

Government of Liberia



Ministry of Finance

(Quarter ended July – September, 2011)

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Table of Acronyms:

AfDB	African Development Bank
AMU	Aid Management Unit
PFM	Public Financial Management
GAC	General Auditing Commission
SOEs	State Owned Enterprises
MTBF	Medium-Term Budgeting Framework
MTEF	Medium- Term Expenditure Framework
CG	Comptroller General
DP	Development Partner
IMF	International Monetary Fund
HRMIS	Human Resource Management Information Systems
IAS	International Accounting Standards
IFMIS	Integrated Financial Management Information System
ITAS	Integrated Tax Administration System
IPSAS	International Public Sector Accounting Standards
JICA	Japan International Cooperation Agency
M&A	Ministries and Agencies
MDTF	Multi Donor Trust Fund
MFAU	Macro Fiscal Analysis Unit
MoPEA	Ministry of Planning and Economic Affairs
ODI	Overseas Development Institute
PRS II	Poverty Reduction Strategy II
PSIP	Public Sector Investment Plan
RCU	Reforms Coordination Unit
SIDA	Swedish International Development Agency

Executive Summary

This report highlights the progress made so far in implementing the Public Financial Management Reform Strategy for the quarter July - September, 2011. The report briefly recaps the challenges facing Public Financial Management (PFM) in Liberia and outlines the efforts that have been put in place or are being put in place to address these challenges.

The report builds on the report of the previous quarters which laid out the new initiative that the GoL has embarked on to reform PFM in Liberia. Progress has been realized in a number of areas including the production and distribution of the pocket-size PFM Act; the launch of the Medium Term Expenditure Framework (MTEF) budgeting process with a number of workshops and the nomination of an MTEF Secretariat; the appointment of a cadre of internal audit directors and deputies as well as the constitution of an Internal Audit Secretariat. Various capacity building initiatives in the form of trainings and study tours in Audit, Project Management and Integrated Financial Management Information System (IFMIS); negotiations with development partners for the financing of the Strategy and a Technical Assistance Mission in PFM are some of the other activities that were realized in this quarter.

Preparatory engagements towards the implementation of the PFM Strategy and Action Plan envisaged a lot of activities. However, activities of the recently held national elections, a period during which the election fever had picked up, undermined the momentum in setting in motion some of the planned activities. Some activities that have been delayed include the implementation of the County Treasury Report, the Cash Management Report, the official launch of the MTEF process and quite critically, the first meeting of the PFM Steering Committee.

Though the elections were over by 8th November, 2011, the inauguration of the new Government is not due until mid January 2012. While this may further delay the kick off of some activities, it is unlikely to seriously impair the implementation of the program as the Minister for Finance has so far ensured the continuous flow of activities that may otherwise have required some high policy approval.

Challenges and Efforts in Public Financial Management

In furtherance of its long term development objectives, the Government of Liberia (GoL), is now preparing a second generation Poverty Reduction Strategy (PRS II) covering the period 2012/13 to 2015/16. The PRSII is geared towards poverty reduction but with strong commitment to inclusive economic growth, powered by public investments.

Substantial progress has been made in this regard, but the GoL has challenged itself to have it completed, if the objectives of the next PRS must be met. The following are the key challenges that form the baseline for the current reform initiative:

i) Full Rollout of the PFM Act

The PFM Act of (2009), though taking roots in the budget and expenditure management processes, has not been fully rolled out, within the fiscal operations across government ministries and agencies. The Government through the International Monetary Fund (IMF) has received support from the Swedish International Development Agency (SIDA) and the European Union (EU) under the support for PFM Reforms and a further financing under the World Bank's grant to support the strengthening of the Public Financial Management (Institutional Development Fund). To accelerate awareness on the legal and regulatory framework, this funding will be used to hire Technical Assistance to train an approximately 353 PFM practitioners within the line Ministries and Agencies. The training will commence early next year to coincide with the assumption of office by the officials appointed under the new administration.

ii) Strengthening the Budget Process

The budget process needs further strengthening to improve the delivery of policy commitments. Consistent with the overall strategic objective of the PFM Reform Strategy, the government's goal is to improve the credibility and reliability of the national budget to assure greater consistency between policy commitments as set out in the national development strategy (PRS) and the services delivered to the public. It is therefore necessary for the various M&As to improve the alignment of their budgets to national development policies. The planning function within most of the government ministries and agencies are not at the desired levels. To address this deficiency, the GoL intends to build the capacity of the M&As in the areas of strategic planning, budgeting and costing of activities. Technical assistance will be provided through USAID to help establish institutional structures for a sector-wide approach to medium term budgeting and train M & As in performing required tasks related to the medium term budget process. In addition, with the Medium Term Expenditure Framework (MTEF) on the horizon for delivery for the 2012/13 budget year, the government has been clearly focused on reforming the current budget process. Under the Japan International Cooperation Agency (JICA) supported Advisory Services and the Overseas Development Initiative (ODI) /Budget Strengthening Program, additional technical capacity is being directed to the budget process. The United States Agency for International

Development (USAID) is also looking at the possibility of providing technical assistance in support of the Public Sector Investment Plan (PSIP).

iii) Revenue Forecast and Cash Management

Revenue forecast and cash management need further improvements in their standards to provide greater predictability during the budget execution process, as the budget needs to be extended to cover donor resources that continue to be implemented off-budget.

iv) Financial Reporting

Financial reporting remains a challenge and requires more focus. Although the Ministry of Finance and the various M&As have been able to produce International Public Sector Accounting Standards (IPSAS)-compliant annual statutory financial statements as required by the PFM legal and regulatory frameworks, the basic challenges continue to be the regular reconciliation of records between the M&As and the Ministry of Finance resulting in reliability issues with these statements. As a result, the General Auditing Commission (GAC) has been unable to undertake statutory audits in a timely manner. These audits form the full requirements necessary for Government, to properly account to the Legislature.

The Quarterly reports are often either delayed or contain data that requires reconciliation with the M&As. To address these issues, the office of the Comptroller and Accountant General has engaged the comptrollers of respective M&As with the objective of reconciling their financial records with those at the MoF.

The Government has moved expeditiously on its automation program by going live with the Integrated Financial Management Information System (IFMIS) in the Ministry of Finance on 1st July 2011. However, plans are underway to expand the program to other M&As on a rolling basis. This will assist in improving the payment systems across Government and strengthen accounting and reporting systems. The upcoming Integrated Public Financial Management Reforms Project (IPFMRP) is scheduled to underwrite several aspects of the rollout to M & As up through 2016.

v) Audits and Legislative Oversight

The oversight role of the Legislature as supported by external audit (GAC) needs enhancement as budget approvals are often late leading to audit reports not being reviewed in a timely manner. Furthermore, legislative recommendations on the audits are not being carried out and may require actions which will oblige the Executive Branch to act on their recommendations. There is a dire need to develop human and institutional capacity at the Legislative Budget Office (LBO) as quickly as possible to ensure more effective budget scrutiny by the National Legislature. As such, the GoL's request for donor support is targeted at strengthening the capacity of Legislative Budget Officers. The Government intends to extend GAC audits to M&As and SoEs that have not yet been audited.

vi) Training and Change Management

Ownership and sustainability of PFM reforms are crucial. Change Management has been a challenge, but is gradually seeping down at the lower, but critical tiers of government. Critical institutional reforms are on-going and must be consolidated. A critical mass of financial management personnel including accountants, auditors, financial and budget officers are currently undergoing various PFM training (locally and internationally), to ensure sustainability and capacity within the PFM Reform Program.

vii) Oversight of State Owned Enterprises

The oversight of SoEs in relation to governance and adequate financial management remains a challenge. To strengthen overall fiscal control and compliance with the specific SoEs –related provisions of the PFM legal and regulatory frameworks, some efforts have been initiated. A scaling up of these efforts, under the aegis of the PFM Reforms Coordination Unit (RCU), is envisaged within the upcoming months. The Government of Liberia, through the Ministry of Finance, in June of this year, held a meeting of Chief Executive Officers (CEOs) and Comptrollers of SoEs. During the meeting, which was also attended by a team from the African Department of the IMF, the Minister of Finance stressed the imperative for full compliance with the PFM Law by these entities. Pocket-sized versions of the PFM Act were distributed to the CEOs and Comptrollers for ease of reference. In addition, the RCU has posted the reporting formats for SoE compliance, on the MoF website as requested.

The RCU and the Comptroller and Accountant General's office, are scheduling a series of consultative and on-site training engagements with the SoEs by mid December, 2011. The process will involve a drilling of the finance departments of the SoEs through the requirements of the PFM Law and attendant Regulations.

viii) Procurement

The procurement function is not yet fully capacitated, with the lack of adequate institutional and human capacity which remains a primary shortfall. Compliance with the Amended PPCC Act of (2010) is critical, as such; there is a need to strengthen the capacities of procurement functions within the procuring entities of Government as well as the oversight role of procurement and interaction with the Public Procurement and Concessions Commission (PPCC).

ix) Treasury Management

The Treasury Management function, consistent with the PFM Law, needs to be fully instituted within the Office of the Comptroller General. Such a reform initiative will sufficiently support budget execution predictability which has been a challenge in previous fiscal years.

The Office of the Comptroller and Accountant General has included, as part of its activities under support to public financial management, the full implementation of the recommendations of the IMF Technical Assistance Mission on Cash Management. A team of officers of the Cash Management Unit of the Ministry of Finance (MoF) has been identified, and the offices of the Unit are being re-structured to conform to the requirements of an efficient cash management outfit.

Recent Developments in Public Financial Management

i) Coordination

The Government of Liberia has taken measures to ensure a coordinated support to PFM. Even more critical is the coordination of the PFM reform initiatives which if not harmonized, may not achieve the intended results. Fiscal reports of development partners, with equity in PFM, have highlighted the challenges associated with keeping the reforms on track. The management and coordination of the reform process is flagged as a daunting task, on the premise that the program should highlight priority areas and sequence the reform activities.

Despite initial challenges in getting support from the development and internal government partners to recognize the one basket approach to PFM Support, the effort has gained significant traction. Development partners are now working with the RCU, and using the PFM Reform Strategy as the point of reference for support to PFM.

The PFM RCU has grown from an initial staff of (2) two to (4) four, with the addition of a Capacity Building and a Monitoring & Evaluation Officer, who are responsible for various assignments and work under the guidance of the Office of the Minister for Finance. The RCU (PFM Secretariat) continues to oversee and monitor the overall implementation of the PFM reform program agenda. The RCU provides periodic updates and reports on the MoF website (www.mof.gov.lr).

The PFM Strategy envisages a high-level PFM Steering Committee which is responsible for policy on PFM reform. The composition of the committee includes major stakeholders: Minister of Finance, Auditor General, Director-General of Civil Service Agency, Minister of Internal Affairs, Minister of Planning and Economic Affairs, Executive Director of PPCC, Minister of Justice, Minister of State, and the Chairman of the Governance Commission. The Steering Committee will provide mechanisms to ensure coherence with other government reform programs, including the civil service reforms and in due course the decentralization of reforms. The maiden meeting of the PFM Steering Committee is slated for the end of the December 13th, 2011. Additionally, to ensure continuous technical quality, there will be a Technical Coordination Committee comprising of all PFM component managers with representation from the Development Partners. The following are component managers of the reforms:

ii) Components and Component Managers of the Reform

1. Budget Formulation and Planning (MTBF, MTEF,)-Macro Fiscal Analysis Unit (MFAU), MFAU Director and Department of the Budget
2. Planning and Budgeting- Department of Budget and MFAU (DMB & MFAU Director, Ministry of Planning and Economic Affairs (Project Management Office and Sectoral Planning)
3. Budget Execution, Payroll, Accounting and Fiscal Reporting, Treasury Management (Treasury Single Account Banking arrangements) County Treasury, IFMIS implementation (Roll-out phase), Debt Management- Comptroller and Accountant General's Office
4. Revenue Mobilization- Deputy Minister for Revenue
5. Internal Audit(Internal Audit Strategy) and Controls- Executive Director, Internal Audit Secretariat
6. Public Procurement-Public Procurement and Concessions Commission Executive Director
7. Training and capacity development for PFM -Liberia Institute for Public Administration & PFM Reforms Coordination Unit/Capacity Building Office.

8. Legislative Oversight- Legislative Budget Office
9. PFM reforms coordination- Public Financial Management Reforms Coordination Unit

Capacity Building

The core rationale for the existence of the Capacity Building Implementation Framework (drawn from the National Capacity Development Strategy) is to deliver capacity building to government units that are essential to the successful implementation of various reform activities under the PFM Strategy 2011/14.

In line with this Strategy and in an effort to provide training needs to line ministries and agencies in a coherent and coordinated manner, a Training Needs Questionnaire was developed by the RCU with input from the IMF PFM Advisor to conduct a training need assessment survey in Ministries and Agencies. The survey questionnaire covered all training needs relevant to the overall improvement of PFM.

As part of the process, five hundred and fifty-three employees (553) from 42 Government Ministries and Agencies that are obligated to prepare and present financial statements to be audited by the General Auditing Commission (GAC), were targeted for various PFM trainings.

Working with the IFMIS Project Management Team, the RCU has been at the core of sourcing key training programs for PFM practitioners. The Unit also assists in sourcing funding for capacity development within PFM. The following key training activities were organized and attended by functionaries:

1. Policy, Program and Projects training in United Arab Emirates- 3 functionaries attended;
2. Procurement training in Malaysia- 4 functionaries attended;
3. IFMIS Training, including CSM in Kampala and Canada- 17 functionaries currently attending;
4. A staff attended a three week training on Financial Management and Budgeting in South Africa.
5. A five (5) day Budget Process and Reflection Workshop was designed by the Department of Budget to enhance the understanding and introduction of the medium-term horizon in planning and budgeting to reflect on the previous budget process FY 2011 and identify key issues and challenges that need to be addressed within the budget preparation process.
6. A two (2) week training on Information Technology (Crystal Reporting) for 5 persons was held in Africa.
7. Solicited technical assistance in Freetown for training on IFMIS for 2 weeks.
8. Two day training workshop was held to validate Indicators, Baselines and Targets for the PFM Strategy Monitoring and Evaluation Framework bringing together 20 participants from Ministries and Agencies.

To date, we have had constructive PFM capacity building discussions with USAID (through their GEMS program), the World Bank, Liberia Institute of Public Administration (LIPA), and the Financial Management Training Program.

Integrated Public Financial Management Reforms Program (IPFMRP)

At the request of the Government of Liberia, the World Bank led a Mission of development partners including SIDA and USAID, in August, 2011, to discuss the possibility of setting up a Multi-donor Trust Fund (MDTF), for support to PFM. Although the African Development Bank (AfDB) was not physically in Monrovia, they consented to be part of the pooling of resources for PFM strengthening. (The AfDB subsequently accompanied the second mission).

During the discussions, the PFM component managers presented to the mission, priority areas that lacked funding. The interaction was clear to ensure consistency with the PFM Strategy.

At the end of the Mission, an Aide Memoire and a draft Project Appraisal Document (PAD) were prepared, cataloguing the concerns of the Liberian partners. In closing, the Mission met with the Honourable Minister of Finance who highlighted government's commitment to strengthening the PFM Systems. This he said was clearly evident by the President's dedication of the Integrated Financial Management Information System (IFMIS) at the MoF, in July of 2011.

Working with the RCU and other local functionaries, the Mission has since fine-tuned the draft Project Appraisal Document (PAD) to reflect details of upcoming activities and their associated costs. The estimated value of support is twenty eight (US \$28 million), with funds pooled from USAID, AfDB, SIDA and the World Bank.

The new project, to be coordinated by the RCU, will span (4) four years and if approved, would begin March 1, 2012 and end on June 30, 2016.

According to the plan, the project goes to the World Bank's Board for approval of the International Development Association portion (US \$5 million) on December 15, 2011. The rest (US \$23 million) of the Trust Fund is all grants. The National Legislature is a beneficiary of the Trust Fund, in addition to what it currently receives through the World Bank-sponsored Institutional Development Fund (IDF) and National Democratic Institute (NDI).

The PFM Operations Manual, developed with assistance from the IMF, will serve as the vehicle of implementation of the IPFMRP, and its reporting arrangements therein adopted to be used in the project's management.

Monitoring Framework

The IMF sponsored Technical Assistance Mission from Uganda, in person of Mr. Robert Muwanga, visited Monrovia from September 12-30, 2011, to assist in the crafting of a Monitoring and Evaluation framework for the PFM Strategy. The framework provides the basis for measuring the progress in the implementation of the GoL's PFM program over the period 2011/12 to 2014/15. The framework has been submitted to the Minister of Finance for his comments, recommendations and clearance. Additionally, drafts of the framework have been shared with relevant stakeholders and development partners. The Monitoring and Evaluation framework and its associated performance indicators, baselines and targets were developed in close consultation with component managers responsible for implementing the individual thematic areas under the reform plan. A workshop with all the main stakeholders was held at the end of the mission to review the draft framework and train staff on the monitoring tasks ahead.

The Monitoring and Evaluation Specialist within the Reform Coordination Unit (RCU), Joseph Fahnbulleh, worked alongside Mr. Muwanga for the duration of the mission, while the PFM Reforms Coordinator, Mr. Bernard Jappah, Fiscal Affairs Division PFM Advisor, Kubai Khasiani, and key PFM personnel IMF Fiscal Affairs Division provided overall guidance and feedback. There are two levels of performance indicators contained in the Monitoring Framework. The high level indicators focuses on broader outcomes expected over the lifetime of the reform strategy. Each of the six (6) thematic areas, within the PFM Strategy, has one or at most two outcome indicators. Indicators are also set for the three cross-cutting areas, namely IFMIS, Capacity Building, and PFM coordination.

The second level provides more specific outputs or results indicators for each activity within the reform plan, indicating the assessment frequency, the responsibility for reporting, and the source of information to be used. Indicators at both levels have a baseline set and annual targets estimated for tracking purposes. A methodology (PFM Monitoring Framework Guide) on how the indicator is to be measured has also been prepared. A few of the indicators will draw on the Public Expenditure Financial Accountability (PEFA) standard assessment framework with the assessment done for Liberia in 2007/8 providing the baseline, while most were internally generated in consultation with the components, the reporting of which will rely on internally generated reports and other evidence.

The next PEFA assessment is planned for Q2 of 2012.

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