GOVERNMENT OF LIBERIA

FISCAL OUTTURN REPORT

FOR THE SECOND QUARTER

FISCAL YEAR 2015/2016

OCTOBER 1 – December 31, 2015

MINISTRY OF FINANCE & DEVELOPMENT PLANNING

November 2015

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

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

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

Contents

ACRONYMS

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

DEFINITIONS

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

EXECUTIVE SUMMARY

The Liberian economy is estimated to have grown at 0.3 percent in 2015 and is expected to grow at 3.9 percent in 2016. The pace of growth during the first two quarters of FY2015/16 is relatively slow, signaling a slower-than-expected recovery from the EVD outbreak. Growth in the economy remains constrained by slow recovery from the impact of Ebola Virus Disease (EVD) outbreak and the decline in prices of Liberia's core exportable commodities – iron ore and rubber. In order to accelerate the pace of recovery, the Government of Liberia continues to institute prudent fiscal measures while implementing its Economic Stabilization and Recovery Plan (ESRP).

Inflation remained in single digit at end-December 2015. The inflationary pressures induced by higher food prices are being offset by lower international oil prices. The average inflation rate during the quarter under review is 7.9 percent.

Liberia's balance-of-payment position reflects deterioration due to the lower volume of exports and increased importation of food, health equipment, capital equipment, and fuel related commodities, thereby adversely impacting the exchange rate. Despite increasing demand for imported goods and services, the nominal exchange rate has remained relatively stable, averaging at 87.8 Liberian dollars per US dollar during the quarter under review. The relative stability of the exchange rate owed to the Central Bank of Liberia's continual foreign exchange intervention as well as the improved liquidity management through strong coordination between the fiscal and monetary authorities.

The National Legislature approved a budget of US$622.7 million for FY 2015/16, representing a 2 percent decrease compared to an approved amount of US$635.2 million for FY 2014/15. Of the approved resource envelope, tax revenue accounts for US$412.3 million (66.2 percent); non-tax revenue accounts for US$61.4 million (9.9 percent); grants, US$66.2 million (10.6 percent); on budget borrowing, US$58.6 (9.4 percent); and carry forward accounts for US$24.2 million (3.9 percent).

Total revenue (excluding borrowing) collected during the period under review (October 1 to December 31, 2015) amounted to US$270.5 million representing 43.4 percent of the approved resource envelope. Of the realized amount, tax revenues amounted to US$188.1 million which accounted for 69.5 percent while non-tax revenues and grant accounted for US$21.2 million and US$39.2 million thereby reflecting 7.8 percent and 14.5 percent respectively.

Of the US$622.7 million approved total appropriation, US$290.9 million was allotted as at end – December 2015 (representing 46.7 percent of the total appropriations) of which US$209.2 million was committed (representing 33.6 per cent of the total appropriations and 71.9 percent of the total allotments). The period under review recorded a relatively low rate of budget execution in terms of economic classifications (i.e. compensation of employees, capital expenditure, and grants) compared to the same quarter of previous fiscal year.

SECTION 1: MACROECONOMIC DEVELOPMENTS

The Liberian economy is estimated to have grown at 0.3 percent in 2015 and is expected to grow at 3.9 percent in 2016. The pace of growth during the first two quarters of FY2015/16 is relatively slow, signaling a slower-than-expected recovery from the EVD outbreak. Growth in the economy remains constrained by slow recovery from the impact of Ebola Virus Disease (EVD) outbreak and the decline in prices of Liberia's core exportable commodities – iron ore and rubber. In order to accelerate the pace of recovery, the Government of Liberia continues to institute prudent fiscal measures while implementing its Economic Stabilization and Recovery Plan.

Inflation remained in single digit at end-December 2015. The inflationary pressures induced by higher food prices are being offset by lower international oil prices. The average inflation rate during the quarter under review is 7.9 percent.

Liberia's balance-of-payment position reflects deterioration as at end-December 2015 compared to previous year due to the lower volume of exports and increased importation of food, health equipment, capital equipment, and fuel related commodities, thereby adversely impacting the exchange rate. The current account balance as a percentage of GDP for 2015 is estimated at a deficit of 39.2 percent, up from a deficit of 31.4 percent for 2014. It is projected to slightly moderate at a deficit of 36.9 percent in 2016.

Despite increasing demand for imported goods and services, the nominal exchange rate has remained relatively stable, averaging at 87.8 Liberian dollars per US dollar during the quarter under review. The relative stability of the exchange rate owed to the Central Bank of Liberia's continual foreign exchange intervention as well as the improved liquidity management through strong coordination between the fiscal and monetary authorities.

SECTION 2: BUDGET FY2015/16

The FY2015/16 National Budget marks the fourth year implementation of the Medium Term Expenditure Framework (MTEF) budgeting. The first cycle of the MTEF budgets, from fiscal years 2012/13 to 2014/15, scored some successes, with gradual improvements in budgeting systems leading to an initial increase in public investment, and some improvements in service delivery.

The budget is underpinned by the Government's ESRP which sets out appropriate policies and strategies to stabilize and stimulate the economy in a way that complements the country's development agenda. The Government of Liberia has remained committed to a strong, transparent and efficient budgetary process in order to achieve greater macroeconomic balance. A key factor in achieving this goal is fiscal discipline attained by prudent management of the available but meager resource envelope. This necessitated the adoption of the MTEF budget, which contains a revenue outlook and expenditure plan covering a period of three years with FY2015/16 being the fourth year of implementation of a rolling MTEF budget.

The use of the MTEF budgetary process informs and improves the inter- and intra-Sectoral allocation of resources based on priorities set in the refocused *Agenda for Transformation* (*AfT*), thereby linking the MTEF to the Country's medium term development agenda. It furthermore ensures greater budgetary predictability for line Ministries and Agencies (M&As) and

Commissions, and the efficient use of public funds; and renders the budget more predictable, comprehensive, transparent, and capable of producing measurable results.

The FY2015/16 approved National Budget considerably highlights crucial national priorities, particularly expenditures that are geared towards recovering output and growth, strengthening resilience and reducing vulnerability, enhancing public finances and service delivery as a mean of maintaining macroeconomic stability and place the country back on the trajectory of achieving its development objectives as set out in the AfT and National Vision 2030.

Public Sector Investment Program

The FY2015/16 budget highlights the GoL's commitment to achieving sustained pro-poor and inclusive economic growth and development through people, products and processes. In an effort to enhance macroeconomic stability and expand the corridors of economic growth and development, the budget focuses on programs which were necessary to address the immediate impacts of the Ebola epidemic, recover output and growth, strengthen resilience and reduce vulnerability, as well as invests in critically needed infrastructure in order to ensure that the economic recovery creates jobs and improves welfare conditions in Liberia. In the context of its national development agenda, the Government's Public Sector Investment Plans are grouped in two categories:

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

  - Priority 1: Ports, Energy, Transport and Information Technology – these include the rehabilitation of the Mt. Coffee Hydroelectric Dam, the West African Power Pool (WAPP), the Heavy Fuel Oil (HFO) Plant, the development and maintenance of major roads, and the installation of the fiber optic backbone in Liberia;
  - Priority 2: Health – to support programs and projects implemented by the Ministry of Health;
  - Priority 3: Education – to enhance education levels and develop human capacity;
  - Priority 4: UNMIL Drawdown – to ensure that national security is enhanced and sustained;
  - Priority 5: Capacity Development in line with the National Capacity Development Strategy;
  - Priority 6: WASH – supporting and enhancing access to clean water, sanitation and hygiene;
  - Priority 7: Youth Empowerment – to create jobs for new entrants into the country's labor force through gainful employment generation;
  - Priority 8: Reconciliation – to promote national unity among Liberians;
  - Priority 9: Agriculture – to promote agricultural rehabilitation for smallholder farmers and rural entrepreneurs; and
  - Priority 10: Economic Enhancement – to provide support for domestic investment and activities that enhance economic growth and poverty reduction.

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

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

Sector-level projects are selected based on social and economic returns such as the impact on job creation, revenue generation and contribution to public good and sector goals that are consistent with the AfT and their geographical distribution.

However, the FY2015/16 National Budget highlights recovery after the public health crisis and tends to focus on health, education, agriculture and infrastructure in line with the Government's ESRP. .

Stages of the MTEF Budget Process

The MTEF budgetary process and structure encompasses the following phases:

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

Fiscal Measures

The focus of the FY2015/16 approved national budget is to ensure that GoL's commitment to implementation of its ESRP is geared towards recovery output and growth, strengthening resilience, reducing vulnerability, and keeping its ongoing development agenda on course. Thus, the budget was guided by a number of fiscal measures or principles to ensure the effective and efficient use of the available resources:

- Prioritizing debt repayment, compensation and other non-discretionary payments to prevent the build-up of arrears;

- Prioritizing payment of counterpart funding, i.e. Government's portion of funding for high-impact projects that leverages external financing for much-needed national infrastructure;

- All borrowing must be undertaken for the purposes of investment, consistent with the Public Sector Investment Plan (PSIP);

- Total debt stock must not exceed 60 percent of previous calendar year's GDP as contained in the PFM Regulations; and

- Prior to new borrowing being undertaken, a Debt Sustainability Analysis (DSA) must be carried out and presented to the Debt Management Committee (DMC) to ensure debt rules are not breached.

MTEF Budget Sectors

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

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

FY2015/16 Appropriations

The Executive Branch of the Government submitted a draft budget of US$604 million to the National Legislature on April 30, 2015 for consideration and approval for the fiscal period beginning July 1, 2015 and ending June 30, 2016. The National Legislature finally approved a budget of US$622.7 million or L$52 billion for the fiscal period. The approved national budget shows a 2 percent decrease, compared to FY2014/15 and a 3.1 percent increase compared to the draft submission of US$604 million.

Table 1 shows a breakdown of appropriations in the FY2015/16 budget by sector and economic classification, compared to the economic classification totals for the FY2014/15 budget. The GoL appropriated wage bill accounts for 40.9 percent of the current budget (FY2015/16) compared to about 38.6 percent of the FY2014/15 budget. The increased wage bill can be partly attributed to the scheduled UNMIL drawdown, as the GoL expands its presence across the country to provide coverage previously provided by UNMIL, and the payment of compensation for education and health-care workers previously funded through other streams.

Appropriations for capital expenditure seem lower in FY2014/15 as they exclude appropriations for PSIP spending. Including appropriations of US$107.8 million for PSIP spending, appropriation for capital expenditure shows an increase of 2.5 percent, compared to the FY2014/15.

Appropriations for goods and services account for 23.1 percent of the FY2015/16 budget, compared to 27.7 percent of the FY2014/15 budget. The decreased appropriation for goods and services can be attributed partly to the Government's effort to cut back on recurrent expenditure and increase spending on PSIP.

Table 1: Budgetary Appropriation - FY2015/16 (millions USD)

	Budget Sectors	Compensation of employees	Use of goods and services	Capital Spending	Interest	Grants	Social benefits	Unspecified / PSIP [1]	Total
FY15/16	Agriculture	2.5	2.6	0.2	-	0.2	-	0.5	6.0
	Education	48.5	10.4	0.9	-	20.1	0.0	4.0	83.9
	Energy and Environment	5.6	7.7	1.0	-	1.1	-	5.3	20.6
	Health	33.1	22.8	0.2	-	16.6	-	-	72.6
	Industry and Commerce	4.8	1.7	0.6	-	0.6	-	0.7	8.3
	Infrastructure and Basic Services	7.6	4.8	0.6	-	0.0	-	64.1	77.1
	Municipal Government	9.8	1.4	0.7	-	17.9	-	2.4	32.2
	Public Administration	67.0	63.5	6.0	10.0	31.2	1.6	7.6	186.8
	Security and Rule of Law	54.2	20.3	1.5	-	1.9	-	21.0	98.9
	Social Development Services	3.5	2.9	0.2	-	3.3	-	2.1	12.0
	Transparency and Accountability	18.0	5.5	0.5	-	-	-	0.2	24.2
	Total	254.6	143.6	12.3	10.0	92.9	1.6	107.8	622.7
FY14/15	Total	245.0	175.7	117.2	9.5	86.7	1.1	-	635.2

Source: FY2014/15 and FY2015/16 National Budgets

Appropriations for the provision of grants account for 14.9 percent of the approved national budget for FY2015/16, compared to 13.7 percent of the FY2014/15 budget.

Based on economic classification, appropriations for compensation of employees registered a 3.9 percent growth in the current fiscal year budget compared to the FY2014/15 budget; similarly, the use of goods and services has decreased by 18.3 percent; capital spending, including appropriations for PSIP of US$107.8 million, shows an increase of 2.5 percent; appropriation for the provision of grants shows an increase of 7.1 percent; while appropriation for social benefits increased by 37.8 percent.

On the Sectoral basis, appropriations for agriculture accounts for 1.0 percent of FY2015/16 budget, compared to 0.9 percent of the FY2014/15 budget, representing an increase of 3.2 percent.

Appropriations for Education account for 13.5 percent of the FY2015/16 budget compared to 10.3 percent of the FY 2014/15 budget, representing an increase of 31.1 percent.

Appropriations for Energy and Environment represent 3.3 percent of the FY2015/16 budget compared to about 3.7 percent of the FY 2014/15 budget, representing a decrease of 10.9 percent.

Appropriations for Health for FY2015/16 account for 11.7 percent of the budget compared to 12.4 percent of the FY2014/15 budget. This represents a relative decrease of 5.6 percent.

Appropriations for Industry and Commerce for FY2015/16 account for 1.3 percent compared to 2.4 percent of the FY2014/15 budget (US$15.2 million), representing a decrease of 44.3 percent.

Appropriations for the provision of Infrastructure and Basic Services for FY 2015/16 account for 12.4 percent compared to 8.7 percent of the FY 2014/15 budget (US$55.0 million); this represents an increase of 42.9 percent.

Municipal Government appropriations for FY 2015/16 account for 5.2 percent compared to 5.0 percent in FY2014/15, representing an increase of 3.5 percent.

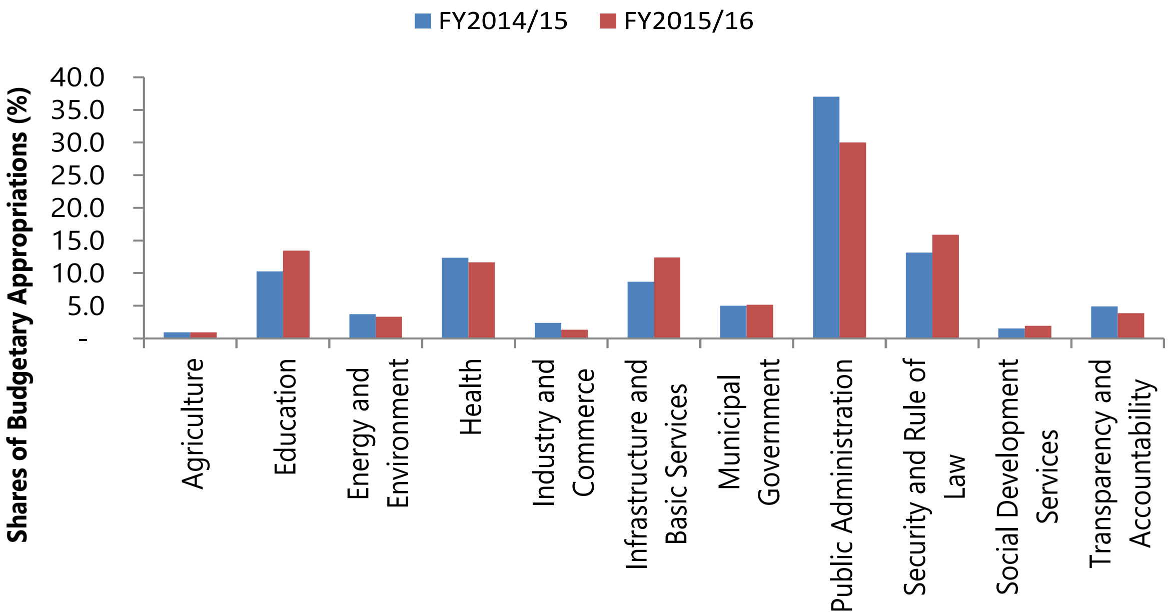
Appropriations for Public Administration account for 30.0 percent of the FY 2015/16 budget compared to 37.0 percent of the FY 2014/15 budget (US$235.1 million). This represents a decrease of 18.9 percent.

Appropriations for Security and Rule of Law account for 15.9 percent of FY2015/16 budget compared to 13.2 percent in FY2014/15, representing an increase of 20.6 percent.

Appropriations for the Social Development Services sector account for 1.9 percent of FY2015/16 compared to 1.5 percent in FY 2014/15. This represents an increase of about 25.5 percent.

Appropriations for the Transparency and Accountability sector account to 3.9 percent of FY2015/16 budget compared to 4.9 percent in FY2014/15 representing a decrease of 21.2 percent.

Figure 1: Comparative Analysis of Budgetary Appropriation for FY2014/15 and FY2015/16



Source: FY2014/15 and FY2015/16 National Budgets

SECTION 3: OUTTURN AND DEVELOPMENTS

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

Government Finance Statistics (GFS)

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

Table 2 provides cumulative information of the GoL's GFS as at end of the first quarter in FY2015/16, on a commitment basis. This includes all commitment expenditure for the period July 1, 2015 to December 31, 2015.

Table 2: GFS Table, July 1 - December 31, 2015 (millions USD)

	Budget	Commitments
Total revenue and grants	539.9	248.5
Total revenue	473.7	209.3
Tax	412.3	188.1
Non- Tax	61.4	21.2
Grants	66.2	39.2
Expenditure	622.7	209.2
Current Expenditure	502.7	185.9
Compensation of employees	254.6	74.4
Use of goods and services	143.6	66.4
Interest	10.0	1.8
Grants	92.9	32.5
Social benefits	1.6	0.7
Financial Asset	-	10.1
Capital expenditure	120.1	23.3
Spending on capital (Incl. PSIP)*	120.1	23.3
Overall balance	-82.8	39.4
Financing	82.8	-39.4
Accounts Cash (+/-)	24.2	-33.2
Amortization	-	-6.2
Domestic Borrowing	-	-
Foreign Borrowing	58.6	-
World Bank-IDA	30.0	-
African Development Bank	28.6	-

Source: Departments of Budget and Fiscal Affairs Ministry of Finance & Development Planning
* Capital spending includes PSIP appropriation which are not classified until the point of execution

Flow of Funds

The flow of funds table describes financial flows within the public sector; basically, it highlights how revenues finance expenditures. Table 3 shows the flow of funds as at end period, on a commitment basis.

Table 3: Flow of Funds (July 1 –December 31, 2015) (millions USD)

	JUL	AUG	SEP	OCT	NOV	DEC	Total
Total Available	74.7	36.5	34.6	62.3	28.6	33.8	270.5
Revenue	74.7	36.5	34.6	40.3	28.6	33.8	248.5
Collected Revenue	43.0	34.7	34.6	34.7	28.6	33.8	209.3
Tax	38.4	29.8	32.5	31.6	24.8	31.0	188.1
Non-Tax	4.6	4.9	2.1	3.1	3.8	2.7	21.2
Grants	31.8	1.9	0.0	5.6	0.0	0.0	39.2
Carry Forward	0.0	0.0	0.0	22.0	0.0	0.0	22.0
Expenditure (Commitment)	15.1	19.5	34.5	67.4	37.2	35.4	209.2
Compensation of Employees	10.2	12.4	12.2	14.8	12.8	12.0	74.4
Use of Goods and Services	2.6	5.4	13.5	27.9	9.8	7.2	66.4
Capital Spending	0.0	0.0	0.0	10.8	8.1	4.4	23.3
Interest	0.0	0.0	0.0	0.5	0.5	0.8	1.8
Grants	2.3	1.6	8.6	6.9	5.7	7.4	32.5
Social Benefits	0.0	0.1	0.1	0.1	0.3	0.1	0.7
Financial Asset	0.0	0.0	0.0	6.5	0.0	3.6	10.1
Projected Balance at Month End	59.6	17.0	0.1	-27.2	-8.6	-1.6	39.4
Including Carry Forward	59.6	17.0	0.1	-27.2	-8.6	-1.6	39.4
Including Grants	59.6	17.0	0.1	-27.2	-8.6	-1.6	39.4
Excluding Grants	27.9	15.2	0.1	-32.7	-8.6	-1.6	0.2
Financing	0.0	0.0	0.0	-27.2	-8.6	-1.6	-37.4
Required	0.0	0.0	0.0	-27.2	-8.6	-1.6	-37.4
Identified	-59.6	-17.0	-0.1	27.2	8.6	1.6	-39.4
Accounts cash	-59.6	-17.0	-0.1	27.2	8.6	1.6	-39.4
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Concessional	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T-Bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CBL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

Revenue

The approved revenue envelope for FY2015/16 is US$622.7 million, of which core revenue (Tax, non-tax and grant) amounts to US$539.9 million, on-budget borrowing amounts to US$58.6 and cash carry-forward accounts for US$24.2 million.

Of the total resource envelope, core revenue accounts for 86.7 percent, of which tax revenues, nontax revenue, and grants account for 76.4 percent, 11.4 percent and 12.3 percent, respectively. Taxes on international trade and taxes on incomes and profits account for a significant portion of tax revenue projections; while property income taxes and administrative fees account for more than ninety percent of non-tax revenues projected.

The total revenue collected as at end-December 2015 amounts to US$270.5 million. This represents approximately 43.4 percent of the approved resource envelope. Of the collected amount, tax revenues accounted for 69.5 percent while nontax revenues and grants account for 7.8 percent and 14.5 percent respectively. The cash carry-forward accounts for 8.1 percent of the revenue realized during the period. Table 4 provides the breakdown of the GoL resource envelope for FY 2015/16, and revenue performance as at end-December 2015.

Table 4: Revenue Performance (July 1 – December 31, 2015) (millions USD)

Category (US$ millions)	FY15/16 Approved Budget	Quarter I			Quarter II			FY15/16
		JUL	AUG	SEP	OCT	NOV	DEC	ACTUAL
GRAND TOTAL REVENUE EXCL. BORROWINGS	564.0	74.74	36.55	34.64	62.27	28.57	33.75	270.5
TOTAL CORE REVENUE	539.9	74.7	36.5	34.6	40.3	28.6	33.8	248.5
TOTAL TAX REVENUE	412.3	38.4	29.8	32.5	31.6	24.8	31.0	188.1
Taxes On Income & Profits	162.3	16.1	9.3	14.3	14.5	9.1	11.0	74.4
Property Taxes	7.1	0.5	0.2	0.2	0.2	0.1	0.2	1.4
Taxes On Goods And Services	53.8	3.5	3.4	2.9	3.4	3.0	4.0	20.2
Taxes On International Trade	176.1	18.4	16.8	15.1	13.5	12.5	15.8	92.1
Other Taxes	13.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NON-TAX REVENUE	61.3	4.6	4.9	2.1	3.1	3.8	2.7	21.2
Property Income	42.0	2.6	3.4	1.0	1.7	2.7	1.4	12.8
Administrative Fees	15.1	1.1	1.2	0.8	1.1	0.8	1.0	6.0
Fines, Penalties and Forefeits	4.2	0.9	0.3	0.3	0.3	0.3	0.3	2.4
Other	0.0	0.0	0.0	0.0	0.0	0.0		0.0
GRANTS (ON-BUDGET)	66.2	31.8	1.9	0.0	5.6	0.0	0.0	39.2
From Foreign Governments	10.0	31.8	1.9	0.0	0.0	0.0	0.0	33.6
From International Organizations	56.2	0.0	0.0	0.0	5.6	0.0	0.0	5.6
BORROWINGS	58.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	58.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CARRY FORWARD	24.2	0.0	0.0	0.0	22.0	0.0	0.0	22.0

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

Tax Expenditures

During the period under review, the GoL's tax expenditures amounted to US$53.8 million. This was on account of duty waivers granted to private enterprises and public spending entities as incentives intended to promote investment in support of the Government's policy objectives in various sectors of the economy. Concession exemptions accounted for about 24.4 percent of the total tax expenditures incurred. Exemptions granted to concessions are in accordance with investment incentives stipulated in their respective agreements.

Tax expenditure granted through Executive Orders, Ministries & Agencies, Diplomatic Missions, investment incentives and Government projects, accounted for significant shares. Table 5 provides the breakdown of tax expenditures by beneficiaries

Table 5: Tax Expenditure Summary (July 1– December 31, 2015) (millions USD)

-	JUL	AUG	SEP	OCT	NOV	DEC	Total
Concessions Agreement	1.5	1.7	1.1	4.1	3.6	1.0	13.1
Investment Incentives	1.6	1.0	1.6	0.3	0.7	1.1	6.3
Diplomatic Missions	0.8	1.8	0.7	1.1	1.0	0.9	6.4
GoL/Ministries & Agencies	0.7	1.1	0.2	2.3	0.7	4.0	9.1
International NGOS	0.2	0.1	0.1	0.6	0.2	0.1	1.3
Local NGOS	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Public Corporation	0.0	0.1	0.0	0.1	0.1	0.1	0.3
Religious Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Educational Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Medical Institutions	0.0	0.0	0.0	0.1	0.0	0.0	0.2
GoL Projects	1.7	0.9	0.9	0.0	0.0	0.0	3.5
National Legislators	0.1	0.0	0.1	0.0	0.0	0.1	0.3
Individual/Returnees	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Executive Order	2.2	0.0	1.7	0.0	6.3	0.1	10.4
Petroleum Products	0.3	0.5	0.4	0.3	0.5	0.6	2.6
Refund Entry	-	-	-	-	-	0.0	0.0
Total	**9.2**	**7.4**	**6.9**	**9.0**	**13.1**	**8.2**	**53.8**

Source: Liberia Revenue Authority

Financing

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

The annual projection of aid (grants and loans) to various budget sectors in FY2015/16 is US$899.3 million. The approved budget includes US$58.6 million of on-budget loans from external sources.

As at end-December 2015, a total of US$378.9 million (42.1 percent of annual projection) has been disbursed through various modalities to different sectors. This was mainly driven by disbursements made to Health, Energy and Environment, social Development Services, Public Administration, Education, Agriculture, and Infrastructure and Basic Services Sectors.

Table 6: FY2015/16 Aid Disbursement by Sectors (July 1 - December 31, 2015)

MTEF Sectors	Projection FY2015/16 Grant	Projection FY2015/16 Loan	Total	% share of Proj. Total	Actual Grant	Actual Loan	Total	% share of
Agriculture	119.6	11.1	130.7	14.5	29.7	5.3	35.0	9.2
Education	84.0	0.0	84.0	9.3	39.4	-	39.4	10.4
Energy and Environment	133.9	43.0	176.9	19.7	36.4	6.5	42.9	11.3
Health	91.6	5.5	97.0	10.8	122.2	4.1	126.3	33.3
Industry and Commerce	7.5	0.0	7.5	0.8	2.6	-	2.6	0.7
Infrastructure and Basic Services	114.6	42.8	157.4	17.5	32.2	0.4	32.6	8.6
Municipal Government	4.4	3.0	7.4	0.8	6.3	1.7	8.0	2.1
Public Administration	49.0	54.9	103.9	11.6	12.4	28.9	41.3	10.9
Security and Rule Of Law	16.8	0.0	16.8	1.9	1.7	-	1.7	0.4
Social Development Services	96.9	0.0	96.9	10.8	42.5	-	42.5	11.2
Transparency and Accountability	20.7	0.0	20.7	2.3	6.6	-	6.6	1.7
Grand Total (million USD)	**739.1**	**160.2**	**899.3**	**100.0**	**332.0**	**47.0**	**378.9**	**100.0**

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

Aligned to the Government's medium term development plan – the Agenda for Transformation (AfT), the Human Development, Governance and Public Institutions, and Economic Transformation pillars combined accounted for over 88.4 percent of the actual disbursements.

Table 7: Aid Disbursement by AfT Pillars (July 1 - December 31, 2015)

AfT Pillars	Actual Disbursement Grant	Actual Disbursement Loan	Total	%share of Total
Cross-cutting	42.4	-	42.4	11.2
Economic Transformation	101.0	12.3	113.3	29.9
Governance and Public Institutions	25.3	30.7	55.9	14.8
Human Development	161.5	4.0	165.6	43.7
Peace, Security and Rule of Law	1.7	-	1.7	0.4
Grand Total	**331.9**	**47.0**	**378.9**	**100.0**

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

The total aid disbursements realized as at end-December 2015 are support from a number of development partners. Table 8 shows a detailed schedule of actual disbursement by development partners.

Table 8: Aid Disbursement by Development Partners (July 1- December 31, 2015)

Development Partners	Annual Proj. (US million)	Disbursement at end-Dec. (million USD)	Rate of Disbursement to Proj. (%)	Share of Disbursement (%)
African Development Bank	115.1	40.2	35.0	10.6
Bill & Melinda Gate Foundation	-	0.2	-	0.1
European Investment Bank (EIB)	22.6	-	-	-
European Union (EU)	81.8	31.8	38.8	8.4
Germany	45.8	6.5	14.1	1.7
Global Fund	6.4	-	-	-
IFAD	8.1	2.5	31.1	0.7
World Bank (IDA)	155.5	104.1	67.0	27.5
Millennium Challenge Corporation	36.8	-	-	-
Japan	17.0	-	-	-
Norway	54.6	29.8	54.6	7.9
Ireland	-	5.8	-	1.5
Sweden	30.8	16.4	53.3	4.3
United Nations Development Programme (UNDP)	5.8	-	-	-
United Nations Children Education Fund UNICEF)	28.5	42.1	147.5	11.1
United Nations High Commission for Refugees (UNHCR)	3.7	-	-	-
United Nations Peace Building Fund (UNPBF)	9.7	-	-	-
United Nations Population Fund (UNFPA)	3.1	0.7	24.1	0.2
United Nations Office for Project Services (UNOPS)	0.2	-	-	-
United States Agency for International Development (USAID)	199.8	86.6	43.4	22.9
World Food Programme (WFP)	72.7	12.0	16.5	3.2
World Health Organization (WHO)	1.4	-	-	-
Grand Total	**899.3**	**378.9**	**42.1**	**100.0**

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

Allotments

During the course of the first two quarters of FY2015/16, total allotments issued amounted to US$290.9 million, compared to 303.6 million for the same period in FY2014/2015. Table 9 shows a breakdown of GoL allotment by sector and economic classification for FY2015/16, compared to the same period in the previous fiscal year.

Table 9: Budgetary Allotment (July 1– December 31, 2015) (millions USD)

	Budget Sectors	Compensation of employees	Use of goods and services	Capital Spending	Interest	Grants	Social benefits	Total
FY15/16	Agriculture	1.2	1.6	0.2	-	0.1	-	3.2
	Education	21.5	6.9	0.3	-	11.2	0.0	40.0
	Energy and Environment	2.8	3.6	1.0	-	0.1	-	7.5
	Health	17.2	5.1	0.1	-	8.5	-	30.9
	Industry and Commerce	2.3	1.1	0.6	-	0.5	-	4.5
	Infrastructure and Basic Services	3.5	3.5	28.2	-	-	-	35.2
	Municipal Government	5.2	0.9	0.0	-	0.8	-	6.9
	Public Administration	34.3	42.3	0.5	1.1	13.4	0.8	92.4
	Security and Rule of Law	27.3	21.7	0.7	-	0.3	-	50.0
	Social Development Services	1.8	1.8	0.2	-	3.7	-	7.5
	Transparency and Accountability	9.0	3.4	0.3	-	-	-	12.7
	Total	**126.1**	**92.0**	**32.2**	**1.1**	**38.6**	**0.8**	**290.9**
FY14/15	**Total**	**122.2**	**112.1**	**28.6**	**3.3**	**36.8**	**0.6**	**303.6**

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

Compensation of employees accounted for 43.4 percent of the total allotments issued as at end-December, 2015; while allotments for the major categories such as use of goods and services, capital spending, grants and social benefits accounted for 31.6 percent, 11.1 percent, 13.3 percent and 0.2 percent respectively.

Commitments

The total commitment issued out to M&As and Commissions at the end of the first two quarter of FY2015/16 amounted to 209.2million compared to US$269.2 million recorded for the same period in FY2014/15.

Compensation of employees accounted for about 35.5 percent of the total commitments issued as at end-December 2015, while the use of goods and services, grants and social benefits accounted for 31.7 percent, 15.5 percent, 0.3 percent, respectively. Capital spending accounted for 11.1 percent of the commitment issued during the first two quarters. Table 10 shows details of GoL's commitments issued during the period under review.

Table 10: Commitment (July 1 – December 31, 2015) (millions USD)

	Budget Sectors	Compensation of employees	Use of goods and	Capital Spending	Interest	Grants	Social benefits	Financial Asset	Total
FY15/16	Agriculture	1.2	0.6	0.1		0.3			2.2
	Education	6.3	9.2			5.3			20.8
	Energy and Environment	2.4	1.2	-		0.1			3.7
	Health	6.1	4.1			6.1			16.3
	Industry and Commerce	1.7	0.6			0.1			2.4
	Infrastructure and Basic Service	3.5	3.0	18.0		0.1		2.8	27.4
	Municipal Government	1.1	0.8	0.9		0.4			3.2
	Public Administration	35.7	31.7	1.6	1.8	8.9			79.7
	Security and Rule of Law	11.7	11.6	1.0		9.4		0.8	34.5
	Social Development Services	2.0	1.9	1.2		0.1	0.7		5.9
	Transparency and Accountabili	2.6	1.7	0.5		1.7			6.5
	National Claims							6.6	6.6
	Total	**74.4**	**66.4**	**23.3**	**1.8**	**32.5**	**0.7**	**10.2**	**209.2**
FY14/15	**Total**	**112.2**	**95.3**	**26.9**	**2.8**	**31.5**	**0.5**	**-**	**269.2**

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

Budget Execution

The approved budgetary appropriation for FY2015/16 is US$622.7 million. As at end-December 2015, US$290.9 million or 46.7 percent of the total budgetary appropriations was allotted for spending across Government. Of the total allotment issued, US$209.2 million or 71.9 percent was committed. Table 11 provides a summary of budget execution by economic classification

Table 11: Summary of Budget Execution (July 1, 2015– December 31, 2015) (millions USD)

	Budget	Allotment	Commitment
Compensation of employees	254.6	126.1	74.4
Use of goods and services	143.6	92.0	66.4
Capital Spending	120.1	32.2	23.3
Interest	10.0	1.1	1.8
Grants	92.9	38.6	32.5
Social benefits	1.6	0.8	0.7
Financial Asset			10.2
Total	**622.7**	**290.9**	**209.2**

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

The commitments issued amount to 33.6 percent of the total budgetary appropriation. Table 12 provides a percentage execution of the National Budget.

Table 12: Summary of Percentage Budget Execution (July 1 – December 31, 2015)

	Allotment (% of Budget)	Commitment (% of Allotment)	Commitment (% of Budget)
Compensation of employees	49.5	59.0	29.2
Use of goods and services	64.0	72.2	46.2
Capital Spending	26.8	72.3	19.4
Interest	11.0	162.7	17.9
Grants	41.6	84.1	35.0
Social benefits	51.8	85.4	44.2
Total	**46.7**	**71.9**	**33.6**

Compensation of Employees: about 49.5 percent of the total budgetary appropriation for compensation of employees was allotted at the end of the second quarter, out of which 59.0 percent was committed. As at end-December, commitments for compensation of employees amounted to 29.2 percent of its budgetary appropriation.

Use of Goods and Services: during the period under review, allotments for the use of goods and services amounted to 64.0 per cent of the total budgetary appropriations for use of goods and services, out of which 72.2 per cent was committed. The total commitments issued represent 46.2 per cent of the total budgetary appropriation for the use of goods and services.

Capital Spending: allotments for capital spending (including PSIP projects) at the end of the second quarter amounted to 26.8 percent of its budgetary appropriation. About 72.3 percent of the allotment was committed. Thus, commitment for capital spending at the end of the second quarter amounted to 19.4 percent of the total budgetary appropriation for capital spending.

Interest: during the period under review, allotments for interest spending amounted to 11.0 per cent of the total budgetary appropriations for interest payment, of which 162.7 percent was committed. The total commitments issued represent 17.9 per cent of the total budgetary appropriation for the interest payment.

Grants: about 41.6 percent of the budgetary appropriation for the provision of grants was allotted during the period under review; 84.1 percent of the allotment issued was committed, representing 35.0 per cent of the appropriation for grant.

Social Benefits: 51.8 percent of the total budgetary appropriation for social benefits was allotted during the period under review; 85.4 per cent of the allotment issued was commitment. The total commitment issued represents 44.2 percent of the total budgetary appropriation for social benefits.

Public Debt

The total public debt stock as at end-December 2015 is US$655.5 million. Compared to the same period last fiscal year, the debt stock shows 12.5 percent decrease. Of the total debt stock of US$655.5 million, domestic debt accounts for US$269.5 million (41.1 percent) while external debt accounts for US$386.0 million (58.9 percent) This is mainly on account of disbursement of US$35.9 million on active post HIPC loans during the period.

Table 13: Public Debt Stock as at end-December 2015

	FY2015/16 Q2	FY2014/15 Q2
Domestic Debt Details		
CBL	259.4	264.4
LBDI	0.0	4.5
ECOBANK	0.0	4.8
Infrastructure Loan	10.0	10.0
Total Financial Institution	**269.4**	**283.7**
Supplier's Credit	0.0	1.9
Other Arrears	0.1	5.0
Total Domestic Debt (end of period)	**269.5**	**290.7**
External Debt Details		
Disbursed Outstanding Debt (period start)	377.4	396.5
Removal of CBL BoP under the IMF Facility	0.0	0.0
Disbursements	9.0	77.0
Principal Repayments	0.5	-3.4
Net Flows On Debt Stock	8.6	73.6
Interest Payments	2.0	1.2
Exchange rate / other adjustments	0.0	-11.2
Total Debt Service	2.4	-2.2
Total External Debt (end of period)	**386.0**	**458.8**
TOTAL DEBT STOCK (USD millions)	**655.5**	**749.4**

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

As at the end-December 2015, total debt service amounted to US$9.0 million. Of the total debt service, domestic debt service amounted to US$6.6 million or 72.9 percent (of which US$5.7 million was principal repayment and US$0.8 million was interest payment). External debt service payment amounted to US$2.4 million or 27 .1 percent (of which US$1.98 million was principal repayment and US$0.5 million represented interest payment).

Table 14: Public Debt Service as at end-December 2015

US$ millions	FY2015/16 Q2	FY2014/15 Q2
Domestic Debt Service Details		
Principal	5.7	7.7
Interest	0.8	1.1
Total Domestic Debt Service	**6.6**	**8.8**
External Debt Service Details		
Principal	0.5	3.4
Interest	1.98	1.2
Total External Debt Service	**2.4**	**4.7**
Total Debt Service (USD millions)	**9.0**	**13.5**

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

SECTION 4: PROSPECTS AND CHALLENGES

Budget execution over the first half of the fiscal year faced a number of challenges. In the wake of the challenging global environment and the decline in commodity prices, post-Ebola economic recovery has been slower-than-expected. Revenue performance remains constrained by weak performances in key sectors of the economy, mining and agriculture, due to continuous fall in prices of the country's key exportable commodities – rubber and iron ore. This has impacted the smooth execution of the current National Budget. Despite these challenges, the Government remains optimistic about its development prospects, focusing its policy interventions on maintaining macroeconomic stability, instituting measures to enhance domestic resource mobilization and ensure efficient and effective delivery of services.