed.

CSA intends to conduct a comprehensive payroll audit, once the payroll cleaning exercise is complete, unique identification numbers handed out, and the replacement security protocols have been fully established.

Procurement (PI-19): *The transparency of public procurement has improved in terms* the publicisation of procurement information (dim. iii). Three of the four procurement information elements are now posted on PPCC's website. Contract awards were posted by PPCC up until FY 2012/13. M&As only rarely publish their contract awards.

At first sight, transparency also it seems to have improved under Dim. (ii) in terms of the justification for using non-competitive procurement methods. The PPCC has approved several requests by M&As

for use of sole sourcing based on emergency circumstance (e.g. heavy rains causing damage to bridges and roads), the rating being A. PPPC approval was similarly provided at the time of the 2012 PEFA assessment, so the D rating provided appears to be wrong and performance is therefore unchanged.

A procurement audit system has not yet been established. This would help to check whether requests for use of sole sourcing are in fact justified. The PPCC is very short-staffed and does not have the capacity to conduct detailed verification checks, instead focusing on the quality of the requests submitted by procuring entities.

Non-salary internal controls: (PI-20):

- Effective commitment control measures exist through IFMIS, which in principle are capable of limiting expenditure commitments to approved allotments (budget releases, which are part of the cash control mechanisms). Some M&As make commitments outside IFMIS, for emergency - related expenditure for example, and possibly leading to payments arrears (definitely during FY 2014/15). MFDP is trying to tighten up on controls, by warning contractors/suppliers against accepting purchase orders not generated by IFMIS*(Score C)*:
- The staff has plenty of information on internal controls (e.g. Financial Management Manual) to help them understand these, including through training. Staff turnover detracts, however, from the usefulness of such information and training*; (Score C);*and
- Compliance with internal controls continues to be an issue, as indicated in the audit reports of the Auditor General *(Score C).*

Internal audit (PI-21): Overall effectiveness improved (score increased to C+ from D+). It has improved in terms of coverage (% expenditure), extent of focus on systemic issues, and distribution of audit reports. Implementation of audit recommendations (dim. iii) has marginally improved as a result of the institutionalisation of the audit tracker system across M&As, but still faces delays. No matter how good performance is under dims. (i) and (ii), this comes to naught if audit recommendations are not quickly implemented.,

(v) Accounting, recording and reporting (PIs-22-25)

PI-22: The timeliness and regularity of accounts reconciliation fell, mainly due to capacity constraints, the score falling to D+ from C. Reconciliation of CAG-managed bank accounts (PI-22 (i)) is completed two months after the end of the month (C score), a decline in performance from the 1 month it took at the time of the 2012 assessment (B score***).*** An unknown number of M&A -held accounts remain outside the reconciliation process as monitored by CAG.

Under PI-22 (ii) transfers to M&As for payment of expenditure are not classified as advances, the use of which should be accounted for and cleared by year-end, outstanding balances then being returned to MFDP. Instead, transfers are classified as expenditures, before the funds are actually used to purchase goods and services. Such transfers are in fact advances and should be regularized as expenditures once their use has been accounted for. Advances for daily subsistence allowance should be acquitted by year-end their use regularized as expenditure. PI-22 (ii) scores D.

The performance in this area impacts on the performance under PI-24 and 25.

PIs 24-25: In-year budget performance reports and annual financial statements. Performance improved, but issues remain. *The timeliness of the preparation of quarterly budget execution reports improved (D to C score) with the help of IFMIS.* The score for the quality of information dimension (iii) of PI-24 remains unchanged at C. Data concerns are not highlighted in the quarterly fiscal outturn reports. Auditor General concerns expressed in the FY 2012/13 annual financial statements include bank account reconciliation challenges (PI-22 i) and non-acquittal of advances to de-concentrated offices of M&As, (wrongly classified as transfers, (PI-22 ii)), both of which affect the quality of annual financial statements (PI-25). MFDP is trying to improve data quality (e.g. introduce IFMIS budget preparation module and further roll out of IFMIS to M&As), but it is too early to assess their effectiveness.

The quality and timeliness of annual financial statements (PI-25) has improved marginally through improved timeliness (dim. ii). Issues remain concerning the completeness of the annual financial statements, the score remaining at C*.* The establishment of IFMIS has helped to improve the quality of the AFS, but some M&As continue not to submit their financial statements for consolidation. Information on off-budget DP-funded project expenditure (third party payments) and domestic payments arrears was not disclosed in the Notes to the statements, though disclosure is required by IPSAS Cash. The most recent report of the Auditor General (for FY 2012/13) remarked on the absence of information on these. The score for dim. (iii) thus remains a C.

***PI-23 on information on resources received by health and education sector service delivery units*:** Performance improved (D to B) due to a Public Expenditure Tracking Study (PETS) prepared in 2013 on the education and health sectors. The Ministry of Health (MoH) already tracked financial resources delivered to health units through county administrations, but not resources delivered in-kind. A Monitoring & Evaluation Unit in MoH conducted this function to an extent but was insufficiently facilitated. The resource distribution system of the Ministry of Education was centralized, so the issue of tracking was not so relevant.

(vi) External scrutiny and audit (PI-26-PI-28)

Performance of the external audit function (PI-26) is unchanged. Compliance with INTOSAI standards improved, but the timeliness of the audit of the annual financial statements has worsened due to capacity constraints, while follow up by the Executive on audit recommendations remains minimal. Coverage remains at about 75% of expenditure. Focus on systemic audit issues has strengthened, despite capacity constraints and the GAC now has greater operational independence through the new Audit Act. The audits of the annual financial statements are taking more than 12 months to prepare following the receipt of the un-audited accounts from CAG. The report on the 2013/14 AFS has not yet been submitted to the Legislature. Internal audit units in M&As are beginning to follow up on the extent of progress in implementing GAC recommendations.

Legislative scrutiny of the draft budget has strengthened due to the inclusion of the MTEF and a list of strategic priorities into the Budget Framework Paper (BFP) for FY 2012/13. Scrutiny of audit reports is strengthening. The PAAC has begun to review audit reports, is conducting hearings and is issuing recommendations to the Executive. As yet, it does not have evidence of implementation of these.

Donor practices (D-1, D-2, D-3) have changed little since the 2012 assessment, scores remaining low. Direct Budget Support (DBS) continues to lack predictability (D rating), thus significantly impacting on the predictability of the budget as whole, as it comprises about 25% of all budgetary financial resources. One reason for low predictability of DBS is disbursement triggers not being met. Withholding DBS because of this disrupts budget execution and goes against the spirit of DBS, which is supposed to be a predictable source of budgetary funding once the draft budget is approved. If triggers have not been met, then DPs and GoL should examine the reasons for this and come to an agreement on the amount of DBS to be provided and the triggers to be met for next FY, prior to the approval of the new budget.

Project/program aid provided by DPs appears to have little linkage with GoL's budget and budget execution systems, and, to all intents and purposes, they appear to be extra-budgetary operations PI-7). They are reported on in disbursement terms but not, more relevantly, in expenditure terms. Large amounts of DP project/program aid provided outside the budget but delivering public services imply that in effect there are two budgets operating almost separately from each other. Planning and providing public goods and services is likely to be far more efficient and effective under a unified budget system. Capacity constraints in M&As may be a reason for DPs to provide goods and services outside GoL's budget, but doing this may make the situation worse by attracting skilled capacity out of GoL and into the DP-funded part of the budget.

3. Impact of strengths and weaknesses on budgetary outcomes

Aggregate fiscal discipline

GoL has generally been quite successful in maintaining aggregate fiscal discipline. This is in a country with a high degree of unpredictability of financial resources and several expenditure pressures, the EVD adding to unpredictability. Success has been helped by strong cash controls on expenditure (PIs 16 ii, 4),strengthening domestic revenue predictability (PI-3) and the program of financial support from IMF under the Extended Credit Facility (ECF) and other DPs. Improving financial monitoring of SOEs by the newly established SOE unit in MFDP also seems to be helping (PI.-9). Low predictability of Direct Budget Support (D-1) has not helped. .

Strategic allocation of resources

Aggregate fiscal discipline provides resource predictability, contributing to a focus on allocative and operational efficiency, but in the short term a focus on macro-economic stabilization may predominate. This is indicated in Liberia by a monthly allotment system for budget execution (PI-16 ii, weak predictability of the availability of funds for the commitment of expenditures), many budget adjustments during the year (PI-16 ii), PI-2, high variance in the composition of expenditure), and lack of costed medium term sector strategies and medium term expenditure frameworks (PI-12). M&As are severely limited in their capacity to plan (and engage) expenditures according to sector priorities. A multi-year perspective to budgeting is difficult when an annual perspective is not yet even in place and, furthermore, about half of public spending falls outside the budget through DP-funded projects and programs (PI-7 ii). .

Efficient service delivery

Weaknesses in-year resource predictability and internal controls both work against operational efficiency in delivering services. Planning for efficient service delivery is constrained if the horizon for planning is short, constrained by funds availability. Internal control weaknesses may lead to inefficient spending, violation of commitment controls (PI-20) leading to goods and services being procured that are not provided for in the budget, 'ghost' workers being paid (the risk of this has lessened due to strengthening of controls), goods and services being procured on non-competitive terms, roads maintenance being neglected, theft of real assets. The internal audit function (PI-21) is not yet developed enough to detect systemic violations of internal controls. Development of this function has been slow in many countries, leading to questions as to whether it has been planned and designed correctly.

Table 1: 2016 PEFA assessment indicator and dimension scores

PFM Performance Indicators		Overall Rating	Scoring Method	Dimensions			
				i	ii	Iii	Iv
A. PFM OUT-TURNS: I. Credibility of the budget							
PI-1	Aggregate expenditure out-turn compared to original approved budget	**C**	M1	C			
PI-2	Composition of expenditure out-turn compared to original approved budget	**D+**	M1	D	A		
PI-3	Aggregate revenue out-turn compared to original approved budget	**B**	M1	B			
PI-4	Stock and monitoring of expenditure payment arrears	**C+**	M1	C	B		
B. KEY CROSS-CUTTING ISSUES: II. Comprehensiveness and Transparency							
PI-5	Classification of the budget	**B**	M1	B			
PI-6	Comprehensiveness of information included in budget documentation	**A**	M1	A			
PI-7	Extent of unreported government operations	**D+**	M1	B	D		
PI-8	Transparency of inter-governmental fiscal relations	**NA**	M2	NA			
PI-9	Oversight of aggregate fiscal risk from other public sector entities	**C**	M1	C	NA		
PI-10	Public access to key fiscal information	**B**	M1	B			
C. BUDGET CYCLE							
III. POLICY-BASED BUDGETING							
PI-11	Orderliness and participation in the annual budget process	**D+**	M2	C	C	D	
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	**C**	M2	C	A	D↑	D↑
IV. PREDICTABILITY AND CONTROL IN BUDGET EXECUTION							
PI-13	Transparency of taxpayer obligations and liabilities	**B**	M2	B	C	B	
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	**B**	M2	B	C▲	B	
PI-15	Effectiveness in collection of tax payments	**D+**	M1	D	A	B	
PI-16	Predictability in the availability of funds for commitment of expenditures	**C+**	M1	B	C	C	
PI-17	Recording and management of cash balances, debt and guarantees	**B+**	M2	B	B	A	
PI-18	Effectiveness of payroll controls	**C+**	M1	B	C	C	C
PI-19	Transparency, competition and complaints mechanisms in procurement	**B+**	M2	B	A	B	B
PI-20	Effectiveness of internal controls for non-salary expenditure	**C+**	M1	B	C	C	
PI-21	Effectiveness of internal audit	**C+**	M1	B	C	C	
V. ACCOUNTING, RECORDING, AND REPORTING							
PI-22	Timeliness and regularity of accounts reconciliation	**D+**	M2	C	D		
PI-23	Availability of information on resources received by service delivery units	**B**	M1	B			
PI-24	Quality and timeliness of in-year budget reports	**C+**	M1	B	C	C	

PFM Performance Indicators		Overall Rating	Scoring Method	Dimensions			
				i	ii	Iii	Iv
PI-25	Quality and timeliness of annual financial statements	**C+**	M1	C	B	C	
VI. EXTERNAL SCRUTINY AND AUDIT							
PI-26	Scope, nature and follow-up of external audit	**D+**	M1	B	D	D	
PI-27	Legislative scrutiny of the annual budget law	**B+**	M1	A	A	A	B
PI-28	Legislative scrutiny of external audit reports	**D+**	M1	D	B	C	
D. DONOR PRACTICES							
D-1	Predictability of Direct Budget Support	**D**	M1	D	D		
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	**D+**	M1	C	D		
D-3	Proportion of aid that is managed by use of national procedures	**D**	M1	D			

Table 2: Overall scores of PIs in 2007, 2012 and 2016 assessments

A. Budget Credibility		2007 Score	2012 Score	2016 Score
PI-1	Aggregate expenditure outturn compared to approved budget	**B**	**D**	**C**
PI-2	Composition of actual expenditure compared to approved budget	**D**	**D+**	**D+**
PI-3	Overall(aggregate)revenue outturn compared to approved budget	**A**	**D**	**B**
PI-4	Stock and monitoring of expenditure payment arrears	**D+**	**B**	**C+**
B.KEYCROSS-CUTTINGISSUES: *Comprehensiveness and transparency*				
PI-5	Budget classification	**C**	**C**	**B**
PI-6	Comprehensiveness of information included in budget documentation	**C**	**B**	**A**
PI-7	Extent of unreported government operations	**D+**	**D+**	**D+**
PI-8	Transparency of intergovernmental fiscal relations	**NA**	**NA**	**NA**
PI-9	Oversight of general fiscal risks by other public sector entities	**D**	**D**	**C**
PI-10	Public access to key fiscal information	**C**	**C**	**B**
C.BUDGETCYCLE				
C(i) Policy-based budgeting				
PI-11	Orderliness and participation in the annual budget process	**B**	**B**	**D+**
PI-12	Multi-yearperspectiveinfiscalplanning,expenditure,policiesandbudgeting	**D+**	**C+**	**C**
C(ii)Predictability and controls over budget execution				
PI-13	Transparency of taxpayer obligations	**C+**	**B**	**B**
PI-14	Effectiveness of taxpayer registration and tax assessment measures	**C**	**B**	**B**
PI-15	Effectiveness in collection of tax payments	**D+**	**D+**	**D+**
PI-16	Predictability of funds available for expenditure commitment	**C+**	**C**	**C+**
PI-17	Recording and management of cash balances, debt and guarantees	**C+**	**B**	**B+**
PI-18	Effectiveness of payroll controls	**D+**	**D+**	**C+**
PI-19	Competition, value for money, and procurement controls	**NA**	**C**	**B+**
PI-20	Effectiveness of internal controls over non-salary expenditure	**C+**	**C+**	**C+**
PI-21	Effectiveness of internal audit	**C**	**D+**	**C+**
C(iii)Accounting, recording, and reporting				
PI-22	Timeliness and orderliness of account reconciliation	**D**	**C**	**D+**
PI-23	Availabilityofinformationonresourcesreceivedbyservicedeliveryunits	**D**	**D**	**B**
PI-24	Quality and timeliness of in-year budget reports.	**C**	**D+**	**C+**
PI-25	Quality and timeliness for annual financial statements	**D**	**D+**	**C+**
C(iv)External controls and audits				
PI-26	Scope and follow-up nature of external audits	**D**	**D+**	**D+**
PI-27	Legislative scrutiny of the annual budget law	**C+**	**C+**	**B+**
PI-28	Review of external audit reports by the legislature	**NR**	**D**	**D+**
D.DONORPRACTICES				
D-1	Predictability of direct budget support	**NR**	**D**	**D**
D-2	Financialinformationprovidedbydonorsforbudgetingandreportingonprojectandprogramaid	**D**	**D+**	**D+**
D-3	Portion of aid that is managed through the use of national procedures	**D**	**D**	**D**

Table 3: Summary of scores and performance changes

A Budget Credibility			
PI-1 (M1): ***Aggregate expenditure performance*** **Justification for 2016 Score**	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
In no more than one of the last three years (FY 2012/13-2014-15) did actual primary expenditure deviate from budgeted expenditure by more than an amount equivalent to 15% of budgeted expenditure.	**D**	**C**	**Performance improved, despite expenditure pressures generated by EVD.** GoL was able to shift resources to ESRP-related spending priorities through cutting non-essential capital and discretionary recurrent expenditure. Positive revenue performance offset shortfalls in budget support to an extent.
PI-2 (M1): ***Composition of expenditure variance*** **Justification for 2016 Score**	**D+**	**D+**	**Overall score unchanged, but performance improvement under (i)**
*(i)*Variance in expenditure composition exceeded 15% in at least two of the last three years	**D**	**D**	***Performance unchanged.*** The variance fell to below 10% in FY 2014/15, but this was not enough to increase the score.
(ii) The average level of expenditures charged directly to the Contingency Reserve Fund Vote has been less than 3% of the original budget.	**A**	**A**	***Performance unchanged.***
PI-3 (M1*):* ***Revenue performance*** **Justification for 2016 Score**			
Actual domestic revenue was between 94% and 112% of budgeted domestic revenue in at least two of the three FYs assessed.	**D**	**B**	**Performance improved,** mainly due to the increasing forecasting capabilities of Economic Policy Macroeconomic & Financial Sector Division, which was new at the time of the 2012 assessment**.**
PI-4 (M1): ***Stock & monitoring of expenditure payment arrears*** **Justification for 2016 Score**	**B**	**C+**	*D score under (i). Comparison not possible, as the 2012 assessment only took historical arrears into account.*
(i) The stock of arrears exceeds 10% of total expenditure	**B**	**C**	*Arrears increased sharply in FY 2014/15, representing payments overdue for work on roads contracts committed by MPW outside the commitment control framework.* *Comparison not possible*. The 2012 assessment scored this on the basis of the historical arrears only.
(ii) Data on the stock of arrears are generated annually, but may not be complete for a few identified expenditure categories or specified budget institutions	**B**	**B**	***Performance unchanged.*** IFMIS does not record arrears to suppliers that arise from M&As making commitments outside IFMIS, but M&As make information available to MFDP.

B Comprehensiveness & Transparency			
PI-5 (M1): Budget classification **Justification for 2016 Score**	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
The budget formulation and execution is based on administrative, economic and functional classification using GFS/COFOG standards.	C	B	**Performance improved,** due to the introduction of a CoFOG-consistent functional classification in FY 2011/12.A COFOG consistent sub-functional classification is possible in principle but has not yet been developed..
PI-6 (M1): Comprehensiveness of information included in budget documentation **Justification for 2016 Score**	B	A	
Recent budget documentation fulfils seven of the nine required information benchmarks	B	A	**Performance improved,** due to an additional information benchmark being met
PI-7 (M1): Extent of un-reported extra-budgetary operations. ***Justification for 2016 Score***	D+	D+	**Overall performance unchanged.**
(i) The level of unreported extra-budgetary expenditure (other than donor funded projects) constitutes 1–5 % of total expenditure	B	B	***Performance unchanged.*** The sources and intent of unreported revenue/expenditure remain much the same. It was not possible to precisely establish the amounts of off-budget expenditure funded by cash advances carried forward, but controls on advances have strengthened. Most carry forwards represent daily substance allowances, but the amounts would not be more than 1% of total expenditure even if all DSA advances were carried forward.
(ii) Complete income/expenditure information is included in fiscal reports for all loan financed projects and at least 50% (by value) of grant financed projects	D	D	***Performance unchanged.*** Information on DP-financed project disbursements has improved considerably, as shown in the annual AMU (established in 2012) and fiscal outturn reports. Information is still limited to disbursements, rather than expenditure, as required for a higher score.
PI-8 (M2): Transparency of inter-governmental fiscal relationships	NA	NA	**Liberia does not yet have sub-national governments. GoL has a decentralization strategy that it is planning to implement.**
PI-9 (M1): Oversight of fiscal risk from other public sector entities ***Justification for 2016 score***	D	C	
(i) *Most major AGAs/PEs submits fiscal reports to central governments at least annually, but a consolidated overview is missing or significantly incomplete.*	D	C	***Performance improved*. 12 out of the 39 SOEs/AGAs in Liberia are now** submitting unaudited annual accounts to the SOE Unit in MFDP, which prepares an annual report on their financial operations. 13 SOEs report to CAG in MFDP, which does not monitor their financial health. 14 smaller SOEs/AGAs do not report at all to MFDP. Audits of annual accounts are several

			years behind.
(ii) Oversight of local governments	**NA**	**NA**	**No local governments in Liberia.**
PI-10: Access to key fiscal information ***Justification for 2016 Score***	**C**	**B**	
The government makes available to the public 3 of the 6 listed types of information	**C**	**B**	**Performance strengthened, the number of information elements increasing to three from two through t**he timely availability of audited annual financial statements. A Public Expenditure Tracking Study (PETS) ETS was undertaken in 2013 for the health and education sectors. This was publicized, but it was a one-time exercise, and does not represent annual monitoring and publicisation.
C: Budget Cycle: C(i) Policy- Based Budgeting			
PI-11 (M2): Annual budget preparation Justification for 2016 Score	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justification for 2016 score	**B**	**D+**	**Assessment of performance change is not meaningful, due to the very different conditions under which the FY 2011/12 and FY 2015/16 budgets were prepared.**
(i) An annual budget calendar exists, but substantial delays may be experienced in its implementation, and allows MDAs very little time to complete the detailed estimates.	**B**	**C**	**In terms of the scoring criterion, performance fell mainly because the EVD resulted in sharp compression of the budget preparation process.** But the time needed to prepare the budget also fell due to the focus of the BCC being to prepare the recurrent budget only on the basis of the previous year's budget. **In any case,** M&As are no longer required to prepare capital budgets, these being centralized through PSIP, which directs SWGs.
(ii)A BCC circular is issued to M&As, including ceilings for each administrative unit. The budget estimates are reviewed and approved by Cabinet only after they have been completed by MDAs.	**A**	**C**	**Performance fell** in terms of strictly meeting the requirements of the PEFA Framework. Cabinet did not review proposed ceilings until after the BCC was issued), but the quality of budget preparation did not decline, the ceilings being based on the previous year's budget..
(iii) The budget has been approved with more than two months delay in two of the last three years	**D**	**D**	**Score unchanged. Performance fell, however,** as the budget at the time of the 2012 assessment was approved before the end of the FY in at least one of the three years and the delays were shorter, The last two budgets were approved 4 and 5 months into the new FY.
PI-12 (M2): Multi-year perspective on budgeting	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**

Justification for 2016 score	**C+**	**C**	**Overall performance unchanged. Strengthening is taking place under dims. (iii) and (iv), but not by enough to increase scores. .** The overall score should have been C in the 2012 assessment.
(i) Forecasts of fiscal aggregates (on a broad economic classification basis) are prepared for at least two years on a rolling annual basis.	**C**	**C**	***Performance unchanged***. The MTFF continues to be prepared on a 3 year rolling basis, but the MTEF contained in the 2015/16 BFP shows projections on an economic classification basis only, This limits its usefulness, as the purpose of expenditure is not shown.
(ii) DSA for external and domestic debt is undertaken annually.	**A**	**A**	***Performance unchanged***. A DSA covering both external and domestic debt has been conducted annually over the last three years by the staff of the IMF and /or the World Bank, generally with GoL's concurrence.
(iii) Sector strategies may have been prepared for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure	**C**	**D**	**Performance unchanged in terms of scores, but is strengthening,** through the centralisation of PSIP, strengthening of its linkage with SWGs and the requirement specified in the BCC for M&As to prepare annual strategic plans. The score should have been D in the 2012 assessment.
(iv)Budgeting for investment and recurrent expenditures are separate processes with no recurrent cost estimates being prepared.	**D**	**D▲**	***Performance unchanged.* Strengthening of linkages is taking place due to** the establishment of MFDP, the centralization of PSIP under Cabinet, and the role of SWGs in the annual budget preparation process. This is not sufficient for raising the score, as forward budget estimates are not yet being prepared.
C (ii): Predictability and control in budget execution: PIs 13-15 on revenue administration			
PI-13 (M2): Transparency of taxpayer obligations & liabilities	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justifications for 2016 Score	**B**	**B**	**Overall performance unchanged**.
(i) Legislation and procedures for most major taxes are comprehensive and clear, with fairly limited discretionary powers of the government entities involved.	**B**	**B**	***Performance unchanged.*** . The main change has been the reform of the 2000 Revenue Code, but this has not reduced the extent of discretion. The incentive system contained in Section 16 of the revised Revenue Code seems to contain scope for non-transparent discretion.
(ii) Taxpayers have access to some information on liabilities and procedures, Its usefulness is limited by only partial coverage and not being kept up-to-date.	**C**	**C**	***Performance unchanged.*** LRA is endeavouring to strengthen access, but faces capacity constraints. The Liberia Chamber of Commerce considers that LRA can do a better job.

(iii)A tax appeals system of transparent administrative procedures is completely set up and functional. Some issues relating to access, efficiency, and fairness need to be addressed.	B	B	***Performance unchanged*****.** Some transparency and fairness issues have yet to be resolved**.**
PI-14 (M2): Effectiveness of measures for taxpayer registration and tax assessment	**Score 2012 PEFA**	**Score 2016 PEFA**	
Justifications for 2016 Score	**B**	**B**	***Overall performance improved under (ii)***
(i) Taxpayers are registered in a complete database system with some linkages to other relevant government registration systems and financial sector regulations.	B	B	***Performance has improved,*** through the bulk of potential taxpayers now being captured in SIGTAS and issued TINs. The score in the 2012 assessment should have been C, as SIGTAS had not yet been installed
(ii)Penalties for non-compliance generally exist, but substantial changes to their structure and administration are needed for them to have real impact.	C	C▲	***Performance unchanged.*** Penalties for non-compliance are clearly spelled out in the *Consolidated Tax Amendments Act* of 2011. There has been a number of recent successes in enforcing penalties for non-compliance but not by enough to warrant a change in score
(iii)Tax audits and fraud investigations are managed a ccording to an audit plan, with clear risk assessment criteria for audits in at least one major tax area.	B	B	***Performance unchanged*****.** Risk-based audits continue to focus mainly on large taxpayer groups only.
PI-15 (M1): Effectiveness in collection of tax payments	**2012 PEFA Score**	**2016 PEFA Score**	
Justifications for 2016 Score	**D+**	**D+**	**Performance unchanged**
(i)*The debt collection ratio in the most recent year was below 60% and the total amount of tax arrears is significant (i.e. more than 2% of total annual collections*	D	D	***Performance unchanged***. The stock of tax arrears constituted 21.7% and 26.3% of total tax revenue in 2013/14 and 2014/15 respectively. The proportion seems to have increased significantly from that noted in the 2014 self-assessment.
(ii)*All tax revenue is paid directly into accounts controlled by the Treasury*	A	A	***Performance unchanged.***
(iii)*Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury takes place at least quarterly within six weeks of end of quarter*	B	B	***Performance strengthened*** through the establishment of SIGTAS, which has enabled timely updating of taxpayer accounts by tax type in response to payments of taxes through the CBL system. The score in the 2012 assessment appears to have been too high.
C (ii): Predictability and control in budget execution: PIs 16-17 on budget execution			
PI-16 (M1) Predictability in the availability of funds for commitment of expenditures	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justification for 2016 Score	**C**	**C+**	Overall performance strengthened through (i)

(i) A cash flow forecast is prepared for the fiscal year and updated at least quarterly, on the basis of actual cash inflows and outflows	**C**	**B**	***Performance strengthened,*** due to consolidated annual cash flow plans being updated quarterly on the basis of actual cash inflows and outflows. At the time of the 2012 PEFA assessment, updating tended to be partial, infrequent and non-systematic.
(ii). M&As are provided reliable information on resources available for commitment for 1-2 months in advance	**C**	**C**	***Performance unchanged.*** Allotments (commitment ceilings) continue to be issued only on a monthly basis indicating uncertainty about cash availability more than a month ahead
(iii) Significant in-year budget adjustments are frequent, but undertaken with some transparency	**C**	**C**	***Performance unchanged***. Inter-ministerial budget reallocations are frequent but with some level of transparency. In FY2014/15 they amounted to 18.1% of approved national budget
PI-17 **Recording and management of cash balances, debt and guarantees**	**Score 2012 PEFA**	**Score 2016 PEFA**	
Justification for 2016 Score	**B**	**B+**	**Overall performance improved under (ii)**
(i) Domestic and foreign debt records are complete, updated and reconciled quarterly. Some minor reconciliation problems occur. Management and statistical reports are produced at least annually	**B**	**B**	***Score unchanged, but performance improved due to the sharing of information between*** DMU, CBL and IFMIS now being regular
(ii) Most cash balances calculated and consolidated at least weekly, but some extra-budgetary funds remain outside the arrangement.	**C**	**B**	***Performance improved***, due to the establishment of a functional TSA that covers all CAG-managed bank accounts held at CBL However, Section 34 of the PFM Act requiring a TSA covering all GoL-held accounts is still being violated. Bank accounts held by M&As, including donor project accounts, remain outside the TSA and thus the daily cash consolidation system.
(iii) Central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by a single responsible government entity	**A**	**A**	***Performance unchanged.*** The Minister of Finance is the sole official with the authority to contract loans and issue guarantees on behalf of government. Contracting of debt and issuance of guarantees are made against transparent criteria
C (ii): Predictability and control in budget execution: PIs 18-21, internal controls & audit			
PI-18 (M1): Payroll controls	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justifications for 2016 scores	**D+**	**C+**	**Performance improved under (i).**
(i) Personnel & payroll data are directly linked through CSMS for 90% of the payroll. This is supported by documentation of all changes made to	**D**	**B**	***Performance improved*** due to the introduction of the CSMS which has electronically linked personnel and payroll records of non-military civil servants. The

personnel records each month and checked against the previous month's payroll			military payroll and database are not covered by CSMS, thus limiting the overall score to B.
(ii).Uptothreemonthsdelayoccursinprocessingchangestopersonnelrecordsand payroll for a large part of changes, which leads to frequent retroactive adjustments	**C**	**C**	***Performance unchanged.*** In principle, changes to personnel records requested by M&As culminating in the issue of Personnel Action Notices (PAN) by CSA should be processed by the next payroll. Capacity constraints and slow bureaucratic processes cause the process to take up to 3 months.
(iii) Controls exist, but are not adequate to ensure full integrity of data.	**C**	**C**	***Performance unchanged.*** Establishment of CSMS was supposed to strengthen internal controls, but this didn't happen due to a breach of security protocol**. A new** security policy came into effect in 2015, but it is too early to assess its effectiveness.
(iv)Partial payroll audits/staff surveys have been undertaken within the last 3 years.	**C**	**C**	***Performance unchanged.*** The biometric finger printing exercise was already underway at the time of the 2012 assessment. Along with the payroll cleansing exercise, this will enable a comprehensive payroll audit.
PI-19 (M2): Transparency, competition and complaints mechanisms in procurement	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justifications for 2016 scores	**C**	**B+**	**Performance improved under (iii)**
(i) The legal framework meets five of the six listed requirements	**B**	**B**	***Performance unchanged.*** The third criterion (procurement framework applies to all use of government funds) is not met. Criterion 3 in the 2012 assessment should have been assessed 'No', while Criterion 5 should have been assessed 'Yes'..
(ii). When contracts are awarded by methods other than open competition, they are justified in accordance with the legal requirements.	**D**	**A**	***Extent of improvement unclear.*** . In all cases, there was justification by the procuring entity and approval by (PPCC) for the use of procurement methods other than the open competitive method. This was also the case In 2012, however, the D rating therefore appearing to be too low
(iii) At least three of the key procurement information elements are complete and reliable for government units representing 75% of procurement operations (by value) and quickly made available to the public.	**D**	**B**	***Performance improved.*** Procurement plans, representing more than 90% of procurement value, bidding opportunities, and resolution of procurement complaints are posted on PPCC's website. Contract awards have not been published since 2012/13
(iv) The procurement complaints system (CARP) meets 6 of the 7 listed criteria.	**B**	**B**	***Performance unchanged****. The 6th criterion is not met ("Issues decisions within the timeframe specified in the regulations").*
PI-20 (M1) Effectiveness of internal controls for non-salary expenditure	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justifications for 2016 scores	**C+**	**C+**	***Overall performance unchanged***
(i) Expenditure commitment controls are in place and effectively limit commitments to actual cash availability	**B**	**B**	***Performance unchanged.*** Effective commitment control measures exist through IFMIS, which are capable of limiting

and approved budget allocations for most types of expenditure.			expenditure commitments to approved allotments (budget releases, that provide M&As with authority to spend up to the amount of the release). Nonetheless some exceptions exist, for example, emergency - related expenditure..
(ii)Other internal control rules and procedures cover the processing and recording of transactions, which are understood by those directly involved in their application. Some rules and procedures may be excessive, while some controls maybe deficient.	C	C	***Performance unchanged, despite the advent of IFMIS.*** Internal control laws, regulations and the FMM are comprehensive and simple to understand. Nevertheless, implementation of IFMIS has required extensive training, while high staff turnover has been a major challenge.
(iii) Rules are complied with in a significant majority of transactions, but use of simplified/emergency procedures in unjustified situations is an important concern.	C	C	***Performance unchanged.*** Compliance with financial regulations appears to be improving but issues still arise, as raised in the Auditor General's reports (e.g. use of emergency procedures for procurement).
PI-21 (M1): Effectiveness of internal audit.	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justifications for 2016 score	**D+**	**C+**	***Performance improved under (i) and (ii)***
(i) Internal audit is operational for the majority of central government entities(in terms of expenditure),and substantially meet professional standards. It is focused on systemic issues (at least 50% of staff time	C	B	***Performance improved***. Internal audit is functional at 37 M&As representing 77% of total government expenditure. It generally meets IA standards. About half of internal audit staff time is used on systems, using a risk-based approach.
(ii) Reports are issued regularly for most government entities, but may not be submitted to the ministry of finance and the SAI.	D	C	***Performance improved.*** M&As prepare quarterly internal audit reports, which are sent to the IAA for quality review after which the final report(s) is submitted to the head of the audited agency. At present GAC and MFDP do not receive copies
(iii) A fair degree of action taken by many managers on major issues but often with delay	C	C	***Performance unchanged.*** Implementation of audit recommendations has marginally improved as a result of the institutionalisation of the audit tracker system across M&As. Delays are however still encountered
C (iii): Accounting, Recording and Reporting			
PI-22 (M2): Timeliness and regularity of accounts reconciliation	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justification for 2016 score	C	D+	
(i) Bank reconciliation for all Treasury managed bank accounts take place quarterly, usually within 8 weeks of end of quarter.	B	C	***Performance fell in terms of timeliness, mainly due to capacity constraints*** causing delays in reconciling CAG-managed bank accounts. An unknown number of M&A -held accounts remain outside the reconciliation process
(ii) Reconciliation and clearance of suspense accounts and advances take place either annually with more than two months" delay, OR less frequently	D	D	***Performance unchanged***. GoL does not maintain suspense accounts. Petty cash advance is acquitted quarterly while transfers to M&As for payment of expenditure are not

			fully acquitted at the end of the fiscal year as they are treated as expenditures and not advances to be cleared later against proof that the money was properly spent. . Advances for daily subsistence allowance tend also not to be acquitted at year-end, outstanding balances tending to be carried forward to the following year and non-transparently spent (see PI-7).
PI-23 (M1): **Availability of information on resources received by service delivery units**	**Score 2012 PEFA**	**Score 2016 PEFA**	
Justification for 2016 Score	**D**	**B**	**Performance improved**
(i)Special surveys undertaken within the last 3 years have demonstrated the level of resources received in cash and in-kind by both primary schools and primary health clinics across most of the country (including by representative sampling).	**D**	**B**	***Performance improved due to a Public Expenditure Tracking Study (PETS) prepared in 2013 on the education and health sectors.*** MoHSW continues to use Accpac to track financial resources received by health clinics from county health authorities. It has an M&E unit that tracks physical resources received. It does not prepare service delivery annual reports. MoE does not have a similar system as it delivers supplies directly to schools. A Public Expenditure Tracking Survey (PETS) was conducted on the health and education sectors during 2013
PI-24 (M1): Quality and timeliness of in-year budget reports	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justifications for 2016 scores	**D+**	**C+**	***Overall performance improved through dim. (ii)***
(i) Classification allows comparison to budget but only with some aggregation. Expenditure is covered at both commitment and payment stages.	**B**	**B**	***Performance unchanged***. Quarterly fiscal outturn reports are comparable with approved budget estimates at sectoral and economic classification level, but with some degree of aggregation. Expenditure is captured at both allotment (commitment) and payment stages.
(ii) Reports are prepared quarterly (possibly excluding first quarter), and issued within 8 weeks of end of quarter.	**D**	**C**	***Performance improved due to the use of IFMIS for generating reports in place of them being compiled by different departments in MoF.***
(iii) There are some concerns about the accuracy of information, which may not always be highlighted in the reports, but this does not fundamentally undermine their basic usefulness	**C**	**C**	***Performance unchanged.*** Data concerns are not highlighted in the quarterly fiscal outturn reports. The Auditor General concerns include reconciliation challenges, non-acquittal of advances (wrongly classified as transfers) to M&As. MFDP is trying to improve data quality (e.g. introduce IFMIS budget preparation

			module, further roll out of IFMIS to M&As) but it is too early to assess their effectiveness.
PI-25 (M1): Quality and timeliness of annual financial statements (AFS)	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justification for 2016 Score	**D+**	**C+**	**Overall performance improved through all dimensions**
(i) A consolidated government statement is prepared annually. Information On revenue, expenditure and bank account balances may not always be complete ,but the omissions are not significant	**C**	**C**	***Performance improved but not by enough to change the score.*** The establishment of IFMIS has helped to improve the quality of the AFS. However, some M&As did not submit their financial statements for consolidation. Information on donor projects and end of year outstanding debt was not complete.
ii) The consolidated government statementissubmittedforexternalaudit within10 months of the end of the fiscal year	**C**	**B**	***Performance improved.*** The consolidated financial statements for FY 2014/15 were submitted for external audit 7 months after the end of the fiscal year (in January 2016). .
(iii) Statements are presented in consistent format over time with some disclosure of accounting standards.	**C**	**C**	***Performance unchanged.*** The Government adopted IPSAS Cash Basis in 2009 and most, but not all, M&As have been using it to prepare their annual financial statements. The mandatory disclosure of notes to the financial statements is still not met, as externally funded projects and domestic payments arrears are not yet fully captured.
C (iv) External Scrutiny and Audit.			
PI-26 (M1): Scope, nature and follow-up of external audit	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justification for 2016 Score	**D+**	**D+**	
(i) Central government entities representing at least 75% of total expenditure are audited annually. A wide range of financial audits are performed and generally adheres to auditing standards, focusing on significant and systemic issues.	**C**	**B**	***Performance improved due to*** *increased compliance with INTOSAI standards:* increased independence of GAC following new Audit Act, and greater focus on systemic audit issues, despite capacity constraints**.**
(ii). Audited financial statements are submitted to the legislature more than 12 months from their receipt by GAC from GoL.	**C**	**D**	***Performance fell, mainly due to capacity constraints.*** GAC audit reports on the annual financial statements for FY 2011/12 and FY 2012/13 were submitted to the Legislature more than 12 months after the receipt of the annual financial statements from GoL. As of February 2016, the consolidated financial statements for FY2013/2014 were still being audited, 13 months after their submission.

(iii)There is little evidence of response or follow up.	D	D▲	***Performance unchanged***. There is little evidence of executive follow up on audit recommendations. Internal audit units are beginning to follow up on the implementation of CAG recommendations.
PI-27 (M1): Legislative scrutiny of the annual budget law	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justification for 2016 score	**C+**	**B+**	***Overall performance improved under dims. (i) & (ii)***
(i) The legislature's review covers fiscal policies, the medium term fiscal framework and medium term priorities as well as details of expenditure and revenue	**B**	**A**	***Performance improved* due to an improvement in the quality of the BFP. T**he FY 2010/11 BFP did not include an analysis of the MTFF and did not outline medium-term priorities. The MTEF was introduced in FY 2012/13.
(ii).The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees.	**C**	**A**	***Performance unchanged.*** The 2012 Assessment considered the rules as not well respected, due to the late approval of the budget, but this was already assessed under PI-11(iii).
(iii)The legislature has at least two months to review the budget proposals	**A**	**A**	***Performance unchanged.*** As per the law, the Legislature had at least two months to review the budget
(iv) Clear rules exist for in-year budget amendments by the executive, and are usually respected, but they allow extensive administrative reallocations.	**B**	**B**	***Performance unchanged***
PI-28 (M1): Legislative scrutiny of external audit reports	**Score 2012 PEFA**	**Score 2016 PEFA**	
Justification for 2016 Score	**D**	**D+**	**Performance improved under dims. (ii) & (iii)**
(i) Examination of audit reports by the legislature is taking more than 12 months to complete.	**D**	**D**	***Score unchanged, but PAAC has started to review audit reports.*** Reviews of the GAC reports on the AFS FY 2011/12 and FY 2012/13, received on March 7 2014 have not yet been completed
(ii) Hearings take place with the audited entities as a routine, but may cover only some of the entities, which received a qualified or adverse audit opinion.	**D**	**B**	***Performance improved*** due to the Legislature now holding extensive hearings on audit findings. Public hearings were held for 15 audit reports, since published. Hearings on a further 20 reports are on-going.
iii) Actions are recommended, but are rarely acted upon by the executive.	**D**	**C**	***Performance improved.*** The Legislature has submitted two reports to the Executive that contain recommendations

			for implementation of measures based on the findings of 15 audit reports. So far, no demonstrable action has been taken.
D. DONOR PRACTICES			
D-1 (M1):Predictability of Direct Budget Support	**Score 2012 PEFA**	**Score 2016 PEFA**	**Assessment**
Justification for 2016 Score	**D**	**D**	**Overall performance unchanged.**
(i) Budget support disbursement fell short of budgeted amounts by more than 15% in the last two of the recent 3 fiscal years.	**D**	**D**	***Performance unchanged.***
(ii) Donors do not provide quarterly estimates on DBS	**D**	**D**	***Performance unchanged.***
D-2 (M1): Financial information provided by donors for budgeting and reporting on project and program aid.	**Score 2012 PEFA**	**Score 2012 PEFA**	**Assessment**
Justification for 2016 score	**D+**	**D+**	***Overall performance unchanged***
(i) DPs provide estimates of disbursement of project aid for the government's coming FY at least 3 months prior to its start. Estimates may use economic classification different from government's.	**C**	**C**	***Performance unchanged.*** About 80% of donors provided timely estimates of aid, but not in a format consistent with the Government's budget classification for the preparation of the FY 2014/15 budget.
*ii)*DPs *do not provide quarterly disbursement reports within 2 months of end-of-quarter for at least 50% of the project estimates in the budget*	**D**	**D**	***Performance unchanged.*** About 90% of donors in FY2014/15 provided information on disbursement but not on a quarterly basis.
D-3 (M1): Proportion of aid that is managed using national procedures			
Justification for 2016 Score	**D**	**D**	**Assessment**
Less than 50% of aid funds to central government are managed through national procedures	**D**	**D**	***Performance unchanged***. About 30% of aid funds to GoL in FY 2014/15 were managed through national procedures.

1. Introduction

1.1. Objective

The purpose of this assessment is to assess PFM system performance at the time of this assessment and to assess changes in performance since the 2012 PEFA assessment. The assessment will be used to help inform any changes that need to be made in the PFM Reform Strategy, itself informing the preparation of the second Integrated Public Finance Management Reform Project (IPFMRP), the first one coming to an end in 2016,

1.2. Process of conducting the PEFA assessment

The PFM Reform Co-ordinating (Unit) (RCU) in Ministry of Finance and Development Planning (MFDP) is in charge of overseeing the repeat PEFA assessment**.** It contracted a consulting company (AECOM) to mobilize a team of consultants, which was done during the last quarter of 2015. The team comprises Peter Fairman (team leader), Elena Morachiello (external consultant), Charles Hegbor (external consultant) and Arthur Fumbah (Liberian national).

The assessment was financed by the multi-donor funded Integrated Public Finance Management Reform Project (IPFMRP). This was approved by the World Bank Board in early 2012 and has a five year duration.

As required by the ToR (prepared by RCU), the team leader prepared an inception report in late December/early January for submission to the RCU. The report was finalized after some minor changes just prior to the field work, which was conducted during January 17-27 2016.

The inception report noted that the TOR did not say anything about the Quality Checks mechanism. It turned out that RCU had not submitted the draft TOR to the PEFA Secretariat for its review, such review being required as one of the steps needed to obtain the 'PEFA Check'. The team therefore recommended that the RCU request the PEFA Secretariat to review the TOR. The RCU made this request, the Secretariat submitting its comments to RCU on 20th January. The Secretariat recommended that RCU should specify which DPs would review the draft report, the DPs presumably being part of the Donor Reference Group. As noted below, this is what happened, though only SIDA submitted comments

The team met several M&As in Monrovia during its visit, which took place over 2 weeks during January 18-30. Apart from the various relevant departments in MFDP (Budget, Comptroller and Accountant General, Macro Fiscal Analysis Unit, Revenue Forecasting Unit, Debt Management Unit, Cash Management Unit, State Owned Enterprise Unit, IFMIS, Accounting Services Unit, Debt Management Unit, Aid Management Unit), the team met the General Audit Commission (GAC), the Liberia Revenue Authority, the Public Procurement and Concessions Committee (PPCC), the Internal Audit Agency, the Civil Service Agency (CSA), the Ministries of Education, Health and Public Works, the Public Accounts and Audit Committee (PAAC) Secretariat in the Legislature, the Liberia Budget Office, and the Liberia Chamber of Commerce. Initial findings were orally submitted to senior management in MFDP on January 28.

Some Development Partners were met by the team on January 28 (African Development Bank, World Bank, SIDA). These are members of the PFM Donor Group in Liberia, which also includes USAID, EU, JICA and UNDP.

- Preparation of the full first draft report took place mainly at home base. The report was submitted to AECOM on March 16th 2016, which submitted the report to RCU on March 17th. The team received comments on May 9th. The comments were in two sets: (i) PEFA Secretariat, and (ii) a consolidated table of comments from stakeholders: MFDP, CSA), PPCC), GAC and SIDA. Responses to these comments were sent to AECOM on May 24th. The PEFA Secretariat submitted its response on

28th May. It accepted most of the adjustments made by the team, with only minor final adjustments required. These were made, the final draft being submitted to MFDP on 16th June, This was discussed in the form of a Power-point presentation at a workshop held in MFDP on June 29th . Participants (numbering 25) were from MFPD, LRA, IAA, Parliament (PAAC & LBO), GAC, PPCC & CSA. Development partners were not invited. The workshop lasted 90 minutes. The participants considered that the assessment was very good and that the assessment team had done a thorough job. The report would inform the preparation of the next PFM reform strategy.

The Government prepared its first self-assessment during 2013/14. This was not completed due to the onset of the Ebola virus in April 2014. The RCU therefore decided that the 2016 repeat assessment should be compared with the 2012 PEFA assessment, as resurrecting the 2014 self-assessment would be logistically difficult, given the number of people involved and the 2 years that had since elapsed. Nevertheless, the RCU agreed with the team leader's proposal (mentioned in the Inception Report) to use the self-assessment as a valuable source of information and to refer to it in the 2016 report, where relevant. The team considers that the self-assessment is well prepared and of high quality, the Fiscal Affairs Department of IMF providing technical assistance to the self-assessment teams.

1.3. Scope of the assessment

Liberia has no sub-national governments so the scope of the assessment was limited to the PFM systems of the Ministries and Agencies (M&As of the Central Government. The Assessment only examined Public Enterprises and AGAs, only insofar as they pose a fiscal risk to the CG budget. Currently it is not possible to assess the proportion of the public expenditure of Public Enterprises and AGAs to total public expenditure, including that of the Central Government.

The assessment covers the three most recent fiscal years 2012/13-2014/15.

2. Country background

2.1. Country economic situation

Liberia is a low-income country with a per capita income of about US$ 445[1] in FY2015/16. The country is a multi-party West African Anglophone country with an estimated population of 4.4 million[2] and population growth of 2.4%. The Ebola outbreak in 2014 caused real GDP growth to fall sharply to 0.7% in 2014, much lower than the pre-Ebola projection of 5%.The pre-Ebola GDP growth projection for 2015 was revised downwards to 0.3% from 6.8%. Consumer price inflation is projected to fall to 6.6%[3]in FY2015/16 from 7.7% a year earlier
The 2015 transparency international corruption perception index ranked Liberia 83rd ahead of Cote d'Ivoire (107th), Sierra Leone (119th), and Guinea (139th). Nevertheless, citizens consider that corruption is increasing at an alarming rate. The country is also ranked 177th out of 188 countries surveyed in the UNDP Human Development Index (HDI), with a score of 0.43 in 2014, which puts it in the low human development category. Liberia's HDI ranking is slightly ahead of Sierra Leone (181st), Guinea (182nd) but behind Cote d'Ivoire (172nd).

Liberia scores 38 out of 100 in the 2015 open budget index (OBI) survey; this is far behind Sierra Leone (52 out of 100). The country publishes a citizens' budget but this is rather too voluminous and sophisticated for ordinary public consumption.

Central government's key economic indicators for the last three completed fiscal years 2012/13-2014/15 are summarised in Table 2.1. GDP growth is projected to have fallen sharply due to the impact of Ebola. Domestic revenue is projected to have fallen sharply in terms of GDP due to the increased difficulties in collecting revenues outside the Monrovia area, but this was largely offset by a sharp increase in external grant funding. Public debt is projected to have increased to 37.4% of GDP in 2014/15, but this is mainly attributable to ECF-related borrowing, the conditions of which include a financial program aimed at maintaining/strengthening macro-fiscal stability. Section F.2(4) of the PFM Regulations (2009) sets a debt limit of 60% of GDP, so current debt levels are well under the threshold. Import cover averages 2.5 months.

Table 4: Liberia key economic indicators

US$ mlns. unless otherwise shown	2012/13	2013/14	2014/15
Population (millions)	4.08	4.19	NA
Nominal GDP	1962	2013	2053
GDP per capita (US$)	480.9	480.4	NA
Real GDP growth (%)	8.7	0.7	-0.3
CPI (annual average) (%)	7.6	9.9	7.8
CPI (end of period) (%)	8.5	7.7	8.0
Domestic revenue (% GDP)	25.9	23.4	21.3
Grants (% GDP)	2.4	1.8	2.9
Total expenditure & net lending (% GDP)	27.9	25.1	29.1

[2] World Development Indicators 2014 report
[3]Budget Framework Paper 2014/2015

US$ mlns. unless otherwise shown	2012/13	2013/14	2014/15
Overall balance (% GDP_	0.47%	0.11	-4.9
Gross government debt (% GDP)	27.2	28.1	37.4
Domestic	16.7	14.9	14.5
External	10.5	13.2	22.9
Current account balanceexcl. grants (% GDP))	-77.5	-94.0	-86.5
Current account balance incl. grants (% GDP)	-28.2	-31.4	-39.2
Gross official reserves	393	411	438
In months of imports	2.4	2.5	2.7

Source: IMF Fourth Review of Extended Credit Facility, January 2016

Overall government reform programme

The Agenda for Transformation (*AfT*) is the current medium term development strategy of the Government of Liberia spanning 2012-2017; this succeeds the 6-year Lift Liberia Poverty Reduction Strategy (PRS), which ended in 2012. The *AfT* dovetails with the national long-term vision 2030 known as Liberia RISING 2030, the vision being of Liberia becoming a middle-income country by 2030. The AfT has five pillars, namely (i) Peace Justice Security & Rule of Law; (ii) Economic Transformation; (iii) Human Development; (iv) Governance & Public Institutions; (v) Crosscutting Issues. The ongoing PFM reforms under the Integrated Public Finance Management Reform Program (IPFMRP)are rooted in the fourth pillar.

The IPFMRP covers all components of PFM, the establishment of an Integrated Financial Management Information System (IFMIS) being an essential instrument. About 80% of GoL expenditures are now captured by IFMIS, Thirty six out of 60 major M&As have been connected so far, the remainder to be connected by the end of 2016. Other IT-based systems have also been, or are being, established in support of PFM reform: Standard Integrated Tax Administration System (SIGTAS), which was in the process of being established at the time of the 2012 PEFA assessment, Public Procurement and Concession Committee's (PPCC), development of an e-procurement system, including a web-based vendor registration system, Internal Audit Agency's (IAA) development of an audit tracker system and an electronic document management system (EDMS). The SIGTAS has been electronically linked to IFMIS, and linkages are being established between IFMIS and the already existing Commonwealth Secretariat Debt Recording Management System (CS-DRMS) and the e-procurement system to allow for Procure to Pay (P2P).

IT-based PFM requires both strong human resource capacity and connectivity, both of which fall short of requirements. About half of total public expenditure is financed directly by DPs, detracting both from the capacity and connectivity available to the GoL-financed proportion of the budget. Capacity and connectivity constraints were highlighted by GoL officials over and over again during the course of the mission.

Much of the legal and regulatory framework for effective PFM was already in place at the time of the 2012 PEFA, but some further strengthening has occurred since or is being planned. A revised Revenue Code came into effect in 2011 that strengthens transparency. Its legality has been questioned as the draft code was not submitted to the legislature for review as this was considered not to be necessary. A new public debt law is to be prepared, which would harmonise the plethora of existing debt management-related legislation and also bring public private partnerships within its scope. The 2009 PFM Act is also to be reviewed in order to determine what areas should be modernized.

2.2. Description of budgetary outcomes

Table 5: Budgets and budget outturns for FYs 2012/13-2014/15.

US $ millions	2012/13	2012/13	2013/14	2013/14	2014/15	2014/15
	Budget	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
Total revenues & grants	***589***	***555***	***573***	***507***	***527***	***497***
Tax revenues	382	380	434	396	339	382
Non-tax revenues	79	65	88	75	63	50
Contingent revenue	83	63			16	5
Budget support grants	45	47	51	36	109	60
Total expenditures	***659***	***546***	***563***	***505***	***624***	***598***
Recurrent	*417*	*407*	*503*	*480*	*559*	*543*
Personnel	194	202	220	207	248	240
Purchases of goods & services	118	124	113	157	226	200
Transfers	105	82	170	111	77	96
Interest	0	0	0	5	8	8
Capital	*242*	*139*	*60*	*25*	*65*	*55*
Balance	***-70***	***9***	***10***	***2***	***-97***	***-101***
Financing	*70*	*-9*	*-10*	*-2*	*97*	*101*
Borrowing (net)	67	-12	-10	-16	99	123
Domestic	10	35	0	0	10	5
External	70	0	10	10	99	141
Amortization	-13	-48	-20	-26	-10	-23
Change in cash balance/stat. discrepancy	3	3	0	13	-2	-22
GDP		1962		2013		2053
Domestic revenues % GDP		25.9		23.4		21.3
Recurrent expenditure, % GDP		20.8		23.8		26.5
Capital expenditure, % GDP		7.1		1.2		2.7
Total expenditure, % GDP		27.8		25.1		29.1
Balance, % GDP		0.47		0.11		-4.93
Economic classification, % expend.						
Personnel expenditures		37		41.6		41.1
Goods & services		22.5		31.1		33.4
Transfers		15.0		22.1		16.2
Capital		25.5		5.2		9.3
Total		*100*		*100*		*100*

Source: Reports on Consolidated Fund Accounts for FYs 2012/13-2014/15, MFDP; unaudited for FYs 2013/14-2014/15

Tables 1 and 2 show GoL's success in preserving macro-fiscal stability while tackling the challenges posed by EVD and continuing to provide basic public services. This was achieved through cash-based controls and considerable external funding, including from the IMF through the ECF.[4] The assistance helped to compensate for the difficulties faced in collecting domestic revenues in areas hit by EVD; domestic revenues fell sharply in terms of GDP. Capital expenditure took some of the brunt of adjustment to EVD, as indicated by its sharp fall relative to GDP, facilitating a sharp upward adjustment in recurrent expenditures, reflecting priorities, in the health sector in particular. Without such assistance, GoL would have had to borrow domestically in a thin market, thereby pushing up interest rates, and/or run down foreign exchange reserves, already below 3 months' import coverage and under strain from the global commodity price shock. Liberia is now Ebola free, the FY 2015/16 budget is mainly focused on implementing the medium term Economic Stabilisation and Recovery Plan (ESRP).

Economic classification of expenditure

This is shown at the foot of Table 2. **The composition of expenditure shifted in favor of recurrent expenditure away from capital expenditure, reflecting the adjustment of spending priorites during EVD.** The share of personnel expenses and purchases of goods and services in terms of total expenditure increased to 73.5% in FY 2014/15 from 60% in FY 2012/13, the share of capital expenditure falling to 9.2% of expenditure from 25.5%.

The distribution of functions in terms of percentage of total expenditure changed little over the three years under review. By far the largest sector is public administration, expenditure comprising at least 30% of total expenditure. The next three largest functions are security, education and health averaging 13.6%, 12.5% and 10.7% respectively of total expenditure over the period. The share of the public administration sector is the only one to have substantially increased, to 39.8% from 32.9%, due to the centralisaton of PSIP. The share of the infrastructure and basic services sector fell to 8.8% from 11.2% due to its relative capital intensitivity combined with the increasing priority being given to recurrent expenditure during the EVD period..

Table 6: Functional classification of government expenditure

US $ millions	FY 2012/13		FY 2013/14		FY 2014/15	
Functions of government		%		%		%
Agriculture	7.9	1.3	5.7	1.1	5.5	0.9
Education	77.6	13.1	71.0	13.4	68.3	11.0
Energy and Environment	29.0	4.9	14.0	2.6	14.4	2.3
Health	62.8	10.6	55.1	10.4	69.3	11.1
Industry and Commerce	19.9	3.4	20.0	3.8	16.5	2.7
Infrastructure and Basic Services	66.3	11.2	32.6	6.1	54.5	8.8
Municipal Government	25.3	4.3	27.1	5.1	28.0	4.5
Public Administration	195.5	32.9	187.2	35.3	247.5	39.8
Security and Rule of Law	78.0	13.1	78.9	14.9	79.9	12.9
Social Development Services	12.0	2.0	11.7	2.2	9.1	1.5
Transparency and Accountability	19.2	3.2	27.3	5.1	28.6	4.6

[1] *Fourth Review of ECF Arrangement for Liberia, January 2016.* As indicated in footnote 1 of the report, the ECF has replaced the Poverty Reduction and Growth Facility as the Fund's main tool for medium-term financial support to low-income countries. Financing under the ECF currently carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years. The ECF arrangement for Liberia came into effect in November 2012. IMF so far has disbursed about US$ 125 million to Liberia under ECF, including financing under its Rapid Credit Facility and Catastrophe and Containment Relief Trust.

US $ millions	FY 2012/13		FY 2013/14		FY 2014/15	
Total	**593.5**	**100%**	**530.6**	**100%**	**621.6**	**100%**

Both the economic and functional classification tables have to be interpreted carefully as they do not take into consideration off-budget expenditures. These mainly represent DP-funded projects that provide public services that are not included in GoL's budget and budget execution reports. Expenditures under these are about the same amount as on-budget expenditures.

2.3. Changes in the legal and institutional framework for, and key features of PFM since the 2012 assessment

2.3.1. Legal framework

Constitution

The 1986 Constitution remains the supreme law of the land. PFM takes its root from the Constitution.

PFM Act 2009

The Public Finance Management Act (PFM Act) 2009 covers budget execution, accounting and reporting, cash and debt management, and internal controls and audit. It is supported by the PFM Regulations (2010).

Local Authorities

Liberia is a unitary state and therefore has no local government system. All 15 counties perform, however, some level of financial management through the Social Development Fund and the Country Development Fund even though all payments are centralised in Monrovia. Full decentralisation is planned through the National Policy on Decentralization and Local Governance that the GoL launched in January 2012. The President launched a decentralisation platform in February 2015 paving the way for 4 out of the 15 counties to be piloted for fiscal deconcentration. Piloting may commence during FY2016/17.

Public Procurement and Concessions Act (Amended) 2010

The Public Procurement and Concessions Act (Amended) 2010 and Accompanying Regulations 2005 remain in place for both central government and autonomous agencies, as discussed under PI-19 in Section 3.

General Auditing Commission Act 2014

Article 89 of the 1984 Constitution establishes the General Auditing Commission (GAC) as an autonomous government agency. A new GAC Act was passed in December 2014 to give full autonomy for its operations. The Act provides for the independent appointment of the Auditor General by the President with parliamentary approval. The Act mandates the Auditor General to submit its audit report of GoL's consolidated annual financial statements to the Legislature for review not later than three months after receipt of these statements from MFDP.

Internal Audit Agency Act 2013

In 2013, the Legislature enacted the Internal Audit Agency (IAA) Act to create an independent agency for purposes of strenghtening internal controls and audit in all public institutions.The establishment of the IAA provided a stronger support base to the PFM Act 2009 in terms of consolidating financial compliance and improving accountability. The IAA Act authorizes the internal auditor to prepare reports for the attention of the accounting officer of an M&A, and prescribes that a copy of an M&A's annual consolidated internal audit report be submitted to the President of the Republic of Liberia.

Other New Acts, Regulations and Guidelines after 2012 PEFA Assessment

Other laws, regulations, strategies and guidelines underpinning PFM implementation include the following:

- The Consolidated Tax Code 2012
- Public Financial Management Reform Strategy, 2011/2012-2014/2015 with its supporting Operations Manual, Capacity Building Implementation Framework and Monitoring Framework
- Debt Management Strategy, 2013

2.3.2. The institutional framework for PFM

Executive

The President appoints all ministers of state as head of executive authority for managing the day-to-day government business in each line ministry. Budget formulation, preparation and execution are delegated to the Minister of Finance, who reports to Cabinet. Under an Act passed in 2013, the Ministries of Finance and Planning & Economic Affairs were merged, effective July 1, 2014, in the interest of better cooperation and efficiency.

Parliament

Parliament is modelled around the US congress system, comprising the Senate and the House of Representatives. Both houses must approve all legislation prior to it becoming law, including the budget and any money bill. It also has the oversight responsibility over the GAC.

Judiciary

The Constitution empowers the Judiciary. The Supreme Court is the highest court of the land.

Ministry of Finance and Development Planning (MFDP)

The MFDP is headed by a political appointee (Minister of Finance and Development Planning) answerable to Cabinet and the National Legislature (Parliament) regarding the complete adherence to the legal framework contained in the PFM Act 2009 and its regulations. The key departments implementing key PFM functions are Budget and Development Planning, Fiscal Affairs and Economic Management.

(i) Budget and Development Planning

It is headed by a Deputy Minister. Its main role is to coordinate long-term planning as well as the Public Sector Investment Programme (PSIP), in addition to preparing the national budget through consolidating individual budgets from M&As into one budget for presentation to the Legislature for its review and approval. It supports M&As during budget preparation and trains staff of M&A budget departments. It also monitors execution of national budget by ensuring that budget entities commit and spend in accordance with the Appropriations Act.

(ii) Department of Fiscal Affairs

This department is responsible for all fiscal matters relating to Expenditure and Revenue as well as Tax Policy. It comprises divisions such as the Office of the Comptroller and Accountant and the Expenditure and Revenue and Tax Policy.

Office of the Comptroller and Accountant General

The Office of the Comptroller and Accountant General in Liberia is a division within the Fiscal Affairs Department. Its main duties include the ensuring of proper, accurate and timely accounting, recording and reporting of financial transactions of central government. Within the Office, the Treasury Unit is responsible for managing and consolidating central government cash balances, and the Accounting Services Unit is responsible for data entry, reconciliation and reporting.

Expenditure Division
Headed by an Assistant Minister, *the Expenditure Division* manages the financial resources of Liberia by developing and administering the financial rules and regulations, overseeing and executing all matters relating to government accounting, including pay, pensions and other allowances, as well as developing fiscal policy. In addition, the Expenditure Division also implements expenditure proposals of Ministries and Agencies of Government as appropriated in the Budget, and performs other functions as may be assigned by the Minister as well as imposed by law.

Revenue and Tax Policy Division
The Revenue and Tax Policy Division is also headed by an Assistant Minister. It is primarily a policy division that addresses tax and non-tax revenue policies. The Tax Policy Division has responsibility for forecasting revenue and providing the forecasts to the Budget Division in the Department of Budget and Development Planning, as well as the Macroeconomic Policy Division in the Department of Economic Management.

(iii) Economic Management Department
The Department of Economic Management is responsible for formulating and monitoring the Country's economic policies and programs. It is the principal adviser to Government of Liberia on economic policy, and drives the country’s flagship development agenda- the Agenda for Transformation (AFT). The department also deals with all matters relating to debt management and external resource mobilization, which include external debt and foreign aid, and relations with bilateral and multilateral financial institutions.

The Economic Management Department is the key department dealing with the Central Bank of Liberia on macroeconomic policies. The department also deals with matters concerning financial sector policies including banking, insurance and capital markets. The Department has two Divisions: Economic Policy, Macroeconomic and Financial Sector Division (EPM&FSD), and External Resources and Debt Management (ER&DM). Whiles the EPM&FSD is responsible for macroeconomic policies, the ER&DM manages the bilateral and multilateral donor inflows as well as central government debt portfolio.

Line Ministries and Agencies
Unlike in some countries, the accounting officer in an M&A is not a civil servant but the political head of the M&A with responsibility for budget management, accounting, recording and reporting. Currently, there are 21 line ministries with about 39 big agencies and a multitude of smaller government agencies.

Auditor General
The GAC Act 2014 provides the GAC more autonomy with financial and administrative independence. The Auditor General is appointed by the President with parliamentary approval on a 7-year office tenure and is ineligible for reappointment as prescribed by the Act.

Public Procurement and Concessions Commission (PPCC)

The PPC Act was enacted in 2005 and amended in 2010 with its accompanying regulations; the Act established the PPCC, headed by the Commissioner. Each budget entity is responsible for preparing a procurement plan for approval by the PPCC and for initiating their respective procurement processes in accordance with the approved procurement plan and the method of procurement in line with the Act. M&As that want to use non-competitive methods of procurement are required by the Act to first request PPCC approval. The Act states the criteria under which use of such methods would have to satisfy. The Act establishes an independent administrative procurement complaint mechanism known as the Complaints and Appeals Review Panel (CARP).

Central Bank of Liberia (CBL)

The CBL, although established by an Act of Parliament (Central Bank Act 1999), is not a constitutional body. It is the government's bank and provides monetary policy guidelines to the government. It maintains the Consolidated Fund account and transitory accounts; this account receives and pays government financial transactions as authorised by the Minister of Finance and Development Planning .

2.3.3 Key features of the PFM system

Integrated Financial Management and Information System (IFMIS)

IFMIS has many potential benefits but achieving these faces obstacles. Its establishment began at about the same time as the 2012 PEFA assessment. It has a 39-digit chart of accounts and can potentially cover government offices all over the country. It is a requirement of Office of Comptroller General for all GoL transactions to be processed through IFMIS. So far it has been deployed to 36 M&As with the remaining 24 to be connected by end 2016. M&As not yet connected to IFMIS have to travel to MFDP to process financial transactions. Dedicated data entry clerks are also deployed to assist in data capturing, posing considerable challenges to smooth and timely government business. In addition to this, internet connectivity poses another layer of challenge even for those M&As with direct access.

Although eventually, M&As will be able to enter all transactions in IFMIS, including the processing of payments vouchers, all payments will remain centralised under MFDP, the payments process however being much quicker due to the speeding up of the earlier processes.

IFMIS has been interfaced with other IT packages that have also been introduced in support of improved PFM. It is an Oracle based Free-Balance application on version 7, a recent migration from version 6.5. Presently, the budget preparation model in IFMIS is not functional, but it is expected to be ready for use in FY 2017/18, one benefit being fewer errors in uploading the approved budget (currently prepared using an in-house developed system) into IFMIS. IFMIS is interfaced with the Standard Integrated Tax Administration System (SIGTAS), also established at the time of the 2012 PEFA assessment. IFMIS has a direct interface with the more recently established Civil Service Management System (CSMS), which is an integrated personnel and payroll management (PI-18) system, thus enabling quicker payroll production following preparation of the payroll through CSMS. As yet, there is no direct link between IFMIS and CS-DRMS; plans are underway to establish this. An e-procurement module is currently being developed, which would also be linked to IFMIS, thereby enabling Procure to Pay (P2).

3. Assessment of the PFM systems, processes and institutions

3.1. Budget Credibility

PI-1: Aggregate expenditure outturn compared to original approved budget

This indicator measures the difference between actual primary expenditure and the originally budgeted primary expenditure.[5] It is assessed over the last three completed FYs: 2012/2013, 2013/2014, 2014/2015.

PI-1 (Scoring method M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
In no more than one of the last three years (FY 2012/2013) did actual primary expenditure deviate from budgeted expenditure by more than an amount equivalent to 15% of budgeted expenditure.	**D**	**C**	**Performance improved, despite the revenue and expenditure pressures generated by the Ebola epidemic.** GoL was able to shift resources to ESRP-related spending priorities through cutting non-essential capital and recurrent discretionary recurrent expenditure.

Aggregate variance fell sharply in FY 2014/15, despite EVD-related expenditure pressures and shortfalls in external financing (D-1). New fiscal rules introduced in the 2012/13 Budget Framework Paper (BFP) along with the ESRP introduced in FY 2014/15 allowed GoL to manage the situation while also investing in needed infrastructure and programs in line with ESRP. The rules seek to promote capital spending by controlling current spending and reducing transfers between spending lines.[6] For the FY 2014/15 budget, GoL introduced additional measures to further cut non-essential discretionary spending, such as travel. Positive revenue performance (in contrast to significant negative performance in the previous 2 years) contributed to the fall in aggregate variance.

Table 7: GoL budgeted vs. actual aggregate expenditure [7]

FYs 2012/13-2014/15

US$ millions	FY 2012/13		FY 2013/14		FY 2014/15	
	Approved	Actual	Approved	Actual	Approved	Actual
Total Expenditure	**672.1**	**593.5**	**582.9**	**530.1**	**635.2**	**621.7**
Debt service	12.8	47.5	20.0	30.9	32.6	30.9
Primary Expenditure[8]	**659.3**	**545.9**	**562.9**	**499.8**	**602.6**	**590.8**

[5] Primary expenditure exclude interest payments and externally financed project/program expenditures as their execution is also largely outside of the control of the government. This definition of primary expenditure is different from the conventional definition under which debt service is excluded from total aggregate expenditure in order to derive the primary balance, which when expressed in terms of GDP, is used to help analyze fiscal sustainability.

[6] The rules impose a 34 percent limit on allocations to salaries and wages, provide for at least 25 percent of the budget to be on capital spending, of which at least 10 percent should be on the energy sector, restrict administrative overhead expenditures to no more than 15 percent of capital projects appropriations, and limit transfers from investment to recurrent spending to no more than 5 percent of investment appropriations

[7] The DP-financed amounts for the approved budget only include direct budget support, which is referred to as "on budget" aid. They exclude aid in the form of pool funds, project aid, and trust funds, which is referred to as "off-budget" aid. Planned disbursements of this are presented in Annex 1 to the budget and actual disbursements are presented as annexes in the annual fiscal outturn reports and consolidated accounts. The transparency of off-budget aid is assessed under PI-7 and D-2.

US$ millions	FY 2012/13		FY 2013/14		FY 2014/15	
	Approved	Actual	Approved	Actual	Approved	Actual
% deviation	**-17.2**		**-11.2**		**-2.0**	

Sources: Approved Annual Budgets FYs 2012/13- 2014/15; audited financial statements for FY 2012/13, unaudited financial statements for FYs 2013/14 & FY 2014/15.

PI-2. Composition of expenditure outturn compared to original approved budget

This indicator measures the extent to which variance in expenditure composition exceeded overall deviation in primary expenditure (as defined in PI–1) during the last three years. It also considers the practices used to budget for expenditure contingencies[8].As with PI-1, it is assessed over the last three completed FYs.

PI-2 (M1) Justification for 2016 Score	Score 2012	Score 2016	Assessment
	D+	**D+**	**Overall score unchanged, but performance improvement under (i)**
(i) Variance in expenditure composition exceeded 15% in at least 2 of the last 3 years.	**D**	**D**	***Performance unchanged.*** The variance fell to below 10% in FY 2014/15), but this was not enough to increase the score.
(ii). The average level of expenditures charged directly to the Contingency Reserve Fund Vote has been less than 3% of the original budget	**A**	**A**	***Performance unchanged***.

Dimension (i): Extent of the variance in expenditure composition during the last three years, excluding contingency items

The variance in expenditure composition exceeded 15% in two of the three FYs as indicated in Tables 7 and 8 (detailed calculations in Annex 2). The ESRP and the fiscal rules mentioned under PI-1 may have helped bring about a reduction in in-year transfers between spending agencies and thus a fall in the variance to below 10% in FY 2014/15. The variance in FYs 2012/13 and 2013/14 was particularly high in the cases of National Legislature, the Ministry of Public Works, the Ministry of Finance, the National Elections Commission and the National Security Agency.

Table 8: PI-1 and PI-2 Results Matrix

	for PI-1	for PI-2 (i)	for PI-2 (ii)
FY	total exp. Deviation	composition variance	contingency share of budget_
2012/13	17.2%	16.0%	Average 1.2%
2013/14	11.2%	21.7%	
2014/15	2.0%	9.7%	

Sources: As for Table 6.

1/ Share was 1/5%, 1/7% and 0.5% of the FY 2012/13, 2013/14 and 2014/15 budgets respectively.

Dimension (ii): The average amount of expenditure actually charged to the contingency vote over the last three years

The size of the expenditure contingency reserve fund is small. It is not kept as a reserve for allocating to M&As during the year. If it is used, for example for an emergency, it is allocated (non-transparently) to its own vote. Spending of the contingency fund averaged 1.2% of the approved budget over the last 3 completed FYs.

PI-3. Aggregate revenue outturn compared to original approved budget

This indicator excludes external grants and loans from its scope. The predictability of these is covered under D-1. All components of domestic tax and non-tax revenue as well as contingent revenue (mainly concession fees, the predictability of which tends to be low) are included in the calculation. Performance (actual relative to budgeted revenue) is assessed over the last 3 completed FYs.

PI-3 M1) Justification for 2016 score	Score 2012 PEFA	Score 2016 PEFA	Assessment
Actual domestic revenue was between 94% and 112% of budgeted domestic revenue in at least two of the three FYs assessed.	D	B	**Performance improved,** mainly due to the increasing capabilities of EPM&FSD, which was still new at the time of the 2012 assessment, and the positive performance of the Liberia Revenue Authority (LRA) since its establishment in 2014..

As shown in Table 8, revenue performance has been good, with projection errors averaging 7% over the three years, less than half the average error at the time of the 2012 assessment. Part of the reason is the experience gained since then in revenue forecasting (next para.) by Economic Policy Macroeconomic and Financial Sector Division, which was relatively new at that time. Another reason, stated in Fiscal Outturn Reports, is growing automation of tax administration (under LRA, established in 2014), which helped to strengthen controls. The annual BFPs, Fiscal Outturn Reports, Consolidated Fund reports and Economic Review reports prepared by MFDP all provide analysis of annual revenue performance (PI-14). Unlike the previous 2 years, revenue performance was positive, thus helping to mitigate the impact of the EVD shock.

Table 9: Domestic revenue performance, FYs 2012/13-2014/15*(US $ millions)*

	FY 2012/13			FY 2013/14			FY 2014/15		
Revenue type	**Budget**	**Actual**	***% Var.***	**Budget**	**Actual**	**% Var.**	**Budget**	**Actual**	**% Var.**
Tax revenues	***455.1***	***441.2***	***-3.1***	***433.8***	***395.9***	***-8.7***	***339.2***	***381.9***	***12.6***
Income & profits	135.7	154.5	*13.9*	173.1	161.5	-6.7	149.5	146.8	*-1.8*
Goods & services	63.3	61.6	*-2.7*	72.2	63.9	-11.5	45.4	50.1	*10.4*
International trade	163.1	148.7	*-8.8*	170.2	155.2	-8.8	126.6	167.8	*32.5*
Other, excl. contingency	22.6	15.4	*-31.9*	18.3	15.3	-16.4	17.7	17.2	*-2.8*
Contingency	70.4	61	*-13.4*	0	0		0	0	
Non-tax revenues	***89.2***	***67.5***	***-24.3***	***87.9***	***74.6***	***-15.1***	***78.1***	***55.2***	***-29.3***
Property tax		42.3		60.9	55.4	-9.0	66.7	35.6	*-46.6*
Other, excl. contingency		22.9		27	19.2	-28.9	11.4	19.6	*71.9*
Contingency	13	2.3	*-82.3*	0	0				

	FY 2012/13			FY 2013/14			FY 2014/15		
Revenue type	**Budget**	**Actual**	***% Var.***	**Budget**	**Actual**	**% Var.**	**Budget**	**Actual**	**% Var.**
Total Revenue	**544.3**	**508.7**	***-6.5***	**521.7**	**470.5**	**-9.8**	**417.3**	**437.1**	***4.7***
Core	460.9	445.4	*-3.4*	521.7	470.5	-9.8	417.3	437.1	*4.7*
Contingency	83.4	63.3	*-24.1*	0	0		0	0	

Source: Annual Fiscal Outturn Reports prepared by MFDP Expenditure Department.

Strengthened revenue forecasting has contributed to strengthened revenue performance. The Revenue Forecasting section in the Economic Policy Macroeconomic and Financial Sector Division in MFDP is responsible for preparing the revenue forecasts that underpin the Medium Term Fiscal Framework (MTFF). Tax revenue forecasts are mainly based on forecasts of economic base variables such as GDP, imports, commodity prices, taking into account sector-specific characteristics. The unit has sector specific models for the mining, agriculture, forestry, manufacturing and services sectors. A concern is the accuracy of the underlying sectoral data, companies having a financial incentive to understate projected production (e.g. mining, hydrocarbons), resulting in concession fee forecasts being biased downwards (one reason for the contingency revenue item in the budget). The complexity of contracts agreed between GoL and concessionaires, hinders EPM&FSD's forecasting efforts, so it is trying to compel companies to provide accurate data. [9]

The Liberian Revenue Authority (LRA) helps check the realism of EPM&FSD's projections. In contrast to EPM&FSD, it has a bottom-up perspective based on its knowledge of conditions on the ground throughout Liberia and its estimates of the impact of measures it is taking to strengthen revenue administration (PIs 13-15). EPM&FSD requests estimates from M&As of their own source revenues and analyzes these for realism. Strong tax collection by LRA during FY 2014/15 helped offset shortfalls in royalty and dividend payments caused by the drop in commodity prices[10].

Draft forecasts are submitted to the Legislature for its comments, the main one tending to be that the forecasts are overly pessimistic.

PI-4. Stock and monitoring expenditure arrears

The period for the assessment is the last two completed FYs (2013/14, 2014-15).

PI-4 (M1): Stock and monitoring of expenditure payment arrears.	Score 2012 PEFA	Score 2016 PEFA	Assessment
Justification for 2016 Score	**B**	**C+**	*Arrears increased sharply in FY 2014/15. Comparison not possible.*
(i) *The stock of arrears constitutes 2-10% of total expenditure; and there is no evidence that it has been reduced significantly in the last two years.*	**B**	**C**	*Arrears increased sharply in FY 2014/15,* representing payments overdue for work on roads contracts committed by MPW outside the commitment control framework. *Comparison not possible*. The 2012 assessment scored this on the basis of the historical arrears

[9] Tax expenditures in the form of concessions amounted to US$ 47 million in FY2014/15, representing about 10% of all revenues collected, and about a third of all tax expenditures. As noted in Fiscal Outturn reports, concessions particularly impact on international trade revenues through foregone import duties.

[10] As noted in the IMF's 4th review of ECF report, para. 13 and Box 2.

			only.
(ii) Data on the stock of arrears are generated annually, but may not be complete for a few identified expenditure categories or specified budget institutions	**B**	**B**	***Performance unchanged.*** IFMIS does not record arrears to suppliers that arise from M&As making commitments outside IFMIS, but M&As make the information available to MFDP on a non-routine basis.

Dimension (i): Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock.

Most goods and services are paid in cash on delivery, the main exception being contracts for capital projects, whereby payments certificates are periodically submitted as projects are implemented. Section E. 2 (d) of the PFM Regulations on Supplementary Guidelines on Budget Execution defines as a financial liability the amounts due for payment from the time goods and services are received to the time that payment is settled. Section 32, paragraph 2 of the 2009 PFM Act stipulates that “ accumulated arrears to suppliers at the end of a fiscal year, which are not likely to be settled within 90 days are cancelled and reclassified as debt owed by GoL to CBL. This also applies to contracts ordered before the end of the year, but delivered after the end of the year. In effect, CBL extends an overdraft to GoL so that it can pay the suppliers. The amount of such debt is not explicitly recorded in the debt tables prepared by DMU, which show only historical arrears; debt to CBL owed by GoL is only shown as a one line item.

The information on arrears budgeted to be paid to suppliers and actually paid is captured under the annual budget documents under code 224101 (Domestic arrears). These were shown under a new Vote 501, called National Claims, shown at the back of the 2014/15 and 2015/16 budgets. In earlier years, they were shown as part of the detailed economic classification at or near the front of the documents. The amounts shown in Table 10 do not show what the actual stock of arrears was at the end of the year, but they are implied by the comparison between budgeted arrears payments and actual arrears payments.

- The budget for FY 2012/13 provided US$ 7 million for paying off arrears to suppliers that were estimated to be accumulated by the end of FY 2011/12. Actual arrears payments were US$ 36.7 million in FY 2012/13, implying the $ 7 million arrears was paid off plus other arrears at the end of FY 2011/12, clearance of which was not budgeted for *(Table 10).*
- The FY 2013/14 budget provided US$ 12 million for payment of arrears accumulated in FY 2012/13*(Table 10).* No payments were made. Thus these arrears were still outstanding at the end of FY2013/14. The FY 2014/15 budget provided for payments of this amount plus $US 2 million for payment of arrears projected to be accumulated during FY 2013/14. The actual amounts paid were US$ 15.1 million *(Table 10).*
- The budget for FY 2015/16 did not provide anything for paying off end-FY 2014/15 arrears, implying that these had been paid off.

Table 10: Budgeted and actual domestic arrears owed/paid to suppliers (US$ millions)

	2012/13a		2013/14		2014/15		2015/16
	Budgeted 2011/12 arrears payments	**Actual 2011/12 arrears payments**	**Budgeted 2012/13 arrears payments**	**Actual 2012/13 arrears payments**	**Budgeted 2012/13 &2013/14 arrears payments9**	**Actual 2012/13 & 2013/14 arrears payments**	**Budgeted 2014/15 arrears payments**
Domestic arrears to suppliers	7.0	36.7	12	0	1.0	15.1	0

Source: Annual budget documents: FYs 2012/13-2015/16 and Annual Consolidated Fund reports

Arrears to suppliers may arise for two reasons. *First,* as indicated by Ministry of Education and the Auditor General financial resource shortfalls may lead to cuts in cash availability even if allotments have already been provided for such availability. The Accounting Services Unit (ASU) in MFDP indicated that the stream of payments certificates submitted by contractors is by nature difficult to predict in advance. It tries to give priority to payments to contractors through juggling with the monthly allotments or else by making budgetary adjustments through reallocations/virements. Nevertheless, payments arrears may still arise.

Second, M&As may enter into expenditure commitments to suppliers outside the control process, the commitments thus not being consistent with the approved budget. This has been particularly the case with roads contracts awarded by Ministry of Public Works under 'emergency' conditions. Section 4 of the Fiscal Outturn report for FY 2013/14 [11]explicitly refers to this. The 4th Extended Credit Facility (ECF, (under IMF) Review (January 2016)) also raises this as an issue in connection with a report prepared by GAC in July 2015. The report identifying US$92 million unfunded commitments made in FY 2013/14 and FY 2014/15, of which US$ 47 million had already been paid, the remaining US$ 45 million still outstanding and in arrears at the end of FY 2014/15.[12] The ECF report indicates that these arrears will be paid off in FY 2015/16 and the following year

MFDP is attempting to discourage M&As from making commitments to suppliers outside the financial control framework. MFDP issued a circular to suppliers in 2015 informing them not to accept any Purchase Order (PO) that had not been generated through IFMIS. According to CAG this has led to a large reduction in requests for reallocations to accommodate such POs. The ASU considers that M&As should try more to get contractors to plan annual project implementation to be consistent with draft budgets.

The reporting system captures salary arrears, and arrears to suppliers dating back to pre-2006 (pre-NTLG)[13].Table 9 indicates little change between the total stocks of arrears outstanding at the end of FYs 2012/13 and 2013/14 and between the different components of these arrears, indicating that the arrears are mainly historical in nature.

Arrears in premium contributions to NASSCORPs (Social Security Fund) are also known. They cover both government and government employee contributions (the employee's monthly pay cheque is net of these contributions, but the government delays in transferring the payments to NASSCORPS). Eventually, NASSCORPS could start to be in arrears in its pension payments

Table 11: Stock of Arrears at the end (June 30) of FYs 2012/13-2014/15

USD *millions*	FY 2012/13	FY 2013/14	FY 2014/15
Stock of Arrears	**11.8**	**23.0**	**52.88**
1) Historical vendor arrears	1.94	1.94	0

[11] "During FY 2013/14, it became apparent that the Ministry of Public Works had committed to a number of roads contractors without the necessary allocations." Section 4 of the FY 2012/13 fiscal outturn report refers to 4th quarter pressures due to a high risk of revenue shortfall combined with the need to repay US$ 20.1 million to CBL in connection with the overdraft extended to cover the overspend in FY 2011/12. This situation led to cuts in M&A allotments, but nevertheless some resources from the FY 2013/14 budget were used to pay FY 2012/13 bills still outstanding during the 90 day window. No such analysis is made in the fiscal outturn report for FY 2014/15.

[12] The assessment team was informed that GAC was conducting an audit of procurement in the roads sector, but that it had not yet been completed, though it seems that it was actually completed in July 2015.

[13] As the *2012 PEFA Assessment* report explains, "a period of nearly twenty years up to 2006, when the National Transitional Government of Liberia (NTGL) was appointed, external and domestic debt was not serviced, and many central government salary and rental commitments remained unpaid. A major debt reconciliation process was undertaken over 2006 and 2007, through which the vast majority of outstanding arrears were identified, renegotiated and either forgiven or reconstituted as government debt." (page 29).

USD *millions*	FY 2012/13	FY 2013/14	FY 2014/15
2) Salary arrears	3.68	3.68	3.68
3) Salary arrears pre- 2006 (pre-NTLG)	1.33	1.32	1.32
4) Pending Court judgment	1.08	0.82	0
5) Arrears to suppliers	0	12.0	0
6) Premium contributions to NASSCOR*1/*	3.74	3.23	2.88
7) Roads contract payment arrears *2/*			45
Total Actual GoL Expenditure	**545.9**	**504.7**	**598.2**
Arrears as % of expenditure	**2.2%**	**4.6%**	**8.9%**

*Source: (i) Approved budgets for FYs 2012/13-FY 2015/16; (ii) Annual Consolidated Fund Reports for FYs 2012/13-2014/15; these include t*ables on Additional Disclosure to the Financial Statements of the Consolidated Fund Account, Contingent Liabilities, and Statement of Financial Performance; and (iii) Fiscal Outturn reports for the same FYs; and (iii) Budgets for these years plus FY 2015/16;
1/ Strictly speaking, these are interagency debts rather than GoL debts to creditors outside GoL.
2/. Identified by GAC audit of MPW, as referred to in Fiscal Outturn reports and the ECF 4th review report of January 2016

Dimension (ii): Availability of data for monitoring the stock of expenditure payment arrears

Items 1-4 (pre-2006 historical arrears) in Table 11 are monitored by the Debt Management Unit (DMU) in CAG. Information on the actual end-year debt owed to suppliers (line 5) at the end of the FY is not publicly available, although DMU and Budget Department have this. Comparison between budgeted arrears payments and actual arrears payments provides an indication of arrears outstanding at the end of the year (Table 9). An age profile of arrears is not maintained. New claims with respect to the pre-2006 period are captured in the system when they arise.

3. 2. Comprehensiveness and Transparency

PI-5. Classification of the budget

This indicator assesses the quality of the classification system used for formulating, executing and reporting the CG budget. The period for the assessment of this PI is FY 2014/15.

P1-5 (Scoring method M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
The budget formulation and execution is based on administrative, economic and functional classification (using at least the 10 main COFOG functions), using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards.	C	B	**Performance improved,** due to the introduction of a CoFOG-consistent functional classification in FY 2011/12..The classification is not consistent with the COFOG sub-functions.

Budget preparation, execution and reporting are conducted on the basis of the Chart of Accounts (CoA), which is GFS 2001 compliant for revenue and expenditure. The CoA used is Version 2.3, July 2013[14], based on the 2001 Government Finance Statistics Manual (GFSM). The same administrative and economic classifications are used to report information on expenditure and revenue in all the relevant budget-related documents.

[14]A more recent version, *Classifications and Chart of Accounts*, Version 2.4, January 2016, has recently been introduced, during FY 2015/2016.

A sector classification based on the Agenda for Transformation (AfT) priority sectors was introduced in FY 2011/12 and groups M&As into eleven sectors. These can be matched to the ten high-level COFOG classification and used to report on sector expenditures, the codes being embedded in the CoA.. Originally based on the eleven priority sectors of the Poverty Reduction Strategy (PRS), they are now linked to the AfT, which is GoL's second PRS. Ten of the eleven sectors are consistent with the COFOG classification, with "Municipal Government" as an additional sector.[15] As indicated in footnote 15, this sector does not theoretically constitute a separate sector, as the M&As could be represented in the other 10 sectors. It is convenient, however, to have an 11th sector, is this explicitly shows the budgets for the City Corporations. Municipal Government expenditure comprises only 5% of total budgeted expenditure (as shown in the summary of the 2015/16 approved budget (page 8).

A sub-functional classification segment exists in the CoA, but is applied only to some M&As and is not used consistently. The CoA also includes a program element that is however not used, and in any case the programs amount to an administrative breakdown of spending within an M&A.

PI-6. Comprehensiveness of information included in budget documentation

The period for assessing the indicator is the latest budget documentation submitted to the Legislature, i.e. the FY 2015/16 Draft Budget and its accompanying documents..

PI-6 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
Recent budget documentation fulfils seven of the nine required information benchmarks.	B	A	**Performance improved,** due to additional information benchmark being met

Table 10 : Comprehensiveness of Budget documentation

	Item	Included (2012 PEFA)	Included (2016 PEFA)	Source/Comments (for the 2016 Assessment)
1	Macroeconomic assumptions, including estimates of aggregate growth, inflation, and exchange rate	Yes	Yes	Budget Framework Paper (BFP) FY 2015/2016
2	Fiscal deficit, defined according to GSFM, or other internationally recognized standard.	No	No	The fiscal deficit is not presented in line with the GFSM 2001 definition in the Annual Fiscal Outturn Report for FY 2014/2015
3	Deficit financing, describing anticipated composition	No	Yes	BFP FY 2015/2016
4	Debt stock, including details at least for start of current year	Yes	Yes	FY 2015/2016 Draft Budget, Annex 4
5	Financial assets, including details at least for the beginning of the current	No	No	No information on financial assets in the budget

[15] As shown in the annual budget documents, the municipal sector comprises the following M&As: Ministry of Internal Affairs, National Council of Chiefs & Elders, National Identification Registry, Monrovia City Corporation, and Paynesville City Corporation. The sector codes are 105, 127, 142, 318 and 325 respectively).

	year in a timely manner			
6	Prior year's budget outturn, presented in the same format as the budget proposal	Yes	Yes	FY 2015/2016 Draft Budget
7	Current year's budget (revised budget or estimated outturn), presented in the same format as budget proposal	Yes	Yes	FY 2015/2016 Draft Budget
8	Summarized budget data for both revenue and expenditure according to main heads of classification used, including data for current and previous years.	Yes	Yes	FY 2015/2016 Draft Budget
9	Explanation of budget implications of new policy initiatives, with budgetary impact estimates of all major revenue policy changes and expenditure programs.	Yes	Yes	President's message to the Legislature[16] and BFP FY 2015/2016
	Number of information benchmarks met	**Six out of nine**	**Seven out of nine**	3rd benchmark now met.

Sources: FY 2015/16 Draft and Approved Budgets, FY 2015/16 BFP

The FY 2015/16 Draft Budget and the associated documentation submitted to the Legislature satisfy seven of the nine information benchmarks, increased from six in the 2012 assessment. Benchmark three on the anticipated composition of deficit financing is now covered. The BFP, which is submitted to the Legislature with the budget, explains the macroeconomic assumptions and the fiscal framework that underpinned the formulation of the budget. This is also partially explained in the President's message. The fiscal deficit, defined in line with the GFSM standard, is included in the Annual Fiscal Outturn Report for FY 2014/15 but not in the budget documentation sent to the Legislature. The 3rd benchmark on information on deficit financing is now met.

PI-7. Extent of unreported government operations

The period for the assessment of this indicator is the last completed FY (2014/15).

[16] The President's Speech is sent to the Legislature as a written document with the budget and is then published in the approved budget.

PI-7 (M1)	Score 2012 PEFA	Score 2016 PEFA	Assessment
Justification for 2016 score	**D+**	**D+**	**Overall performance unchanged**
(i) *The level of unreported extr budgetary expenditure (other than donor funded projects) constitutes 1–5 % of total expenditure*	**B**	B	***No change in performance*, the amount of unreported CG operations remains less than 5% of total CG expenditure.** The sources and intent of unreported revenue/expenditure remain much the same. It was not possible to precisely establish the amounts of off-budget expenditure funded by cash advances carried forward, but controls on advances have strengthened Most carry forwards represent daily substance allowances, but the amounts would not be more than 1% of total expenditure even if all DSA advances were carried forward..
(ii) Information on donor-financed projects included in fiscal reports *is seriously deficient and does not even cover all loan-financed operations.*	**D**	**D**	***Performance unchanged.*** Information on DP-financed project disbursements has improved considerably, as shown in the annual AMU (established in 2012) and fiscal outturn reports. Information is still limited to disbursements, rather than expenditure, as required for a higher score.

Dimension (i): The level of extra-budgetary expenditure (other than donor-funded projects) which is unreported i.e. not included in fiscal reports.

In the 2012 Assessment, the following sources of unreported CG operations were examined: (i) own-source revenues (OSR) of M&As, (ii) consular fees generated by foreign missions, (iii) vendor fees, and (iv) cash advances.

In line with PFM Regulations 2009, M&As had already started to deposit their OSR into the Consolidated Revenue Account (CRA) in CBL by the time of the 2012 Assessment, and continue to do so. Meetings with the Department of Budget and line ministries confirmed the insignificance of un-reported revenues, apart from vendor fees described below. The Sector Ministry Section (SMS) at LRA has strengthened reporting by developing and circulating a template for use by M&As as part of the budget preparation process.

Fees collected by Liberian embassies/consulates abroad are still a source of unreported revenue, but the amount appears to be insignificant. The SMS requires such bodies to report their revenues by sending the checks for the collected fees to SMS for deposit into the CRA. The SMS now regularly monitors these deposits through obtaining bank statements from CBL (annual until 2014, six-monthly since) tracking the amounts retained by the embassies/consulates remains a challenge. The SMS has requested the Ministry of Foreign Affairs to provide the foreign bank statements for these bodies, and is withholding funding of their accounts until they provide these. Statements sent by CBL to SMS indicate deposits of US$ 355,635 and $274,665 during January-to December 2014 and January- June 2015 respectively (mostly visa/consulate fees, some other types of OSR). The amounts of unreported revenue are not known, but the amounts of reported revenue are already very small as a proportion of total CG expenditures: 0.06% and 0.04% during these periods.

Vendor fees are still deducted at source from the revenues collected from annual motor registration fees and the sale of license plates, thereby constituting unreported CG revenue, but very small in relation to total CG expenditure. The Ministry of Transport outsources to a private sector provider (Union Strong Group in FY 2014/15) the production of license plates, the collection of revenues from the sales of these and the collection of motor vehicle annual registration fees. The vendor's share of the revenues is 40%, which it deducts at source. The license plates are stored at a commercial bank, the International Bank Liberia Ltd, which charges a 1 USD fee for the service, also shared 60:40 and also deducted at source. The GoL's share of the revenues is transferred to the CRA. The vendor's share is not reported even though it constitutes CG revenue as it is generated by the sale of public services. In FY 2014/15, the unreported CG revenue equalled USD 1.765million, 0.28% of total CG actual expenditure.

Cash advances made to M&As are now largely controlled, except for advances for daily subsistence allowance (DSA). In general, the CAG office is no longer providing advances to M&As until the previous advance has been expended and acquitted (also see PI-22). Cash advances not spent are required to be returned by the end of the FY. M&As are however not regularly acquitting advances provided for DSA allowance for travel. As a result, amounts for these advances could still be outstanding at the end of the FY, and unused balances carried forward to the next FY, creating a source of extra-budgetary expenditure in the following FY. The amounts involved could not be identified precisely. According to the Economic Classification table contained in Annex 1 of the FY 2015/16 budget, total expenditure under DSA (code 2211, both domestic and external) amounted to US$ 5.6 million in FY 2014/15, about the same as the budgeted amount. This comprised 0.9% of total actual expenditure of US$ 628 million. This indicates an upper limit on unused balances being carried forward to the next year, rather than being returned to Treasury.

The level of unreported extra-budgetary revenue and expenditure for FY 2014/15 could not be quantified comprehensively. Given the amounts involved for the elements that could be quantified and the issues at stake, **the Assessment considers that the level of unreported revenue and expenditure is no more than 5% of total CG expenditure, the likely figure being closer to 1% of GDP.**

Dimension (ii): Income/expenditure information on donor-funded projects which is included in fiscal reports.

Information on donor assistance is captured by the Aid Management Unit (AMU) at MFDP, with disbursements for aid other than DBS amounting to USD 567.9 million in FY 2014/15, 91.4% of GoL-funded expenditure. The AMU was established after the 2012 assessment. It issues reports for the first and third quarter, a mid-year review and a final annual report on development assistance. Information on loan projections and disbursements is centralized, so that the AMU reports capture this information comprehensively. The information held on grants is also comprehensive, except for grants from UNMIL and possibly other grants managed directly by PIUs in M&As, which may not be provided to AMU, though the meetings held with M&As suggest these cases are a minority.[17] Aid in-kind from China is also not included in AMU reports.[18]

Table 11: Actual Disbursements for donor-funded projects,*for FY 2014/2015

US$ million	Grant	Loan	Total
Pool Funds	5.1		5.1
Project/Program Aid	399.5	102.1	501.7

[17]The MoE stated that the donor project funding it receives is captured by the Unit. MoHSW suggested that the information on some of its donor funded projects (mostly for pool funds) is not fully captured by the AMU.
[18]China is a significant donor providing aid- in-kind which is not captured in the budget or in year-end reports on budget execution. China has an agreement directly with the Ministry of Foreign Affairs. Furthermore, the internal reporting procedures of China are complex making reporting to MFDP difficult.

Trust Funds	36.0	25.2	61.2
Grand Total	440.6	127.2	**567.9**

*Excludes direct budget support.

Source: MFDP, Division of External Resources and Debt Management, FY 2014/15 Annual Development Assistance Report, September, 2015.

The information held by the AMU is used to include estimates for DP-funded project disbursements in the Budget document. The Approved Budget for FY2014/15 included an annex (Annex 1) on donor aid projections; the projections were included in the budget documentation in previous years, but under each M&A budget, noted as off-budget projects. A comparison of the data from the AMU with the information in the FY 2014/15 budget reveals that virtually all loans and grants are included in the this annex.[19]Annex 1 is provided for information only, all donor projects being off-budget and not part of the budget preparation process (See D-2).

Information on donor funded projects included in the annual fiscal outturn report is also comprehensive, but limited to disbursements rather than expenditure. The report for FY 2014/15 includes all the information on donor funded project/program aid disbursements that is in the AMU annual report. Some (minor) amounts related to grants managed directly by PIUs and not communicated by the AMU may be excluded. The consolidated accounts for FY 2014/15 report on disbursements of donor-funded project aid (as required by IPSAS), but in a more aggregated manner.

DP project aid estimates were included in the budget documentation in previous years, but under each M&A budget rather than in an annex. They were denoted as off-budget projects, meaning that they were not included in the budget preparation process. DP funding of GoL budgets is only through direct budget support (DBS) modalities (D-1), as indicated in the budget documentation.

Full reporting should include actual expenditures of DP-funded disbursements, rather than simply disbursements, but this is not done yet,

On-going and planned activities

The AMU plans to expand its data collection capacity through its Aid Management Platform (AMP), but requires resources to run and host the server online over the next five years. The MFDP is also working to improve information sharing with PIUs and with the donors that are not providing information on projections and disbursements (China and UNMIL). About 90 DP-funded projects/programs report to MFDP through PFMU, mainly covering World Bank/AfDB/Global Fund projects. These projects are in the process of being migrated to IFMIS from the Sun Systems data package currently being used. Once this is achieved, foreseen for FY 2015/16, the PFMU projects could become "on budget" on a par with DBS, expenditures being shown as well as disbursements.

PI-8. Transparency of intergovernmental fiscal relations

Because Liberia does not have sub-national governments, this indicator cannot be assessed.

On-going and planned activities

There are 15 counties in Liberia which are deconcentrated units of the central government. Four of these (Bong, Nimba, Margibi and Grand Bassa) were selected in February 2015 to be part of the

[19] A small grant from the Gates Foundation, only 0.02% of total aid, was omitted. Bilateral aid from Germany is included, but the data on projections included in the budget differ from those included in the AMU's Annual Report.

decentralization platform, which represents the first phase of the implementation of the decentralization strategy. This is based on the *National Policy on Decentralization and Local Governance* that was launched by the President in January 2012.Implementation has not yet started.

PI-9. Oversight of aggregate fiscal risk from other public sector entities

This assessment covers the last completed fiscal year (FY 2014/15).

PI-9 (M1)	Score 2012 PEFA	Score 2016 PEFA	Assessment
Justification for 2016 score	D	C	
(i) *Most major AGAs/SOEs submit fiscal reports to GoL at least annually, but these are unaudited and a consolidated overview is missing or significantly incomplete*	D	C	***Performance improved.*** Most SOEs and AGAs are now submitting unaudited accounts to MFDP.
(ii) No Sub-national governments in Liberia	NA	NA	**Not applicable**

Dimension (i): the extent to which CG monitors AGAs and PEs

The MFDP, through the SOE Unit, monitors the financial health of 12 SOEs, which are considered the largest of the 39 SOEs and AGAs. The SOE Unit was established in March 2013 to improve CG oversight of SOEs/AGAs on the basis of IMF recommendations.[20][21] The Unit, which reports directly to the Minister of MFFDP., aims to check that SOEs/AGAs are financially viable, consistent with the 2009 PFM Act and its Regulations. The Unit, which at the start was monitoring the 8 SOEs that were then assessed as the largest, is now monitoring the above-mentioned 12 SOEs/AGAs, though this is not known for certain due to monitoring capacity constraints. A summary of financial performance statistics is presented in Annex 3.

These SOEs/AGAs have submitted unaudited financial statements for the most recent FY (FY 2014/15), as shown in Annex 3, though some did not meet the statutory deadline of August 31..[22]They have been transiting to the Government FY since FY 2013/14, thus facilitating more timely submission. All these SOEs/AGAs are fully owned by Government, except for NASSCORP. The Government's participation in NASSCORP, which is a social security fund, is through the contribution of itself and its employees. As noted in PI-4, contributions are mostly in arrears potentially jeopardizing the fiscal health of NASSCORP.

The most recent financial statements of these SOEs/AGAs audited by the GAC are those for LEC and NOCAL for FYs 2006/07 and 2007/08 and for NASSCORP for FYs 2005/06-2006/07, so far behind that their usefulness to the SOE unit is minimal. Capacity constraints have precluded more timely preparation of financial statements for audit. The GAC is envisaging outsourcing the audit of SOEs to private sector auditors in order to be able to audit a higher number of financial statements. NASSCORP's FY 2013/14 accounts are in fact being audited by a private sector firm (according to NASSCORP during its meeting with the team).

[20]IMF FAD, *State-Owned Enterprises Financial Reporting Framework*, July 2012.
[21] In addition, the relevant sector ministries also have an oversight role in overseeing AGAs/PEs within their respective sectors, and they may be represented on boards of AGAs/PEs.
[22]Sections 45 and 39 of the PFM Act and Part M of the Regulations.

The SOE Unit issues a consolidated annual report on the performance of the 12 SOEs it is monitoring. An annex showing their financial performance is included in the National Budget (Annex 2 of the FY 2015/16 Budget), based on the report.

Thirteen (13) smaller SOEs/ AGAs are now submitting their unaudited accounts to CAG, the latest for FY 2014/15. These have also adopted GoL's FY. Some experience delays with respect to the statutory deadline (Annex 3). The CAG does not monitor the fiscal risk potentially arising from these. Information on their size was not provided to the team.[23]

The list of the 39 existing SOEs/AGAs provided to the team indicates that 14 are not submitting any accounts at all to either CAG or the SOE unit. Some of these may now be inactive, the information MFDP has on their status and size not being updated. The National Housing Authority is considered significant in size and will be covered by the SOE Unit starting next FY. As yet it is not submitting its audited accounts to MFDP.

The annual Budget Framework Paper would be a useful document for presenting analysis of fiscal risks posed by SOE/AGAs, but this is not done.

On-going and planned activities: The SOE Unit will expand its coverage by monitoring an additional two PEs/AGAs: the Liberia Broadcasting System (LBS) and the National Housing Authority (NHA), starting next FY. In the future, the SOE Unit may also be placed under the CAG office. GAC is envisaging outsourcing the audit of SOEs and AGAs to private sector auditors in order to be able to audit a higher number and has prepared a draft policy in September 2015 to this effect.[24]

Dimension (ii): The extent to which CG monitors sub-national governments' fiscal position

See PI-8.

PI-10. Public Access to key fiscal information

This indicator assesses the extent to which the general public has access to six elements of key fiscal information. In order to count in the assessment, the full specification of the information benchmark must be met.

PI-10 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
The government makes available to the public 3 of the 6 listed types of information	C	B	**Performance strengthened, the number of information elements increasing to three from two through** the timely availability of audited annual financial statements. APETS was undertaken in 2013 for the health and education sectors. This was publicized, but it was a one-time exercise, however, and does not represent annual monitoring and publicisation.

Dimension (i): Number of the listed elements of public access to information that is fulfilled

Table 12 shows the assessment in relation to each information benchmark/element.

[23] Report of the Auditor General *On the National Oil Company of Liberia (NOCAL) For the FYs 2006/07, 2007/08,* April 2011; Report of the Auditor General Report *On the Liberia Electricity Corporation (LEC) for the FYs 2006/07 & 2007/08*, July 2012; Report of the Auditor General *On the National Social Security and Welfare Corporation for FYs 2005/6 AND 2006/7,* July 2008

[24] GAC, *Policy and Guidelines for Outsourcing audits of Ministries, Agencies and SOEs*, September 2015.

Table 12: Access to key fiscal information

No.	Item	Timely Availability (2012 PEFA)	Timely Availability (2016 PEFA)	Sources (for 2016 PEFA)
1	Annual budget documentation when it is submitted to the Legislature.	Yes	Yes	MFDP website: www.mfdp.gov.lr *A Citizen's Guide to the National Budget, FY 2015/2016*
2	In-year execution reports within one month of end of period.	No	No	MFDP website
3	Year-end financial statements within 6 months after completed audit.	No	Yes	GAC website: www.gac.gov.lr
4	External audit reports within 6 months of completed audit.	Yes	Yes	GAC website
5	Contract awards above USD 100,000 posted quarterly.	No	No	PPCC website: www.ppcc.gov.lr
6	Resources available to primary service units: information is publicized through appropriate means at least annually, or available upon request, for primary service units with national coverage in at least two sectors (such as elementary schools or primary health clinics).	No	No	PETS for the health and educations sectors conducted and results publicized, but this does not represent annual collection and publicisation of information.
	Number of information elements made available in a timely manner	**Two of six**	**Three of six**	

Annual budget documentation can be obtained by the public from the MFDP website and through other means close to the time it is submitted to the Legislature. The annual budget documentation for FY 2015/16 was published on the budget portal of the MFDP website 11 days after submission to the Legislature. For FY 2015/16, both the Draft Budget and the Approved National Budget, which includes the President's message (ref. PI-6), were posted on the MFDP site in a timely manner. This also applies to the FY 2015/16 BFP. Moreover, the public can access the information on the budget through a variety of means: the Legislature's hearings on the budget are public; budget hearings are covered by the media (both TV and print); the MFDP issues a briefing on the hearing, and the summary of the budget is displayed on the electronic bill board on MFDP premises in a timely manner

Information on the budget is also simplified and made accessible to citizens in rural areas. The Liberia Open Budget Initiative (OBI), established in January 2013, is dedicated to disseminating information on the budget that is accessible to citizens. With the assistance of OBI, *A Citizen's Guide to the Budget*, a simplified English version of the National Budget, has been developed over several years. One for the FY 2015/2016 Budget was issued, at the same time as the Budget, and was also posted on the MFDP website. Through meetings with representatives of the Non State Actors Secretariat (NSA), of several Civil Society Organizations (CSO), and of the OBI, the mission learnt that printed copies of the Citizen's Guide are provided by the OBI to CSO, which in turn distribute the document for free and explain its contents to members of the public outside Monrovia and across the country (for the most recent budget, copies were distributed in the counties of Margibi, Gran Bassa, Rivercess and Nimba).

The information benchmark on the availability of budget documentation had already been met at the time of the 2012 assessment, but access has strengthened since then thanks to the Citizen Guide and the establishment of the OBI in early 2013.

In-year execution reports are available on the MFDP website, but not within one month of end of period. All quarterly reports for FY 2014/2015 have been posted on the MFDP website, but 2-5 months after the end of the period covered.[25] The availability of in-year reports has improved compared to the 2012 Assessment, when one quarter was not posted, but not by enough to meet the benchmark.

Year-end financial statements are available within 6 months after completed audit. The most recent were for FY 2012/2013) and were also accessible to the public within 6 months.

All audit reports issued by the GAC are made available on the GAC website within 6 months of completed audit. This applies to the audit report on the consolidated financial statements mentioned above, and to the other audit reports issued by GAC. Section 4.2 of the 2014 GAC Act requires final audit reports to be posted on the GAC website immediately after being submitted and received by the Legislature.

Contract awards exceeding USD 100,000 are not published quarterly by the PPCC. While the PPCC does publish information on contract awards irrespective of the value of the contract, the most recent contract award information posted on the PPCC website relates to FY 2012/13.

Information on resources provided to service delivery units in not included in the budget documents, in the annual fiscal outturn reports or in the accounts. Although the CoA and IFMIS are configured in principle to report at the level of the primary service delivery unit, this does not happen yet.

As part of the OBI, the MoF undertook a Public Expenditure Tracking Survey (PETS) in 2013 for the health and education sectors (ref. PI-23). The report[26] was published in December 2013. It tracked resources made available to primary service delivery units in the two sectors: for FY 2011/12 for health and for the first two quarters of FY 2012/13 for education. According to meetings with MFDP officials, the report was made available to the public through dissemination of free printed copies soon after its publication. The document is also available upon request at MFDP. This was a one-time exercise, however, and, although commendable, does not represent annual publicisation,

Ongoing Reforms

The PPCC is in the process of upgrading its e-procurement platform to include up to date information on contract awards.

3. 3. Policy-based budgeting

PI-11. Orderliness and Participation in the Annual Budget Process

The first two dimensions of this indicator assess the process followed during FY 2014/15 for the preparation of the last budget approved by the Legislature (the FY 2015/16 Budget). The third

[25]The report for Quarter 1 (ending 30 September 2014) was posted on November 26, 2014 (almost two months after the end of the period covered); the report for Quarter 2 (ending 31 December 2014) was posted on April 27, 2015 (almost four months after the end of the period covered); the report for Quarter 3 (ending April 30, 2015) was posted on June 10, 2015 (just over two months after the end of the period covered); the report for Quarter 4 on December 7, 2015 (five months after the end of the period covered).

[26] Republic of Liberia, *Public Expenditure Tracking Survey, Health and Education Sectors*, MoF, December 30, 2013.

dimension covers the last three budgets approved by the Legislature: the budgets for FYs 2013/14-2015/16.

PI-11 (M2)	Score 2012 PEFA	Score 2016 PEFA	Assessment
Justification for 2016 score	**B**	**D+**	
(i) An annual budget calendar exists, but is rudimentary and substantial delays may often be experienced in its implementation, and allows MDAs so little time to complete detailed estimates, that many fail to complete them timely.	**B**	**C**	**Assessment of performance change is not meaningful, due to the very different conditions under which the FY 2011/12 and FY 2015/16 budgets were prepared.** **In terms of meeting the Framework requirements, performance fell mainly because the EVD resulted in sharp compression of the budget preparation process. But the time needed to prepare the budget also fell sharply due to the focus of the BCC being to prepare the recurrent budget only on the basis of the previous year's budget.** **In any case,** M&As are no longer required to prepare capital budgets, these being centralized through PSIP, which directs Sector Working Groups..
(ii)A budget circular is issued to MDAs, including ceilings for individual administrativeunitsorfunctionalareas.The budgetestimatesarereviewedand approved by Cabinet only after they have been completed in all details by MDAs, thus seriously constraining Cabinet's ability to make adjustments	**A**	**C**	**Assessment of performance change is not meaningful for the same reasons as for (i).**Performance declined in terms of strictly meeting the requirements of the Framework (e.g. Cabinet did not review proposed ceilings until after the BCC was issued), but the quality of budget preparation did not decline.
(iii) The budget has been approved with more than two months delay in two of the last three years	**D**	**D**	**The score is unchanged. Performance fell, however,** as the budget at the time of the 2012 assessment was approved before the end of the FY in at least one of the three years and the delays were shorter, The last two budgets were approved 4 and 5 months into the new FY.

Dimension (i): Existence and adherence to a fixed budget calendar

The PFM Regulations 2009 outline what the key stages of the budget preparation process should be and broad timelines. They state that the budget preparation cycle should consist of two phases: the first (strategic phase) concentrating on the preparation of a Budget Framework Paper (BFP) and the Budget Call Circular (BCC), and the second (operational phase) concentrating on the preparation of the detailed annual budget on the basis of the BFP. The first phase should be completed by five months before the start of the new FY. The second phase of the budget cycle should start with issuing the BCC, which should be circulated no later than five months before the start of the fiscal year.

Preparation of the FY 2015/2016 Budget did not follow a normal pattern due to the disruptions caused by EVD. The budget calendar was not included in the BCC circulated to M&As, as it had been in previous years**.** The Department of Budget & Development Planning (DBDP) had prepared a calendar; however (Table 13.1) that it presented to M&As at the Budget Orientation Workshop in September 2014.This was not comprehensive, in terms of compliance with the PFM Regulations, some of the steps not shown in Table 13.1, and was not adhered to. The BCC was issued very late on May 1, 2015, rather than on the specified date of November 30, 2014[27].This resulted in key stages of the budget preparation process being condensed into May, some of the prior stages being delayed considerably)The strategic phase of budget preparation was basically bypassed. The FY 2015/16 BFP was only issued in May 2015, while the MTFF was ready for internal use within the DBDP only in February 2014/15.

The delays were the repercussion of the late approval of the FY 2014/15 Budget, which was due to the policy revisions made by the Cabinet and Legislature in response to emergencies caused by the EVD.

Table 13.1: Calendar for the preparation of the FY 2015/2016 Budget

Activity	Original Date	Adjusted Date
Establishment of the Sector Working Group	August 1-15, 2014	Dec. 17, 2014
Project Profile	Oct. 31, 2014	Dec. 19, 2014
Draft Budget Options Paper (BOP)	Nov. 15, 2014	Feb. 20
Cabinet meeting to discuss and approve BOP	Nov. 20, 2014	
BCC issuance requesting BPN and transmission of initial ceilings	Nov. 30, 2014	May 1 , 2015 (for final ceilings; for recurrent expenditure)
Submission of recurrent expenditure estimates		May 18, 2015
Budget Hearings for M&As with the National Budget Committee	March 20-31, 2015	May 11-15, 2015
Prepare Draft Budget and BFP based on budget hearings & legislature engagement	April 10, 2015	May 22, 2015
Presentation of Draft Budget and BFP to Cabinet and President	April 11, 2015	May 25, 2015
Cabinet Validation of Draft Budget	April 11-15, 2015	May 27, 2015
Presentation of Draft Budget and BFP to the Legislature	April 30, 2015	May 31, 2015

Source: DBDP.

The actual timetable followed for budget preparation allowed only two weeks for M&As to complete their budget submissions, resulting in some major submissions being late and missing the review process. Provisional budget estimates had to be ready, ahead of the consultations with the National Budget Committee during May 11-15. Final budget submissions, agreed during the hearings, were due by Monday May 18. M&As thus had two weeks to prepare provisional estimates. M&As submitted their proposals during May12-22 some major M&As (MoE, MoHSW and Judiciary) being late (submitted during May 20-22) and therefore their draft estimates not being reviewed. The

[27] The BBC for 2015/16 budget preparation indicates that two BBCs were to be submitted during the year, one for the strategic phase, and one for the operational phase. These were collapsed into one because of the compression of the budget timetable.

draft Budget and BFP were finalised on May 22 and presented to Cabinet for review prior to submission to the Legislature on May 31.

The curtailed timetable did not undermine the quality of budget preparation, which was focusing mainly on maintaining current levels of service, the emphasis therefore being the recurrent budget, resulting in time savings. In any case capital budgeting was centralised the year before under the Public Sector Investment Plan (PSIP), M&As not required to prepare capital budget submissions for themselves. Capital budget ceilings are set for sectors (through Sector Working Groups), not M&As. According to the BCC for FY 2014/15, recurrent expenditure projections should be based on "considering basic operational requirements of the spending entities, with recurrent costs of the spending entities largely held constant from FY 2014/15"

Line ministries consulted (MoE, MoHSW, MPW)during the Assessment mission suggested that they were nonetheless able to submit recurrent budget proposals, thanks to the familiarity with the budget process from previous years. They could therefore start preparing proposals before the issue of the BCC, which is what they did. Also, two of the M&As met by the team (MoE, MoHSW) confirmed that the approved budget reflected their budget submissions, thanks to the hearings with the National Budget Committee. .

Dimension (ii): Guidance on the preparation of budget submissions

The BCC for the preparation of the FY 2015/16 budget was less comprehensive than for the year before, but this was due to the EVD circumstances causing a very compressed calendar.[28]The ceilings included in the FY 2015/16BCC for recurrent expenditure did not reflect ceilings pre-approved by Cabinet. Cabinet only approved the M&A allocations in the Draft Budget on May 27, just before submission of the Budget to the Legislature. The BFP included ceilings, but was issued in May and submitted to Cabinet for approval with the Draft Budget at the end of May. The National Budget Committee hearings took place after the BCC was issued. In contrast, during the budget preparation cycle for the FY 2011/2012 Budget, ceilings had been discussed at the National Budget Committee hearings and had been approved by Cabinet before the circular was issued. But this was during ‘normal’ times.

Dimension (iii): Timely budget approval of the budget by the legislature or similarly mandated body (within the last three years)

Over the last three FYs the budget was never approved before the start of the year, and was approved with more than two months delay in two of the three years (Table 13.2). Historical legislative delays in approving the budget were exacerbated for the FY 2014/2015 Budget, approved at the end of November 2015, because the revenue forecast had to be revised multiple times as the revenue base and the macroeconomic environment became increasingly volatile due to the EVD.

Table 13.2: Approval dates of the budget by the Legislature

FY 2013/2014 Budget	October 16, 2013
FY 2014/2015 Budget	November 27, 2014
FY 2015/2016 Budget	August 25, 2015

Sources: Approved Budgets for FYs 2013/14, 2014/15, 2015/16.

[28] The BCC for the previous year included 9 annexes and 4 accompanying templates. . Other annexes provided guidance on how to prepare BPNs and sector strategies. A list of approved projects (sector earmarked and priority projects) was also included, as was a detailed list of donor grants and loans by M&A. The Annexes to the FY 2015/2016 BCC were : 1) Recurrent ceilings allocated to each spending entity; 2) Donor aid for FY 2015/16, broken down by spending entity; 3) Schedule for FY 2015/16 Budget Hearings, 4) DNBP 5) Chart of Accounts Policy Area Mapping. The Annex on preparing sector strategies is missing, as it was not relevant under the special circumstances.

Timeliness improved in the most recent year. Meetings with the Legislature indicated this was due to the examination of the budget directly by the Joint (both Houses) Committee on Ways, Means, Finance, rather than each House first, as in previous years. Reasons for the length of time it takes to approve the budget were: (i) though the PFM Act sets a statutory deadline for the submission of the budget to the legislature by the Executive, and provides for at least two months for the legislative review of the budget, it does not set a timeline for legislative approval; (ii) according to the PFM Act, Ministries have to submit quarterly and annual performance reports, which in turn need to be reviewed by the Legislature before it can approve the budget. According to meetings with the Legislature, Ministries are also not regularly submitting the reports.

PI-12. Multi-year perspective in fiscal planning, expenditure policy and budgeting

This indicator has four dimensions with differing time periods covered: (i) last two completed FYs; (ii) last 3 completed FYs; (iii) last completed FY; and (iv) the last completed fiscal year.

PI-12 (M2)	Score 2012 PEFA	Score 2016 PEFA	Assessment
Justification for 2016 Score	**C+**	**C+**	**Overall performance unchanged.**
(i) Forecasts of fiscal aggregates (on the basis of the main categories of economic classification) are prepared for at least two years on a rolling annual basis.	**C**	**C**	***Performance unchanged***. The MTFF continues to be prepared on a 3 year rolling basis, but the MTEF contained in the 2015/16 BFP shows projections on an economic classification basis only, thus limiting its usefulness. The MTEF was not shown in the 2014/15 BFP.
(ii)DSA for external and domestic debt is undertaken annually.	**A**	**A**	***Performance unchanged***. A DSA covering both external and domestic debt has been conducted annually over the last three years by the staff of the IMF and /or the World Bank, generally with GoL's concurrence; DSA was also being conducted annually at the time of the 2012 assessment.
(iii) *Sector strategies may have been prepared for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure*	**C**	**D▲**	***Performance unchanged in terms of scores, but is strengthening*** through the centralisation of PSIP, strengthening of its linkage with SWGs and the requirement specified in the BCC for M&As to prepare annual strategic plans The score should have been D in the 2012 assessment.
(iv)*Budgeting for investment and recurrent expenditure are separate processes with no recurrent cost estimates being shared.*	**D**	**D▲**	***Performance unchanged.*** **Strengthening of linkages is taking place due to** the establishment of MFDP, the centralization of PSIP under Cabinet, and the role of SWGs in the annual budget preparation process. This is not sufficient for raising the score, as forward budget estimates are not yet being prepared

Dimension (i) Multi-year fiscal forecasts and functional allocations

Medium Term Fiscal Framework (MTFF)

A three-year rolling MTFF remains in place. It establishes the indicative resource envelope for spending for the annual budgets for each of the next three fiscal years and has proved to be reasonably robust. It is derived from a macro-fiscal model prepared by the Macro Fiscal Analysis Unit in MFDP, with inputs provided by the Revenue Forecasting Unit and the Debt Management Unit (both MFDP) and CBL. It is described in the annual Budget Framework Paper (BFP), the latest of which is for 2015/16-2017/18 (Section 3, including Table 6). The resource envelope comprises domestic revenue, external grants, and external and domestic borrowing. The limiting factor is the target for borrowing in terms of GDP, based on debt sustainability factors (dim. ii). The borrowing target and the principal parameters underpinning revenue projections (mainly real GDP growth and inflation) are agreed between GoL and the IMF, as GoL is currently implementing a financial support program backed by IMF (Extended Credit Facility).

The margin of error in resource envelope projections is less than 10%, according to EPM&FSD (see PI-3 on revenue performance). EPM&FSD does not as yet explain differences between the resource envelope projections for years n+2 and n+3 under the current BFP and the projections a year later for the same two years. It agreed, however, that it would be a good idea to start doing so.

Medium Term Expenditure Framework (MTEF)

Liberia adopted the first MTEF in FY 2012/2013 but its use has been dormant since FY 2014/15. Its purpose was to provide a medium term perspective to budgeting that would strengthen annual budget preparation, as public services are multi-annual by nature. The IMF provided technical assistance for the preparation of MTEFs, while the World Bank-financed Integrated PFM Reform Project (IPFMRP) that came into effect in 2011 provided financial support for it. The reasons for the MTEF's current dormancy are:

- The disruptions caused by the Ebola epidemic, which reduced the perception of the meaningfulness of a medium term perspective to budgeting;
- Very late approvals (assessed in PI-11) of annual budgets, which disrupted execution of the planned budget, thereby detracting from a medium term perspective and causing a disconnect with the MTFF ceilings.
- M&As (MoE, MoH and MPW met by the team) finding that they did not have the capacity to prepare MTEFs, partly because the MTEF methodology was cast in a program budgeting framework, different from the budget preparation processes actually being used;
- The responsibility for capital budgeting being taken away from M&As by the Cabinet in 2014/15, which then decided on capital projects on the basis of priorities, consistent with the overall Public Sector Investment Plan;
- Resistance from the Legislature, which wants to maintain its responsibility for reviewing annual budgets (this may arise from a misconception that the MTEF is equivalent to multi-annual budgeting, which of course it isn't).

The MTEF in tabular form is supposed to contain rolling three-year annual projections on a sector/functional and administrative basis, but this has not yet happened. No tables were shown in the 2013/14-2015/16 BFPs, except Table 8 in the 2015/16 BFP showing projections only on an economic classification basis and only for recurrent expenditure. The projections have limited usefulness as they do not show the purpose of spending, as broadly represented under the 11 PRS sectors that fall under the Agenda for Transformation (AfT).

The meaningfulness of the MTEF is also greatly compromised by the large amount of donor-financed project/program spending that is off-budget and thus falls outside the MTEF (PI-7 ii). Table 6 in the 2015/16 BFP shows projected off-budget spending of USD 629.6 million, USD 394.1 million and USD 353.2 million in FYs 2015/16, 2016/17 and 2017/18 respectively, comprising very large proportions of the projected resource envelope (104.2%, 76.3% and 61.8% respectively). The proportions are declining, but nevertheless they are still very high. M&As may find that they are responsible for financing the recurrent costs implied by donor-financed capital projects.

Dimension (ii) Scope and frequency of debt sustainability analysis

A Debt Sustainability Analysis (DSA) covering both external and domestic debt has been conducted annually over the last three years by the staff of the IMF and /or the World Bank. These are conducted in consultation with EPM&FSD and CBL and the findings of the DSA are generally concurred with by GoL and taken into account in GoL's Medium Term Debt Strategy (MTDS), as referred to in PI-17. The MTDS implicitly underpins the program of support from IMF under ECF.

Dimension (iii): Existence of costed sector strategies

Fiscally realistic and costed medium term sector strategies are evolving. The Public Sector Investment Plan (PSIP) is the focus for strategic planning, based on the AfT and the ESRP., The responsibility for the PSIP was centralized under Cabinet in FY 2014/15 in order to better ensure that proposed projects are consistent priorities. Projects chosen by Cabinet for the next fiscal year, as contained in PSIP, are based on priorities of the ERSP/AfT. Sector Working Groups (SWGs),are established each year for the strategic phase of budget preparation, updating the PSIP in terms of selection of priorities and costing of new projects and checking for consistency with AfT. As part of the budget preparation process, SWGs fill in templates contained in the BCC for preparing an annual strategic plan that explains linkages to the priorities and objectives explained in the AfT..

Some sectors have partially costed strategic plans that pre-date the AfT, ESRP and the centralization of the PSIP. The main ones are Ministries of Education (aggregate costing only), Health and Social Welfare (10-year health plan and 3-year - 2013-15- investment plan), Infrastructure and Basic Services, Energy & Environment, the Municipal Sector Strategic Plan, the Public Administration Sector Strategic Plan, the Security and Rule of Law Strategic Plan, and the Industry, Commerce and Industry and Commerce Strategic plan. An earlier Education Sector Plan prepared by GoL covered the years 2010-2020, and was appraised by DPs to determine whether to provide funding for it. The appraisal concluded that 'the Plan was credible in terms of implementation and feasible in terms of public resource availability'

Dimension (iv): Linkages between investment budgets and forward expenditure estimates

Linkages remain weak but are strengthening. Capital projects selected for annual budgets under PSIP tend to be based on the AfT, and under this the 11 poverty reducing sectors. The planning and finance ministries were combined in FY 2014/15, which in principle, through the SWGs, should enable closer linkages between recurrent and capital budgeting. In practice, this seems to be happening due to PSIP now the main instrument of economic development and being linked closely with SWGs.

Forward expenditure estimates are not yet being prepared, so the score is D, unchanged from the 2012 assessment. Nevertheless, the recurrent cost implications of completed capital projects may be recognized, even if not fully funded. For example, MPW's budget has a roads maintenance program.

Ongoing and planned activities

The EPM&FSD informed the team that the BFP for FY 2016/17 would contain an MTEF that would project expenditures on a sector basis, in line with the 11 PRS sectors under AfT.

3.4. Predictability and control in budget execution

PI-13. Transparency of taxpayer's obligations and liabilities

PI-13 (M2) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	B	B	**Overall performance unchanged**.
(i) Legislation and procedures for most major taxes are comprehensive and clear, with fairly limited discretionary powers of the government entities involved.	B	B	***Performance unchanged.*** The main change has been the reform of the 2000 Revenue Code, but this has not reduced the extent of discretion. The incentive system contained in Section 16 of the revised Revenue Code seems to contain scope for non-transparent discretion.
(ii)Taxpayers have access to some information on tax liabilities and administrative procedures, but the usefulness of the information is limited due to the coverage of selected taxes only, lack of comprehensiveness and/or not being up-to-date.	C	C	***Performance unchanged.*** LRA is endeavouring to strengthen information availability but faces capacity constraints. The Liberia Chamber of Commerce considers that LRA can do a better job.
(iii) *A tax appeals system of transparent administrative procedures is completely set up and functional, but it is either too early to assess its effectiveness or some issues relating to access, efficiency, fairness or effective follow-up on its decisions need to be addressed.*	B	B	***Performance unchanged***. Some transparency and fairness issues have not yet been resolved.

Background

A major legal and institutional change took place in FY 2013/14 with the creation of the Liberia Revenue Authority (LRA) through the LRA Act, dated September 19, 2013. It replaced the Bureau of Internal Revenue and the Bureau of Customs and Excise, both of which fell under the Department of Revenue in MFDP. The LRA is classified as a semi-autonomous agency of the Government. It is governed by a Board of Directors, which consists of the Minister of Finance, Minister of Justice, the Commissioner General, and three members from the non-government sector, one of whom is the Chairperson. The Commissioner General is responsible for LRA's day-to-day operations. The main departments of LRA are the Customs Department, Domestic Tax Department, Legal Department, Internal Audit Department and the General Services Department. LRA has 42 branch offices located all over Liberia

Dimension (i): Clarity and comprehensiveness of tax liabilities

The Revenue Code of 2000, as amended in 2011 through the Consolidated Tax Amendments Act (CTAA) October 15 2011 (published December 2012), provides the legal framework for both domestic and external taxes. There is also a Customs Tariff; the latest version was issued in 2012. The Revenue Code of 2000 contained a number of sections that were reserved for the future, as reflected in the amended Revenue Code. Two of these sections that were de-reserved are Section 16 on Special Investment Incentives and Section 17 on Stability of Fiscal Regime for Mining, Petroleum and Renewable Resources.

Section 16 outlines 15 economic sectors (e.g. tourism, energy) under which tax incentives can be applied for through the National Investment Commission (NIC)[29]. The incentives are additional to those already provided for under the Revenue Code of 2000. The tax incentives are mainly an increase in deductions from 30% of qualifying costs (e.g. construction, equipment and machinery) to 100% of qualifying costs for the first 5 years of an investment project (15 years for investments over USD10million). The percentages are higher, the higher the percentage of local content of raw materials used in manufacturing. Projects located in economically deprived areas also have higher deduction rates and even higher rates if more than 100 jobs are added. Exemptions from GST and import duty are provided for purchases of equipment and machinery.

Whether such tax incentive schemes are justified is a matter of policy debate. The costs of administering such schemes are probably substantial, while the loss of revenue may be larger than the revenue gained from the capital investments induced by such schemes. [30]

The tax incentives indicated in Section 16 are clearly stated and in principle do not provide formal scope for discretion in administering it. Nevertheless, there seems to be potential scope for informal discretion.. Section 16 indicates that compliance with the conditions for receiving the tax incentives is monitored and that non-compliance can result in the Minister of Finance terminating the incentives. The effectiveness of such monitoring is not clear. Decisions have to be made by members of the NIC on whether proposed projects match the sectoral requirements. Decisions have to be made by tax officials on whether qualifying costs, degree of local content of inputs and numbers of jobs generated are accurately estimated. Determination of the extent of compliance with conditions also implies an element of discretion.

Another issue is whether the Consolidated Tax Amendments Act has actually been approved by the Legislature. The assessment team was informed that there were doubts about this. A codification Note attached to the Act (in December 2012) mentions that Section 5(4) of the 2000 Revenue Code, which is considered to be the enabling legislation, stipulates “In no case shall any substantive change be made except through the Legislative approval process”. Section 16 undoubtedly represents a substantial change, but it seems that Parliament has not reviewed it yet. The 2000 Revenue Code is apparently still being used.

Dimension (ii): Taxpayer access to information on tax liabilities and administrative procedures

The LRA continues to carry out regular tax awareness campaigns throughout the country via the media (print, TV and radio), but the effectiveness of these is limited due to capacity constraints and high levels of illiteracy. The LRA website (www.lra.gov.lr) contains the Revenue Code, Customs Tariff, tax forms (registration, declaration), brochures, tax notifications (e.g. due dates for submitting tax returns).Hard copies of the Revenue Code are not readily available as the Government Gazette is not published. The Taxpayer Services Unit at LRA visits the counties every 6 months in order to promote taxpayer awareness of tax policy using local media. The activities of the Unit are not yet posted on LRA’s website, which, moreover, appears not to be up-to-date; most tax-related notifications are several years old..

The assessment team visited the Liberian Chamber of Commerce (LCC), which considered that LRA could be more efficient. The 2014 self-assessment team had visited the Liberian Business Association (LIBA) and the Liberia Chambers of Commerce (LCC), which indicated that, although GoL had made some efforts in reaching out to taxpayers, more needed to be done to effectively

[29] The minimum investment amounts include US$ 1 million for foreign-owned businesses, and $US 300,000 for Liberian owned businesses..

[30] The IMF, in its 4th review of the ECF arrangement for Liberia (January 2016) notes ‘the need for caution in considering tax relief for companies in the commodity sector’ given GoL’s limited fiscal space and the pressing basic public service needs of the country.

disseminate and provide access to taxpayer information especially for those outside the capital. They also stated that the information, including on the major taxes, was not always user-friendly or up-to date. More taxpayer education was needed for withholding tax

Dimension (iii) Existence and functioning of a tax appeal mechanism

An independent Board of Tax Appeals (BoTA) was provided for in Sections 59-61 of the Revenue Code (2000), but was not established until 2011 (as referred to in the 2012 PEFA assessment). It has a 5 member Board of Directors. The procedures of BoTA are described in the Revenue Code in detail. It's 'Rules of Practice and Procedure' were adopted in February 2013. A simplified version is available to the public in the form of a brochure. BoTA is based in Monrovia, but the Board of Directors periodically travels around the country in order to increase its visibility in the eye of the public.

Taxpayers can present complaints to BoTA if they are unable to resolve these with LRA (previously the Department of Revenue in MFDP), provided they present these within 30 days. Before filing a complaint to BoTA, the taxpayer has the opportunity to first resort to LRA's internal tax appeal mechanisms including appealing to the head of DTD and then to the Commissioner General where necessary. BoTA has a maximum of 6 months to adjudicate the complaint (unless an emergency hearing is required). If the taxpayer is not satisfied with the decision of BoTA, he/she may appeal to the Tax Court (consisting of 1 judge) within 15 days of BoTA's decision.

The main issues are:

- *The charging of fees.* Appellants are required to pay 1% up front of the amount appealed (now 1.5% under the amended Revenue Code). Appellants complain, but the costs of the appeals process are significant (transport, photocopying, filing), BoTA considers that its budget allocation is too small;
- *Final determination of tax liability of the appellant;* BoTA may be able to reduce the amount of tax payable but reaching agreement with LRA on the amount may be difficult; BoTA considers it needs to hire an independent Tax Advisor;
- Publishing of tax laws. The Government Gazette, which contains the tax laws, is not published, which makes it harder for taxpayers to understand their liabilities.

BoTA has adjudicated only 3 cases so far, all involving foreign-owned companies (including Lonestar, a subsidiary of MTN, DHL, and Telco). The Lonestar case went to the Tax Court, which adjudicated in favor of Lonestar. BoTA adjudicated in favour of DHL.

BoTA considers that the legislation covering BoTA (i.e. the Revenue Code) needs strengthening.

On-going and planned activities

LRA is preparing for the piloting of electronic tax (e-tax) services later in 2016

PI-14. Effectiveness of measures for taxpayer registration and tax assessment

PI-14 (M2) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	B	B	Overall performance unchanged.
(i). Taxpayers are registered in a database system with links to other relevant government registration systems. The database is not complete for some non-tax liabilities	B	B	***Performance has improved,*** through the bulk of potential taxpayers now being captured in SIGTAS and issued TINs. The score in the 2012 assessment should have been C, as SIGTAS had not yet been installed.

PI-14 (M2) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	B	**B**	Overall performance unchanged.
(ii)Penalties for non-compliance generally exist, but substantial changes to their structure, levels or administration are needed to give them a real impact on compliance	**C**	**C▲**	***Performance unchanged in terms of score, but there are signs of strengthening.*** Penalties for non-compliance are clearly spelled out in the *Consolidated Tax Amendments Act* of 2011; There have been a number of recent successes in enforcing penalties for non-compliance but not by enough yet to warrant a change in score
(iii) Tax audit and fraud investigations are carried out and reported according to a documented audit plan, with clear risk assessment criteria in at least one major tax area that applies self-assessment	**B**	**B**	***Performance unchanged.*** Risk-based audits continue on all tax groups, with continued focus on high risk areas

Dimension (i): Control in taxpayer registration system

Nearly all potential taxpayers now have unique Taxpayer Identification Numbers (TINs), coverage having increased significantly since the 2012 PEFA assessment. All businesses, local and international, are registered through the Liberian Business Registry (LBR), which provides one-stop-shop services for business registration. The LRA has staff working at LBR for collaboration purposes. The LBR has two satellite locations: Nimba and Grand Bassa Counties. Before registration, each business entity is given a unique TIN from the IT-based Standard Integrated Government Tax Administration System (SIGTAS). TINs are issued to all importers by the Automated System of Customs Data (ASYCUDA). Generally, TINs are required for all businesses, property owners and individuals with tax liabilities. Even informal sector players are captured as they need a TIN in order to pay their annual fees. TINs are not part of the requirements for opening a bank account, but most bank accounts owners already have TINs.

The acquisition of IT-based comprehensive tax administration systems has helped to strengthen controls. SIGTAS was acquired in 2012 to gradually replace the Tax Administration System (TAS), which was mainly a collection software package only, missing the features of an integrated system. SIGTAS now covers all tax revenues, including property tax –migrated into SIGTAS in 2014 -but TAS still covers non-tax revenues, mainly fees, which comprise about 9% of total revenues (e.g. passport fees). SIGTAS has been programmed to cover fees, but implementation has not yet started. Along with the Automated System of Custom Data (ASYCUDA), SIGTAS is interfaced with IFMIS. SIGTAS was established in 2 locations initially, and now is in place 4 locations (LRA, MFDP, LBR and Monrovia Freeport). It now covers about 75% of all domestic tax revenue. LRA says it will be installing SIGTAS in another 9 centres over the next 2 months, bringing its coverage to about 90%.

The coverage of ASYCUDA World has significantly increased since it was installed in 2009 in Monrovia FreePort. ASYCUDA World is the internet-based version of ASYCUDA, which enables importers to submit shipping manifests and customs declarations on-line prior to docking, thereby speeding up customs clearance). Since then, it has been installed in more locations and now has about 80% coverage of imports. It is now in the process of adding more modules, particularly Pre-Shipment Inspection (with AfDB financial support). Its operations have been hampered somewhat by power and connectivity problems. The Ebola epidemic led to a big cut back in operations.

Some potential taxpayers may still be outside the system: self-employed people and 'informal' petty traders (e.g. operating by the side of the road rather than in market stalls).

Dimension (ii): Effectiveness of penalties for non-compliance with registration and declaration requirements

Penalties for non-compliance are clearly spelled out in the Consolidated Tax Amendment Act of 2011, but enforcement remains a challenge.. There are penalties for late filing, non-filing and late payments, amongst others. The penalties are set high at monthly-compounded rates up to a limit of 50% of the self-assessed tax. LRA's Enforcement Manual (2010) provides detailed measures for effective enforcement. Nevertheless, enforcement of penalties remains a challenge.. Reported reductions in non-filing rates indicate possible improvement, though removal of people from the database due to their having left Liberia may also be a reason.

Some landmark tax compliance cases have been recorded during 2015 and 2016 to date that point to a strengthening trend. The cases were publicized through LRA press releases (presented to the assessment team at the 29th June 2016 closing out workshop). These include the shutting down in May 2016 of Novafone GSM Company, Shenny Trading Company, Continental General Life Insurance, Medicare Insurance Company and Liberty Investments for tax evasion amounting to USD1.36million and L$30million, including penalties and interest between 2009 and 2014. Other businesses shut down during 2016 for tax evasion include Musu Spot, Jessie Payne Property, Richard Henries Property, Johnson Dayoy Property and Victoria Estate, all related to real property taxes. A number of businesses (56) have had their containers seized for non-payment of tax that had been levied at the APM Terminal. These businesses include Aminata & Sons, R & B Group of Companies, and H & A Corporation.

A penalty waiver scheme was in place for a while a number of years ago. Penalties would be waived if accumulated tax debts were paid off. The scheme was suspended, however, as the scheme provided a disincentive to compliance.

Smuggling is a form of non-compliance; Liberia's porous borders provide many opportunities for this. LRA considers, however, that the revenue lost may not be substantial, as duty-free concessions at 100 entry points reduce the incentive to smuggle (thus, the revenue is lost anyway, but legally, rather than illegally).

Table 14.1 shows penalties collected over the assessment period.

Table 14.1 Penalties collected (USD'000s)

	2012/2013	2013/2014	2014/2015
Bills assessed for penalty during the year	389,243	376,086	335,749
Penalty collected during the year	1,126	2,139	2,601
Interest collected during the year	681	468	735

Source: Liberia Revenue Authority

Dimension (iii): Planning and tax audit and fraud investigation programs

Risk profiling for audit planning has continued since its introduction prior to the 2012 assessment. Information provided to the team by LRA includes: (i) Risk analysis of imports during 2013/14, use of the risk selection methodology identifying many high risk areas (e.g. high risk assessment in the case of a rice importer on the basis of large payables, large losses and improper filing); (ii) Identification through audit of large amounts of taxes due and resultant imposition of penalties and interest, adding up to more than the assessed unpaid tax; (iii) table showing additional customs duties collected as a result of Post Clearance Audits

Particular areas of risk include withholding tax (attempts to evade) and a widespread scheme of exemptions, investment incentives and concessions, causing very large amounts of foregone revenue (according to a Duty Free Report prepared for FY 2014/15). As indicated under PI-13 (i), the amended Revenue Code (2011) provides for a wide-ranging number of tax-related investment incentives. Though provided for in legislation, the scope for claiming larger than entitled incentives and discretion in the approval of incentives appears significant. The Director of the Chamber of Commerce mentioned to the team the risk of abuse of concessions/investment incentives.

Tax administration is divided into three areas: small, medium, and large, audits continuing to focus on all classes of taxpayers, i.e. small, medium, and large, according to evidence adduced by LRA, but with particular concentration on high risk large taxpayers.. About 100 tax audits were completed in FY 2014/15. Each audit was carried out according to a comprehensive risk-based audit plan with a clear risk assessment. As indicated by the Director of Chamber of Commerce, the risk posed by medium and small taxpayers is not being looked at sufficiently. LRA also organizes audits requiring specialized expertise. For example, it has organized an audit of TELCO, financed by AfDB.[31]

On-going and planned activities

LRA is planning to develop an interface with commercial banks through SIGTAS. A TIN is not required for the opening of a bank account. Most people who open bank accounts probably have TINs anyway, but an electronic linkage between SIGTAS and commercial bank IT systems would help to bring bank account holders into the tax net if they do not have a TIN.

The IMF has been supporting GoL in improving revenue collection performance. Prior to the Ebola outbreak, this was through an intensive TA program in Liberia under the Tax Policy and Administration Topical Trust Fund (TPA TTF). The TA included advice and support for establishing LRA. Since the Ebola-free declaration in-country TA has resumed in the areas of VAT, human resource administration, and audit capacity building (as noted in the 4th Review of ECF report, Box 2).

PI-15. Effectiveness in collection of tax payments

PI-15 (M1)	Score 2012 PEFA	Score 2016 PEFA	Assessment
Justification for 2016 Score	**D+**	**D+**	**Performance unchanged**
(i) The debt collection ratio in the most recent year was below 60% and the total amount of tax arrears is significant (i.e. more than 2% of total annual collections	**D**	**D**	***Performance unchanged.*** The stock of tax arrears constituted 21.7% and 26.3% of total tax revenue collected in 2013/14 and 2014/15 respectively. This proportion is much higher than that shown in the 2014 self-assessment.
(ii) All tax revenue is paid directly into accounts controlled by the Treasury or	**A**	**A**	***Performance unchanged***

[31] At the closing out workshop held on 29th June, LRA provided the team with a copy of a an audit case selection registry for 2014 and 2015, showing for each taxpayer the number of risks according to Low, Medium, High and the overall risk rating.

PI-15 (M1)	Score 2012 PEFA	Score 2016 PEFA	Assessment
Justification for 2016 Score	D+	D+	**Performance unchanged**
transfers to the Treasury are made daily.			
(iii) Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury takes place at least quarterly within six weeks of end of quarter.	B	B	***Performance strengthened*** through the establishment of SIGTAS, which has enabled timely updating of taxpayer accounts by tax type in response to payments of taxes through the CBL system. The score in the 2012 assessment appears to have been too high.

Dimension (i): Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two years).

LRA has a system of arrears registration according to large, medium and small taxpayers, but data are only systematically available for large taxpayers (which pay the bulk of taxes) as maintained by the Design and Monitoring Section in LRA. Arrears are recorded on an ageing basis.

Table 15.1 shows analysis of the stock of tax arrears as a percentage of total tax revenue collected. There were no available data on the collection of arrears each year. Tax arrears represented 21.7% and 26.3% of total tax collections in 2013/14 and 2014/15 respectively. Arrears seem to have increased as a proportion of revenues collected. The 2014 self-assessment, which covered FYs 2011/12 and 2012/13, indicates tax arrears averaging 2.2 % of annual collections for these years.

Table 15.1 Tax arrears collection ratio (USD'000)

	2012/2013	2013/2014	2014/2015
Stock of revenue arrears			
- Large taxpayers office (LTO)	-	**57,799**	**60,779**
- Small & Medium taxpayers office (MTO)	-	**7,211**	**7,307**
Total stock of revenue arrears	-	**65,010**	**68,086**
Total arrears collected during the year	No data	No data	No data
Total actual revenue collected during the year	**303,788**	**300,147**	**259,350**
Tax arrears as % of total tax collections	-	**21.66%**	**26.25%**

Source: Liberia Revenue Authority

Dimension (ii): Effectiveness of transfer of tax collections to the Treasury by the revenue administration

The system for transferring tax collections to CAG remains effective. LRA has direct access to CBL's payments system, enabling payments to be made directly on a daily basis into CAG's main account at the CBL for all taxes collected in Monrovia and its environs (about 85% of all collections). The payments system allows for aggregation by tax type. For tax payments outside of Monrovia, LRA has numerous designated collection centres across the country. These forward their collections daily to county-based commercial bank transitory accounts controlled by the CAG, which are cleared at least every two weeks into the main treasury account. .

Dimension (iii): Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury

Reconciliation between tax collections and taxpayer account balances has strengthened through the establishment of SIGTAS. At the time of the 2012 assessment, timely reconciliation between tax payments made through the CBL system and the balances of taxpayer accounts contained in TAS was feasible in principle. However, the maintenance of taxpayer accounts in TAS was not always timely, thus leading to discrepancies between taxpayer account ledger balances by tax type in TAS and payments made through CBL. This situation compromised DoR's ability to track the filing and debt obligations of each taxpayer and thereby to prepare delinquent taxpayer lists and thus arrears lists. Taxpayer accounts were mainly maintained using Excel-based spreadsheets, thus making consolidation difficult relative to database maintenance methods. In contrast, SIGTAS is a fully automated tax administration system, making reconciliation easier (as noted in the 2012 assessment).

Complete accounts reconciliation between tax assessments and receipts has therefore improved. The more timely reconciliation between tax collections and receipts (dim. (ii)) has enabled greater accuracy in the measurement of arrears for all taxpayer groups. .

On-going and planned activities

SIGTAS is planning to develop an interface with commercial banks, whereby deposits of tax revenues into commercial banks would be reflected straightaway in taxpayer accounts held in SIGTAS. This would facilitate the reconciliation process by removing the step between payments of taxes into bank accounts and the transfer of this data to SIGTAS.

PI-16. Predictability in the availability of funds for commitment of expenditure

The assessment period for all three dimensions is the last completed FY before this assessment, i.e. FY 2014/15.

PI-16 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	C	C+	Overall performance strengthened through (i)
(i) Acashflowforecastispreparedforthefiscalyearandupdatedatleastquarterly,on the basis of actual cash inflows and outflows	C	B	***Performance strengthened*** due to consolidated annual cash flow plans being updated quarterly on the basis of actual cash inflows and outflows. At the time of the 2012 PEFA assessment, updating tended to be partial, infrequent and non-systematic.
(ii). M&As are provided reliable information on resources available for commitment for 1-2 months in advance	C	C	***Performance unchanged.*** Allotments (commitment ceilings) continue to be issued only on a monthly basis, indicating uncertainty about cash availability more than a month ahead
(iii) Significant in-year budget adjustments are frequent, but undertaken with some transparency	C	C	***Performance unchanged***. Inter-ministerial budget reallocations are frequent but with some level of transparency. In FY2014/15 they amounted to 18.1% of approved

PI-16 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	C	C+	Overall performance strengthened through (i)
			national budget

Background

A Cash Management Unit (CMU) was established in MFDP in FY 2012/13, as recommended by the IMF.[32] At first, CMU was part of the Office of the Comptroller and Accountant General (CAG). It now sits under the Office of the Assistant Minister for Expenditure Management. The CMU is the secretariat to the Cash Management and Financial Approval Committee, which is made up of the Liquidity Committee and the Treasury Management Committee. Members of these comprise technocrats from Treasury Department, Department of Budget, and Liquidity Management Department in CBL, Revenue and Tax Policy Unit of MFDP, Liberia Revenue Authority, as well as the Assistant Ministers for Budget and Expenditure Management respectively.

Summary

A fully functioning cash flow planning and management system is still not yet in place. Continuing in-year cash flow uncertainty combined with some weaknesses in financial controls result in budget execution being determined by cash availability rather than cash being available when needed to enable the execution of the approved budget. The key symptom of this is allotments continuing to have a 1 month time horizon. The 2012 PEFA assessment indicated that GoL was planning to move towards a quarterly allotment system, but this has not happened yet.

Dimension (i) Extent to which cash flows are forecast and monitored

As stipulated by the PFM Regulations 2009, all M&As are required to prepare and submit annual cash flow plans, segregated into months and quarters, to the Minister of Finance within 45 days after the commencement of the financial year, and to update the plans monthly 10 days before the next month. The Minister should consolidate all submitted cash flow plans into a consolidated master cash flow plan, on the basis of which it prepares a schedule of monthly allotments (budget releases), which provides M&As the authority to spend. The Cash Management and Financial Approval Unit issued a guideline in January 2015 for M&As: “Guidelines on the Implementation of a Cash Management Arrangement”.

M&As submit annual cash flow plans to MFDP, following approval of the budget, and update these quarterly, but not monthly. Updates reflect actual expenditures and own-source revenues to date and adjustments to procurement plans (that are required to be submitted as part of the budget preparation exercise). The main sources of revenues are in fact tax revenues and budget support from donors. PI-3 indicates an increasing degree of certainty in domestic revenue projections. D-1 on budget support indicates insignificant uncertainty of in-year disbursements, partly because of conditions for in-year tranche disbursements not being met. The Cash Management and Financial Approval Committee meets monthly to review and approve quarterly cash flow plans on the basis of which it issues allotments in order that M&As can commit expenditures (dim. ii).

[32] "Improving Cash Flow Planning, Guidelines to Issue Treasury Bills and Government Banking Arrangements", Fiscal Affairs Department, IMF, December 2012

Dimension (ii): Reliability and horizon of periodic in-year information to M&As on ceilings for expenditure commitments

The time horizon for the issue of allotment ceilings to M&As is still only monthly, indicating uncertainty about cash availability more than a month ahead. Section 23(3)(g) of the PFM Act 2009 directs the Minister of Finance to prepare and issue expenditure commitment allotments limits to each M&A on the basis of agreed cash flow plans**.** As noted under dim. (i), cash flow plans are prepared on a quarterly basis. Allotments issued to M&As by MFDP are on a one-month basis, however (3 months basis for autonomous agencies). The allotment ceilings mainly apply to recurrent expenditure as capital expenditure may require commitments with a long time horizon and the timing of the payments certificates periodically submitted by suppliers is inherently uncertain. According to MFDP, the suppliers will be paid as long as payments do not exceed the approved budget (or else a budget adjustment is required). The extent of uncertainty contained in cash flow forecasts implies the need to keep horizons short for recurrent expenditure commitments.

Dimension (iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of M&As

During FY2014/2015 over 2,300 inter-ministerial transfers amounted to US$ 114.8million representing a significant 18.1% of the approved budget. Section 26(2) of the PFM Act 2009 mandates the Minister of Finance to report to the Legislature through its periodic fiscal outturn reports on cumulative budget reallocation. Budget reallocations regarding personnel emoluments and between M&As require prior legislative consent. Budget reallocations have a level of transparency - budget entities are notified of reallocations above their managerial level. Reasons for reallocations include the late approval of the budget, well after the end of the FY, requiring rescheduling of some budgeted expenditures, and political factors.

The 2009 PFM Act and its regulations define the rules for re-allocations, both within the budgets of M&As and between the budgets of M&As.

a) No reallocation may be made from or to the "Compensation of Employees" or between items within personnel expenditure without written approval of the CSA following consultation with the MFDP.
b) Reallocations between budget agencies are allowed for up to 20% of the appropriation of the agencies involved, beyond which the approval of the Minister of Finance and the agencies are required.
c) Reallocations between agencies are permitted provided the agencies involved agree to the reallocations and that sufficient funds exist in the budget from which they will be transferred to cover the cost of the increased expenditure in the receiving budget, after recognition of planned expenditure and future commitments.
d) The expenditure for the proposed activity or event must not conflict with the priorities and objectives of the M&A.
e) No reallocation may be made to increase amounts appropriated for foreign travel or purchase of vehicles.
f) Requests for reallocations within an agency between programs (departments) may be approved up to a total for the year not exceeding 10% of the original appropriation for the program from which the reallocation is to be made.
g) The head of Government Agency or the Accounting Officer must maintain a register of all budgetary reallocations.

The fiscal rules introduced in FY 2012/13 budget, described under PI-1, also limited in-year transfers from investment to recurrent spending to 5 percent of investment appropriations and called for a reduction in in-year transfers between spending units.

Section E9 of the PFM Act stipulates that proposed increases in total appropriations have to be requested through a revised or supplementary budget and have to be approved by Parliament ex-ante (PI-27).

On-going and planned activities

- As part of measures to lengthen expenditure commitment horizons to 3 months, starting July 2016, MFDP is in the process of reviewing financial management practices in M&As in terms of compliance with regulations (e.g. procurement, non-compliance with which may lead to unauthorised commitments). The degree of predictability of cash inflows influences the length of the horizon, but compliance with regulations is also a factor. The review will help MFDP to determine which M&As would be able to handle quarterly allotments.
- The CMU is endeavouring to increase the sophistication of cash flow forecasting, particularly through the identification of seasonal patterns. The tendency has been to project in-year recurrent expenditures by dividing by 12. It also plans to introduce more sophistication in the use of IT; the methods currently used for forecasting are still mainly manual, using Excel spreadsheets.

PI-17. Recording and management of cash balances, debt, and guarantees

This indicator assesses the quality and completeness of debt records, debt management and the overall consolidation and control of government cash balances. Dimensions (i) and (ii) are assessed as at the time of assessment while dimension (iii) measures performance over the last completed fiscal year FY 2014/2015.

PI-17 (M2)	Score 2012 PEFA	Score 2016 PEFA	Assessment
Justification for 2016 score	**B**	**B+**	**Performance improved under (ii)**
(i) Domestic and foreign debt records are complete, updated and reconciled quarterly. Data considered of fairly high standard, but minor reconciliation problems occur. Comprehensive management and statistical reports(cover debt service, stock and operations) are produced at least annually	**B**	**B**	***Score unchanged, but performance improved due to the sharing of information between*** DMU, CBL and IFMIS now being regular.
(ii).Most cash balances calculated and consolidated at least weekly, but some extra-budgetary funds remain outside the arrangement.	**C**	**B**	***Performance improved***, due to the establishment of a functional TSA that covers all CAG-managed bank accounts held at CBL However, Section 34 of the PFM Act requiring a TSA covering all GoL-held accounts is still being violated. Bank accounts held by M&A, including donor project accounts, remain outside the TSA and thus the daily cash consolidation system.
(iii) Central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by a single responsible government entity	**A**	**A**	***Performance unchanged.*** The Minister of Finance is the sole official with the authority to contract loans and issue guarantees on behalf of government. Contracting of debt and issuance of guarantees are made against transparent criteria

Dimension (i): Quality of debt data recording and reporting

The Debt Management Unit (DMU) in MFDP is in charge of managing external debt. The Central Bank of Liberia (CBL)is in charge of managing domestic debt.

The Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), located in DMU continues to be used to record and report both domestic and foreign debt. Recording is fully comprehensive of all debt details. Reconciliation between data contained in CS-DRMS, IFMIS and CBL takes place quarterly as a check on data integrity and to ensure debt projections contained in IFMIS are consistent with the CS-DRMS data. Reconciliation is not yet automated, as there is no direct interface between CS-DRMS and IFMIS, and between CS-DRMS and the CBL. Monthly reports are prepared for internal purposes. Comprehensive quarterly debt reports are contained in the quarterly fiscal outturn reports prepared by MFDP and posted on its website for the benefit of the general public. These reports are published within two months after the end of the preceding quarter; The DMU also prepares an annual report on Liberia's debt for inclusion in the Minister of Finance's overall report to the Legislature.

Complete reconciliation and update between MFDP and creditors is conducted at least annually. The CBL submits electronic information on domestic borrowing to the DMU, which feeds it into CS-DRMS.. Reconciliation problems usually arise with domestic creditors mainly due to staff rotation or turnover, contingent payments as a result of court rulings, CBL standing orders,[33] and from classification and coding errors (e.g. interest classified as amortization) made by data entry clerks. Reconciliation errors are generally cleared. Differences with foreign creditors are rare, though disagreements may arise, as has been the case with debt owed to OPEC. MFDP has direct access to the World Bank's loan database through 'Client Connection', which facilitates reconciliation.

Explicit guarantees are recorded. Only one was outstanding at the end of FY 2014/15. The value of this is US$14million and is in respect of the National Port Authority (NPA) for the Green Ville Port Expansion Project. Losses of State Owned Enterprises (SOEs) are implicitly guaranteed, the quantum of which is unknown to DMU, the SOE unit within MFDP and CBL.

Dimension (ii): Extent of consolidation of government cash balances

The legal and regulatory framework governing central government banking arrangements remain unchanged and are detailed in the PFM Act 2009 and its accompanying Regulations. Section 34 of the PFM Act 2009 and Part H (Section H.1 to H.11) provide details of banking arrangements and cash management. Section 34(1) provides for the establishment and operation of a Treasury Single Account (TSA); Section 34(2) prohibits the opening and operation of a government bank account without approval from the Minister of Finance. In practice, all M&As obtain approval from MFDP prior to opening and operation of any bank account either with the CBL or commercial banks.

The TSA was established in 2014, for six CAG- managed bank accounts held at the CBL, the balances comprising the bulk of all GoL-held bank accounts.

- USD Revenue Account
- LRD Revenue Account
- USD Operating Account
- LRD Operating Account
- LRD Payroll Account
- LRD Pension Account (this became operational in FY2015/2016)

[33] It may happen that CBL directly debits CAG's account for a debt service payment, but this is not reflected in CAG's records.

Consolidation of TSA balances held in CBL takes place frequently. Balances outstanding in the individual CAG accounts are swept into the Consolidated Fund (i.e. the main TSA) and later reversed for normal transactions.[34] While there is no direct interface between IFMIS and the CBL banking platform, the CBL has granted access to MFDP to the platform that allows for daily requisition and upload of bank statements onto IFMIS for reconciliation and consolidation of government cash balances.

In addition to the above-mentioned government bank accounts, M&As hold 202 accounts for operational purposes at CBL *(as of January 2016)***, and also hold accounts in commercial banks .** The status of those held at CBL can be provided to the CAG upon request. Most of them are not linked to the TSA in violation of Section 34 of the 2009 PFM Act. M&As that generate own revenue maintain revenue collection bank accounts (known as transitory bank accounts) with commercial banks with the approval of MFDP. End-day balances of these are transferred to the TSA (revenue account).Accounts held by M&As in commercial banks mainly represent the project implementing units of donor-funded projects. These do not form part of the daily reconciliation and cash consolidation system. The CAG can obtain bank statements on request for monthly reconciliations.

A comprehensive view of government's total cash envelope is therefore lacking.

In January 2016, CAG notified commercial banks with government bank accounts of its intent to include all these accounts into the TSA system for monitoring purposes. .

Dimension (iii) Systems for contracting loans and issuance of guarantees

The systems are broadly unchanged. Sections 28(1) and 29(1) of the 2009 PFM Act provide for the authority of the Minister of Finance as the sole GoL official responsible for contracting loans and issuing guarantees on GoL's behalf. Section F of the PFM Regulations establishes conditions for GoL borrowing. Section F 2(4) establishes that end-year government debt should not exceed 60% of the projected GDP for that year, as stipulated in the annual Budget Framework Papers (BFPs).The Debt Management Committee (DMC), established in 2009 remains in place, chaired by the Minister of Finance (Chairman). The DMC approves the Medium Term Debt Strategy (MTDS), established in 2009 and rolled forward from time to time; the latest covers 2014-2016.The MTDS is posted on MFDP's website. MFDP and CBL conduct periodic Debt Sustainability Analyses (DSA) as input to the MTDS; under the current ECF supported by IMF, the DSA are prepared in close collaboration with IMF (PI-12). The Legislature is required to ratify loans approved by DMC prior to them becoming effective.

The MFDP issued a guideline in 2012 to regulate borrowings by SOEs and the issuance of guarantees. . The DMC plays a role in terms of fiscal risk assessment. It reviews and analyses proposals from SOEs within 48 hours. The loan/guarantee approval criteria include, but are not limited to, viability of proposed project, the ability to repay loan, and socio-economic benefits. To date, only one explicit guarantee has been issued (Ports Rehabilitation project).

Currently, there is no policy or legal framework on public private partnership (PPP)**.**

Ongoing and planned activities

- A direct interface between CS-DRMS and IFMIS and between CS-DRMS and the CBL is being planned. In 2013, a contract was signed between MFDP and CS-DRMS consultants to link the debt software to IFMIS. This did not materialize due to the Ebola outbreak, but MFDP hopes to revive the interface project in 2016 by using the new version of CS-DRMS (to be installed in Q1 2016).

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34 At the wrap-up meeting with the Minister of Finance on January 29, the Minister of Finance indicated that daily sweeps are not technologically possible at present.

- In January 2016, CAG notified commercial banks with government bank accounts of its intent to include all these accounts into the TSA system for monitoring purposes.
- Ongoing reforms include expanding the scope of TSA by including government and donor fund bank accounts held at commercial banks. The latter will be through more projects being reported on through PFMU in MFPD and, as part of this, the on-going migration of data to IFMIS from the current stand-alone reporting system operated by PFMU
- GoL is working on drafting a debt law to become a single legal framework for contracting loans and issuing government guarantees, including PPPs. The 2009 PFM Act is the main law covering the contracting of loans and issuing guarantees, but altogether there are five different pieces of legislation covering the subject.

PI-18. Effectiveness of payroll controls

This indicator is concerned with the payroll for public servants only. Dimensions (i) through (iii) of this indicator assess the payroll control function as at the time of assessment, while dimension (iv) measures performance over the last three years before assessment.

PI-18 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	D+	C+	**Performance improved under (i).**
(i) Personnel & payroll data are directly linked through CSMS for 90% of the payroll. The payroll is supported by full documentation of all changes made to personnel records each month and checked against the previous month's payroll data	D	B	***Performance improved*** due to the introduction of the CSMS which has electronically linked personnel and payroll records of non-military civil servants. The military payroll and database are not covered by CSMS and are not linked, thus limiting the overall score to B.
(ii).Uptothreemonthsdelayoccursinprocessingchangestopersonnelrecordsand payroll for a large part of changes, which leads to frequent retroactive adjustments	C	C	***Performance unchanged.*** In principle, changes to personnel records requested by M&As culminating in the issue of Personnel Action Notices (PAN) by CSA should be processed by the next payroll. Capacity constraints and slow bureaucratic processes cause the process to take up to 3 months.
(iii) Controls exist, but are not adequate to ensure full integrity of data.	C	C	***Performance unchanged.*** **Establishment of CSMS was supposed to strengthen internal controls, but this didn't happen due to a breach of security protocol.** A newsecurity policy came into effect 4 months ago, but it is too early to assess its effectiveness.
(iv)Partial payroll audits/staff surveys have been undertaken within the last 3 years.	C	C	***Performance unchanged.*** The biometric finger printing exercise was already underway at the time of the 2012 assessment.

Background

This indicator is concerned with the payroll for public servants only and does not apply to wages for casual and temporary labour, discretionary allowances, and pensions. [35]Controls in these areas are covered by PI-20 (internal controls for non-salary expenditure). It applies to the situation at the time of this PEFA assessment. At this time the number of civil servants was 46,000, comprising 38,000 regular staff and 8,000 supplementary staff. The latter mainly comprise teachers and health care workers who were recruited on an emergency basis in response to EVD. Many of these are gradually being mainstreamed into the regular staff, though the number is declining only gradually as new staff are still been appointed as supplementary staff.

The Civil Service Agency (CSA) has the overall responsibility for management of civil servants. Military personnel, numbering about 3,000, fall outside the coverage of CSA, but are full-time employees and in principal are covered by this indicator. In practice, this is not possible, as the budget for the military is a lump sum figure.

Dimension (i): Degree of integration and reconciliation between personnel records and payroll data

The establishment of an IT-based Civil Service Management System (CSMS) in the Civil Service Agency (CSA) in July 2013 has significantly strengthened the integrity of the payroll. Personnel records of regular and supplementary staff maintained in M&As are checked and verified by CSA staff prior to being entered manually into CSMS. Monthly change requests are similarly submitted to CSMS. The personnel/administration departments of M&As are not linked to CSMS, implying the possibility of errors, but CSA claims that the checking is thorough, helped by M&A analysts sitting in CSA.

Personnel and payroll data are directly linked within CSMS, so that changes in the former directly lead to changes in the latter. The CSMS is used to calculate a dummy payroll each month, which is then checked by M &A analysts for consistency with the previous month's payroll and changes in personnel records since then. If satisfactory, CSMS runs the payroll, generating direct deposit files and checks in the process. Previous to CSMS, the payroll was run on the Government Accounting Payroll System (GAPS), located in CAG. The payroll is then approved by the Department of Expenditure in MFDP and saved electronically on CDs by Treasury Services Unit, which then distributes these to commercial banks that hold employee accounts. The bulk of employees are paid through direct deposit (also the case at the time of the 2012 assessment, but the proportion has increased), thus reducing the risk of fraud. Those without accounts receive checks.

The reconciliation process is then completed by preparation of a payroll report, which is then sent to the Personnel Units of M&As. These then check that the changes they had submitted were reflected in the payroll. This is a manual process, so reconciliation is not 100% guaranteed, but this risk is minimised by the extensive checking that has already taken place. The Ministry of Education confirmed to the assessment team that this system is working. Donor-funded projects in the major M&As, particularly MoH, MoE and MPW, tend to use their own payroll systems, their wage and salary bills representing a significant proportion of the total wage and salary bill of these institution.

Dimension (ii): Timeliness of changes to personnel records and the payroll

The time taken to process changes to personnel and payroll information remains significant.. A Personnel Action Notice (PAN) is used to effect changes to the payroll system (additions, deletions,

[35]Significant payroll payments in the form of top-up allowances are processed in by the Payroll Service Unit in CAG through IFMIS outside of CSMS. Allowances and salaries were collapsed in July 2014, but only for MFDP. The pension payroll, consisting of about 16,000 employees as at January 2014, is processed from the Government Accounting Payroll System (GAPS), for which the personnel and payroll records are not directly linked. The Government is planning to incorporate pension payments into CSMS.

promotion, retirement, salary increases), the requests for such being initiated by M&As and submitted to the CSA for vetting and approval. As a normal process, M&As submit requests to CSA by the 24th of every month to enable processing of payroll for the following month. First, CSA reviews a request for compliance. Second, if satisfied, it signs off and forwards to the Department of Budget (DoB) in MFDP to confirm funds are available as per the approved budget. Third, if DoB confirms, CSA approves the change, registers this in CSMS, and issues a PAN. The change generates the change to the payroll, which would be reflected in next month's payroll run.

In principle, the process should be finished by the 5th of the next month (i.e. about 12 days), in time for the running of the next payroll. In practice, the whole cycle up to the issue of PANs tends to take one to three months, resulting in frequent retroactive adjustments. Slow manual bureaucratic processes -- perhaps related to capacity constraints -- submission of requests to CSA after an employee has been hired, and errors in information submitted by M&As are the main reasons. The EVD appears also to have been a reason. The establishment of CSMS has made little difference, as registration of approved changes in CSMS is only at the last stage.

Retroactive adjustments are based only on the date that a PAN is issued and does not take into account the time taken in the earlier processing stages noted above. Such adjustments are therefore rare as issue of a PAN is usually reflected in next month's payroll.[36]

Dimension (iii): Internal controls to changes to personnel records and the payroll

A defect in the control procedures in CSMS led to breaches of security, but this was recently remedied. Establishment of CSMS was expected to help strengthen internal controls over personnel records and the payroll – highlighted in the 2012 PEFA assessment – but this did not happen. A team from MFDP established CSMS in CSA in 2013. It established four levels of controls over the use of the system, entrance to the system being assigned to users authorised by CSA through encrypted passwords. The specific passwords used by the team in testing the system were, however not erased when the team finished its work, resulting in non-authorised users being able to access the system. A security policy was then prepared by consultants contracted by MFDP and came into effect in September 2015. A user's manual for CSMS has yet to be prepared, so that staff can understand their responsibilities.

The next steps should be for CSA and/or MFPD to commission the preparation of a users' manual for CSMS and an independent audit of the system, but as yet no such steps have been taken. Such audits require considerable technical expertise, probably beyond the capacity of GAC. [37]

Dimension (iv): Existence of payroll audits to identify control weaknesses and/or ghost workers

Comprehensive payroll audits have not yet been conducted, but an on-going biometric verification exercise represents the first stage.. Supported by the World Bank and USAID, the CSA contracted a company specialised in such technology (Biometric Neurological Technology) to conduct the exercise, covering all government employees. The exercise consists of fingerprinting staff, scanning and digitalising the prints and assigning a unique PAN to each print. The exercise began in 2010 and is still ongoing. Employees who did not collect their checks after three months of the exercise were considered as potential ghost workers and were deleted from the payroll. By December 2014, 35,570 employees had been removed from the payroll. One employee was found to be earning four different salaries. Another payroll cleaning exercise led by the Liberia Teacher Training program

36 Retroactive adjustments may occur in other circumstances: (i) Inadvertent deletion from the payroll; (ii) Salary adjustments approved that affect prior periods;

37 The massive breach of the Malawi Government's donor-funded IFMIS a few years ago and the resultant theft of large amounts of public funds by staff (highlighted in the international media) vividly highlighted the risks in the use of such systems.

(LTTP) with support from USAID was successful in identifying 'ghosts' in Ministry of Education, which has 44% of the total employees of government.

Once the biometric verification exercise is completed and the payroll correspondingly cleansed, a comprehensive payroll audit can commence, this would cover CSMS and relevant internal controls systems in CSA and MFDP. The GAC should be the body responsible, though capacity constraints and the major scope of the exercise might require outsourcing it.

On-going and planned activities

- The biometric finger printing exercise continues.
- The World Bank supported Public Sector Modernization Project continues to provide support to CSA.
- The GAC is planning to conduct a comprehensive payroll audit.

PI-19. Transparency, competition and complaint mechanism in procurement

This indicator assesses the strength of the national procurement system, covering the design of, and compliance with, the legal framework. Dimensions (i), (iii) and (iv) of this indicator assesses the procurement function as at the time of assessment, while dimension (ii) measures performance over the last year before assessment.

PI-19 (M2): Transparency, competition and complaints mechanisms in procurement	Score 2012 PEFA	Score 2016 PEFA	Assessment
Justifications for 2016 scores	**C**	**B+**	**Performance improved under (ii) and (iii)..**
(i) The legal framework meets five of the six listed requirements	**B**	**B**	***Performance unchanged.*** Criterion 3 in the 2012 assessment should have been assessed 'No', while Criterion 5 should have been assessed 'Yes'.
(ii). When contracts are awarded by methods other than open competition, they are justified in accordance with the legal requirements in all cases	**D**	**A**	***Extent of improvement unclear.*** In all cases, there was justification by the procuring entity and approval by Public Procurement and Concession Commission (PPCC) for the use of procurement methods other than the open competitive method. This was also the case in 2012, however, the D rating therefore appearing to be too low.
(iii) At least 3 of the 4 key information elements are complete and reliable for government units representing 75% of procurement operations and made available to the public in a timely manner.	**D**	**B**	***Performance improved.*** Procurement plans, representing more than 90% of procurement value, bidding opportunities, and resolution of procurement complaints are now posted on PPCC's website. Contract awards have not been published since 2012/13
*(iv)*The procurement complaints system (CARP) meets six out the seven listed criteria, including criteria (i) and (ii).	**B**	**B**	***Performance unchanged***

Dimension (i): Transparency, comprehensiveness and competition in the legal and regulatory framework

The Public Procurement and Concessions Act (PPCA) 2010 (Amended) and Accompanying Regulation 2005 outline the legal and regulatory framework governing public procurement in Liberia. The law and regulations meet five out of the six requirements that should be used in accessing public procurement according to the PEFA framework (Table 15A). The Act establishes the Public Procurement and Concessions Commission (PPCC) as the regulatory body with the mandate to approve or disapprove the choice or method of procurement in accordance with the law, as well as annual procurement plans submitted by M&As.

Performance is unchanged. Criterion 3 in the 2012 assessment should have been assessed 'No', while Criterion 5 should have been assessed 'Yes'

Table 15A: Elements of Legal and Regulatory Framework for Procurement

Number of requirements met	Elements of the legal and regulatory framework for procurement	Availability (Yes/No)
The legal and regulatory framework meet 5 out of the 6 elements	***1) Be organised hierarchically and precedence is clearly established:***	***Yes. No change***
	2) Be freely and easily accessible to the public through appropriate means: Available on PPPC's website or .from PPPC's office. No GoL publishing house or library where these could be purchased/read	***Yes. No change.***
	3) Apply to all procurement undertaken using government funds: The PPCA covers all procurement undertaken by GoL entities, but with the specified exception of military equipment). (Section 1.3(b)).	***No. No change***. 2012 PEFA scored Yes, but should have been No**.**
	4) Make open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified:	***Yes. No change***
	5) Provide for public access to government procurement plans bidding opportunities, contract awards, and data on resolution of procurement complaints (sections 5(b) & 128 of PPPC).	***Yes. No change***. 2012 PEFA scored No, but should have been Yes.
	Provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature: Provided in Sections 10 and 125-128 of PPCA .	**Yes. No change.**

Dimension (ii): Use of competitive procurement methods

Section 46 (1) of the PPCA 2010 specifies open competitive bidding as the default method of procurement. Regulation 3 outlines the maximum threshold for each procurement method, above which a more competitive type of procurement is required.

- *Request for Quotation (RFQ)*: US$ 10,000, US$ 10,000 and US$ 30,000 for goods, services and works (GSW) respectively.
- *Restricted Bidding:* US$ 50,000. US$20,000 and US$100,000 for GSW respectively; PPPC approval is required.
- National Competitive Bidding (NCB): US$ 500,000, US$ 200,000, US$ 1 million for GSW respectively.
- *International Competitive Bidding (*ICB for contracts above the maximum thresholds for NCB;

- *Sole Sourcing*: For contract prices exceeding US$100,000, justification to, and approval by PPPC for the use of sole sourcing procurement methods is required under Section 55 (3) of the PPCA. **Evidence provided by PPCC suggests that all contracts awarded other than through the use of the open competitive procurement method were justified by procuring entities and approved by PPCC.** For FY 2014/15 1,353 contracts were awarded valued at US$ 332.2 million, out of which 82 at an estimated cost of US$19.5 million representing 5.9% of all contracts were through sole sourcing. The average cost per contract was US$ 4 million. As stipulated by Regulation 3 of Section 46 of PPCA (noted above), PPPC approval is required for sole sourcing above US$ 100,000. PPPC accepted the justifications for using sole sourcing submitted by M&As and approved them. .

The bulk of sole sourcing is conducted by the Ministry of Public Works (MPW). As noted in the 2014 self-assessment, delays in the approval of the budget (PI-11), the need to accelerate government's priority projects, and adverse weather leading to the need for urgent action were used as justifications for sole sourcing. In some cases, the contracts were for urgent additional unforeseen works not included in the initial contract. Dimension (ii) was rated A. The 2012 PEFA assessment mentions that poor procurement planning by M&A led to time constraints near the end of the year and therefore requests to PPCC for its approval for sole sourcing, approval being granted. The dimension was rated D, even though PPCC approved the requests for sole sourcing. The 2014 assessment states that the situation had not changed materially since the 2012 assessment, and that the 2012 team might not have had access to all available information. According to PPCC, approval of requests for sole sourcing, though not based on its own rigorous independent assessment due to capacity constraints, is based on a review of the quality of the requests made. It has rejected more requests than it has approved, thus indicating a degree of proficiency in evaluating requests.

The IMF's Fourth Review of the Extended Credit Facility (ECF) Arrangement dated January 2016 refers (para. 17, page 13) to a special audit report prepared by GAC on procurement undertaken by MPW for road and bridge construction.[38]The report revealed significant weaknesses in project management in terms of expenditure control, procurement process, and project implementation and monitoring.[39] The IMF's third review, conducted earlier in 2015, had found significant irregularities in the procurement and payment of road projects amounting to US$92 million (4.6 percent of FY2015 GDP). Sole sourcing was the main procurement modality used. Implementation of the projects led to commitment controls being violated, leading to arrears (PI-4).

Regular procurement audits (as conducted in a number of countries) would be a more rigorous way of determining whether the No Objections were fully justified, but capacity constraints have precluded this. The PPCC is severely understaffed; out of a personnel requirement of 217, only 49 have been budgeted for.

Dimension (iii): Public access to complete, reliable and timely procurement information.

The PPCC website is publishing three of the four relevant items of procurement information mentioned in Table 15A above. PPCC started publishing bidding opportunities and contract awards in FY 2012/13, though it has not been publishing the latter since then. M&As only rarely publish their contract awards. About 95% of bidding opportunities are published. As at January 24, 2016 PPCC had published 259 procurement plans prepared by M&As for FY2015/2016 to date, the plans

[39] The IMF report ((IMF Country Report No. 16/81 January 2016) is posted on www.imf.org .The issue arose from a special audit carried out by GAC, published in July 2015 (. 'Audit Report on Special Procurement of the Ministry of Public Works for Construction of Roads and Bridges throughout Liberia', publicly available at http://www.gac.gov.lr/auditDoc/MPW.

representing more than 90% of procurement value. Between 2012 and 2015, fifteen CARP opinions were published (Annex 2). The Commission also engages the public through the electronic and print media as well as public workshops. The Liberia business community appreciates the significant amount of procurement information available to the public.

Dimension (iv): Existence of an independent administrative procurement complaints system

Within the framework of the PPCA, an aggrieved bidder must first complain to the Procuring Entity, which conducted the bidding process, and provide a copy of the complaint to PPCC. The Head of the entity must respond within fourteen days. If not satisfied, the complainant may file an appeal to PPCC, which will pass it to the Complainants Appeals Review Panel (CARP). Upon receipt, CARP conducts findings and renders a decision. CARP made 15 decisions during 2012-2015, taking an average of 87 days to issue decisions. Eight were in favour of government agencies, 7 in favour of appellants. Annex 2 provides some evidence of the number of days taken to issue decisions.

This dimension is assessed according to the seven criteria listed in the PEFA Framework (Annex II). The first criterion is for the independent complaints body (CARP in this case) to be comprised of a membership of five eminent citizens with impeccable professional experience - three lawyers and two non-lawyers but professionals with significant experience in procurement matters. CARP satisfies this criterion. CARP meets all the other requirements except for criterion (vi) which deals with "issuing decision within the specified timeframe in the law/regulations".

With regard to criterion (vi), decisions issued by CARP are often delayed beyond the statutory limit mostly because the review process is quasi-judicial. Thus, all parties must be afforded an opportunity to adequately represent themselves. Most times, parties to a complaint may request extension of time frames within which to file their responses. Thus, even though CARP may exceed the statutory limit, it's because it is following due process by allowing all parties the full chance to represent themselves.

A table analysing the extent to which CARP meets the criteria is presented in Annex 2.

Interactions with the Liberia business community reveal that the existence of CARP is relatively unknown; there is also the fear of victimisation for which reason most complaints are not made. The Commission has conducted an extensive awareness process on the complaints process and is now more engaged than ever with the private sector to ensure that they are familiar with their rights and obligations under the law. CARP's Vendors Services Department has noted that the private sector is now more actively seeking advice.

On-going and planned activities

- Currently, PPCC has only 49 staff in PPCC as against a staff requirement of 217. While procurement audit is the mandate of the PPCC, it is not being undertaken due to this constraint.
- PPCC is in the process of developing a procurement assessment cycle for proper monitoring and evaluation of M&A procurement processes.
- PPCC is working to develop an e-procurement system to be linked to IFMIS procurement model in order to operationalise the P2P (procure to pay) procurement system. The Commission has also started on the preparation of the vendor pre-qualification model.
- As part of measures to disseminate procurement information to the countryside and to provide a platform for bidder complaints, the Commission is setting up a toll-free telephone system to be manned by three staff. It has also begun a client perception survey on government procurement processes.

PI-20. Effectiveness of internal controls for non-salary expenditure

This indicator assesses the internal control system for non-salary expenditures as at the time of assessment. The critical period is at the time of the assessment.

PI-20 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	C+	C+	.Overall performance unchanged.
(i) Expenditure commitment controls are in place and effectively limit commitments to actualcashavailabilityandapprovedbudgetallocationsformosttypesofexpenditure, with minor areas of exception	B	B	***Performance unchanged.*** Effective commitment control measures exist through IFMIS, which are capable of limiting expenditure commitments to approved allotments (budget releases, that provide M&As with authority to spend up to the amount of the release). Nonetheless, some exceptions exist, for example, emergency - related expenditure.
(ii)Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application. Some rules and procedures may be excessive, while controls maybe deficient in areas of minor importance	C	C	***Performance unchanged, despite the advent of IFMIS, which should have strengthened the understanding of controls***. Internal control laws, regulations and the FMM are comprehensive and, simple to understand. Nevertheless, implementation of IFMIS has required extensive training, while high staff turnover has posed challenges to the internal control environment
(iii) . Rules are complied with in a significant majority of transactions, but use of simplified/emergency procedures in unjustified situations is an important concern.	C	C	***Performance unchanged, despite the advent of IFMIS.*** The level of compliance appears to be improving but simplified procedures for major transactions processing may be used with particular reference to emergencies and exemptions on public procurement

Dimension (i): Effectiveness of expenditure commitment controls

The financial controls legislated for in the 2009 PFM Act (section 25) and its Regulations (Parts 4-6) remain effective in principle in ensuring that expenditure commitments are consistent with approved budgets and monthly cash allocations. [40]Requested purchases cannot be approved if the amounts to be paid exceed the budgetary allotments (releases/approvals to spend) provided to M&As by the Department of Budget in MFDP; i.e. approval requires a remaining uncommitted allotment balance. The time horizon of the allotments remains at 1 month only (see PI-16) for M&As (3 months for autonomous agencies), unchanged from the situation in 2012. The exception is for capital expenditure contracts, which tend to have longer time horizons for execution. PFM Regulation P.6 (4) provides for commitments under such contracts (if compliant with the PPCA, 2010) to be discharged against payments certificates submitted during the year.

The commitment control system is integrated into IFMIS where it has been established. The IFMIS payment-processing manual outlines all of the various processes for executing transactions both on

[40] The Accounting Services Unit in MFDP may, in the event of unexpected actual cash shortages, delay approved payments even if these are covered by allotments. Payments arrears may arise as a result. This is a cash flow issue and not a commitment control issue.

and off the IFMIS. Existing manual check controls and dispatch procedures still apply. All M&As, with the exception of autonomous legal entities, process their transactions after the issuance of monthly approved expenditure allotments and submit the necessary documentation to ASU/MFDP for vetting/approval and onward payment.

In practice, however, commitment controls are not completely effective:

1) The commitment controls in IFMIS may be over-ridden in 'emergency' cases, leading to advances being made to M&A that do not have budgetary provision. These may be expensed at source, expenditures either being reported separately or in some cases not reported at all. For example, as noted under PI-19 (ii), sole source procurement methods have been used by Ministry of Public Works for 'emergency' works. These have led to arrears for ongoing road works of around US$ 17.5million and for other construction works of around US$ 22.6 million.

2) Autonomous legal entities receive quarterly allotments in the form of quarterly cash transfers. After committing and paying for expenditures they are supposed to acquit the previous transfers before receiving a new transfer. The entities do not completely respect this system (such entities are required to follow the same financial rules as for the central government).

*3) IFMIS is not fully rolled out, creating the potential for some transactions made without commitment control***.** IFMIS has a 39-digit chart of account, which is capable of ensuring effective expenditure commitment control to the sub-sub-sub-item at the county level. So far, 36[41] M&As representing 70% of total central government expenditure have direct access to IFMIS and therefore make expenditure commitments through it. The remaining 24 large M&As are required to physically travel to MFDP for all expenditure commitment and payment processes.

Dimension (ii): Comprehensiveness, relevance and understanding of other internal control rules/procedures

The PFM Act 2009, its Regulations (2010), and the Financial Management Manual (FMM, July 2013) are comprehensive, important and simple to understand. Sections 5 to 7 of the Act detail the authorities and responsibilities of government officials. Sections 8 to 38 outline the budget preparation, budget execution, accounting and reporting framework. The Act stipulates that Ministers and heads of M&As are responsible for evaluating the adequacy of management checks and balances, and assessing adherence to all financial management procedures within an M&A. The FMM outlines the basis of the internal control procedures, the approval processes and levels of responsibilities of various financial officers in M&As.

As noted in the 2012 PEFA assessment and the 2014 self- assessment, the centralized controls in MFDP may seem excessive (as complained about by M&As)[42]. They seem to be necessary, however, in an operating environment of high staff turnover and rotation rates. Understanding of rules, and thus compliance with them, seems to be stronger the lower are these rates. The large number of rules leaves room, however, for selective interpretation of the compliance procedures.

The rollout of IFMIS in July 2011 (version 6.5[E]) required the development and implementation of a comprehensive capacity building and training strategy to ensure smooth rollover from the manual system to a computerised environment. The current upgrade to version 7 in April 2015 has required further training, still on-going..

[41]. The IFMIS unit in MFDP hopes to connect an additional 24 users by end- June 2016, bringing the coverage to 80%.

[42] For example, the 2012 assessment revealed more than 17 steps from initiation of an LPO to payment of the invoice, including pre-audit by both CAG and GAC, The establishment of IFMIS has sped up processes, though insufficient capacity in using IFMIS appears to have created its own set of problems.

Compliance levels appear not to have improved proportionally to the financial cost levels of training provided so far, capacity constraints being a reason. As shown in Table15, expenditure voucher rejections/queries rates identified by Accounting Services Unit (ASU) averaged 41.6% of the total values of vouchers issued during the first half of 2015/16. This was higher than the 30% rejection rate (in terms of numbers of transactions) during the 1st quarter of FY 2011/12, as referred to in the 2012 PEFA assessment. Capacity constraints related to high rates of staff turnover and rotation appear to be significant reasons. High rates require a high frequency of training programs, which are provided at least quarterly for both MFDP. Nevertheless, line ministries met by the team complained about the inadequacy of training programmes. The delivery of training programs themselves face capacity cconstraints.

Dimension (iii): Degree of compliance with rules for processing and recording transactions

Despite all the training programmes referred in dim. (ii), non-compliance levels appear to be still significant (Table 15). Compliance levels appear to have marginally improved with regards to transaction processing and recording due to measures introduced by CAG, requiring the acquittal and reconciliation of transfers to M&As prior to issuing new transfers. The annual report of the Auditor General for FY 2012/13 (latest available) alludes, however, to breaches of procurement procedures. These breaches include non-reconciliation of bank statements, non-acquittal of daily subsistence allowance and transfers to M&As; inadequate monitoring and reconciling of foreign mission, county and special accounts held in CBL; poor asset management particularly incomplete asset registers; lack of proper record keeping (e.g. lack of documentation for payments); and transposition errors and omissions. The monetary value of these transgressions amount to about USD210million. Use of emergency procedures for transaction processing appears to have contributed to this situation.

Table 15: Queried Expenditure Vouchers - FY2015/2016

Month	No. entries	No. queries	Amounts queried (USD 000s)
July 2015	310	29	79.8
August 2015	425	93	968.5
September 2015	516	408	24,679.7
October 2015	401	39	13,233.6
November 2015	596	315	908.0
December 2015	483	251	9,410.8
Total	**2,731**	**1,135**	**49,280.3**
Rejection/query rate	**41.6%**		

Source: Accounting Services Unit/MFDP

On-going and planned activities

- The CAG is institutionalising a mechanism to force all M&As to acquit all quarterly transfers as well as daily subsistence allowance.
- The CAG issued a policy circular dated December 18, 2015 to all suppliers to desist from supplying goods and/or providing services to the Government without an approved local purchase order (LPO). An official letter from a line ministry for the supply of goods and/or provision of service would also seem to be desirable
- MFDP is deploying an electronic data management system (EDMS) that will be linked to IFMIS to serve as backup for financial and administrative documents.
- Plans are far advanced to review the PFM Act to respond to emerging trends and conform to international best practices.

- IFMIS has been upgraded to version 7 as part of measures to improve financial controls. The new version 7 functionalities include improved character field to 250, inbuilt audit application, P2P (procure to pay) model, internal messaging system, ability to monitor workflow, as well as the ability to interface with LRA SIGTAS.

PI-21. Effectiveness of internal audit

This indicator assesses the effectiveness of the internal audit system (as opposed to control activities) based on the latest available financial and operational information.

PI-21 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	D+	C+	**Performance improved under (i) and (ii).**
(i) Internal audit is operational for the majority of central government entities (in terms of expenditure) and substantially meet professional standards. It is focused on systemic issues (at least 50% of staff time	C	B	***Performance improved***. Internal audit is functional at 37 M&As representing 77% of total government expenditure. It generally meets IA standards. About half of internal audit staff time is used on systems and risk-based audit.
(ii) Reports are issued regularly for most government entities, but may not be submitted to the ministry of finance and the SAI.	D	C	***Performance improved.*** M&As prepare quarterly internal audit reports; copies are sent to the IAA for quality review after which the final reports are submitted to the head of the audited agency. GAC and MFDP do not receive copies
(iii) A fair degree of action taken by many managers on major issues but often with delay	C	C▲	***Performance unchanged.*** Implementation of audit recommendation has marginally improved as a result of the institutionalisation of the audit tracker system across M&As. Delays are however still encountered

Background

The enactment of the Internal Audit Agency (IAA) Act in 2013 resulted in the transition of the Internal Audit Secretariat (IAS), which reported to a governing board, into an autonomous government entity known as the Internal Audit Agency (IAA). Currently, there are 77 internal auditors across M&As who are staff of IAA and report directly to it. Out of this number, 2 are Certified Internal Auditors and 42 are Chartered Fiduciary Risk Experts. The remainder hold BScs. As noted in the 2014 PEFA self-assessment, a rotational policy established by IAA reassigns/transfers IAs from one agency to another every 6 months in order to strengthen their independence and objectivity and to maintain a continuous innovative perspective

Dimension (i) Coverage and quality of the internal audit function

Internal audit coverage has increased: 37 out of 60 major M&As have functional internal audit (IA) divisions and cover 77% of total central government expenditure. At the time of the 2012 assessment, the IA function was still in its early days, 8 major M&As having pilot IA divisions established**.**

The internal audit process is generally compliant with international standards set out by the Institute of Internal Auditors (IIA). IAs in M&As prepare annual audit plans, which are reviewed and approved by IAA with input from the head of the budget entity. An audit manual guides the preparation of such plans. A review of selected M&A audit plans indicates that about half of the time of internal auditors is spent on systems reviews and risk-based audit with the remaining spent on compliance testing. The annual budget of the IAA includes staff training which is conducted at least once a year.

Dimension (ii) Frequency and distribution of reports

Section 7.1(a) of the IAA Act 2013 and Section 38 of the PFM Act 2009 authorize the internal auditor to prepare reports for the attention of the accounting officer of a ministry or agency. The Act also prescribes that a copy of the consolidated internal audit reports be submitted to the President of the Republic of Liberia. These reports should combine the findings of the individual reports on M&As. The frequency of these reports is however unclear in the law. Nevertheless, M&As prepare quarterly internal audit reports; which are sent to IAA for quality assurance. The first report was issued in March 2012 (after the 2012 assessment). It takes 2-3 months after the end of the quarter to complete the preceding quarter's report. Once approved, the final report is submitted to the head of the audited entity with copies to the IAA. At present, copies of the reports are not sent to GAC and MFDP. The IAA intends to formalise the distribution of internal audit reports to include GAC.

Dimension (iii) Extent of management response to internal audit findings

Management response and implementation of audit recommendations are gradually being implemented. An Audit Recommendation Implementation Committee (ARIC) system is required by the IAA Act to be established in audited entities. This is supposed to help institutions implement and benefit from audit recommendations. The head of the budget entity chairs this committee. The reporting structure of the IAA, as prescribed by the Act, requires copies of consolidated IA reports to be forwarded to the President. This has also contributed to the marginal improvement of recommended actions. IAA's introduction of an audit recommendation tracker system in 2013 has also marginally improved management response to audit findings, albeit with delays. The tracker system incorporates both internal and external audit recommendations. On average, as noted in Table 16, an audit recommendation implementation rate of 32% was recorded for 8 lines ministries sampled.

Table 16: Implementation of Recommendations - FY2014/2015

Ministries	No. Recommendations	No. recommendations implemented	% implementation
Ministry of Land, Mines & Energy	25	0	0%
Ministry of Fin. & Dev. Planning	14	7	50%
Ministry of Public Works	10	2	20%
Ministry of Education	80	22	27%
Ministry of Health	99	27	27%
Ministry of Foreign Affairs	25	13	52%
Ministry of Internal Affairs	36	27	35%
Ministry of Agriculture	34	15	44%
Weighted average			**32%**

Source: IAA

3.5. Accounting, recording and reporting

PI-22. Timeliness and regularity of accounts reconciliation

This indicator examines the overall reconciliation and clearance process of central government bank accounts and other accounting information related to suspense accounts and advances, as at the time of assessment.

PI-22 (M2) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	C	D+	
(i) Bank reconciliation for all Treasury managed bank accounts take place quarterly, usually within 8 weeks of end of quarter.	B	C	***Performance fell in terms of timeliness, mainly due to manpower capacity constraints* causing** delays in fully reconciling all CAG-managed bank accounts. The process now takes about 2 months instead of 1 month. An unknown number of M&A -held accounts, including donor project accounts, remain outside the monthly reconciliation process
(ii) Reconciliation and clearance of suspense accounts and advances take place either annually with more than two months delay, OR less frequently	D	D	***Performance unchanged***. GoL does not maintain suspense accounts. Petty cash advance is acquitted quarterly while transfers to M&As for payment of expenditure are not fully acquitted at the end of the fiscal year as they are treated as expenditures and not advances. Advances for daily subsistence allowance tend also not to be acquitted at year-end, outstanding balances tending to be carried forward to the following year (see PI-7 i).

Dimension (i) Regularity of bank reconciliations

The timeliness of detailed reconciliation of the six bank accounts held by CAG in BoL has fallen from 1 month after the end of the month to two months, mainly due to manpower constraints[43]. The IFMIS and CBL banking platform are not directly linked, but CBL has granted access to CAG that allows for daily requisition of bank statements, uploaded into IFMIS for reconciliation, with revenue and expenditure data using IFMIS' reconciliation module. Revenue data come from SIGTAS, which has an interface with IFMIS. Reconciliation is conducted daily at aggregate level and monthly at detailed level by the Data Capture and Reconciliation Unit (DCRU) within CAG. Deposits in CAG-held accounts comprise over 80% of all GoL deposits in the banking system.

A large number of GoL-held bank accounts are managed outside CAG's control in CBL and commercial banks. CAG does not receive routine information on their balances and changes thereof, and the timeliness of the reconciliation conducted by them. Information is available only upon request. M&As hold 210 accounts in CBL for operational purposes. Some of these are donor project accounts (mainly World Bank and African Development Bank) that routinely report their financial

[43]These accounts are: US$ Revenue Account, LRD Revenue Account (including transitory accounts at commercial banks, as noted under PIs 15 and 17), US$ Operating Account, LRD Operating Account, LRD Payroll Account and LRD Pension Account. The last-mentioned was created in FY2015/16 for the purposes of managing government pension payments

activities to the Project Financial Management Unit (PFMU) in MFDP. Their bank account balances appear in TSA statements and therefore in principle can be reconciled with PFMU's transactions records on these projects. PFMU's operations fall outside IFMIS, however (they are managed under a different IT-based system) and thus fall outside the scope of CAG's reconciliation exercises. This situation is in the process of changing, however, with donor projects under PFMU in the process of being migrated to IFMIS.

Most GOL-held commercial bank accounts represent externally funded project accounts that are reconciled by project implementation units (PIUs) located in various M&As. CAG does not know the number and balances of these accounts, though it may request bank statements from them.[44]These accounts remain outside the budget, the CAG's cash control, and the government's accounting and reporting processes.

Dimension (ii): Regularity of reconciliation and clearance of suspense accounts and advances.

As per the situation at the time of the 2012 assessment, suspense accounts are not maintained, petty cash advances are accounted for and acquitted, but advances to M&As are misclassified as expenditures in the form of transfers. Petty cash advances are reconciled, accounted for, and classified into the proper expenditure category at least quarterly, a month after the end of the quarter. This is required for release of the next tranche.

Transfers to M&As and advances for staff daily subsistence allowance are not fully reconciled and accounted for at the end of the financial year. The transfers to M&As are recorded as operational expenditures, when they are really accountable advances that should be regularized as expenditure as funds are spent according to their intended purpose and accounted for. As indicated under PI-7 (i), advances for daily subsistence allowance are supposed to be acquitted at year-end. This does not necessarily happen, with end-year balances being carried forward to next year's budget and then spent non-transparently (thus representing an un-reported extra-budgetary operation). As noted under PI-24 (iii) and PI-25 (i) this practice detracts from the accuracy of in-year financial data and, if not reconciled by year-end, the accuracy of annual financial statements; e.g. classifying advances as expenditures may overstate actual expenditures if the advances are not all spent and acquitted. .

On-going and planned activities

- CAG in January 2016 officially notified all commercial banks holding government bank accounts of its intentions to have these accounts migrated to the TSA. As part of measures to reduce un-acquitted transfers and daily subsistence allowance, MFDP introduced an advance acquittal framework earlier in FY 2015/16 which, requires M&As to fully acquit or retire all transfers before further transfers are made. It is too early to tell whether this requirement is being followed.
- Donor project accounts held by PFMU are in the process of being migrated to IFMIS, reconciliation then using IFMIS procedures.

PI-23. Availability of Information on resources received by service delivery units (SDU)

This indicator focuses on the information available on resources received by primary schools and primary health clinics. It covers the last three completed fiscal years FY2012/13 to FY2014/15.

[44] The banks include Liberia Bank for Development and Investment, Ecobank and GT Bank.

PI-23 (M1)Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	D	**B**	
(i) Specialsurveysundertakenwithinthelast3year shavedemonstratedthe levelofresourcesreceivedincashandinkindbyb othprimaryschoolsandprimary health clinics across most of the country (including by representative sampling)	**D**	**B**	***Performance improved.*** MoHSW continues to use Accpac to track financial resources received by health clinics from county health authorities. MoHSW has an M&E unit that tracks physical resources received. It does not prepare service delivery annual reports MoE does not have a similar system as it delivers supplies directly to schools. A Public Expenditure Tracking Survey (PETS) was conducted on the health and education sectors during 2013

Dimension (i): Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front- line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units

The Ministry of Health and Social Welfare (MoHSW) continues to use the internationally well-known Accpac accounting software to track financial resources received by SDUs such as clinics. MoHSW oversees over 700 health facilities through County Health Boards, which in turn oversee County Health and Social Welfare Teams (CHSWT). It transfers resources in cash and in-kind to these authorities, the transfers are not disaggregated according to economic classification. The CHSWTs are required to submit quarterly Financial and Performance reports to MoHSW on resources delivered. These take up to 4 months to prepare and are based on monthly reports prepared by SDUs. This report is a precondition for disbursing funds for the next quarter.

MoHSW also has a Monitoring and Evaluation Unit at its HQ to track activities in health centres to ensure transparency and accountability. It determines whether allocated resources (in-kind and in cash) reach intended front line service delivery units and evaluates activities and performance against agreed targets. It does not prepare an annual report on this, although it would be possible to do so and combine it with the reports prepared by CHSWTs.

The MoE oversees over 2,300 schools through County School Boards and County Education Officers, but, unlike in the health sector, expenditure functions remain highly centralized at HQ level. Schools do not have their own budgets. A Supply Management Team in MoE purchases school materials and equipment and delivers them to MoE offices in the counties for delivery to government-run schools according to an internal allocation mechanism mainly based on student enrolments. A Monitoring and Evaluation Unit has been established in MoE, but is not fully functional due to under-funding and logistical constraints. In any case, it lacks meaning in the context of a centralized system. The chain between MoE and SDUs is much shorter than for MoHSW, thus reducing the potential for ‘leakage’.

As in many countries, Parent-Teacher Associations (PTAs) can exert pressure on the education authorities to ensure that schools are adequately facilitated. This also happens in Liberia, but MoE does not document the use and effectiveness of such pressure.

The large presence of development partners (DPs) in the health and education sectors constrains MoHSW and MoE ability to effectively track resources received by SDUs. DP-financed expenditure in both sectors is actually larger than GoL–financed expenditure, as indicated in the PETS (60% and 56% shares of total expenditure in the health and education sectors respectively).Virtually all such spending is on goods and supplies, partly provided in-kind, and is off-budget.[45] PIUs located in these ministries manage project planning, budgeting and implementation using a variety of systems that are different from those used by GoL (and different between themselves), even when operating through bank accounts opened for them by these ministries (see PIs-17 and 22). The classification systems are different, so comparability with GoL's economic classification system is not possible; data submitted by DPs to the Aid Management Unit (AMU) in MFDP are not disaggregated according to economic classification. According to MoHSW the interaction between the PIUs in the health sector and MoHSW is limited. This is despite a DP-financed health-financing unit in MoHSW, which has data on all financing in the health sector, the accuracy of which MoHSW has doubts over.[46]

The interaction between the PIUs and MFDP has also been very limited, except for PIUs that report to PFMU, which is located in MFDP (for projects funded by World Bank, ADB, Global Fund and GAVI). Even these projects use their own PFM systems and are off-budget, though migration of the projects to IFMIS has just commenced.

A donor-financed PETS was conducted on the health and education sectors during 2013. The report (published December 2013) identified DPs as the largest source of financing of health and education services. The largest share of the GoL-financed budget for health and education sectors is subsidies to health care centres and higher education respectively. The largest share of the GoL-financed budget for the education sector is not primary education, perhaps because of the DP presence in this sub-sector).

One of the purposes of the PETS was to determine the extent to which resources budgeted for SDUs are actually delivered and the extent of possible 'leakage', but this was not possible due to the lack of information on budgeted resources per SDU. According to the summary, "This is because there are no 'hard allocation rules' to guide the allocation and distribution of budgets to counties and service delivery points. Currently there are transfers lines which are not disaggregated by economic classification or by line item."

This, however, seems not to be a critical shortcoming:

- DPs finance a large proportion of supplies to SDUs directly, or on a cash-reimbursement basis (FARA) through the USAID-funded health sector support project, in which case, MoHSW has to provide evidence that the funds have been used for their intended purpose;
- A large proportion of resources provided by MoHSW and MoE for SDUs is for paying wages and salaries and highly unlikely to be diverted; and
- The 'Essential Package of Health Services, Primary Care: The Community Health System Phase 1' prepared by MoHSW in 2011, contains a list of equipment and drugs by type that should be available in primary health clinics. The PETS survey indicated that on average basic equipment was largely available. In the instances where it was not available they had communicated this to the authorities.[47]

[45]According to the PETS, the National Drugs Service (NDS), which is responsible to providing drugs to all health facilities, is largely financed by DPs. The funds are passed through MoWSH and then to NDS, but the drugs actually received by NDS are not captured in MoHSW's budget. The bulk of goods and supplies for schools is largely financed by DPs.

[46] Figure 1 in the PETS shows health financing by economic classification. Grants (transfers) from the GoL budget and donor projects are shown as aggregate amounts, not disaggregated by economic classification. The information on DP-funded projects prior to 2011/12 is considered as unreliable, due to mismatches between MoWSH and MFDP data.

[47] Tables 6 and 7 in the PETS show the proportion of health equipment and drugs by type that was not available in each of the 5 counties surveyed.

- MoE's allocations of resources to schools are mainly based on student enrolment figures, which are generally reliable.

A related purpose of the PETS was to analyses resource flows to health and education sector SDUs, starting with the original source of the flow, both in cash and aid-in-kind form, to the SDU. This it did very well (Figures 8, 24-25 in the PETS).

On-going and planned activities

- MoHSW is considering making the submission of the quarterly Financial and Performance reports a precondition for the payment of salary to the responsible officers of CHSWTs.
- As part of plans to improve financial accountability, GoL is planning to roll out IFMIS to the de-concentrated units of M&As that are located in counties. This would facilitate effective reporting on resources received by primary SDUs and thus obviate the need for further PETS, which are ad-hoc rather than routine. Such IFMIS roll-out is not necessarily straightforward, being costly, time-consuming, and subject to human resource capacity constraints, power supply and connectivity challenges; MoHSW highlighted the last-mentioned to the team.

PI-24. Quality and timeliness of in-year budget reports

This indicator assesses the ability to produce accurate and comprehensive reports from the accounting system on all aspects of the budget, at both the commitment and the payment stage. The assessment is based on the last completed fiscal year 2014/2015.

PI-24 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	D+	**C+**	**Overall performance unchanged but improvement under (iii).**
(i) Classification allows comparison to budget but only with some aggregation. Expenditure is covered at both commitment and payment stages.	**B**	**B**	***Performance unchanged***. Quarterly fiscal outturn reports are comparable with approved budget estimates at sectoral and economic classification level, but with some degree of aggregation. Expenditure is captured at both allotment (commitment) and payment stages.
(ii) Reports are prepared quarterly (possibly excluding first quarter), and issued within8 weeks of end of quarter.	**D**	**C**	***Performance improved due to greater use of IFMIS in compiling reports.*** Quarterly fiscal outturn reports are generally completed and issued to the Legislature within two months after the end of the quarter,
(iii) There are some concerns about the accuracy of information, which may not always be highlighted in the reports, but this does not fundamentally undermine their basic usefulness	**C**	**C**	***Performance unchanged.*** Data concerns are not highlighted in the quarterly fiscal outturn reports. The Auditor General concerns include reconciliation challenges, and non-acquittal of advances and transfers to M&As, That said, the financial information is fundamentally useful. MFDP is making efforts to improve data quality but it is too early to assess their effectiveness.

Dimension (i): Scope of reports in terms of coverage and compatibility with budget estimates

As required by Section 36.4 of the 2009 Act, MFDP prepares consolidated quarterly fiscal outturn reports in such a manner that actual expenditure can be contrasted with approved budget appropriations. The quarterly budget execution reports (fiscal outturn reports) are generated from IFMIS. These reports are consistent and compatible with budget estimates, at aggregate sectoral and economic level, and at both commitment and payment stages. At present, the budget is prepared using a Microsoft Excel-based spreadsheet and uploaded onto IFMIS for budget execution once the Appropriations Act is approved by the Legislature. MFDP issues approved monthly (for M&As) and quarterly (for autonomous entities) allotments (commitment ceilings) through IFMIS for expenditure commitment and payment.

The reports do not capture performance of donor-funded projects/programs as these are still off-budget (i.e. not included in Appropriations Acts and budget documentation). Expenditures under these are large (larger than the approved budget itself in some years), so their omission greatly reduces the usefulness of the fiscal outturn reports),

Dimension (ii) Timeliness of the issue of reports

The above-mentioned quarterly reports are required to be issued to the Legislature within 45 days after the end of the quarter. Table 17provides an analysis of the timeliness of the issue of in-year fiscal reports. Whereas the first three quarterly fiscal outturn reports for FY2014/2015 were completed and issued within two months after the end of the respective quarter, it took three months for the completion and issuance of the 4th quarter report. The publication of these reports on MFDP website is not immediate after completion except for quarter 1, which was immediate and quarter 3, which was 10 days after completion. [48]

Table 17: Timeliness of the Issue of In-Year Reports, FY 2014/2015

Fiscal Outturn Reports	Date completed/issued	Date published on MFDP Website
Qtr 1 ending 30 September 2014	26 Nov 2014	26th November 2014
Qtr 2 ending December 2014	28th Feb 2015	27th April 2015
Qtr 3 ending April 2015	30 May 2015	10th June 2015
Qtr 4 ending June 2015	30 Sept 2015	7th December 2015

Source: MFDP Website - www.mfdp.gov.lr

As noted in the 2012 assessment, IFMIS was not yet being used to generate quarterly reports**.** Instead, they were being compiled from statements received from different departments in MoF - Revenue, Expenditure, and Budget – the process taking longer than the reports subsequently generated through IFMIS. A related reason is the growing competence and involvement of Accounting Services Unit in MFDP due to its close relationship with IFMIS.

Dimension (iii) Quality of information.

The deployment and rollout of IFMIS to 36 M&As representing about 80% of total central government expenditure plus the interface between SIGTAS and IFMIS have undoubtedly improved the quality of financial data, but significant challenges remain in terms of reconciliation

[48] Publication is not a requirement of this dimension, but is covered under PI-10 (on fiscal information available to the public).

between MFDP and M&A data. Nonetheless, the usefulness of the financial information is generally not undermined by data quality.

- The IFMIS budget preparation model is not yet functional. Instead, an excel-based budget preparation model is used in budget preparation, which is then uploaded onto IFMIS with the aid of a mapping table, once the budget is approved by parliament. This, however, leads to classification challenges, due to coding mismatches;

- A large number of M&As have no direct connectivity to IFMIS due to network connectivity challenges. Data entry clerks have been assigned to these M&As at MFDP to process financial data on behalf of these M&As. As part of measures to improve data integrity MFDP sends quarterly trial balances to M&As 10 days after the end of the quarter for reconciliation purposes. Moreover, many smaller M&As are not yet on IFMIS in any case. Deconcentrated units of large M&As with offices in counties are mostly also not linked to IFMIS, data having to be transported to HQ.

- The Auditor General has raised serious data quality concerns, including but not limited to misclassification of financial data, inconsistency between MFDP and M&A records, non-acquittal of daily subsistence allowance, incomplete reconciliation and acquittal of transfers to M&As, asset management, bank reconciliation, among others. The audit reports on the central government consolidated accounts for FY 2013/14 and FY 2014/15 are not yet available, but, according to the Auditor General, when met by the team, the concerns remain.

On-going and planned activities

- Officials from the IFMIS Office in MFDP have indicated that plans are far advanced to ensure that IFMIS budget model is operational in FY2017/2018. This should eliminate the classification errors that have resulted from the uploading of approved budgets from Budget Department's budget preparation system to IFMIS.

- Donor project related disbursement and expenditure data collated by PFMU in MFDP is in the process (starting December 2015) of migration to IFMIS from PFMU's financial management system. This will help bring these projects 'on budget' in terms of both budgets and budget execution. These projects are, however, only about 20% of all donor-funded projects, most of which are managed through PIUs in M&As, with no connection to central government PFM systems.

PI-25. Quality and timeliness of annual financial statements

Dimension (i) is assessed against the most recent consolidated accounts completed (FY 2014/15), dimension (ii) on the last annual financial statement submitted for audit (FY 2013/14), dimension (iii) on the three latest statements prepared (FYs 2012/13, 2013/14 and 2014/15).

PI-25 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	D+	C+	**Overall improvement through dim (ii),**
(i) *A consolidated government statement is prepared annually. Information on revenue, expenditureandbankaccountbalancesmaynotalwaysbecomplete,buttheomissions are not significant*	C	C	***Performance improved but by not enough to change the score.*** The establishment of IFMIS helped to improve the quality of annual financial

PI-25 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
			statements. The consolidated financial statements for FY 2014/15 were prepared with adequate information on revenue, expenditure and bank account balances. Some M&As did not submit their financial statements for consolidation. Information on donor projects and end of year outstanding debt was not complete.
(ii) *Theconsolidatedgovernmentstatementissubmittedforexternalauditwithin10 months of the end of the fiscal year*	D	B	***Performance improved.*** The consolidated financial statements for FY 2014/15 were submitted for external audit 7 months after the end of the fiscal year.
(iii) Statements are presented in consistent format over time with some disclosure of accounting standards.	D	C	***Performance unchanged.*** The Government adopted IPSAS Cash Basis in 2009 and most, but not all, M&As have been using it to prepare their annual financial statements. The mandatory disclosure of notes to the financial statements is still not met, as externally funded projects and domestic payments arrears are not yet fully captured.

Dimension (i) Completeness of financial statements

The 2009 PFM Law and accompanying regulations (Part I-12) require the CAG to prepare the financial statements of the Central Government in accordance with the IPSAS Cash Basis Standard.

The adoption of IPSAS and the automation of the budget execution process have improved the preparation of GOL's consolidated financial statements to some extent. Consolidated financial statements for FY 2014/15 include bank balances, cash flow statements, revenue and expenditure, and mandatory disclosure of notes to the financial statements. However, some M&A did not submit individual financial statements for consolidation and the information in the disclosure notes on public debt, end-of- year arrears in particular, and donor funded projects is incomplete. The consolidated financial statements cannot therefore be reconciled with the sum of the individual financial statements submitted for consolidation. The consolidated expenditure statements for FY 2014/15 in principle provide adequate information for comparison with budget expenditure figures.

These findings are similar to those of the 2014 PEFA self-assessment with regard to the Deputy Auditor General's preliminary observation that the consolidated financial statements for FY 2012/13 were not complete. This was later reflected by a Disclaimer of Opinion (i.e. the data in the statements are not of sufficient quality that they can be audited), included in the Auditor General's Report on the consolidated financial statements for that year.

Dimension (ii) Timeliness of submission of financial Statements

The timeliness of the submission of the consolidated financial statements for external audit has improved sharply and is within reach of the four-month statutory deadline. The FY 2014/15 financial statements were submitted to the Auditor General on January 25, 2016 within 7 months of the end of the FY, so the statements were overdue by 3 months. Submission of the financial statements for FY 2009/10 (assessed under the 2012 PEFA assessment) was 17 months after the end of the FY (13 months late), though this was partly because IPSAS Cash was being used for the first time. The financial statements for FY 2012/2013 and FY 2013/14 were submitted three and four months late respectively.

Dimension (iii) Accounting standards used

The 2009 PFM Law mandates that Central Government's Accounting Standards should be in accordance with internationally accepted principles and be consistently applicable to all government entities.

In line with the 2009 PFM Law, the consolidated financial statements of Central Government for the last three fiscal years have been consistently prepared in accordance with Cash Basis IPSAS. The mandatory disclosure of notes to the financial statements is still not met, as externally funded projects and domestic payments arrears are not yet fully captured. M&As have undergone intensive training to prepare individual financial statements in accordance with it. IFMIS has been configured accordingly. As a result, most M&As have been consistently applying IPSAS Cash for preparing their individual financial statements. Some M&As are not applying IPSAS cash, or only with delay.

On-going and planned activities

Supported by the on-going up-grading of IFMIS, the number of M&As connected to IFMIS is planned to increase to 60 from 36 and IFMIS is to be rolled out to four counties. The pace of strengthening will be influenced by on-going capacity constraints and connectivity challenges.

3.6. External Scrutiny and Audit

PI–26. Scope, nature, and follow-up of external audit

This indicator assesses to what extent the external audit functions are well established. It focuses on the scope and coverage of audit work, adherence to international standards, financial audit, systemic and performance audit, among others for central government, M&As, SoEs, and AGAs. Dimensions (i) and (iii) are assessed based on the last completed financial year FY2014/15; dimension (ii) covers the last audit report submitted to parliament.

PI-26 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	D+	D+	
(i) Central government entities representing at least 75% of total expenditures are audited annually at least covering revenue and expenditure. A wide range of financial audits is performed and generally adheres to auditing standards, focusing on significant and systemic issues.	C	B	***Performance improved due to an** increased compliance with INTOSAI standards:* increased independence of GAC due to new Audit Act and greater focus on systemic audit issues, despite capacity constraints**.**
(ii).Audited financial statements aresubmittedtothelegislaturemorethan12m onthsfromtheir receipt by GAC from GoL	C	D	***Performance fell**, mainly due to capacity constraints.* GAC audit reports on the annual financial statements for FY 2011/12 and FY 2012/13 were submitted more than 12

PI-26 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
			months after the receipt of the annual financial statements from Government. As of February 2016,, the consolidated financial statements for FY2013/2014 were still being audited, 13 months after their submission.
(iii)There is little evidence of response or follow up.	D	D	***Performance unchanged***. There is little evidence of executive follow up on audit recommendations. However, internal audit units are beginning to follow up on the implementation of GAC recommendations.

Dimension (i): The scope and nature of the audit performed annually (including adherence to auditing standards

Audit coverage is unchanged from the 2012 PEFA assessment, but performance has improved through greater compliance with the International Standards for Supreme Audit Institutions (ISSAIs). Annual audit coverage is 75%-80% of total government expenditure. The audit covers financial transactions, payroll testing, procurement audit, systems audit, and some IT audit**.** At the time of the 2012 assessment, audit mainly comprised transactions testing. GAC has not conducted performance audit due to low staff capability and capacity. The audit manual conforms to INTOSAI standards and AFROSAI-E implementing guidelines. A new GAC Act, which replaces the 2005 version, was passed in December 2014 to grant full autonomy for its operations. The Auditor General confirmed the financial and operational independence of GAC since the passage of the new Act. Currently, GAC is at level 2 of AFROSAI-E implementing guidelines. The last peer review was conducted 4 years ago; it is planned to undertake the next peer review in 2016.

Table 18 provides a detailed analysis of the adherence to INTOSAI standards. For FY 2015/16, budget estimates for GAC were submitted to MFDP as was the case in previous years since the Act was not yet operational. MFDP did not significantly reduce, however, the amounts contained in GAC's budget submissions. Submission of GAC budget estimates to the legislature will begin in 2016/2017.

Table 18: Extent of adherence to INTOSAI standards.

INTOSAI Standards	Adherence of external audit practices to INTOSAI standards
AG Independence i.e. appointment, termination, salary, etc.	A new GAC Act was passed in December 2014 to give full autonomy for its operations. It provides for the appointment of the Auditor General by the President with parliamentary approval. He or she shall be appointed for tenure of 7 years and shall not be eligible for reappointment. The remuneration of the Auditor General is determined in accordance with Section 2.1.4 commensurate with regional peers. He or she cannot be removed without parliamentary approval.
Financial and administrative independence of the Office of the Auditor General and Staffing Arrangements	The cost of running GAC shall be a direct charge on the Consolidated Fund under the new Act. Financial and administrative independence are guaranteed .The Auditor General has the legal right to independently recruit and select staff competitively without interference from the Civil Service Agency. The GAC is not part of the Civil Service.
Access to Public Records	The Act guarantees full access to public records and public premises

INTOSAI Standards	Adherence of external audit practices to INTOSAI standards
	during working hours.
Independence in Preparation of Annual Audit Work Plan	The Act prescribes for the independent preparation of an annual audit and operational plans.

Dimension (ii): Timeliness of submission of audit reports to the legislature

Due to capacity constraints and instability of leadership (two auditor generals within 3 years), the time taken to audit the financial statements has been far longer than 3 months:

- The consolidated audited FY 2011/12 financial statements were submitted to the Legislature in February 2014, 24 months after GAC received the unaudited statements.
- The audited FY 2012/13 statements were submitted to the Legislature in June 2015, 19 months after their receipt. The audit report for FY 2012/13 is the most recent posted (in June 2015) on GAC's website.
- The financial statements for FY 2013/14 are still being audited, 13 months following their receipt in January 2015.

The main reasons for these long delays in auditing the statements are capacity constraints and discrepancies between the statements and IFMIS data, many M&As not having submitted their financial statements into IFMIS for consolidation. [49]

The financial statements for FY 2014/15 were finalized in January 2016 and submitted to GAC.

Dimension (iii): Evidence of follow-up on audit recommendations

As at the time of this assessment, the GAC audit reports on the annual consolidated financial statements for FY2013/2014 and FY2014/2015 were not completed, so any evidence of follow-up relates to the reports before that. The Executive has not been making any formal response to GAC recommendations, thus indicating that follow-up has been minimal, presumably because the reports are becoming out of date. The audit report for FY 2012/13 makes no reference to the extent that its audit recommendations for the previous year had been followed up. .

The Auditor General indicated that the establishment and functioning of internal audit units within M&As under the supervision of the IAA, along with the institutionalisation of the audit tracker system was leading to improved follow-up by M&As on GAC recommendations.

On-going and planned activities.

GAC has capacity constraints especially in the area of specialized and performance audit. It has therefore developed a 4-year capacity development strategic plan[50] (2016-2019) to address the qualification and certification of technical staff in order to strengthen its audit capability and capacity.

PI-27. Legislative Scrutiny of the Annual Budget Law

The assessment period for this indicator is the last completed FY: i.e. FY 2014/2015.

PI-27 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	C+	B+	**Overall performance improved under dim (i)**

[49] The audit report for FY 2012/13 includes a list of M&As that did not submit their annual financial reports for inclusion in the consolidated financial statements, mainly because of capacity constraints.

[50] GAC capacity development plan is dated November 2015 with estimated total cost of USD1.227million

PI-27 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
(i) The legislature's review covers fiscal policies, the medium term fiscal framework and medium term priorities as well as details of expenditure and revenue	**B**	**A**	***Performance improved* due to an improvement in the quality of the BFP,** which included the MTEF in FY 2012/13 and an outline of medium-term priorities.
(ii).The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees.	**C**	**A**	***Performance unchanged,*** The 2012 Assessment incorrectly considered the rules as not well respected, due to the late approval of the budget, which is already assessed under PI-11(iii).
(iii)The legislature has at least two months to review the budget proposals.	**A**	**A**	***Performance unchanged.*** As per the law, the Legislature had at least two months to review the budget.
(iv) Clear rules exist for in-year budget amendments by the executive, and are usually respected, but they allow extensive administrative reallocations.	***B***	***B***	***Performance unchanged.***

Dimension (i): Scope of the Legislature's scrutiny

Legislative review of the Draft Budget and accompanying documentation covers detailed estimates for expenditure and revenue, fiscal policies, the MTFF and medium term priorities. . The FY 2015/16 Budget was received together with the accompanying documents as per the PFM Act (Section 12), including the FY 2015/16 BFP.[51] The MTFF and medium term priorities are set out in the BFP. Normally, the Legislature receives the BFP a few months before the detailed budget is submitted and reviews this in consultation with LRA and MFDP. FY 2014/15 was an exceptional year due to EVD, and the Legislature received the budget at a stage when it had been finalized (PI-11). It had the right to request the Executive to revise budget estimates.

Dimension (ii): Extent to which the Legislature's procedures are well established and respected

The Legislature's procedures for budget scrutiny are unchanged from those in effect at the time of the 2012 PEFA assessment and remain respected. They include specialized review committees and negotiation procedures. The procedures are set out in the Constitution (Chapter 5), the PFM Act (Section 15), the *Rules and Procedures for the House of Representatives* and the *Standing Rules of the Liberian Senate*. They include negotiation procedures, specialized committees and sub-committees, such as the Legislative Budget Office (LBO)[52] and the Joint Ways, Means, Finance, and Budget Committee (representing both Houses), the last mentioned having the responsibility to review the draft budget.. The LBO provides technical assistance to the Committee. The Committee presents its findings to the joint Plenary Session of the House of Senate and the House of

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[51] (i) a budget framework paper; (ii) detailed budget estimates set alongside the previous budget outturns, and projected outturns for the current year; (iii) a document laying out proposed change(s) in the tax and non-tax revenue policy regimes, (iv) an annex stating the amounts of outstanding public debt and guarantees; (v) an annex summarizing the financial operations of each autonomous agency, indicating in each case the resources to be transferred from the National Budget; (vi) an annex summarizing the annual financial plans and operations of each state-owned enterprise, (vii) an annex identifying in summary form all donor financing, distinguishing budget support from other external financing; and (viii) the President's budget message"

[52]Created by an Act of the Liberian Legislature in September, 2010.

Representatives for approval. These procedures were respected for the review of the FY 2015/16 Budget.

Dimension (iii): Adequacy of time for the Legislature to review budget documentation, including that submitted earlier in the budget preparation cycle .

The Legislature has at least two months to review the budget as per the PFM Act, and had over two months to review the FY 2015/2016 Budget. The draft budget and accompanying documentation should be submitted to Parliament by April 30 each year. The Act has a shortcoming in that it does not provide the exact date by which the Legislature should complete its review of the budget and subsequently approve it. The FY 2015/16 budget was submitted late (May 31, 2015) due to the extra-ordinary circumstances related to EVD, The Budget was approved on August 25, 2015, allowing the Legislature over two months for review..

Dimension (iv): Rules for in-year amendments to the budget without ex-ante approval by the Legislature

Rules for in-year amendments by the Executive are unchanged, as set out in the 2009 PFM Act and its Regulations. They do not allow for an increase in total appropriations, but permit administrative reallocations. The rules on reallocations are also defined in the July 2013 Financial Management Manual (Section 3.5). Section E9 of the PFM Act stipulates that increases in total appropriations have to be requested through a revised or supplementary budget and have to be approved by Parliament ex-ante.

The rules on in-year administrative reallocations are laid out under PI-16 (iii):

The rules for in-year amendments were respected during in FY 2014/15. Transfers between agencies amounted to US$ 39.7 million, representing 6.2% of total budgetary appropriations for that year. The transfers were done in line with the rules (as outlined under PI-16 iii).

On-going and planned activities

The LBO has submitted a proposal to the Legislature to amend the 2009 PFM Act to include a specific date by which the Legislature should approve the budget. This should remedy a weakness highlighted under PI-11 (iii).

PI-28. Legislative scrutiny of External Audit reports

Time coverage: (i) audit reports submitted to legislature within the last three years, and dimensions (ii) and (iii) the last twelve months.

PI-28 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	D	D+	**Performance improved under dims. (ii) & (iii)**
(i) Examination of audit reports by the legislature is taking more than 12 months to complete	D	D	***Performance unchanged in terms of scoring, but it improved in the sense that PAAC has started to review audit reports.*** Reviews of the GAC reports on the consolidated financial statements for FY 2011/12 and FY 2012/13, received by the legislature on March 7 2014, have yet to be completed.
(ii). In-depth hearings on key findings take place with responsible officers from the auditedentitiesasaroutine,butmaycoveronlysomeoftheentities,whichreceiveda qualified or	D	B	***Performance improved*** due to the Legislature now holding extensive hearings on audit findings. Public hearings were held for 15 audit reports, since published. Twenty public

PI-28 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
adverse audit opinion.			hearings are still on-going, six of which have been completed.
(iii) Actions are recommended, but are rarely acted upon by the executive	D	C	***Performance improved.*** The Legislature has prepared and submitted two reports to the Executive that contain recommendations for implementation of measures based on the findings of 15 audit reports. So far, there is no evidence of action taken by the Executive.

Dimension (i): Timeliness of examination of audit reports by the legislature (for reports received within the last three years)

The Public Accounts and Audit Committee (PAAC) of the legislature has met about 25 times and has examined 15 audit reports in the last three fiscal years. A Secretariat of the Joint Public Accounts Expenditure and Audit Committee (which reviews both draft budgets and audit reports) was established in early 2013 to provide technical support to the PAAC to timely examine audit reports. The PAAC has since examined and published 15 audit reports, 10 of which were within 12 months of receipt.[53] However, reviews of the GAC reports on the consolidated financial statements for FY 2011/12 and FY 2012/13 received by the legislature on March 7, 2014 have yet to be completed.

Dimension (ii): Extent of hearings on key findings undertaken by the legislature

Starting in FY 2013/14, the Legislature adopted the practice of holding discussion with the GAC on the issues raised in an audit report before the audited entity is invited for public hearing. The Secretariat reviews an audit report submitted to it and holds a workshop with the GAC and the PAAC to address the issues raised in the report. These mainly only concern reports which have received an adverse or qualified opinion from GAC. The audited entity will then be invited to a public hearing attended by the legislature, GAC, the press and the general public. The Secretariat prepares two page briefing papers for PAAC members and compiles a report on the hearing for the Plenary of the Legislature. Thereafter, the PAAC reconvenes to consider what recommendations to adopt and then issues final recommendations for submission to the Executive for implementation.

This practice has become a routine. So far, it has been applied to 19 reports, 15 of which have been published, and 4 are waiting to be published. Twenty public hearings are still on-going, of which six had been completed as of end-May.

Dimension (iii): Issuance of recommended actions by the legislature and implementation by the executive.

The Legislature has over the last 12 months issued recommendations for executive action, based on the findings of GACs audit reports, but has as yet no evidence of executive action. The legislature has prepared and published two reports in 2014 and 2015 respectively based on its examination of the 15 audit reports referred to above. The legislature has not received any feedback from the executive on its implementation of the recommendations contained in the two reports.

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[53] 53rd Legislature Republic of Liberia- Joint Public accounts, Expenditure & Accountability Committee Report on the Auditor General's Audit Repoer: Page 7. Published in 2015

On-going and planned activities

The Secretariat is in the process of preparing simplified versions of the GAC reports for the PAAC. The PAAC is considering holding public hearings weekly, the benefits and costs of doing so needing to be taken into account. .

3.7. Donor Practices

D-1. Predictability of direct budget support

The period covered by this indicator is the last 3 completed fiscal years.

D-1 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	D	**D**	
(i) Budget support disbursement fell short of budgeted amounts by more than 15% in the last two of the recent three fiscal years.	**D**	**D**	***Performance unchanged.***
(ii)Donors do not provide quarterly estimates on DBS	**D**	**D**	***Performance unchanged..***

Dimension (i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body).

The World Bank, African Development Bank (AfDB), European Union, International Monetary Fund (IMF) Norway and USAID provided conditional direct budget support (DBS) to Liberia during the last three fiscal years. According to the annual report of the Aid Management Unit, 21% of donor support for FY 2014/15 was direct budget support and 79% was program and project aid. .

The shortfall of DBS disbursement relative to budgeted amounts has been substantial in two of the last three fiscal years. The shortfall fell significantly in FY 2012/13 due to reform measures instituted to improve the flow of information from donors for budget preparation. The number of staff in the Aid Management Unit (AMU) responsible for monitoring DBS was increased to three. Development partners provided access to their databases for use by AMU staff. In addition, donors started to provide quarterly reports to the AMU. However, the deviation increased significantly in the subsequent two fiscal years due to exchange rate fluctuation and delays in meeting triggers in financing agreements contributing to late disbursement of DBS. As indicated in Table A, the shortfalls were well above 15% (the maximum allowed for a C rating) in two of the last three fiscal years.

Table 19: Direct Budget Support – Estimated versus Actual (in USD)

	Direct Budget Support - Estimated versus Actual (in USD)		
	FY 2012/13	FY 2013/14	FY 2014/15
Budgeted	44,063,200	82,741,152	197,201,666
Actual	43,357,414	56,648,814	151,934,542
Difference	-705,786	-26,092,338	-45,267,124
Percent	-2%	-32%	-23%

Source: AMU.

Dimension (ii): In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates).

DBS is not disbursed during the year unconditionally by DPs, triggers having to be met in order to receive the next tranche, so ex-ante quarterly (or other frequencies) disbursement schedules do not apply in terms of scoring this dimension. This is rated D according to the PEFA methodology (see PEFA *Field Guide*, clarification D1-f, page 171), the rationale being that in-year predictability is potentially undermined by such triggers, the damage to overall budget predictability being higher, the larger the proportion of DBS to total budgetary resources. What should happen is that the conditions for receiving DBS are already agreed to prior to the new fiscal year, the DBS then being disbursed unconditionally (perhaps, but not necessarily, on a quarterly basis). Not meeting the conditions might then affect planned disbursements for the following year.

D-2.Financial information by donors for budgeting and reporting and Project Program Aid

Assessment of this indicator applies to the last completed FY (2014/15).

D-2 (M1) Justification for 2016 Score	Score 2012 PEFA	Score 2016 PEFA	Assessment
	D+	**D+**	**Performance unchanged**
(i) At least half of donors (including the five largest) provide complete budget estimates for disbursement of project aid for the government's coming fiscal year, at least three months prior its start. Estimates may use donor classification and not be consistent with the government's budget classification.	**C**	**C**	***Performance unchanged.*** About 80% of donors provided estimates of anticipated aid timely but not in a format consistent with the Government's budget classification for the preparation of the FY 2014/15 budget.
(ii)Donors do not provide quarterly reports within two month of end-of-quarter on the disbursements made for at least 50% of the externally financed project estimates in the budget	**D**	**D**	***Performance unchanged.*** About 90% of donors in FY2014/15 provided information on disbursement but not on a quarterly basis and not consistent with GoL's budget classification system.

Dimension (i) Completeness and timeliness of budget estimates by donors for project support

The greater the transparency, comprehensiveness and timeliness of DP projections of program/project aid for the following year and the accuracy of the stated disbursements of such aid, the greater the credibility and transparency of the budget as a whole.

Currently, donor aid is extremely significant in Liberia's economy. Annual donor funds inflow has tended to be higher than the national budget since the end of the civil conflict. External assistance was projected at US$ 833.9 million for FY 2014/15, according to Annex 1 of the FY 2014/15 budget, as compiled by the Aid Management Unit (AMU) in MFDP. Of this, US$ 197.2 million, 23.6% of the total, was in the form of budget support, the predictability of which is assessed under D-1, and which is defined as 'on-budget' by MFDP. The other US$ 636.7 million is defined by MFDP as 'off-budget', virtually the same amount as the GoL budget for 2014/15 (US$ 635.2 million) and continuing the pattern of several years.

The 2012 and 2014 PEFA assessments may have misinterpreted 'off-budget' support as support that is linked to GoL's budget preparation processes. In practice, the support appears to represent an extra-budgetary operation, covered under PI-7 (ii). The budget documentation gives the impression of linkage between the GoL budget and donor project funding, as some of the summary tables show the budget according to source of funding (GoL and donor) and DP-funded 'off-budget' projects are included in the budgets of each M&A that receives DP assistance. The FY 2014/15 budget was the first budget to contain Annex 1 on external assistance by donor and aid modality, and which defined the meaning of 'off-budget': The introduction states 'This annex is for informational purposes only, and does not in any way constitute a legal part of the budget under the laws of Liberia .'

The Budget Call Circulars (BCC) says nothing about linkages between the GoL budget and planned 'off-budget' DP spending. Annex 2 of the BCC for FY 2015/16 shows 'Donor Aid for FY 2015/16 broken down by Spending Entity', but there is no reference to this in the main text. It seems to be there only for M&As to help them to budget for counterpart funding, although M&As presumably already know the amounts of DP aid being provided to them.

The AMU does in fact contact DPs by January at the latest each year, before the budget preparation season is fully underway, requesting projections of aid disbursements for the next budget year. According to AMU's annual reports for FY 2014/15, most DPs (21 out of 23) responded. The projections of aid are not disaggregated according to GoL's budget classification system, thereby also obscuring any linkages between donor project aid and GoL budgets.

This situation is somewhat better in the case of projects that report to PFMU in MFDP. A table that it provided to the team indicated expenditure of $ 182 million in FY 2014/15 covering 35 DP-financed projects being implemented in various ministries, and representing about 30% of all off-budget DP assistance. Though off-budget, expenditures are reported on, not just disbursements. Furthermore, it is located in MFDP, which should make it easier to eventually incorporate the projects into annual budgets once the budget preparation process is integrated into IFMIS and the PFMU projects are migrated into IFMIS, which is already happening. Nevertheless, the projects are not classified according to GoL's budget classification system.

For the purposes of assessing this indicator, it is assumed that the projections of project aid have some linkages with the preparation of the GoL budget. The alternative, probably more accurate assumption, is to consider this indicator as not applicable and to consider donor funded projects as extra-budgetary operations that are reported on; hence a high rating under PI-7 (ii).

Dimension (ii): Frequency and coverage of reporting by donors on actual donor flows for project support.

For the same reason as under dim. (i), reporting by DPs on their actual disbursements arguably should be assessed under PI-7 (ii). The annual estimates of off-budget aid that are contained in the budget documents are those collected by AMU from DPs. The budget documentation only shows what DPs are planning to spend in the next FY and does not contain projected spending for the current year and actual spending for the previous year, implying that the reporting of 'off budget' DP spending is minimal. AMU is capturing disbursement data but not expenditure data, which is the more relevant information.

24 of the 26 donors that provided aid to Liberia in FY 2014/2015 provided periodic information to AMU on disbursement but not on a quarterly basis and not in a format consistent with the government budget classification.

On-going and planned activities

The DP-financed projects that report on their activities through PFMU in MFDP are currently being migrated to IFMIS from the Sun Systems data base package currently being used. This would constitute a useful first step towards bringing DP-financed projects 'on-budget'. These projects are only a fraction (about 30%) of all DP-financed projects. Bringing all DP-financed projects 'on-budget' would be a major challenge.

D-3. Proportion of aid that is managed by use of national procedures

This indicator considers the percentage of aid funds that use national systems for banking and disbursement, authorization, procurement, accounting, reporting and audit. Aid funds include budget support, and other types of donor funding such as e.g. basket funds and project funding.

D-3 (M1)	Score 2012	Score 2016	Assessment
Justification for 2016 Score	**D**	**D**	**Overall performance unchanged**
Less than 50% of aid funds to central government are managed through national procedures	**D**	**D**	***Performance unchanged***. About 30% of aid funds to GoL in FY 2014/15 were managed through national procedures.

A significant amount of external resources was executed outside the national system for procurement, accounting, and reporting in FY 2014/15. According to the FY2014/15Annual Development Assistance Report published by AMU, US$151.9 million of external funding was provided through direct budget support (DBS). By definition this is managed through national procedures. (Table 19 under D-1). A further US$567.9 million was disbursed in the form of project/program aid.[54] The spending of US$ 181.7 million of this was reported through the PFMU in MFDP. A table provided to the team showed that out of this US$ 62.9 million was spent using national procedures, as indicated in Table 19A, mainly under the Ebola Emergency Response Project (EERP) and the Arcelor Mittal Liberia Project (AMLP).[55] The PIUs located in M&As tend to use the procedures of the respective donor to manage project / program aid. Table 19A shows that only 24% of aid funds were executed through GoL national procedures.

Table 19A: Amount of Actual Donor Funds Executed Through National Procedures (FY 2014/15)

National Procedures	Amount Project/Program Funds* (US$ m) (a)	Amount Direct Budget Support (US$) (b)	Amount Total Aid Funds (US$) (a)+(b)	%of Total Aid Funds
Procurement	7,870,464	**151,934,542**	159,805,006	22
Payment/Accounting **	7,870,464	**151,934,542**	159,805,006	22%
Audit (External)	62,823,202	**151,934,542**	214,757,744	30%
Reporting***	7,870,464	**151,934,542**	159,805,006	22%
Total	**62,879,839**	**151,934,542**	**173,543,191**	**24%**
Total Aid Funds			719,836,320	

Source: AMU, MFDP, PFMU
**Project/Program funds include earmarked and basket funds.*
*** This refers to use of Government Payment and Accounting software systems.*
**** Refers to presentation of donor expenditures in the Government's official financial statements.*

On-going and planned activities.

GoL is migrating DP- financed projects managed by PFMU to IFMIS. So far, ten projects have been migrated. If all projects reporting to PFMU are migrated and start to use country systems through

[54] Including US$ 5.1 million through Pool/basket funds for the education and health sectors, and US$ 61.2 million through a Trust Fund, Table 2, page 10 of AMU report,.

[55] The cost of the 1st EERP was US$ 47.9 million. The audit was conducted by GAC, the other 3 PFM components conducted through donor procedures. Assigning equal weight to each component, the use of country systems was $US 12 million (47.9/4). The cost of AMLP was $7.8 million and all four national procedures were used. The other US$ 1.78 million related to the IPFMRP.

IFMIS, the proportion of aid using country systems would increase to about 50 % (budget support plus aid reporting through PFMU as a proportion of total external assistance). The challenge is to substantially increase the amount of aid reporting through PFMU.

4. Government reform process

4.1. Reform Context

PFM reforms have been ongoing for several years, even before the end of the civil war in 2003. The most comprehensive PFM reform program implemented to date is the current one in the form of the Integrated Public Financial Management Reform Project (IPFMRP) spanning 2011/2012 to 2014/2015, and now extended to June 2016. The PFM Reform *Strategy and Action Plan (PFM RS & AP)* adopted in 2011 formed the basis for the preparation of IPFMRP. The PFMRS & AP was updated in 2013.[56]A Phase II of IPFMRP is envisaged, the results of the 2016 PEFA assessment helping to inform its preparation.

Despite the devastating effect of EVD on the economy and society, GoL is still committed to creating a stable middle-income economy through the economic policies set out in the Agenda for Transformation (AfT). As a result, in April 2015, GoL developed an *Economic Stabilization and Recovery Plan (ESRP)* primarily to respond to the EVD epidemic, stabilize the economy, and get Liberia back on track. GoL is fully aware of the important role of PFM and thus will continue to implement PFM reform where needed in support of ESRP, the second phase of IPFMRP being the main instrument.

4.2. Key PFM reforms

PFM reforms commenced prior to the 2012 PEFA assessment and have continued as follows:

Theme 1(of PFM RS & AP, as revised in 2013): Credible and Comprehensive Budget

Establishment of Economic Policy Macroeconomic & Financial Sector Division MoF, leading to the development of a Medium Term Fiscal Framework (MTFF), contributing in principle to strengthened credibility of the budget in aggregate terms (PI-1, PI-3)

Establishment of a Medium Term Expenditure Framework (MTEF) in 2012 and its introduction into the budget preparation process in FY 2012/13 (PI-12). Currently, however, this is partially dormant due to GoL's decision to centralize the Public Sector Investment Program (PSIP) under the control of Cabinet, with effect from FY 2013/14, facilitating stronger linkages between the annual adjustment of strategic priorities and choice of investments. Capital budgeting has therefore been taken out of the hands of M&A, although they can still exert their influence through Sector Working Groups. Another reason for the dormancy is the EVD crisis, which resulted in the shifting of priorities to recurrent expenditure from capital expenditure and accordingly a much shorter time horizon (PIs 11 & 12).

Theme 2 Robust IT Systems to Support PFM Operations

Establishment of IFMIS: This commenced before the 2012 PEFA assessment, but much of its beneficial impact has been felt since in terms of strengthened budget execution (through its controls), accounting and reporting. IFMIS was installed in the Data Capture & Revenue Reconciliation Section to facilitate accounts reconciliation. Development of interfaces with SIGTAS,

[56] Fiscal Affairs Department (IMF)– Liberia Revising the PFM Strategy, October 2013

ASYCUDA World (Customs management IT package), and the Civil Service Management System (CSMS) (discussed below) have further strengthened its overall usefulness and as well as the systems linked to it. An interface with the CS-DRMS is being developed.

IFMIS' coverage of expenditure is about 80% and is in place in 36 M&As. This is planned to increase to 90% during 2016-17 through roll out to another 24 M&As. IFMIS is in the process of being upgraded (to Version 7, with internet functionality) which will facilitate the addition of further modules, notably budget preparation (Budget Department currently uses its own in-house system) and 'procurement to pay', which will interface with the e-procurement system being developed by PPCC.

Another soon-to-realised benefit of IFMIS is the migration later this year of DP-funded projects from the Sun Systems IT system used by the Project Monitoring and Accounting Unit (PFMU) in MFDP to IFMIS. These projects comprise about 25% of all DP-funded expenditure. Such migration will enable the use of GoL's financial management systems by DPs (D-2, D-3).

Human resource capacity, power and connectivity constraints detract from the usefulness of IFMIS, as they do to the effectiveness of most GoL operations.

Establishment of the Standard Integrated Tax Administration System (SIGTAS) in 2011 to replace the much less sophisticated Tax Administration System (TAS): This has facilitated strengthened controls in tax administration, including tax audit, and also accounting mechanisms (reconciling taxes collected against taxes assessed. It is not yet functional in all parts of the country and does not as yet cover non-tax revenue, though coverage will be achieved in the near future *(PIs 14 & 15)*.

Establishment of Treasury Single Account (TSA): About 80% of GoL transactions are passed through it, and it has helped to strengthen budget execution (larger pool of liquidity available for financing budget execution), accounting and reporting. Bank accounts held in CBL and commercial banks by M&As, including accounts for DP-funded projects) are still held outside TSA, detracting from its usefulness. The technology for allowing daily 'sweeping' is not yet in place. *(PI-17)*. This also covers Theme 6 on Treasury Management).

Establishment of Civil Service Management System (CSMS) in the Civil Service Agency in 2014: This has enabled changes in personnel records entered into CSMS to be linkage directly to payroll records, facilitating monthly reconciliation between the two. An interface with IFMIS has been developed so that changes in personnel records are in principle quickly reflected in actual payments (to facilitate this, an HRM module of IFMIS went live in July 2013, replaces the GAPS payroll system). A breach of security protocol during the process of establishing CSMS caused controls to be breached, but this is now being fixed through development and implementation of an ICT Security & Network policy to regulate users and improve business processes is ongoing*(PI-18)*.

Personnel records kept in M&As are not yet electronically linked to CSMS and are not necessarily correct. CSMS has been conducting a payroll cleansing exercise for the last 2 years, removing many ghost workers in the process. Employees are being given unique employee IDs through a biometric finger printing exercise. This exercise is expected to be completed during 2016. It will then be possible to conduct a meaningful comprehensive payroll audit..

Theme 3 Revenue Mobilization

Establishment of the Liberia Revenue Authority (LRA) in 2014 (through merger of the tax and customs departments in MoF): This has also helped strengthen revenue forecasting through complimenting EPM&FSD's top-down perspective by a bottom-up perspective *(PI-3)*.

The 2000 Revenue Code was amended in 2011, partly to bring it up to date, and also to add, in the interests of transparency, additional codes (contained in Section 16) related to tax incentives and concessions. The administration of these codes appears to allow, however, a significant degree of discretion *(PI-13)*.

Theme 4 Enhanced transparency and accountability in PFM

- GoL annual financial statements are prepared in accordance with IPSAS Cash Basis*(PI-25)*;
- Anew GAC Act has been passed, which provides GAC with greater independence and autonomy in line with INTOSAI standards *(PI-26).*
- An SOE financial reporting support unit was established in MFDP and large SOEs are now required to prepare annual financial reports in accordance with IFRS and report to it. In turn, the SOE unit is required to prepare an annual report to submit to Parliament. Several smaller SOEs are not yet subject to the same scrutiny. SOEs are several years behind in having their annual accounts audited, thereby detracting somewhat from the usefulness of the reports.*(PI-9)*
- Legislative scrutiny of audit reports picked up markedly in FY 2014/15, though it still has a sizeable back-log to clear. The PAAC is issuing recommendations to the Executive, but there is little evidence to show that these are being implemented *(PI-28)*.
- A Non-State Actors Secretariat was set up to support the engagement of Civil Society in the PFM process.
- The Aid Management Unit in MFDP is now reporting on the annual disbursements made by DPs, including those that are off-budget (PI-7). The reports also now appear as an annex in the annual budget documents (effective FY 2014/15).*(PI-7).*
- Comprehensiveness and transparency of budget documentation strengthened *(PIs 6 & 10).*

Theme 5 Enhanced Controls and Respect of the PFM Legal Framework

- The Internal Audit Agency (IAA) Act to make internal audit function independent was passed in FY 2013/14 and the IAA is deploying its staff in M&As and SOEs; the process is still on-going.
- Public Procurement (PPCC): Procedures for approval by PPCC of the requests from M&As to use non-competitive procurement procedures are not robust, mainly because of capacity constraints in PPCC. A procurement audit system is not yet in place. An e-procurement system is being developed that will interface with IFMIS, enabling an integrated 'Procurement to Pay (P2P) system, with resulting gains in transactions efficiency,

4.3. Institutional Arrangements

The oversight and management responsibilities for PFM reform is coordinated at four levels as defined in the PFM reforms operational manual.

1. The **Executive Oversight** level is exercised by a PFM Steering Committee, chaired by the Minister of Finance & DP, and with a membership of several ministers, the heads of CSA, PPCC and GAC. The committee meets four times a year and donors are to attend two sessions;
2. There is a **Technical Committee**, chaired by a Deputy Minister, that meets monthly with theme/components managers and donors;
3. The **Reform Coordinating Unit** provides administrative support to PFM reforms; and
4. The **Operative Team** comprising of theme/component managers (department heads) is responsible to implement PFM activities the ultimate result thereof.

Annex 1: Detailed calculations for PI-1 and PI-2

The data below shows the budgeted/approved and executed expenditure for the 20 main M&As, excluding expenditures budgeted and executed under debt servicing and donor-funded projects. Data reported under budgeted expenditure by M&A also excludes budgeted expenditure under the “contingency fund”, which is reported under “contingency”. The sum of remaining budget heads, excluding the contingency vote, debt servicing and donor funded project expenditure is detailed under “sum of rest”.

In the context of the 3 tables below, ‘adjusted’ means the notional equi-proportionate adjustment made by the assessor to each M&A approved budget by the % difference between actual and originally budgeted total expenditure. This is for methodological reasons in order to explicitly assess PI-2. It is not the same as in-year adjustments made by the Government to the original approved budget.

Sources: Budget tables, annual fiscal outturn reports and annual accounts (MFPD) for each of FYs 2012/13- 2014/15

Annex 1a: Tables for assessing PIs 1-2

Table 1: Approved and Actual Primary Expenditure for FY 2012/13 (thousands of USD)

Administrative Heading	Approved Budget	Actual	'Adjusted' budget*1*/	Deviation	Absolute deviation	%
Ministry of Health and Social Welfare	54,911.00	48,507	45,338	3169.2	3,169	7.0%
Ministry of Education	44,405.00	47,207	36,663	10543.6	10,544	28.8%
National Legislature	34,166.00	39,242	28,209	11032.5	11,033	39.1%
Ministry of Justice	37,672.00	33,791	31,104	2686.7	2,687	8.6%
Ministry of Finance	37,140.00	28,790	30,665	-1875.0	1,875	6.1%
Ministry of Internal Affairs	30,259.00	23,221	24,984	-1762.6	1,763	7.1%
Ministry of National Defense	15,960.00	16,255	13,178	3077.5	3,077	23.4%
Ministry of Foreign Affairs	16,201.00	15,115	13,377	1738.5	1,738	13.0%
Judiciary	13,400.00	12,705	11,064	1641.2	1,641	14.8%
Liberia Maritime Authority	12,760.00	12,469	10,535	1933.6	1,934	18.4%
Civil Service Agency	18,990.00	11,126	15,679	-4553.3	4,553	29.0%
University of Liberia	12,098.00	10,998	9,989	1009.2	1,009	10.1%
Ministry of State for Presidential Affairs	9,454.00	8,692	7,806	886.2	886	11.4%
John F Kennedy Medical Centre	8,519.00	7,676	7,034	642.2	642	9.1%
Ministry of Public Works	17,123.00	6,708	14,138	-7429.8	7,430	43.4%
Ministry of Agriculture	12,013.00	6,655	9,919	-3263.7	3,264	27.2%
General Auditing Commission	6,175.00	6,130	5,098	1031.5	1,032	16.7%
National Elections Commission	5,324.00	5,530	4,396	1134.2	1,134	21.3%
Executive Protection Services (EPS)	5,138.00	5,407	4,242	1164.8	1,165	22.7%

Administrative Heading	Approved Budget	Actual	'Adjusted' budget*1*/	Deviation	Absolute deviation	%
National Security Agency	4,956.00	5,179	4,092	1087.0	1,087	21.9%
21 (= sum of rest)	252,464.00	184,556.00	208,449	-23893.4	23,893	9.5%
Allocated expenditure	649,128.00	535,959	535,959	0.0	85,556	
Contingency	10,122.00	9,961				
Total expenditure	659,250	545,920				
Overall (PI-1) variance						**17.2%**
Composition (PI-2) variance						**16.0%**
Contingency share of budget						**1.5%**

.

Table 2: Approved and Actual Primary Expenditure for FY 2013/2014 (thousands of USD)

Administrative Heading	Approved budget	Actual	'Adjusted'Budget*1/*	Deviation	Absolute Deviation	%
Ministry of Finance	44,403	57,585	39,337	18,248.1	18,248	46.4%
Ministry of Health and Social Welfare	55,298	42,260	48,988	-6,728.4	6,728	13.7%
Ministry of Education	39,733	39,755	35,200	4,555.2	4,555	12.9%
National Legislature	38,776	39,250	34,352	4,898.2	4,898	14.3%
Ministry of Justice	32,309	30,119	28,623	1,496.5	1,496	5.2%
Ministry of Internal Affairs	28,404	24,103	25,163	-1,059.7	1,060	4.2%
Judiciary	16,000	15,076	14,175	901.2	901	6.4%
Ministry of National Defense	14,628	14,658	12,959	1,699.4	1,699	13.1%
National Elections Commission	7,905	13,655	7,003	6,652.3	6,652	95.0%
Ministry of Foreign Affairs	10,578	13,330	9,371	3,958.6	3,959	42.2%
Civil Service Agency	12,599	12,917	11,161	1,755.9	1,756	15.7%
Liberia Maritime Authority	12,760	12,288	11,304	983.7	984	8.7%
University of Liberia	10,574	10,328	9,367	960.5	961	10.3%
Ministry of State for Presidential Affairs	9,463	8,942	8,383	558.8	559	6.7%
National Security Agency	6,130	8,729	5,430	3,298.6	3,299	53.8%
General Auditing Commission	5,692	6,528	5,043	1,485.1	1,485	26.1%
John F Kennedy Medical Centre	6,856	5,969	6,074	-104.6	105	1.5%
William V. S. Tubman University	5,130	5,674	4,545	1,129.2	1,129	22.0%
Executive Protection Services (EPS)	5,692	5,579	5,043	536.2	536	9.4%
Ministry of Public Works	6,494	4,615	5,753	-1,137.8	1,138	17.5%

Administrative Heading	Approved budget	Actual	'Adjusted'Budget*1/*	Deviation	Absolute Deviation	%
21 (= sum of rest)	183,898.84	118,829.20	162,916	-44,086.8	44,087	24.0%
Allocated expenditure	553,323	490,189	490,189	-	106,235	
Contingency	9,608	9,607				
Total expenditure	562,931	499,796				
Overall (PI-1) variance						**11.2%**
Composition (PI-2) variance						**21.7%**
Contingency share of budget						**1.7%**

Table 3: Approved and Actual Primary Expenditure for FY 2014/2015 (thousands of USD)

Administrative Heading	Original Budget	Actual	'Adjusted' budget*1*/	Deviation	Absolute deviation	%
Ministry of Health and Social Welfare	63,170	54,938	61,928.1	-6,990.0	6,990.0	11.3%
Ministry of Public Works	44,315	46,891	43,443.8	3,446.9	3,446.9	7.9%
National Legislature	37,174	41,251	36,442.6	4,808.4	4,808.4	13.2%
Ministry of Education	37,730	37,291	36,987.7	303.3	303.3	0.8%
Ministry of Justice	35,035	33,779	34,346.1	-567.1	567.1	1.7%
Civil Service Agency	25,602	28,686	25,098.9	3,586.9	3,586.9	14.3%
MFDP	24,087	25,699	23,613.3	2,085.4	2,085.4	8.8%
Ministry of Internal Affairs	28,250	25,616	27,694.9	-2,078.7	2,078.7	7.5%
Judiciary	19,001	17,982	18,626.9	-644.7	644.7	3.5%
Ministry of Foreign Affairs	16,603	17,037	16,276.5	760.3	760.3	4.7%
Ministry of National Defense	14,868	14,799	14,575.6	223.9	223.9	1.5%
University of Liberia	10,100	13,980	9,901.4	4,078.6	4,078.6	41.2%
Liberia Revenue Authority (LRA)	13,108	13,474	12,850.2	624.2	624.2	4.9%
National Elections Commission	14,008	13,106	13,732.8	-627.1	627.1	4.6%
National Security Agency	6,958	12,196	6,821.5	5,374.3	5,374.3	77.2%
Liberia Maritime Authority	8,902	10,714	8,727.0	1,986.7	1,986.7	22.3%
Ministry of State for Presidential Affairs	6,645	7,476	6,514.1	961.7	961.7	14.5%
John F Kennedy Medical Centre	6,519	6,097	6,390.6	-293.4	293.4	4.5%
General Auditing Commission	5,929	5,760	5,811.9	-52.2	52.2	0.9%

Administrative Heading	Original Budget	Actual	'Adjusted' budget*1*/	Deviation	Absolute deviation	%
Executive Protection Services (EPS)	5,195	5,361	5,093.3	267.8	267.8	5.2%
21 (= sum of rest)	176,633	155,904	173,158.8	-17,255.2	17,255.2	9.8%
Allocated expenditure	599,833	588,036	588,035.8	0.0	57,016.9	
Contingency	2,791	2,776				
Total expenditure	602,624	590,811				
Overall (PI-1) variance						**2.0%**
Composition (PI-2) variance						**9.7%**
Contingency share of budget						**0.5%**

Annex 2: Information on SOEs/AGAs

Submission of Financial Statements for FY 2014/15 for the 12 SOEs monitored by the SOE Unit

	SOE	Financial Statements		PFM Act Statutory Deadline for the submission of the FY 2014/2015 accounts	Date of Submission of FY 2014/2015 accounts
		Audited	Unaudited		
1	Liberia Water Sewer Corporation (LWSC)	**No**	**Yes**	August 31, 2015	Over a month after the statutory deadline
2	Liberia Petroleum Refining Corporation (LPRC)	**No**	**Yes**	August 31, 2015	2 weeks after the deadline
3	National Port Authority (NPA)	**No**	**Yes**	August 31, 2015	2 weeks after the deadline
4	National Oil Company of Liberia (NOCAL)	**No**	**Yes**	August 31, 2015	Over a month after the deadline
5	Liberia Electricity Corporation (LEC)	**No**	**Yes**	August 31, 2015	Over a month after the deadline
6	Liberia Telecommunications Corporation (LIBTELCO), formerly LTC	**No**	**Yes**	August 31, 2015	7 weeks after the deadline
7	National Transit Authority	**No**	**Yes**	August 31, 2015	On time
8	Liberia Airport Authority/Roberts International Airport (LAA/RIA)	**No**	**Yes**	August 31, 2015	Over a month after the deadline
9	Liberia Maritime Authority (LMA)	**No**	**Yes**	August 31, 2015	7 weeks after the deadline
10	Forestry Development Authority (FDA)	**No**	**No**	August 31, 2015	On time
11	Liberia Telecommunications Authority (LTA)	**No**	**Yes**	August 31, 2015	Over a month after the deadline

	SOE	Financial Statements		PFM Act Statutory Deadline for the submission of the FY 2014/2015 accounts	Date of Submission of FY 2014/2015 accounts
		Audited	**Unaudited**		
12	National Social Security and Welfare Corporation (NASSCORP)	**No**	**Yes**	August 31, 2015	Over a month after the deadline

Sources: Annual budgets, Annual Fiscal Outturn reports, Annual consolidated Fund Accounts (unaudited except for FY 2012/13)

Submission of Financial Statements for FY 2014/2015 for the 13 SOEs and AGAs that submit accounts to the CAG

	SOE/AGA	Financial Statements		PFM Act Statutory Deadline for the submission of the FY 2014/2015 accounts	Date of Submission of FY 2014/2015 accounts
		Audited	**Unaudited**		
1	Liberia Broadcasting System	**No**	**Yes**	August 31, 2015	2 weeks after the deadline
2	Liberia Produce Marketing Corp	**No**	**Yes**	August 31, 2015	Over a month after the deadline
3	Liberia Industrial Free Zone A	**No**	**Yes**	August 31, 2015	One month after the deadline
4	Liberia Rubber Development Authority	**No**	**Yes**	August 31, 2015	One month after the deadline
5	National Housing \& Savings Bank	**No**	**Yes**	August 31, 2015	One month after the deadline
6	National Insurance Corp. of Liberia	**No**	**Yes**	August 31, 2015	One month after the deadline
7	Agricultural & Industrial Training Bureau	**No**	**Yes**	August 31, 2015	One month after the deadline
8	National Food Assistance Agency	**No**	**Yes**	August 31, 2015	One month after the deadline
9	Monrovia City Corporation	**No**	**No**	August 31, 2015	One month after the deadline
10	National Lottery	**No**	**Yes**	August 31, 2015	One month after the deadline
11	John F. Kennedy Medical Center	**No**	**Yes**	August 31, 2015	One month after the deadline
12	Jackson F Doe Hospital	**No**	**Yes**	August 31, 2015	One month after the deadline
13	Paynesville City Corporation	**No**	**Yes**	August 31, 2015	One month after the deadline

Source: CAG, MFDP.

Annex 3: Information on CARP

Analysis of the extent to which CARP meets criteria for an independent administrative procurement complaints system

Complaints are reviewed by a body which:		
(i)	***Is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as government. :*** Section 10(2) of PPCA provides for a membership of five. Three must be lawyers and the remaining two non-lawyers but professionals with significant procurement experience. In practice, CARP is made up of three lawyers, one banker and one civil engineer. At present, none of the CARP members are public or civil servants.	**Yes**
(ii)	***Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions:*** It is mandatory for any CARP member, as well as PPCC Commissioners and Executive Director, to make full disclosure of any interest. In practice, no member of CARP is involved in any capacity in procurement transaction.	**Yes**
(iii)	***Does not charge fees that prohibit access by concerned parties:*** Section 17(2) provides for a minimal fee charges for appellant such that those fees/charges should not deter appellant from filing complaints. Officials of the CARP have indicated that no fees/charges are levied at present due to the fact that procurement related issues and complaints are new in Liberia; and as an encouragement to bidders, filing of complaints are free.	**Yes**
(iv)	***Follows processes for submission and resolution of complaints that are clearly defined and publicly available:*** Procurement complaints and appeals processes are clearly defined in Part XIII Sections 125 to 129 of the PPCA Act 2010 and Regulation 3. These processes are publicly available on the PPCC and MFDP website. Members of CARP follow due process	**Yes**
(v)	***Exercises the authority to suspend the procurement process:*** Authority to suspend procurement in stipulated in Section 129(1) except for emergency cases. In practice, CARP has suspended a number of procurements process as complaints are been resolved	**Yes**
(vi)	***Issues decisions within the timeframe specified in the rules/regulations:*** Section 127 (1) provides for an initial 45 days for the determination of a procurement appeal submitted to CARP and a further 15 days where necessary. Prior to complaints submission to CARP, the procuring entity is mandated under Section 125(6) to respond to any complaint files by a bidder within 15 days after receipt of such complaints. In practice, CARP takes an average of 87 days to resolve complaints	**No; 87 days on average**
(vii)	***Issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority):*** Decisions of CARP (known as opinions) are binding on either parties. However, parties are at liberty to appeal to the law courts where they are unsatisfied with the decisions/opinions of CARP	**Yes**

CARP Resolutions/Opinions 2012 to 2015

No.	Complaints Appeals and Review Panel (CARP) Opinions 2012-2015	Date of publication	Resolution in favour of	Govt	Appellant
1	Carlthon Group of Companies vs. Ministry of Transport	13th March 2015	Ministry of Transport	1	
2	MDMC Express Incorporated vs. Ministry of Transport	13th March 2015	Ministry of Transport	1	
3	Damen Shipyards Gorinchem vs. National Port Authority	28th April 2014	Damen Shipyards		1

No.	Complaints Appeals and Review Panel (CARP) Opinions 2012-2015	Date of publication	Resolution in favour of	Govt	Appellant
4	Unit Export Limited vs. Liberia Petroleum Refining Company	2nd Sept 2013	Liberia Petroleum	1	
5	Monrovia Merchandise Mart vs. Liberia National Police	29th Jan 2013	Monrovia Merchandise		1
6	Boimah Engineering Incorporated vs. Liberia Electricity Corporation	29th Jan 2013	Boimah Engineering		1
7	COTECNA vs. Ministry of Finance	9th May 2012	Ministry of Finance	1	
8	Atlantic Resources Ltd. vs. Forestry Development Authority	8th May 2012	Atlantic Resources		1
9	Global Wood Industries vs. Forestry Development Authority	8th May 2012	Global Wood		1
10	BSP Liberia Incorporated vs. Ministry of Agriculture	8th May 2012	Ministry of Agric	1	
11	Delta Mining Consolidated vs. Ministry of Lands, Mines & Energy	8th May 2012	Delta Mining		1
12	Fomento vs. Ministry of Lands, Mines & Energy	8th May 2012	Ministry of Lands	1	
13	Identicard System, Equipment & Accessories vs. Liberia Water & Sewerage Corp.	8th May 2012	Liberia Water	1	
14	Southeast Resources Ltd vs. Forestry Development Authority	8th May 2012	Southeast Resources		1
15	Tilia Games International (Liberia) Ltd vs. Liberia National Lottery Inc.	8th May 2012	Liberia National Lottery	1	

Source: PPCC Website - www.ppcc.gov.lr

Analysis of Criterion (vi) - issuing decision within timeframe - of PI-19 Dimension (iv)

No.	Complaints Appeals and Review Panel (CARP) Opinions	Date of complaint	Date of opinion	Number of day taken
1	Unit Export Limited vs. Liberia Petroleum Refining Company	14th Jan 2013[57]	9th April 2013	85 days
2	Monrovia Merchandise Mart vs. Liberia National Police	28th Dec 2011	22nd May 2012	146 days
3	Boimah Engineering Incorporated vs. Liberia Electricity Corporation	3rd Oct 2012	2nd Nov 2012	30 days

Source: PPCC Website - www.ppcc.gov.lr

[57] Data for FY2015 could not be downloaded by the assessment team, which therefore had to use 2011 to 2013 data

Annex 4: List of documents consulted

Legal and regulatory framework

The 1986 Constitution
Financial Rules
Internal Audit Act 2013
Law establishing ministry of finance and development planning September 2013
Public Procurement & Concessions Act 2010
Regulations Accompanying PPC Act 2010
PFM Act (amended) 2009
PFM Regulations 2005 & 2010 amendment
General Auditing Commission Act 2014
Liberia Freedom of Information Act 2010
Appendix 14- 1 to Decree No. 14, repealing Chapter 89 of the Executive Law entitled "An Act to establish the NASSCORP"

Budget documents

National Budget 2012/2013 to 2015/2016
Draft Budget FY 2015/2016
Annual fiscal outturn report FY2012/2013 to FY2014/2015
Fiscal outturn report quarter 1 ending Sept 2015
Fiscal outturn reports - quarter 1 to quarter 4 FY2014/2015
Budget call circular FY2014/2015
Budget call circular FY2015/2016
Budget framework paper FY2012/2013
Budget framework paper FY2014/2015
Budget framework paper FY2015/2016
Citizens guide to approved budget 2015/2016
Budget Calendar for the FY2015/2016 Budget, provided by the Department of Budget and Development Planning
Data on budget submissions by M&As for the FY2015/2016 Budget, provided by the Department of Budget and Development Planning
MTEF manual

Auditor-General annual reports

AG audit report on GoL consolidated financial statements FY2012/2013 dated June 2015
AG report on National Oil Company 2009-2011 dated October 2015
FY2012/2013 annual performance report - General Auditing Commission

Accountant General Reports/Treasury Documents/SOE Reports

Financial Management Manual July 2013
PFM Operational Manual May 2011
M&A financial reporting template
GoL Consolidated Annual Financial Statement FY2013/2014 & FY2014/2015
GoL Consolidated first quarter financial statement July-Sept 2015
IPSAS Cash Adoption Document
Chart of Account mapping guide
GoL Classifications and Chart of Accounts, Version 2.3, July 2013.
Classifications and Chart of Accounts, Version 2.4, January 2016.
Guidelines on cash flow planning - February 2011
FY 2013/14 SOEs Annual Portfolio Report, SOE Unit
Data on SOEs provided by the SOE Unit
Data on SOEs and AGAs provided by the CAG
Information on the publication timeliness of quarterly budget execution reports for FY 2014/2015 provided by the CAG
Cover letters for submission of consolidated financial statements for FY 2013/2014 and 2014/2015 to the GAC
Schedule of program/project aid that us country system provided by PFMU
Public Expenditure Tracking Survey – December 30, 2013

Liberia Revenue Authority

LRA Act 2013
Revenue Code (2000)
Detailed duty free report FY2014/2015
LRA draft amended revenue code - dated August 17, 2007
LRA audit case selection criteria strategy
LRA customs enforcement revenue FY2014/2015
LRA, SMD data on "Overall revenue intake from Foreign Missions" for the period January to June 2015 and January to December 2014

LRA, SMD data on "Motor Vehicle License, Motor Bike License and Annual Vehicle registration Stickers", Revenue Sharing Data, FY 2014/2015

SIGTAS user guide - tax roll functions
SIGTAS user guide - tax account functions

Parliament
Senate rules (standing orders) - March 30, 2009
House of Representative rules (standing orders)
Statistics on PAC public hearing – 2015
2014 & 2015 publications of audit recommendations

Public Procurement and Concessions Commission
Boimah Engineering procurement complaint dated September 25, 2012
CARP opinion/resolution on Boimah Engineering complaint dated November 2, 2012
CARP opinion/resolution on Monrovia Merchandise Mart dated May 22, 2012
Contract awards (small spenders) FY2012/2013
Contract awards (medium spenders) FY2012/2013
Contract awards (large spenders) FY2013/2013
PPCC annual report - December 2014
PPCC Regulations on Threshold on Procurement Method
Procurement plan - Agricultural & Industrial Training Bureau FY2014/2015

Other official documents
IMF GFSM 2001
Internal Audit Strategy April 2010
PFM Reform Strategy
Educational sector strategy template
Energy & environmental sector strategy template
Infrastructural & basic services sector strategy template
Debt management strategy 2014-2016
Guidelines for SoE borrowing
MoHSW Annual Review Report - National Health & Social Welfare Implementation Plan 2011-2012
Appraisal report: 2010-2020 Educational Sector Plan

Liberia PETS for Health & Education Sectors December 2013
Annual economic review FY2012/2013 & FY2013/2014
Economic stabilisation and recovery plan April 2015
Public debt report 3rd quarter FY2013/2014
Annual financial statements (unaudited) FY2014/2015 - Ministry of Public Works
IMF Article IV Country Report November 2015 - number 15/303
IMF FAD Gap Analysis of Fiscal Reporting & Transparency October 2013
ARIC & Audit Charter
Audit Tracker - Ministry of Health & Social Welfare
Internal audit report - Ministry of Defence & Ministry of Health & Social Welfare
Internal audit plan - Ministry of Health & Social Welfare
Report: formal opening of Grand Bassa County Service Centre
2014 Liberia PEFA Self-Assessment report - November 2014
Report: decentralisation platform - county treasury
Inter-ministerial transfers FY2014/2015
IMF FAD Report-State-Owned Enterprises Financial Reporting Framework- July 2012
IMF FAD report - Liberia MTEF - January 2014
IMF FAD report - Improving cash planning, guidelines to issuing treasury bills and government banking arrangements - December 12
IMF FAD report - MTEF, Building on Achievements
IMF Liberia PEFA 2012 report
Quarter 3 of FY2013/2014 donor fiscal outturn report dated June 20, 2012
FY2013/2014 development assistance annual report November 2014
FY2014/2015 development assistance annual report September 2015
Draft Local Government Act
GoL PFM reform strategy 2011/2012 to 2014/2015
Guidelines for issuing government guarantees
IMF Rapid Credit Facility report - February 2015
IMF Review on Extended Credit Facility - July 2014
AfDB Loan Facility - Ebola - October 16, 2014
AfDB Protocol Agreement with GoL - August 2011
Liberia Draft Aid Strategy - January 2010
Aide Memoire - 6th Mission report on IPFMRP
Liberia poverty reduction strategy

National policy on decentralisation and local governance - January 2011
CSA-HRMIS annual report - 2014
NASSCORP Audited Financial Statements FY 2013/2014
IMF – Revising the PFM Reform Strategy-October 2013
PFM Reform Annual Progress Report 2013/2014
PFM Reform Annual Progress Report 2014/2015
Budget Support Analysis Spreadsheet
Annual Development Assistance Report 2014/2015

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Disclosure of Quality Assurance Mechanism

The following quality assurance arrangements have been established in the planning and preparation of the PEFA assessment report for Liberia, final report dated 7th, July 2016.

1. *Review of Concept Note and/or Terms of Reference*

- Draft concept note and/or terms of reference dated July 2015 was submitted for review on 19th January 2016 to the following reviewers:
  - 1) Government of Liberia
  - 2) USAID
  - 3) Swedish International Development Cooperation Agency
  - 4) African Development Bank
  - 5) PEFA Secretariat

  Final concept note and/or terms of reference dated 20th January 2016 was forwarded to reviewers, if necessary, on 21st, January 2016, including a table[58] showing the response to all comments raised by the reviewers

2. *Review of draft report(s)*

- Draft report dated 16th March 2016 was submitted for review on 2nd, April 2016 to the following reviewers:
  - 1) Government of Liberia
  - 2) World Bank
  - 3) Swedish International Development Cooperation Agency
  - 4) PEFA Secretariat

3. *Review of final draft report*

A revised final draft assessment was forwarded to reviewers on 25th, May 2016 and included a table showing the response to all comments raised by all reviewers.

[58] For minor comments (e.g. typos, language) a revised version of the document with tracked changes may suffice.

4. This form, describing the quality assurance arrangements is included in the revised draft report.

Public Expenditure and Financial Accountability Assessment (PEFA) 2016

on Liberia's Public Financial Management systems

Final Report – July 2106

The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the '**PEFA CHECK'**.

PEFA Secretariat

July 15, 2016