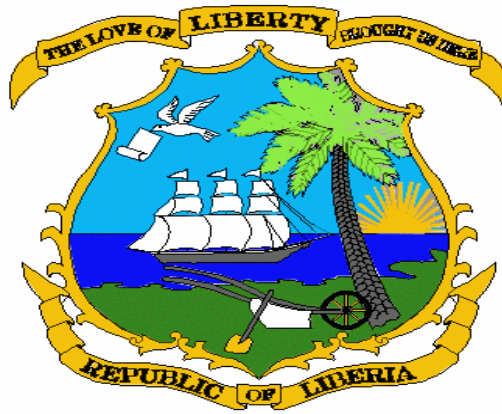


# PUBLIC FINANCE MANAGEMENT ACT

OF 2009



REPUBLIC OF LIBERIA

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## **PART I. GENERAL PROVISIONS**

### **Section 1. Title, Purpose and Scope**

1. This Act is called the “Public Finance Management Act of 2009”.
2. This Act governs all matters related to the management of the public finances of the Republic of Liberia. It lays out fundamental procedures for the preparation, adoption, execution and final accounts of the National Budget and related matters including internal control, accounting and auditing of public finances, assets as well as the arrangements for public debt and government guarantees. This Act shall be supplemented by enabling regulations promulgated by the Ministry of Finance and approved by the President to further specify the procedures in each of the areas mentioned herein, and which may be amended from time to time. The Legislature, in execution of its oversight responsibilities, shall ensure that all regulations issued pursuant to this Act are consistent with the Act.
3. The provisions of this Act apply to all agencies, entities and institutions of the central government. For the purposes of this Act, the central government includes:
  - (a) The Executive and all its agencies/entities/institutions
  - (b) The Legislature and all its agencies/entities/institutions
  - (c) The Judiciary and all its agencies/entities/institutions
  - (d) Autonomous Public Agencies under central government control.

In addition, the entities referred to in (e), (f) and (g) below are governed by the provisions of this Act when stipulated in specific provisions of the Act.

- (e) All public agencies, entities and institutions of governments at the local level, established by law or under the jurisdiction of local governments now or to be established in the future
- (f) State-owned enterprises
- (g) Any person or legal entity that receives or uses public funds.

### **Section 2. Principles**

The management of public finances of the Republic of Liberia including the preparation and execution of the National Budget and its supplements are guided by the following principles:

- (a) *Accountability.* All members of the Executive are accountable to the Legislature for the way they carry out their responsibilities with respect to the management of public finances; and within the Executive, all public officials entrusted with public finance responsibilities are accountable to the President of the Republic of Liberia for the proper execution of their duties.
- (b) *Annual basis.* The budget authority is granted by the Legislature for a fiscal year, unless there are exceptions specified in law.

- (c) *Balanced Budget.* In the National Budget, expenditure and financial outflows shall be balanced by revenues and financial inflows, including any new borrowing.
- (d) *Comprehensiveness.* All central government revenues and expenditures shall be included in the National Budget, being recorded on a gross basis.
- (e) *Specificity.* All central government revenues and expenditures shall be presented and executed with the detail specified under this Act and its enabling regulations in the National Budget.
- (f) *Stability.* The National Budget is to be prepared in the context of a medium-term fiscal framework with the aim of achieving national objectives over a multi-year period.
- (g) *Transparency.* The roles of those entrusted with financial management functions are clearly specified in this Act or the regulations to be issued under it. This Act requires that timely and reliable financial information on the National Budget be made publicly available, and it requires that the legislation governing public finances be drafted with clarity.
- (h) *Unity.* The National Budget is the instrument for approving the annual estimates of central government revenues, expenditures, and financing transactions; these are presented in a single document and adopted by an annual budget law, which includes annual appropriations.

### **Section 3. Definitions**

Except when the context of a specific provision of law otherwise requires, the following terms when used in this Act shall, for the purposes of this Act, have the meanings respectively ascribed to them in this Section:

*“Agency of the Government”* or *“Government agency”* includes every ministry, independent establishment, division, bureau, board, commission, institution, authority, organization of the Government including counties, cities, towns, villages and other local authorities or political or governmental sub-divisions of the Republic of Liberia, except the Central Bank of Liberia, which specific roles and functions are defined in this Act and the Act creating the Central Bank of Liberia

*“Auditor General”* means the Auditor General who heads the General Auditing Commission established under Article 89.C of the Constitution

*“Autonomous Agency”* is a self-governing body created by the Government that is responsible for making binding decisions, developing its strategic plan and having liability for such decisions without interference or with very limited interference from the Government;

*“Broad categories of expenditure or major categories of expenditure”* means the type of expenditure at the highest level of consolidation as defined in Section 8 of this Act.

*“Cabinet”* means the Ministers and other officials designated by the President to head government ministries and key agencies,

*“Central Bank of Liberia”* or *“Central Bank”* means the bank created as a body corporate by the Central Bank of Liberia Act of 1999;

*“Central Government”* For the purpose of this Act, *“Central Government”* means the collective institutions of the Government of the Republic of Liberia, except the Central Bank of Liberia, which specific roles and functions are defined in this Act and the Act creating the Central Bank of Liberia ;

*“Chart of Accounts”* means a structured list of accounts used to classify and record budget revenue and expenditure transactions, as well as government assets and liabilities;

*“Commitment”* means an undertaking to make an expenditure following the conclusion of a binding agreement that will result in public outlays/payments;

*Consolidated Fund’* means the fund that consolidates all the government revenues of the Republic of Liberia, and is used for making disbursements, as defined in Section 4 of this Act;

*“Contingency Appropriation”* means the funds appropriated in the National Budget or Supplementary Budgets for the purpose of covering urgent and unforeseen expenditures;

*“Fiscal year”* means a period of twelve consecutive months for which the budget estimates and its operations are to be recorded, accounted and reported; it begins on the first day of July and ends on the 30th day of June of the succeeding year;

*“Government Borrowing”* means any short- medium- and long-term borrowing, loans or financial contracts, including financial leasing contracts and securities issues contracted by the Government.

*“Government Property”* means all movable and non-movable assets and/or chattels owned by the Republic of Liberia including land, buildings, plant, vehicles, machinery and equipment.

*“Head of Agency”* or *“Head of Spending Unit”* means the Minister in the case of any Ministry or the principal executive officer of any other public agency, entity or institution;

*“Instructions”* means rules, manuals, directives, or notifications

*“Line Ministries”* means all Ministries other than the Ministry of Finance of the Republic of Liberia.

*“Line Ministers”* means the Ministers who are heads of Line Ministries.

*“Minister”* means the Minister of Finance of the Republic of Liberia;

*“Ministry”* means the Ministry of Finance of the Republic of Liberia.;

*“National Budget”* means the Budget approved by the Legislature for a fiscal year.

*“Non-governmental organizations”* means a legal person (whether a citizen of the Republic or another country) or entity other than a public agency or public entity (whether created, established, registered, incorporated or otherwise authorised to perform its functions under a law of the Republic or of another jurisdiction) who or which has or is due to receive money, property or any other resource being part of public resources, for use by the person or entity in the Republic for a public purpose other than making provision for the assembly of a congregation for worship, religious instruction; and charity.

*“President”* means the President of the Republic of Liberia as provided for in Article 50 of the Constitution of the Republic of Liberia ;

“*Proposed Budget*” means the draft National Budget submitted by the President to the Legislature pursuant to Section 11 of this Act.

*Public Financial Management*: refers to the legal and administrative systems and processes which will ensure the effective, economic and productive utilization of public resources in accordance with the predefined standards

“*Public Funds/Money*” means financial resources of the State as defined in Section 4 of this Act

“*Public Resources*” refers to public revenues including those acquired through donations, bequest, borrowing, movable and fixed assets, deposits, receivables and rights, and all kind of properties,

“*Reallocations*” means the transfer of appropriations between spending agencies and/or spending line items of the National Budget within a fiscal year.

“*Sector Minister*” means the minister responsible for overseeing a state owned enterprise.

“*Supplementary Appropriation Act*” means any Act, the purpose of which is to supplement appropriations already granted by a Budget Act;

“*Spending Items*” are specific expenditures identified by the classification of the National Budget;

“*Spending Agencies*”: means *Public agencies, entities or institutions that deliver public goods or services, report either to a Line Ministry or directly to the Ministry or the President and execute expenditures set forth in the National Budget*;

“*State Owned Enterprise*” means a commercial enterprise or any other organization established by law, in which government has controlling shares, which produces goods or services for the market and finances its operations largely on the basis of its own revenues. Controlling shares in relation to an entity means the ability to exercise any of the following powers to govern the financial and operating policies of the entity in order to obtain maximum benefits from its activities:

- a. To appoint or remove all, or the majority of, the entity’s board or governing body;
- b. To appoint or remove the entity’s chief executive officer;
- c. To cast all, or the majority of, the votes at meetings of that board of directors or equivalent governing body; or
- d. To control all, or the majority of voting rights at a general meeting of that entity.

#### **Section 4. Public Funds/Money and the Consolidated Fund**

##### **1. Public Funds/Money.**

In this Law, *public money /funds* means:

- (a) money or financial assets in the custody or under the control of the *State*, including money that is held for the benefit of a person other than the *State* but does not include money held in trust or custody on behalf of non-governmental organizations or money received by State-Owned Enterprises ; and
- (b) money or financial assets in the custody or under the control of any person acting for or on behalf of the *State* in respect of the custody or control of the money,

2. Resources that become *public money* upon receipt include, but are not limited to:
  - (a) taxes imposed by the *State*;
  - (b) user fees imposed by the *State* or any of its *Ministries*, agencies or instrumentalities;
  - (c) interest received by the *State*;
  - (d) dividends or other payments from companies owned by the *State*;
  - (e) proceeds received by the *State* from the sale or leasing of any property owned by the *State*;
  - (f) proceeds received by the *State* from licensing or selling any rights controlled by the *State*, including radio spectrum rights, natural resource exploration or exploitation rights, and intellectual property rights;
  - (g) royalties received by the *State*;
  - (h) fines, regulatory charges, damages from civil actions, and insurance proceeds paid to the *State*;
  - (i) grants and gifts received by the *State*;
  - (j) debts due of the *State*;
  - (k) money transfers corresponding to credits taken by the *State* in accordance with legal provisions regarding the formation of *State Debt*; and
  - (l) receipts from the issuance of national and international documents of credit by the *State*.
  
3. For the effective and efficient management, accounting and control of the public financial transactions and operations of the Republic of Liberia, a Consolidated Fund is hereby established.
  
4. Composition of the Consolidated Fund  
Pursuant to Section 4(1) of the Public Finance Management Act 2009, receipts into the Consolidated Fund or other public funds shall be classified as follows:
  - (a) Tax Revenue, including taxes on income and profits, goods and services, and taxes on international trade and other transactions
  - (b) Non-tax revenues and internally generated funds
  - (c) Repayment of loans
  - (d) Domestic and external grants;
  - (e) Other revenues received under an enactment;
  - (f) Other receipts including the product of borrowing, repayment of government loans and advances, sale of government securities, sale of government equity investments, sale of other government assets and special funds
  
5. The balances of all the public funds of the Republic of Liberia are to be included in the Consolidated Fund under the oversight of the Legislature and managed and executed by the Minister, save for exceptions granted under Section 28.5 of this Act. The Minister has the authority to manage the Consolidated Fund to allow for an effective and efficient cash management.

**PART II. AUTHORITY AND RESPONSIBILITIES FOR THE BUDGET  
AND PUBLIC FINANCIAL MANAGEMENT**

**Section 5. Authority and Responsibilities of the President**

1. The President has overall responsibility for all policy matters related to the National Budget and public financial management system of the Republic of Liberia, and has the authority to take the decisions and actions necessary to carry out such responsibilities.
2. Except for the authority to submit the Proposed Budget to the Legislature, the President may delegate to the Minister, any of the authorities and powers conferred to the President under this Act, subject to terms and conditions specified by the President at the time of the delegation. Such delegation, however, does not discharge the responsibility of the President with regard to this Act.

**Section 6. Authority and Responsibilities of the Minister**

1. The Minister is responsible for all technical matters related to the proper functioning of the public finance management system, subject to the overall policy guidance from the President as prescribed in Section 5.1.
2. The Minister's specific responsibilities include the preparation and execution of the National Budget, the preparation of annual and in-year accounts and other reports pertaining to the National Budget, and the management of government property, fixed assets, financial assets, including revenues, debt and Government guarantees, as specified in this Act.
3. Following approval from the President, and consistent with the laws of the Republic of Liberia, the Minister may establish, structures/units within the Ministry for implementing the requirements under this Act in order to fully discharge her/his functions prescribed herein. Details relating to such structures/units will be prescribed in regulations pursuant to this Act.
4. Authority and responsibility specifically granted to the Minister under this Act may be delegated to deputies or other key designated officials of the Ministry. Any responsibility delegated under this subsection does not, however, divest the Minister of the responsibility under this Act.

**Section 7. Authority and Responsibility to Issue Regulations, Instructions and Guidelines**

The Minister shall develop and recommend to the President for approval regulations, where required in this Act, for the implementation of the provisions of the Act. The Minister may issue regulations, instructions and guidelines, as the need arises, to further clarify specific responsibilities and tasks related to the implementation of this Act and its regulations consistent with the Administrative Procedure Act and the Executive Law. **Regulations** issued by the Minister pursuant to this Act, shall be subject to approval of the President. Copies of all such regulations shall be sent to the Legislature for coordination purposes.

### PART III. BUDGET PREPARATION AND APPROVAL

#### Section 8. Context and Structure of the Budget

1. The Minister shall oversee the preparation of the National Budget in the context of a medium-term fiscal framework for purposes of achieving national objectives over a multi-year period. The fiscal framework for the National Budget should be based on estimates for the fiscal year and for the two subsequent years, which take into account the economic and development policies that are consistent with the Government's declared medium-term economic and fiscal objectives.
2. All public financial transactions, both revenues and expenditures, are to be structured and classified using the same classifications for both budgeting and accounting. The following rules will apply:
  - (a) Where relevant, these classifications shall be designed to meet generally accepted international standards as defined in regulations issued pursuant to this Act. In the national budget or supplementary appropriations, budgetary classifications may be made for expenditures of a confidential nature. Details of such spending items will be promulgated in the **regulations** accompanying this Act.
  - (b) The Minister shall be responsible for developing and prescribing budget classifications and will further issue detailed instructions for the use of the classifications in both the preparation and the execution and accounting of the budget, after ensuring that adequate provisions have been made to implement them.
  - (c) Where changes are introduced to the classifications which may alter the presentation of documents sent to the Legislature, the Minister shall provide advance notification of such changes at least one calendar month before the submission of the National Budget. The Minister shall ensure that the Legislature, as well as the Auditor General are provided with full details of the new classifications and implications of such classifications.
  - (d) The classifications shall include, but not limited to the following framework:
    - i. Revenues and other resources will be structured around major titles/heads whose details will be defined further in **regulations** promulgated pursuant to this Act.
    - ii. Expenditures and other payments will be classified by administrative/institutional unit responsible for spending, appropriated at spending agency level, and will be further classified according to economic classification and other classifications as shall be defined in **regulations** under this Act.
    - iii. Non agency specific expenditures for which the Minister is responsible, such as debt service and other mandatory or constitutionally prescribed spending, shall be established in the same manner and classification as stipulated in Section 8(2)above.

## **Section 9. Gross Basis and Coverage of the Budget**

1. The National Budget shall comprise all revenues and expenditures, on a gross basis, of the central government, including transfers of any kind from the National Budget to sub-national governments, autonomous agencies and funds, public or private enterprises or financial institutions, non-government entities or institutions, or private persons.
2. The National Budget shall, to the extent of the availability of reliable data, include all donor financing provided directly to the Budget in support of the central government, general budget support, basket funding of sectors, and funding of government projects.
3. The National Budget shall be a single unified budget including both recurrent and capital expenditures.

## **Section 10. Budget Surplus or Deficit**

The National Budget shall show any proposed budget surplus or deficit, being the difference between the total revenues excluding new borrowings and total expenditures. The National Budget should stipulate the purpose to which the budget surplus will be applied, and, in the case of budget deficit the means of financing it, and shall be subject to legislative approval.

## **Section 11. Budget Preparation Cycle and Calendar**

1. The President shall submit the Proposed Budget and accompanying documents to the Legislature no later than 2 months before the start of the fiscal year.
2. The preparation of the National Budget shall conform to the process and time table set forth in Section 11.1 above, which will be further supplemented by a detailed cycle established in a published annual budget calendar in the **regulations** accompanying this Act.
3. The budget preparation cycle shall consist of two phases, the first concentrating on the preparation of a budget framework paper and the budget circular, and the second concentrating on the preparation of the detailed annual budget that addresses the policies and priorities set out in the budget framework paper.

## **Section 12. Documents and Contents of Proposed Budget**

1. The Proposed Budget presented by the President to the Legislature shall include the following documents:
  - (a) A budget framework paper.
  - (b) A detailed annual budget estimates set alongside the previous budget year outturns, current year original budget as well as the actual outturn based on available data, and projected outturns for the current year. The details and contents of the annual budget estimate shall be defined in **regulations** issued by the Minister under this Act.
  - (c) An instrument for the Legislature's consideration, which lays out any change(s) in the tax and non-tax revenue policy regimes, which shall be presented not later than the date of submission of the budget estimates to the Legislature.

- (d) An Annex stating the amounts of outstanding public debt and guarantees.
  - (e) An Annex summarizing the financial operations of each autonomous agency, indicating in each case the resources to be transferred from the National Budget.
  - (f) An Annex summarizing the annual financial plans(budget)and operations of each state owned enterprise or financial institution specific formats for such annex will be prescribed in **regulations** issued under this Act.
  - (g) An Annex identifying in summary form all donor financing, distinguishing financing in support of central government from other external financing. Specific formats for such information will be prescribed in **regulations** to be issued by the Minister under this Act
2. Notwithstanding Section 12.1.c above, any other proposed act(s), policy or measure which lay out changes in the tax and non-tax revenue policy regimes may be placed before the Legislature for its consideration at any time.
  3. The Proposed Budget shall be accompanied by the President’s budget message.

**Section 13. Contingency Appropriation**

1. In the National Budget, the Legislature shall approve an amount of public funds not exceeding 5 per cent of total annual domestic revenues, as estimated in the Proposed Budget to be used as Contingency Fund.
2. The Contingency Fund may cover urgent and unforeseen expenditures arising from emergency situations for which payments cannot be postponed until the passage of a supplementary budget or the next annual National Budget without seriously affecting the public interest.
3. The Minister shall submit to the President, for approval, all proposals for the use of funds out of the Contingency Fund. .
4. The use of funds out of the Contingency Fund shall be reported by the Minister in the next quarterly outturn covering the month(s) in which the expenditure occurred..

**Section 14. Public Access to the Budget**

1. The Proposed Budget will be made available to the public immediately following its submission to the Legislature.
2. The Approved Budget will also be available to the public immediately following its publication into handbill.

**Section 15. Legislature’s Authority and Responsibility to Approve the Budget**

1. The Legislature’s review and approval of the Proposed Budget shall be conducted in accordance with the rules and procedures set forth in the Constitution of the Republic of Liberia.

2. The Annual Appropriations Act shall be adopted for one fiscal year and shall lapse at the end of the fiscal year for which it is approved by the Legislature.

#### **Section 16. Modification of Proposed Budget by the Legislature**

1. In reviewing the Proposed Budget submitted by the President, the Legislature may, in coordination with the Minister, introduce amendments, providing explanation for each amendment proposed, indicating how these amendments are to be applied in the detailed estimates, and indicating how the proposed changes remain consistent with the declared fiscal and development objectives of the government, and ensuring that the Budget remains true to the spirit of allocation efficiency.
2. Notwithstanding the provisions of this section, the Legislature shall consider the adequacy of the annual proposed budget of the General Auditing Commission based on the advice of the Minister and the Ways, Means and Finance Committee of the Legislature.

#### **Section 17. Temporary Financing of the Budget and Adoption of the Budget**

In the case where the Legislature is unable to adopt the National Budget before the start of the fiscal year, the Minister is authorized to collect revenues and approve expenditures, in line with the proposed budget, up to one twelfth (1/12) of the Budget of the previous fiscal year.

#### **Section 18. Supplementary Budgets and Mid-Year Review**

1. During the fiscal year, the Approved Budget may be amended through supplementary budgets to be approved by the Legislature.
2. The preparation, approval and execution of a supplementary budget is governed by the same rules applicable to the approval and execution of the National Budget as specified in this Act.
3. The Minister shall submit to the Legislature a mid-fiscal year review of the implementation of the Budget in the middle of February each year, including an analysis of the revenue collections and expenditure performances in the first six months of the fiscal year, and, if necessary, a proposed supplementary budget for approval by the Legislature.
4. To ensure that the Legislature does not receive two different budgets at the same time for passage, the Minister shall ensure that, if necessary, all Supplementary Budgets are submitted to the Legislature by February 15 of the fiscal year to which the Supplementary Budget refers. The Legislature shall approve all such Supplementary Budgets not later than March 31st of each year.

#### **Section 19. Fiscal Impact Analysis of Draft Legislation.**

1. All proposed legislation submitted for approval by the Legislature, shall be accompanied by a fiscal impact analysis, stating the legislation's estimated effect on revenues and expenditures for the fiscal year in which the legislation would become effective, as well as the legislation's fiscal impact on multi-year planning and budgeting.
2. The Minister shall prepare detailed *instructions* regarding the nature of the analysis to be done and the process of validating the fiscal impact.

3. The Minister shall provide an opinion to the Legislature on the adequacy of such fiscal impact analyses.

## **PART IV. BUDGET EXECUTION**

### **Section 20. Responsibilities for National Budget Execution**

1. The Minister is responsible for the overall management of the execution of the National Budget and its supplements.
2. The Minister may delegate responsibility for any or all functions related to the execution of the budget to deputies and/or designated officials of the Ministry. Such delegation of authority shall be consistent with the Executive law of 1972 as amended to date, and other laws defining the authority of deputies and other statutory officials of government. These delegated responsibilities which shall be set forth in **regulations** issued pursuant to this Act do not, however, divest the Minister of overall responsibility under this Act.
3. Ministers of individual spending Ministries, and other heads of budgetary institutions and agencies which are separately identified in the Annual Appropriations Act, are responsible for the proper and efficient execution of their budget in accordance with this Act, the **regulations** issued under it, and the instructions and guidelines issued by the Minister. Furthermore, they are fully accountable to the President and the Legislature for their performance in the implementation of their budgets.
4. Ministers and heads of budgetary institutions and agencies may delegate responsibilities for budget execution to designated officials within their ministry/institutions/agencies, consistent with the provisions of sub-section 2 above. Such delegations, which are subject to **regulations** issued under this Act, do not divest the minister/head of institution/agency of responsibility under this Act.

### **Section 21. Stages of Budget Execution**

To supplement the **regulations** issued under this Act, the Minister shall issue instructions and guidance pertaining to the various stages of budget execution, including but not limited to, allotments and commitments. Procurement processes, including purchases and payments shall be in accordance with PPCC Act of 2005 as amended to date.

### **Section 22. General Rules Related to Budget Execution**

1. The rules related to budget execution will be detailed in the **regulations** issued under this Act, and further elaborated in instructions and guidelines issued from time to time by the Minister.
2. Overall control of National Budget execution will be exercised through application of the following general rules, which shall apply to all transactions:
  - (a) Total aggregate allotments for a particular appropriation line in a given fiscal year may not exceed the amount appropriated for that line in the Annual Appropriations Act,

amended from time to time through budgetary reallocations made pursuant to section 26 and/or Supplementary Appropriations Acts;

- (b) Within the aggregate allotment control stipulated in part (a), total allotments against a detailed budget line in a given fiscal year may not exceed the amount allocated to that line in the detailed annual budget estimates, amended from time to time through budgetary reallocations and/or supplementary budgets;
  - (c) Total payments for a detailed budget line in a given fiscal year may not exceed the allotments issued in line with part (b) against that budget line.
3. Debt service payments shall be adequately budgeted for in the National Budget and its subsequent Supplementary Budgets. The Minister shall ensure that debt service payments are among first claims on resources in execution of the National Budget. Details pertaining to budget execution procedures regarding debt service payments will be further detailed in **regulations** under this Act.
  4. Other than temporary treasury liquidity management operations, and subject to these general rules, no payment shall be made from the Consolidated Fund except under an item identified in the annual budget estimates, amended from time to time through budgetary transfers and/or Supplementary Appropriations Act..

### **Section 23. Annual Revenue and Spending Plans**

1. In-year revenue collection and spending will be subject to the preparation of annual plans in the manner and format prescribed in **regulations** under this Act.
2. The Minister shall require, within thirty (30) working days following the submission of the Proposed Budget to the Legislature, all ministries and heads of Spending Agencies, to prepare and submit to the Ministry, annual spending plans and timing of revenue inflows (in the case of revenue generating entities) broken down by month, which may be revised;
3. After the approval of the Annual Budget by the Legislature, the Minister shall:.,
  - (a) Inform the ministers and heads of spending institutions and agencies of the approved estimates allocated to them;
  - (b) Where the ministry, institution or agency is responsible for collection of revenues, require them to prepare an annual revenue collection plan broken down by month;
  - (c) Prepare an annual plan, broken down by month, for collection of tax, customs, excise and non-tax revenues, as well as any other budgetary resources appropriated, including balances in the consolidated fund, external grants and domestic and external borrowing,
  - (d) Prepare an annual debt service plan, broken down by month;
  - (e) Consolidate and review the plans, and make adjustments, in consultation with stakeholders, to ensure that all obligations can be met in a timely manner during the fiscal year;

- (f) Approve and issue the spending plans; and
  - (g) Prepare and issue allotments based on the agreed plans.
4. All spending shall be in accordance with the spending plans approved by the Minister. Any changes to these plans must be notified to the Minister in a period not less than seven (7) working days preceding the month in which the spending plan applies.
  5. Notwithstanding Section 23.3., spending plans shall be reviewed by ministries, institutions and agencies on a monthly basis and any changes notified to the Minister seeking approval of the revised plan.
  6. Pursuant to the fulfillment of the provisions of Section 23 above, constitutionally established and other statutory institutions of the State shall be entitled to receive advances on their budget appropriations, provided they have adequately established financial management systems; and provided they furnish in a timely manner, their monthly and quarterly accounts to the Minister for consolidation in the budgetary accounts as prescribed in Section 35 under this Act. These advances will be deposited on sub accounts of the main treasury account, although their cash balances will be considered part of the Treasury's cash resources in line with the principles of the Treasury Single Account.

#### **Section 24. Contracts and Procurement**

1. All purchases of goods and services from suppliers, including capital investments, shall comply with the provisions prescribed in the Public Procurement and Concessions Act of 2005 as amended, and its enabling regulations.
2. All contracts, including those established through the simplified Local Purchase Order mechanism, shall be considered commitments of the government.
3. Notwithstanding the provisions of the Public Procurement and Concessions Act, multi-year procurement contracts will be subject to annual limits established in relevant budget line in the approved National Budget, amended from time to time through budgetary transfers and/or supplementary budget. No action shall be taken to abrogate such multi-year contractual obligations. Contracted amounts relating to future years will be subject to their adoption within the National Budget of that year. The provisions of multi-year contracts will be drafted in such a way as to reflect these restrictions.
4. All contracts falling within the threshold set forth in the **regulations** under the Public Procurement and Concessions Commission Act as amended to date, shall be reviewed and approved by the Minister and attested to by the Minister of Justice or his designee. Ministers and heads of budgetary institutions and agencies shall be responsible for maintaining an up to date record of contracts entered into and for ensuring that any multi-year contracts are fully reflected in the budget estimates approved by the Legislature for the years in which they will require funding.
5. All contracts should as closely as possible be reflected in the annual procurement plan of the relevant ministry, institution or agency, as required by the Public Procurement and Concessions Act. Procurement plans for the different types of goods and services should be prepared in a

manner consistent with the different categories of expenditures as contained in the Budget Act, and shall be submitted to the Minister as supporting evidence to their spending plans.

#### **Section 25. Commitment Control**

1. All spending shall be subject to commitment control procedures established in **regulations** under this Act.
2. Unless otherwise stipulated in regulations under this Act, all commitments shall be approved by the Minister or the Minister's designee.
3. All commitment approvals shall be subject to availability of adequate balance of uncommitted allotments on the budget line(s) against which the commitment are being made.

#### **Section 26. Reallocations of National Budget Appropriations**

1. Following the adoption of the National Budget, all transfer of funds within the budget shall be done consistent with the Budget Transfer Act of 2008.
2. Cumulative budget reallocations shall be reported in the quarterly fiscal outturn prepared by the Minister.

#### **Section 27. Expiration of Appropriation at End of Fiscal Year**

1. All un-allotted appropriations and all uncommitted allotments will lapse at the end of the fiscal year.
2. All balances of appropriations committed but not disbursed prior to the end of the fiscal year, shall be available for the settlement of those obligations within 90 days from the end of the preceding fiscal year. All such balances not disbursed after ninety (90) days following the end of the preceding fiscal year shall be moved to government Consolidated Account. The recording, accounting and reporting of such undisbursed balances shall be set out in **accounting regulations** to be issued under this Act and shall be consistent with the provisions of sections 33, 34 and 35 of this Act.
3. In order to facilitate proper accounting and reconciliation of the Consolidated Fund, the Minister shall establish new bank accounts at the start of each fiscal year for the collection of revenues against the new fiscal year's budget. After ninety (90) days following the end of the preceding fiscal year, all accounts established for the execution of the budget of the preceding fiscal year shall be closed and balances therein transferred to the new accounts established for the new fiscal year.

**PART V. BORROWING, PUBLIC DEBT GOVERNMENT GUARANTEES AND AID  
MANAGEMENT**

**Section 28. Government Borrowing**

1. Subject to the limits of authority granted by the Legislature at the time of approval of the National Budget, or at any other time in a fiscal year, the Minister is solely responsible for overseeing government borrowing in accordance with **specific regulations** issued under this Act. This includes domestic and foreign borrowing, as well as concessional and commercial borrowing, and short-term liquidity related borrowing.
2. The Minister shall issue guidelines, covering terms and conditions to be met in loan agreements.
3. The Minister, in consultation with the Central Bank of Liberia, shall also issue specific guidelines related to the issuance of domestic government securities and bonds.
4. There shall be established a Debt Management Committee consisting of the Minister as Chair, the Governor of the Central Bank, the Minister of Justice, and two other members appointed by the President.
5. All central government loan agreements are to be approved by the Debt Management Committee and the Minister, and signed by the Minister on behalf of the government, with the exception of government securities which are handled by the Central Bank of Liberia under the authority of, and in consultation with, the Minister.
6. All proceeds from government borrowing shall be credited to the Consolidated Fund except for loans in which proceeds are transmitted directly from official donor agencies to contractors and suppliers, and borrowing by State Owned Enterprises and other autonomous agencies not falling directly under Central Government control,

**Section 29. Government Guarantees**

1. The Minister is solely authorized to issue a guarantee on behalf of the government for a loan contracted by a state owned enterprise, or public financial institution, or other entities up to the limit set by the Legislature in approving the National Budget. All loan guarantees must be approved by the Debt Management Committee and the Minister. Details of the issuance and approval of such guarantees will be provided in **regulations** under this Act.
2. All contracts that contain commitments involving contingent financial liabilities of the Government or State Owned Enterprises must be approved by the Minister and the Debt Management Committee. Contingent financial liabilities include but are not limited to (i) any guarantee of the performance or payment obligations of another Person, (ii) any agreement, including any indemnification agreement, to hold another Person harmless or to provide insurance or similar protection against risk of loss, (iii) any guarantee of economic return to another Person including any guarantee of profit, income or rates of return, (iv) any agreement to provide financial support to another Person in connection with specified activities of such other Person, and (v) any other agreement as provided by regulations under this Act.

3. The State Owned Enterprises or other autonomous agencies not falling directly under Central Government control for whose benefit a Government guarantee is provided, must reimburse the Government, in the manner and timing the Minister may direct, all the sums the Government pays to fulfill the guarantee, and all the expenses the Government incurs in relation to the guarantee.
4. The procedures to be adopted for the review and approval of guarantees by the Government will be determined by specific **regulation** to be issued under this Act.

**Section 30. Aid Management framework and responsibilities of non-governmental organizations**

1. Notwithstanding the provisions of 12.1(g) on annexes to the proposed budget, and Section 34(3) on accounting for off-budget donor resources, all spending entities shall fully disclose to the Minister and the Minister of Planning and Economic Affairs, all information related to donor funding not channeled through the national budget. The Ministry and the Ministry of Planning and Economic Affairs shall ensure there are adequate arrangements to gather, store, analyse and report on this information.
2. Pursuant to the provisions of Section 30(1) above, all spending entities which are beneficiary to donor funding that is not channeled through the budget shall, within seven(7) working days, submit copies of the relevant cooperation agreements and memoranda of understanding to the Minister and the Ministry of Planning and Economic Affairs
3. Non-governmental organizations which implement development programs funded by public funds, including donor money, shall be accountable through regular financial reporting and submission of annual audited accounts to the oversight line ministry. **Regulations** will further prescribe the manner, regularity and threshold for NGOs that fall under this requirement.

**Section 31. Debt Contracting/Reporting by State-Owned Enterprises and Public Financial Institutions**

1. State-owned enterprises and public financial institutions may incur debt through short- and medium-term borrowing and securities issued to finance capital and other non-recurrent expenditures with the express authorization of the Board and written approval of the Minister and the Debt Management Committee. The Legislature shall examine the borrowing limit proposed by the Minister for such entities at the time of submitting central government budget estimates for the following fiscal year.
2. State owned enterprises and public financial institutions may not issue a guarantee for any debt contracted by a supplier, contractor, or other entity except with the approval of their Board, the express written consent of the Minister and the approval of the Debt Management Committee.
3. State owned enterprises and public financial institutions must settle amounts outstanding to suppliers within 90 days of the date in which the obligation was incurred, unless specific repayment agreements are in place. Repayment agreements extending beyond 90 days are considered a loan and require the approval of their Board, the express authorization of the Minister and the approval of the Debt Management Committee.

4. State owned enterprises and public financial institutions shall seek approval of their Boards and consent of the Minister and the Debt Management Committee for their proposed annual borrowing plans before the start of their financial year, including debt restructuring they intend to undertake, which shall be fully reflected in their annual financial plans..
5. State-owned enterprises and public financial institutions are required to submit to the Minister, at the end of each quarter, a detailed report of their borrowing and debt servicing, including government guaranteed debt, as well as any debt they have restructured, and any outstanding arrears to suppliers more than 90 days overdue.
6. The obligations related to borrowing, debt restructuring and debt reporting by state-owned enterprises and public financial institutions shall be further prescribed in **regulations** under this Act.

### **Section 32. Public Debt Recording and Reporting**

1. The Minister is required to maintain up-to-date records of all public debt, including guarantees. Records and information on details of holders of government securities will be maintained by the Central Bank of Liberia.
2. Accumulated arrears to suppliers at the end of a fiscal year, which are not likely to be settled within the settlement period specified in Section 27, are considered debt and will be recorded as such, and their settlement included, and reported, in debt service.
3. Twice a year, the Minister shall prepare and submit a report to the President and Legislature identifying new borrowing and issuance of guarantees, as well as debt repayments, rescheduling, write-offs, and retirements. The Minister will prepare and publish a report on public debt outstanding as well as debt service projections over the medium-term.
4. The Minister shall ensure that there is a debt strategy which will from time to time be updated and published showing details of the terms and conditions of any new borrowing as well as those of loans and guarantees that the government may guarantee from time to time.

## **PART VI. CASH MANAGEMENT AND BANKING ARRANGEMENTS**

### **Section 33. Cash Management**

1. The Minister shall be responsible for ensuring prudent, efficient and cost-effective use of all cash resources of the government.
2. The Minister shall ensure that cash is made available in a timely manner to settle all duly authorized payments arising from execution of the National Budget.
3. **Regulations** will be issued under this Act to prescribe an effective cash management system for the government through which the objectives stated in Section 33.1. and Section 33.2. are to be achieved. The **regulations** inter alia shall:
  - (a) Empower the Minister to require from all users of the budget, the information deemed necessary by the Minister for the effective operation of the cash management system;

- (b) Require the Minister to establish the institutional and administrative arrangements needed to manage the cash management system within the Ministry;
- (c) Give the Minister right to information on all bank accounts of government; and
- (d) Authorize the Minister to keep the Central Bank of Liberia informed of plans to contract short-term borrowing to cover cash shortfalls, and coordinate with the Central Bank of Liberia on in-year liquidity management.

#### **Section 34. Banking Arrangements**

1. The banking arrangements of government will reflect, to the extent possible, the principles of a Treasury Single Account, in which all accounts of central government are essentially managed as one from a cash point of view.
2. No Central Government bank account, whether in or outside the country, shall be opened without the prior written authorization of the Minister.
3. The main bank account of the government shall be established in the Central Bank of Liberia, into which all revenues shall be deposited and from which all payments will be made.
4. The Minister may, in agreement with the Central Bank of Liberia, authorize the opening of additional bank accounts in the Central Bank of Liberia and other accounts in domestic and foreign commercial banks, to act as transitory bank accounts to facilitate the collection of revenues or processing payments. The details relating to the management of these transitory accounts will be provided in *regulations* or instructions to be issued under this Act.
5. The procedures for opening, closing, and operating government bank accounts will be prescribed in *regulations* under this Act. The Minister may also issue instructions and guidelines for operating bank accounts.

### **PART VII. ACCOUNTING AND REPORTING**

#### **Section 35. Accounting**

1. Accounting Rules and Standards for central government should adhere to internationally accepted principles, and are to be applied consistently to all government agencies, including autonomous agencies, as well as local governments or any other subdivisions of Government at the local level, whether in existence or to be established in the future.
2. The Minister, in consultation with the Auditor General, shall be responsible for establishing the Accounting Rules and Standards for central government. These will be set out in *accounting regulations* established under this Act, and further detailed in *instructions* and *guidelines* issued by the Minister.
3. The accounting regulations shall also include specific rules and standards for the accounting of all donor funded assistance provided to the government not channeled through the government's accounting system.

4. The Minister, in consultation with the Auditor General, shall issue the chart of accounts, which will conform to the structure prescribed for budgetary classifications specified in this Act and or accompanying regulations.
5. The Minister shall establish a central accounting function in the Ministry whose functions will be defined in **regulations** to be issued under this Act:
6. Each minister or head of a budgetary institution or agency is responsible, under guidance issued by the Minister, for the establishment of an accounting function within the ministry/institution/agency in accordance with the requirements prescribed in accounting **regulations**, instructions and guidelines under this Act.
7. Each minister or head of a budgetary institution or agency is responsible for the filing, maintenance and safekeeping of all documents related to public finance transactions, in a manner and for the length of time prescribed in **accounting regulations** under this Act.

### **Section 36. Reporting**

1. It is a general responsibility under this Act for all government officials handling public financial transactions to ensure that financial information is reported in a timely, comprehensive, and accurate manner, in the manner prescribed in this Act, under its **regulations**, and in *instructions* issued by the Minister.
2. Each Spending Entity is required, where applicable, to provide a monthly report on revenues and a quarterly expenditures performance report to the Minister in the terms, format and within the timeframe determined by **regulations** under this Act.
3. Notwithstanding the provisions of Section 35.2 above spending entities shall further submit to the Minister on a quarterly basis, the accounts of the spending agency comprising a statement on cash flow a statement on revenue and expenditures from the Consolidated Fund a balance sheet showing assets and liabilities as at the end of the quarter; and such other details as may be prescribed in **regulations** to be issued under this Act.
4. Based on the information received from each Spending Entity, the 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(45)days of the end of the quarter.. The format of these monthly and quarterly reports will be prescribed in **regulations** under this Act.

### **Section 37. Final Account of the National Budget and External Auditing**

1. The Minister shall prepare the unaudited Final Account of the National Budget and submit it to the Auditor General no later than four (4) months after the end of the fiscal year.
2. The unaudited Final Account of the National Budget shall be in accordance with the content and classifications of the budget. The content, format, timeframe and procedures for the preparation and submission of the Final Account of the National Budget shall be determined by accounting regulations under this Act.
3. The constitutionally established and other statutory institutions of the State shall be obligated to prepare and submit their annual accounts to the Minister for consolidation into the final

accounts. All such entities including public corporations not funded directly from the state budget shall make provision for annual audit fees to be charged by the Auditor General in the conduct of his/her responsibilities. Rates and amounts of the audit fees to be charged shall be determined by the Minister in consultation with the Auditor General during Budget preparation. Such amount shall be placed in the Budget of the General Auditing Commission.

4. Notwithstanding the provisions of Section 37(3) above, the accounts of the General Auditing Commission shall be audited, at least once in every financial year, by a registered and reputable firm of qualified public accountants and auditors appointed by the Legislature or possessing such other qualifications as the Legislature may deem appropriate, at such remuneration and on such other terms as the Legislature may determine. The remuneration of the auditor appointed under this section shall be defrayed from the funds of the General Auditing Commission.
5. The Auditor General shall review the Final Account of the National Budget produced by the Minister and forward an audit report, along with the Final Account, to the Legislature no later than four (4) months after receipt of the unaudited Final Account from the Minister. The audit report of the Auditor General shall include response and clarifications furnished by the Minister on the observations and comments raised by the Auditor General on the unaudited accounts.
6. The Auditor General shall publish the audit report in the Official Gazette and make it available to the Legislature and the public within one month of the completion of said audit report.

## **PART VIII. INTERNAL CONTROL AND AUDIT**

### **Section 38. Internal Control and Audit**

1. The ministers of line ministries and heads of institutions and agencies of government are ultimately responsible for all financial operations and transactions undertaken within their organization, including any sub-units they supervise or control. The minister or head is assisted by an internal auditor, reporting directly to him or her, whose tasks shall include inter alia:
  - (a) To periodically review the organization of financial management within the organization or unit
  - (b) To assess the adherence to all financial management procedures and processes prescribed in this Act, its regulations and in instructions issued by the Minister;
  - (c) To evaluate the adequacy of management checks and balances, and controls, in the financial management practices within the organization or unit; and
  - (d) To recommend to the line minister or head of agency remedial actions where required or desirable and inform the Minister accordingly.
2. The function, reporting responsibilities, and activities of internal auditors shall be prescribed in *regulations* under this Act, supplemented by *instructions* and *guidelines* issued by the Minister in collaboration with the Auditor General.

3. Under this Act, copies of all internal audit reports prepared by internal auditors contracted directly under donor funded projects shall be provided to the internal auditor of the ministry under which the project is established.
4. Internal audit reports will be made available to the Auditor-General..The Auditor General shall produce an annual audit report on internal controls over financial reporting including an evaluation of internal audit.

## **PART IX. AUTONOMOUS AGENCIES AND SPECIAL FUNDS**

### **Section 39. Application of the general financial management provisions of this Act**

1. Autonomous agencies and Special Funds under the direct control of the Central Government shall adopt the same financial management rules and adopt the same financial year as the government.
2. Autonomous agencies and Special Funds must keep full and proper records of the financial affairs of the agency in accordance with the relevant rules and procedures set forth in this Act and its *regulations*.
3. Autonomous and semi-autonomous agencies and Special Funds shall submit their Annual Accounts to the Minister, Sector Minister and Auditor General two months after the end of the fiscal year.

### **Section 40. Submission and Finalization of Budgets of autonomous, semi-autonomous agencies and Special Funds**

1. Each autonomous agency and Special Fund must submit to the Ministry, at least four months before the start of the government's financial year:
  - (a) its budget presented in a format and structure prescribed by the Ministry. The Minister shall examine all such budget proposals and advise the President and the Legislature accordingly.
  - (b) a statement identifying the source and purpose of any donor assistance expected to be received during the budget year;
  - (c) a statement of any outstanding debt, including accumulated arrears to suppliers;
2. The Minister shall notify the autonomous agency and Special Fund of the final decision on the level of funding from the National Budget, established during the budget discussions, and request them to re-submit a revised budget should the funding be different from the amount requested.

### **Section 41. In-Year Reporting and Annual Accounts for autonomous, semi-autonomous agencies and Special Funds**

1. Each autonomous agency and Special Fund shall submit, within 30 days of the end of each calendar quarter, to the President and the Minister, a financial report, in a format and structure

prescribed in **regulations** and instructions issued by the Minister pursuant to this Act, comparing actual revenues and expenditures to its approved budget plan.

2. Save for the General Auditing Commission, each autonomous agency and Special Fund shall prepare financial reports for each financial year and submit those financial reports within two months after the end of the financial year to the President, the Minister and the Auditor General. The Auditor General shall prepare and submit annual accounts of the General Auditing Commission to the Legislature and the President in the same time limit set for other autonomous agencies and Special Funds in this section. The manner, format and contents of the financial reports shall be prescribed in *financial* and *accounting regulations* under this Act.

#### **Section 42. Payments over of Surplus Money by autonomous and semi-autonomous agencies**

1. Notwithstanding the provisions of the law establishing the public corporation, the Minister and the Sector Minister in consultation with the Board of Directors shall direct, a public corporation to pay to the Government the money administered by it in excess of the amount required for the purposes of the corporation.
2. Any money so paid may be applied as revenue of the Government of Liberia.

### **PART X. SPECIFIC PROVISIONS RELATED TO STATE OWNED ENTERPRISES**

#### **Section 43. Mandate and Scope**

1. The Government shall establish the institutional arrangements on matters pertaining to governance and policy formulation and oversight of State Owned Enterprises.
2. The mandate, functions, mode of operation and reporting requirements of a state owned enterprise shall be governed by the law establishing the state owned enterprise, the Bureau of State Enterprises Decree (1985) as may be amended from time to time, and any other legislation.
3. Without limiting the generality of subsections (1) and (2) above, the provisions in this part, as well as sections 28,29 and 30 relating to public debt, borrowing, guarantees and debt reporting, shall apply without exception and in an overriding manner, to all state owned enterprises.

#### **Section 44. Financial Plans of State Owned Enterprises**

1. The strategic plan and annual financial plans for each state owned enterprise shall be approved by the board and copies thereof submitted to the Sector Minister and the Minister.
2. The Minister may prescribe the format in which the financial plans required by this section shall be prepared.

#### **Section 45. In-year reporting and Annual Accounts of State-Owned Enterprises**

1. State-Owned Enterprises shall, within one month after the end of the previous quarter, submit their quarterly financial statements to the Minister, Sector Minister .Additional financial accountability and reporting requirements by State-Owned Enterprises shall be prescribed in **regulations** pursuant to this Act.
2. State Owned Enterprises shall prepare and submit their Annual Reports to the Minister, Sector Minister, Auditor General and the Bureau of State Enterprises two months after the end of the financial year to which they relate. The Auditor General shall review the Annual Report and present his/her opinion to the Legislature alongside the audit report of government financial operations for the previous financial year.
3. The Minister shall present a statement of the overall performance of State Owned Enterprises to the Legislature alongside the budget proposals of the following financial year.

#### **Section 46. Dividend Policy**

1. The board shall be responsible to set General Policy on Dividend and ensure such policy is adopted and respected by the management of the state-owned enterprise, taking due consideration of the financial well-being of the enterprise.
2. The expected dividend from a state owned enterprise shall be reflected in the annual national budget presented to the Legislature.
3. Where a state owned enterprise makes an extraordinary profit, the board shall inform the Minister and the Sector Minister with a proposal for an additional dividend for their consideration and agreement on behalf of government.
4. All dividends are to be deposited into the Consolidated Fund.
5. Dividend payments shall not be counted against any tax (or other) obligations the state owned enterprise may have towards the government.

### **PART XI SANCTIONS**

#### **Section 47. Sanctions Regime**

1. The infringement of any provision of this Act or its regulations is subject to sanctions as specified in the relevant and applicable administrative or criminal legislation.
2. The sanctions for the infringement of the provisions of this Act may be administrative or criminal sanctions depending on whether the infringement constitutes an infraction, a misdemeanor, or other higher crime.

### **PART XI. FINAL AND TRANSITIONAL PROVISIONS**

#### **Section 48. Entry Into Force**

1. This Act enters into effect on \_\_\_\_\_, except for the provisions of this Act listed below that are subject to the following delayed effective dates:
  - (a) Sections 4 regarding establishment and operational issues of the Consolidated Fund that will be operational twelve (12) months from the date this Act becomes effective.
  - (b) Section 11(3) regarding budget preparation in the context of the Medium Term Expenditure Framework (MTEF) and 12(h) regarding reporting on donor financing will be fully implemented in the medium term (2 years).
  - (c) Section 32 regarding establishment and operational issues of the Treasury Single Account that will be operational twelve (12) months from the date this Act becomes effective.
  - (d) Section 36(3) regarding quarterly reporting requirements of spending agencies that will be operational twelve (12) months from the date this Act becomes effective.
2. To the extent consistent with this Act, all regulations and procedures in force immediately prior to the approval of this Act shall remain in force, except as specified in Section 49.

**Section 49. Repealed and Amended legislation**

Where any law or regulation in existence on the effective date of this Act contains provisions that are in conflict with any provision(s) of this Act, the said law or regulation shall be deemed repealed to the extent of the conflict or inconsistency and this Act shall be determinative of the matter in question.