

## **Ministry of Finance, Liberia**

### **Public Financial Management Guidelines for State Owned Enterprises**

#### **Introduction**

The Public Finance Management Act was enacted in 2009 to govern 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.

The Act is 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 therein. The Legislature, in execution of its oversight responsibilities, ensures that regulations are issued pursuant to this Act prior to implementation by the Ministry of Finance. The provisions of this Act apply to all agencies, entities and institutions of the government.

In addition, the following entities are governed by the provisions of this Act when specifically stipulated in the Act:

- (a) 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
- (b) State-owned enterprises
- (c) Any person or legal entity that receives or uses public funds

#### **Definition**

The Public Financial Management Act defines "State Owned Enterprise" as 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.

#### **Principles**

The law is predicated on the basic principles of public finance management including accountability; transparency; comprehensiveness; stability and unity among others. These principles confer responsibility on various organs of government to perform in a specified manner to enable their realization.

## Requirements

With specific reference to the State Owned Enterprises related provisions of the PFM Law, the following requirements apply:

### Mandate and Scope

- a) The Government shall establish the institutional arrangements on matters pertaining to governance and policy formulation and oversight of State Owned Enterprises. 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.

### Financial Plans of State Owned Enterprises

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

### The National Budget

- a) 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.
- b) An Annex summarizing the financial operations of each autonomous agency, indicating in each case the resources to be transferred from the National Budget.
- c) 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.
- d) 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.

## **Donor Funds**

- a) Not with-standing the provisions on annexes to the proposed budget, and 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.
- b) 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

## **Borrowing**

- a) 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.
- b) 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.
- c) 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 as a loan and require the approval of their Board, the express authorization of the Minister and the approval of the Debt Management Committee.
- d) 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 before the start of their financial year, including debt restructuring they intend to undertake, which shall be fully reflected in their annual financial plans.
- e) 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.
- f) 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.

- g) The provisions relating to public debt, borrowing, guarantees and debt reporting, shall apply without exception and in an overriding manner, to a state owned enterprise.

## **Reporting**

- a) 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.
- b) 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.
- c) State-Owned Enterprises shall, within one month *after* the end of the previous quarter submit their quarterly financial statements *to* the Board of Directors for onward submission *to* the Minister, Sector Minister.
- d) Additional financial accountability and reporting requirements by State-Owned Enterprises shall be prescribed in regulations pursuant *to* this Act
- e) State-Owned Enterprises shall prepare and submit their Annual Reports *to* the Board of Directors for onward submission 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.
- f) The Minister for Finance shall present a statement *of* the overall performance of State Owned Enterprises to the Legislature alongside the budget proposals of the following financial year.

## **Dividend Policy**

- a) The board shall be responsible to set General Policy on dividend and ensure that such policy is adopted and respected by the management of the state-owned enterprise, taking due consideration of the financial well-being and interest *of* the enterprise.
- b) The expected dividend from a state-owned enterprise shall be reflected in the annual national budget presented to the Legislature

- c) 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.
- d) All dividends must be deposited in the Consolidated Fund
- e) Dividends payments shall not be counted against any tax (or other) obligations the state-owned enterprise may have towards the government

# FINANCIAL REPORTING REQUIREMENTS FOR STATE OWNED ENTERPRISES

Attachment 1

## CHECKLIST OF DOCUMENTS REQUESTED

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DOCUMENTS REQUIRED	IF NOT AVAILABLE, PLEASE NOTE WHY
<input type="checkbox"/> SOE mandate, or statute/law establishing the SOE	
<input type="checkbox"/> Statement of Corporate Intent	
<b>Financial Statements (2008/09/10)</b>	
<input type="checkbox"/> Income Statement	
<input type="checkbox"/> Balance Sheet	
<input type="checkbox"/> Statement of Cash Flows	
<input type="checkbox"/> Annual reports (2009/10/11)	
<input type="checkbox"/> Budgets (2009/10/11/12)	
<input type="checkbox"/> Borrowing plan (2011/12/13/14)	

**MATRICES OF FINANCIAL AND OPERATIONAL DATA REQUIRED**

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**SUMMARY OF FINANCIAL RESULTS**

	ACTUAL		BUDGET	COMMENT
	2009/10	2010/11	2011/12	<i>Please provide an explanation for budgeted items</i>
<b>REVENUES</b>				
• GoL subsidy				
• Collections				
• Other revenues				
<b>Total Revenues</b>				
<b>EXPENSES</b>				
• Operating expenses				
• Capital expenditures				
<b>SURPLUS/(DEFICIT)</b>				

Attachment 2B

**MATRIX OF FINANCIAL AND OPERATIONAL DATA REQUIRED**

**SUMMARY OF PLANNED PROJECTS AND FUNDING REQUIRED (including borrowing)**

	2011/12	2012/13	2013/14	TOTAL
PROJECT NAME AND DESCRIPTION:				
• Commercial loans				
• Public-Private Partnerships				
• Internally generated funds				
• GoL Subsidy				
• GoL Loans				
• Others				
<b>Total Funds Required</b>				

PROJECT NAME AND DESCRIPTION:				
• Commercial loans				
• Public-Private Partnerships				
• Internally generated funds				
• GoL Subsidy				
• GoL Loans				
• Others				
<b>Total Funds Required</b>				

PROJECT NAME AND DESCRIPTION:				
• Commercial loans				
• Public-Private Partnerships				
• Internally generated funds				
• GoL Subsidy				
• GoL Loans				
• Others				
<b>Total Funds Required</b>				

<b>GRAND TOTAL</b>				
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Note: If there are more than 3 projects planned, please fill out another template.

Attachment 2C

**MATRIX OF FINANCIAL AND OPERATIONAL DATA REQUIRED**

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**GENERAL STAFF COMPENSATION EVALUATION MATRIX**

Please provide the latest available information, and indicate which year this information is applicable to.

	Details ( position, annual compensation, other fees etc)	Year Applicable
<b>Number of employees ( excluding senior management)</b>		