



LIBERIA

Liberia 2023 Approved Budget



About BudgIT Liberia

BudgIT Liberia is a civic organization driven to make the Liberian budget and public data more understandable and accessible across every literacy span. BudgIT's innovation within the public circle comes with the creative use of government data by either presenting these in simple tweets, interactive formats, or infographic displays. Our primary goal is to use creative technology to intersect citizen engagement with institutional development to drive societal change in Liberia.

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Source: Liberia's Ministry of Finance & Development Planning

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A Quick Review Of The Approved 2023 National Budget

The national budget outlines how much money the government plans to generate and spend in a fiscal year. According to Section 65(1) of the Amendment and Restatement of the amended PFM Act of 2021, the Government of Liberia, through the Ministry of Finance and Development Planning, estimated an amount of US\$782.94 million for the national budget for FY2023, which marks the Second Beginning of a New Fiscal Period (January 1–December 31).

The government anticipates overall revenue of US\$782.94 million this year, with an anticipated US\$672.94 million coming from domestic sources and US\$110 million coming from external resources. Tax revenue, at US\$553.61 million (82.26%), accounts for the majority of domestic revenue, mostly from income and profit taxes, foreign trade, and goods and services. Non-tax revenue is estimated to be US\$119.33 million (17.73%), primarily from property income taxes.

The total expenditure is estimated to be US\$782.94 million, with recurrent expenditures accounting for US\$634.90

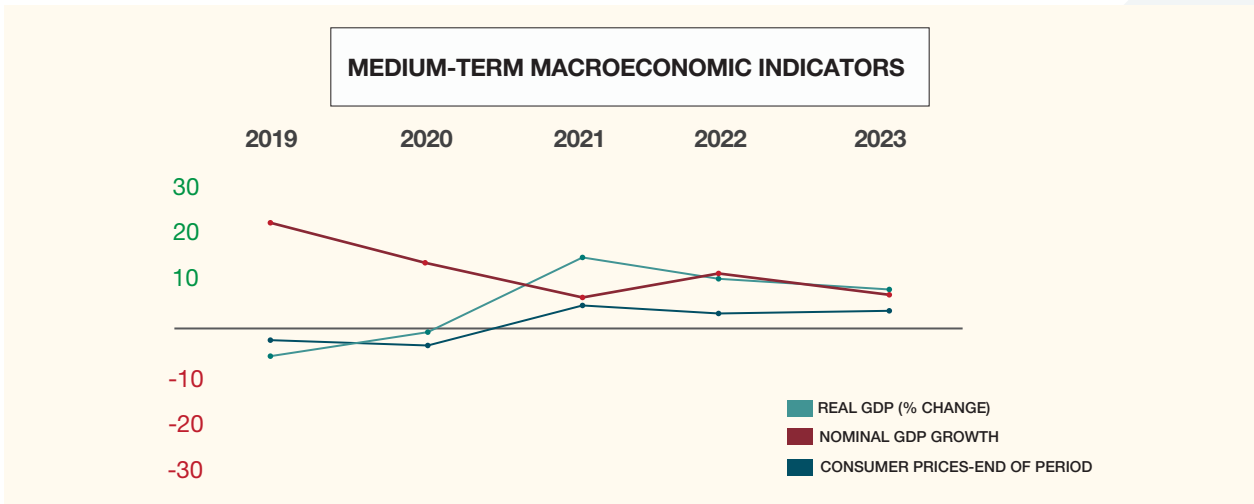
million (81.09%), debt service accounting for \$99.91 million, and public sector investment plans accounting for a very small fraction of the national budget amounting to US\$148.05 million (18.91%).

The government has set aside 36%, 27%, and 22% of the total PSIP budget of US\$148.05 million to finance projects in the Infrastructure and Basic Needs, Energy and Environment, and Transparency and Accountability sectors, respectively, under the Public Sector Investment Plan (PSIP). However, little to no funds was allotted to finance projects in the social sectors (Education and Health), and agriculture received no budget, implying that no large capital projects for these sectors were intended to be implemented in this fiscal year.

Following two years of recession and the negative impacts of the COVID-19 pandemic on the Liberian economy, the macroeconomic forecast for FY2023 is fairly ambitious, with a 4.2% growth in the market value of all goods and services produced in the country (GDP). The consumer price rise is expected to be 8.7% on average.

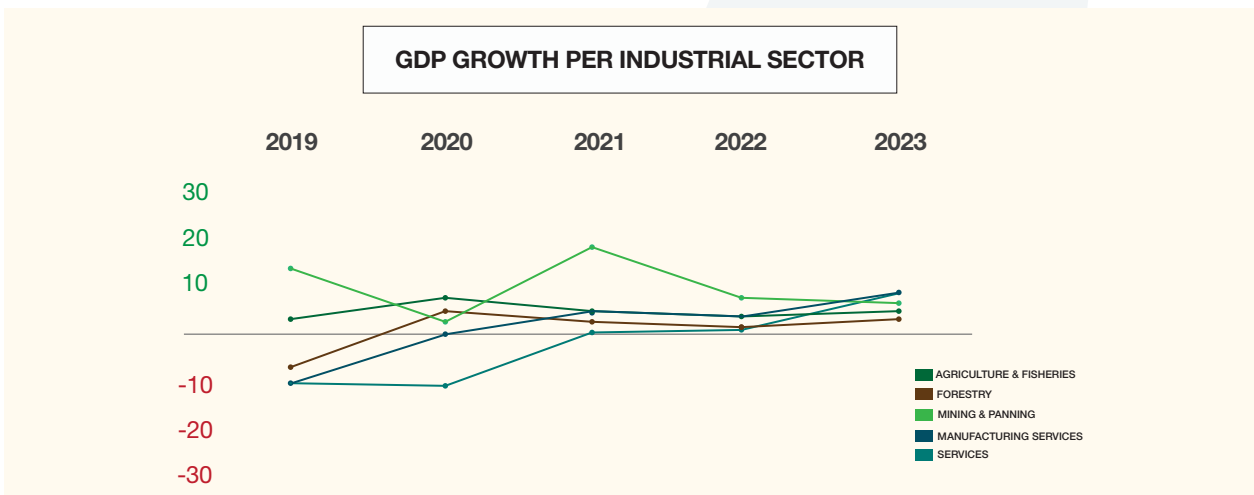
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KEY ASSUMPTIONS TREND



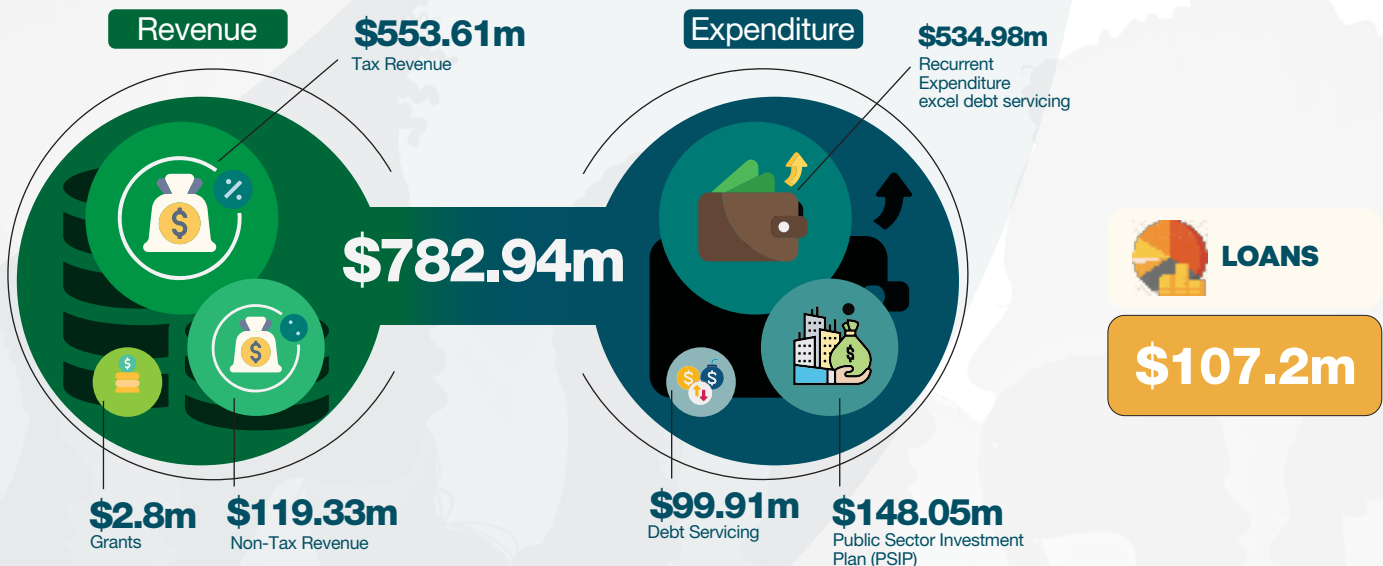
GDP GROWTH BY INDUSTRIAL SECTOR

The government also anticipates a positive macroeconomic outlook for the industrial sector, with rising iron ore and rubber prices, increased corporate optimism, and expanded cross-border trade. Reviving activity in the services sector, particularly air travel, accommodation, and hotels, is expected to contribute to the Liberian economy.



2023 FISCAL FRAMEWORK

UNIT = US DOLLARS.





Revenue

Liberia faces a number of revenue-generation issues, including ineffective tax administration and enforcement, a limited tax base, and a lack of economic diversification. The government recently improved revenue collection by improving tax administration and broadening the tax base, which has significantly improved the country's economic situation, particularly domestic revenue, which finally saw a 16% increase in 2021 (\$547.43 million) since 2013 (\$470.49 million). Revenue generation, on the other hand, remains low, limiting the government's ability to support public services and invest in infrastructure and human capital.

To secure long-term revenue growth, the government must address tax evasion and low compliance, as well as modernize customs administration, in order to increase efficiency and minimize corruption.

The Liberian government expects to generate \$782.94 million in total revenue this year, including \$110 million (14%) from external resources (grants and loans) and Unprocessed Revenue in Transit to the LRA system in FY2022, of which US\$672.94 million (86%) will come from domestic revenue sources.

TOTAL ACTUAL REVENUE VS ACTUAL DOMESTIC REVENUE IN THE LAST TEN YEARS



HOW DOES THE GOVERNMENT GENERATE ITS DOMESTIC REVENUE?

TAX REVENUE

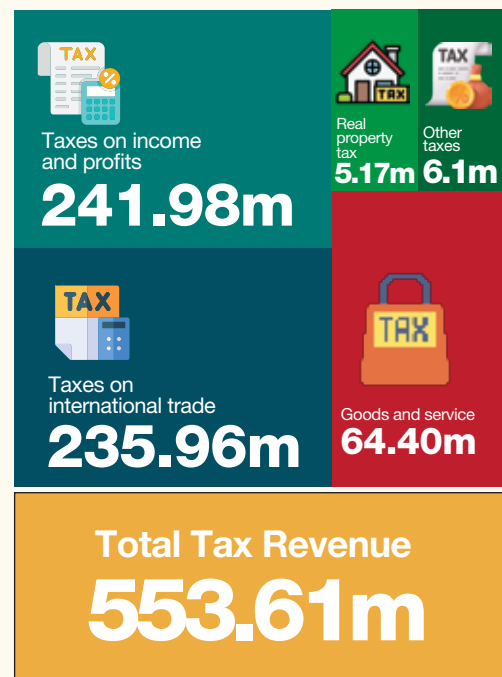
The Liberian government's tax revenue comprises levies on wealth accumulation, corporate and individual income taxes, and levies on producing, exporting, and importing goods and services.

Income and profit taxes have traditionally contributed the most to the tax revenue component, followed by the tax on international commerce.

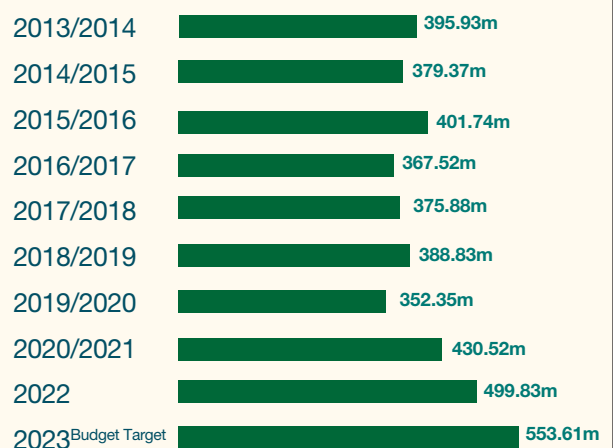
Tax collection is expected to be US\$553.61m this year, representing 82.3% of the total estimated domestic revenue of US\$672.94m, up by 10.8% from the 2022 actual revenue of US\$499.83m, making it the government's primary source of income, mainly from taxes on income and profit, international trade, goods, and services.

The government has exceeded its expected tax revenue in both the 2020/2021 and 2022 fiscal years, with actual collections of US\$430.52 and US\$499.83 respectively, compared to projections of US\$347.09 and US\$492.19. Although this is an encouraging trend, Liberia's overall national budget revenue is still relatively low. To ensure adequate funding for essential services and sustainably meet budgetary obligations, the government must focus on improving its tax collection processes and reducing corruption.

2023 TAX REVENUE COMPONENT

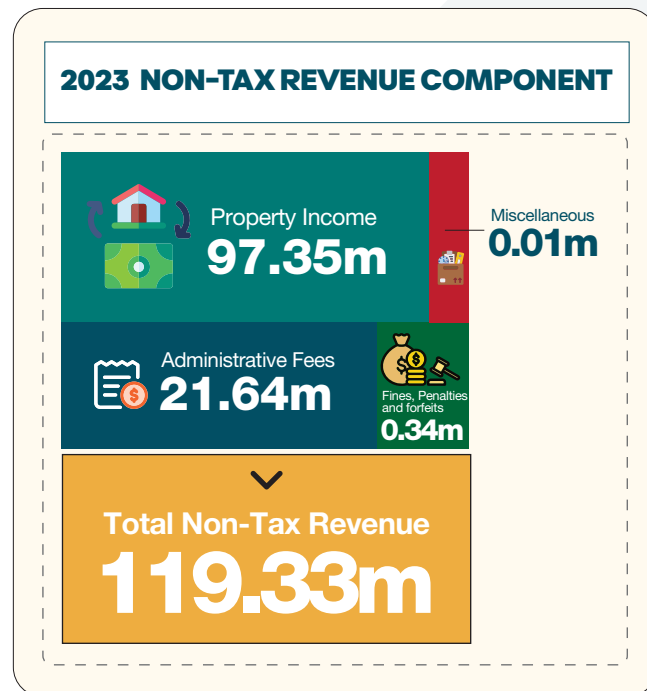


TAX REVENUE IN THE LAST TEN YEARS

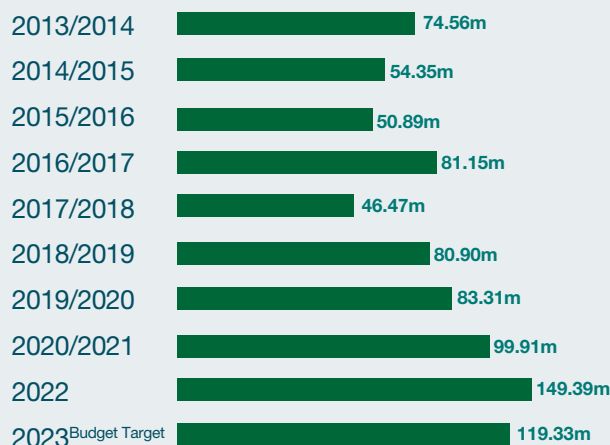


NON-TAX REVENUE

Liberia's government non-tax revenue is a consistent source of funding for the government that comes from sources other than taxes, such as fees charged for government services; it accounts for US\$119.33 or 15.2% of total government revenue of US\$782.94m, and property revenue has long been the non-tax stream's primary source of income.



NON-TAX REVENUE IN THE LAST TEN YEARS



KEY TAKEAWAYS FROM 2023 REVENUE GENERATION PLAN

- Introduction of new funding of US\$2.5m aimed at implementing the free and compulsory primary education in public schools
- The tax structure will stay the same since the modification made in FY 2021, which included raising the GST rate to 11% and imposing a US\$25 per departing passenger airport exit charge.

EXTERNAL RESOURCES

Due to revenue shortfalls, the government anticipates receiving US\$110 million in grants and loans. The development partners will provide loans worth US\$107.2m and project grants worth US\$ 2.8 million.

US\$110m

External Resources



World Bank
55m



IMF-ECF
50m



AFDB
5m



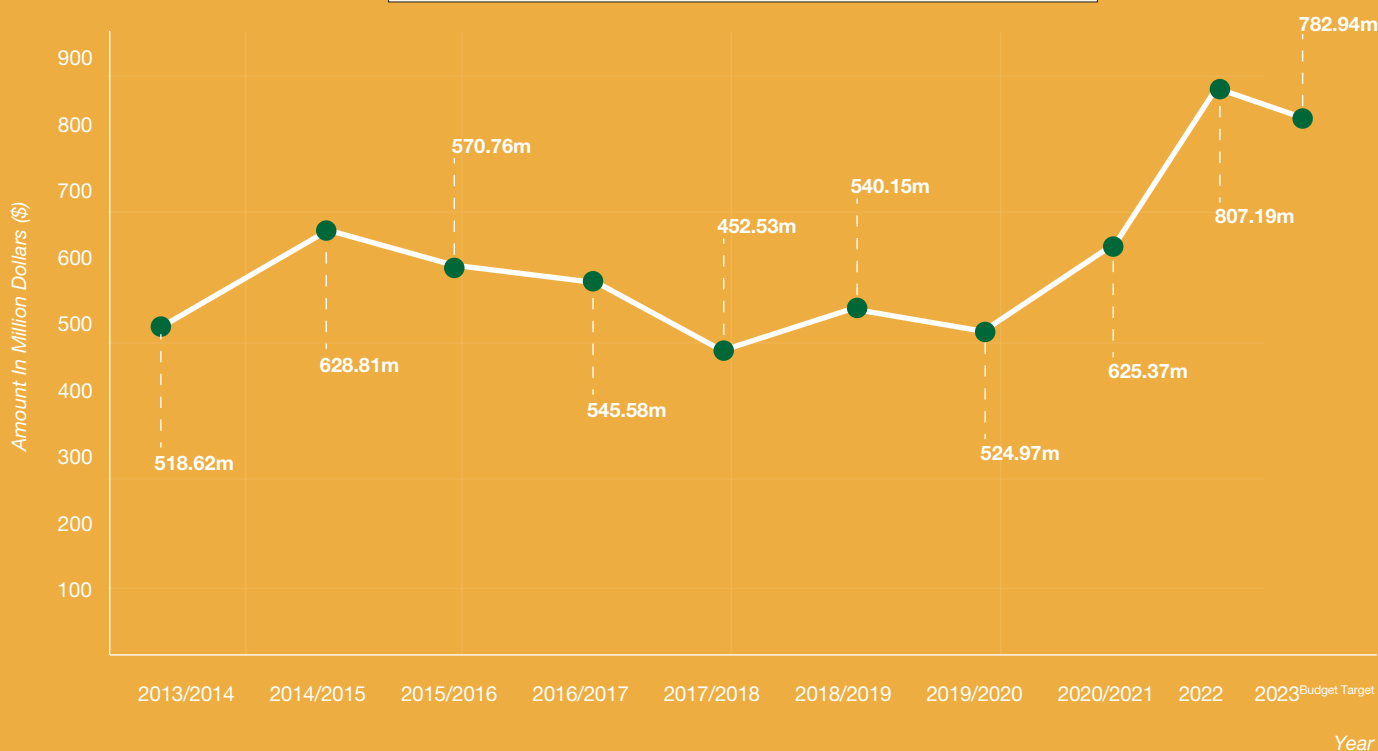
Government Spending plan

EXPENDITURE

Expenditure is the amount of money the government intends to spend on the needs of its citizens and the country's improvement. It consists of two components: recurrent and capital expenditures. This year, the total expenditure is \$782.94 million, with recurrent spending of \$634.90million, including debt service of \$99.81million, and public sector investment plans to account for only 18.91% of the national budget, totalling \$148.05 million. Compensation consumes a sizable portion of the recurrent expenditure budget.

Overall actual spending has increased by 50% over the past years, with recurrent expenses consistently accounting for the lion's share, or a whopping 80%, and leaving less than 20% of the remaining funds for public investment plans, which are long-term capital investments that will eventually generate a return, enhance the quality of life for citizens, or draw investors. Similarly, this year, the budget allocation between the PSIP and recurring spending remains unchanged.

ACTUAL EXPENDITURE IN THE LAST TEN YEARS



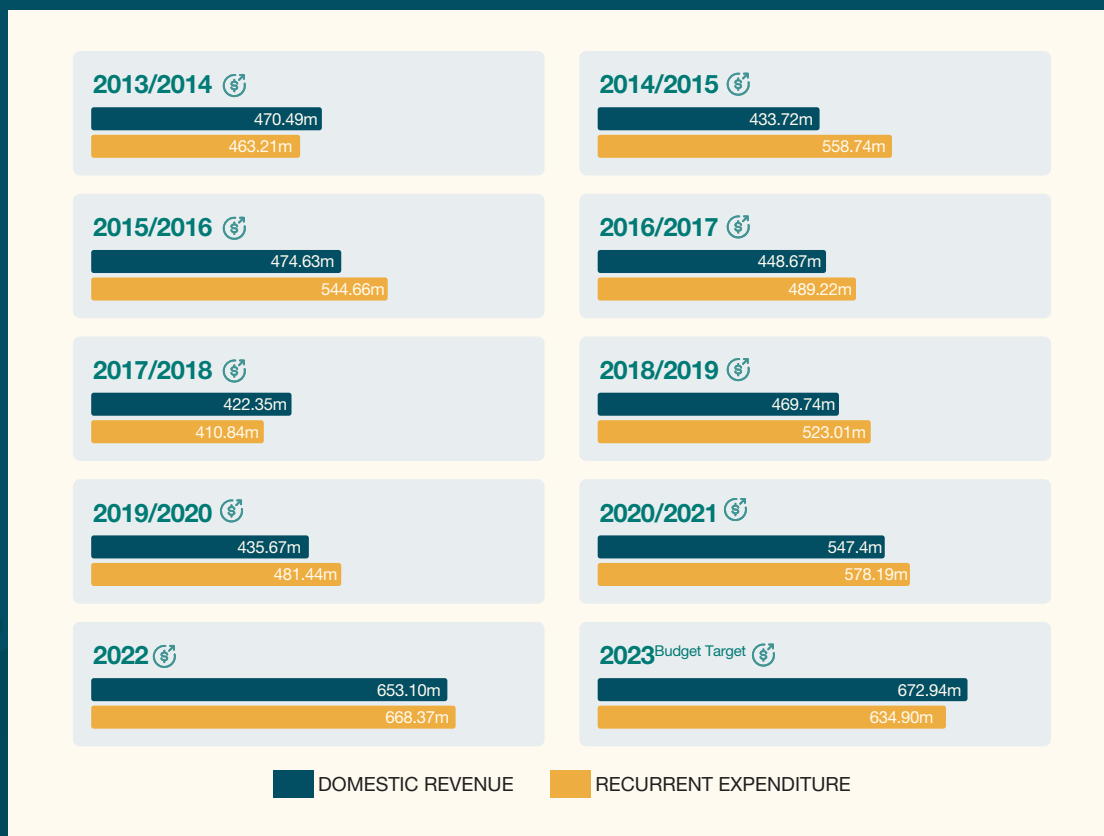


An overview of Government's Spending plans

RECURRENT EXPENDITURE

Recurrent spending, including debt service, is estimated to amount to \$634.90 million in 2023, accounting for 81.90% of total expenditures, a decrease from \$668.37 million in 2022. Despite the economic downturn and inability to meet budget expectations, the government failed to embrace austerity measures, as evidenced by the ten-year revenue trend, which shows that the government cannot conveniently finance these expenditure components with domestic income without the assistance of a loan or grant.

DOMESTIC REVENUE VS RECURRENT EXPENDITURE IN THE LAST TEN YEARS



With a large portion of the national budget going to compensation and overhead costs year after year, there is little money left for PSIP to implement and improve infrastructure; as a result, local businesses and foreign investment are less attracted due to poor infrastructure, such as electricity, water, and road connectivity, among other things, lowering the revenue base and potential of the economy.

2023 RECURRENT EXPENDITURE COMPONENT



KEY TAKEAWAYS FROM 2023 EXPENDITURE PLAN

- The Liberia government intends to implement duty-free waivers as a fiscal incentive to promote economic growth
- The Liberia Government will offer import duty exemptions for two-passenger cars, products derived from renewable resources, medical and educational imports, and mining and petroleum products.
- Development organisations urge the government to match aid initiatives with the country's development plan - Pro-Poor Agenda for Prosperity and Development (PAPD)

DEBT SERVICING

When the government's revenue predictions are not met, it borrows money from domestic and foreign investors. The cost of debt servicing is the amount of money that the government must spend on a regular basis in order to service its outstanding debt. This comprises payments for interest and principal on loans obtained from local and foreign creditors. It consumes a significant percentage of the government's budget and may limit the government's ability to spend in sectors such as infrastructure, education, and healthcare.

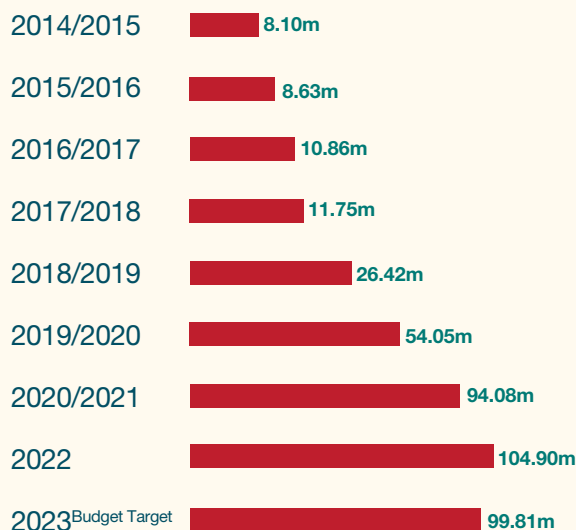
Total debt service, subscription, and other payables are estimated to be US\$99.81 million in fiscal year 2023, a 4.9% decrease from the FY2022 forecast of US\$105 million. The suspension of principal repayments on domestic assets owned by commercial banks, such as promissory notes and others, is primarily responsible for the decrease in debt service.

Over the past year, the accumulated debt stock stood at \$1.96 billion (2.33% of GDP) at the end of September 2022, resulting in a continuous rise in debt servicing costs in Liberia, ostensibly due to the pandemic effect of COVID-19 and growing government sizes, as well as other factors such as interest rates, inflation, exchange rates, and the government's fiscal policies. This outlook is troubling for a country whose internal revenue has been low and insufficient to pay its recurrent expenditures. The government must consider reducing its size and privatizing some services to curb waste and reduce its debt load.



YEARLY DEBT REPAYMENT

ACTUAL DEBT REPAYMENT



ACCUMULATED DEBT STOCK PROFILE

Total debt stock as of the end of September 2022 (US\$ billion)

1,957.36

Domestic Debt
835.79m

External debt
1.12bn

3,483

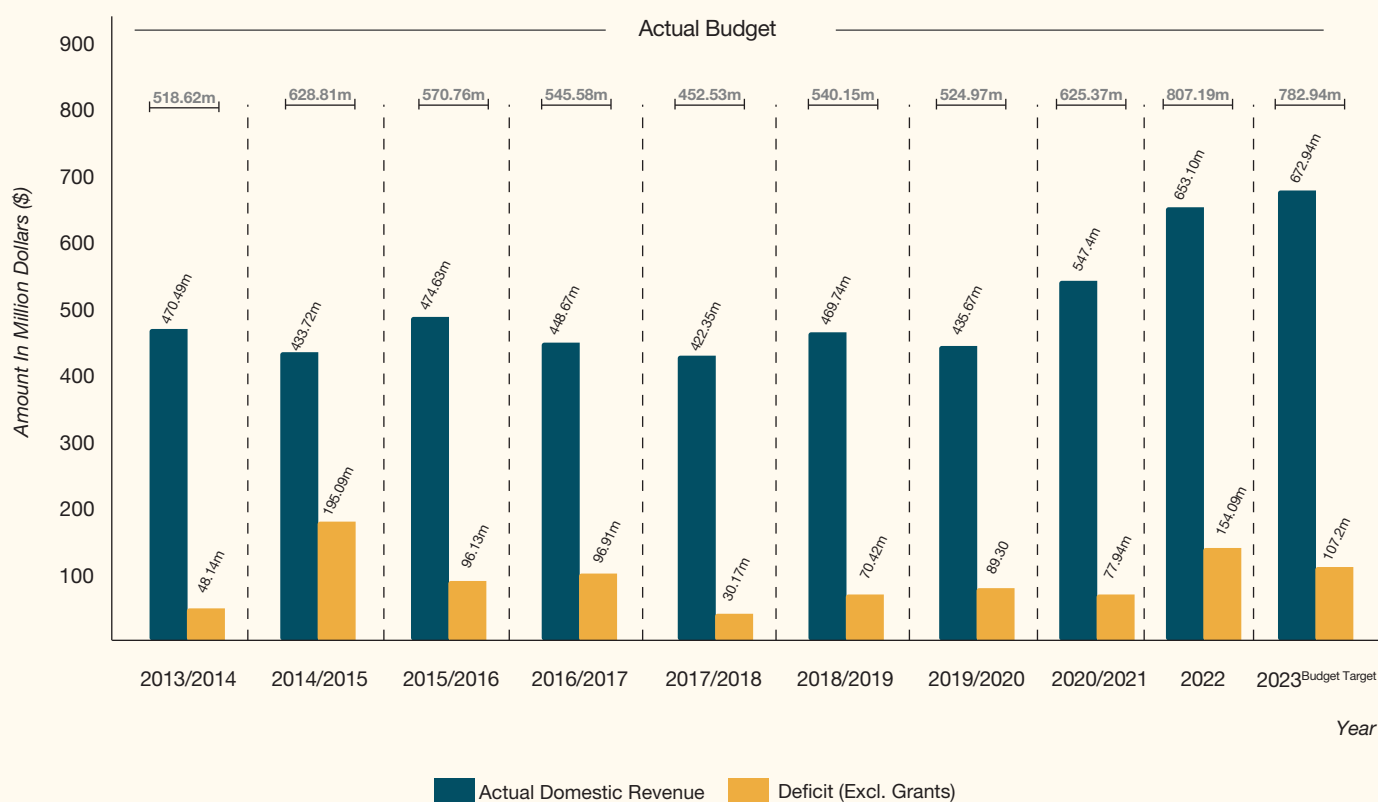
Nominal GDP 2021
(US\$ billion)

2.33

Debt Service
to GDP(%)

BUDGET DEFICIT

For several years, Liberia has experienced a budget deficit, which is the difference between domestic revenue and government spending. The budget deficit kept fluctuating and growing over the years owing to declining revenues from natural resource exports such as iron ore and rubber, an Ebola outbreak in 2014 and 2015, and COVID-19 in 2020, which hampered the country's economy and revenue generation. As such, Liberia's budget deficit threatens the country's economic growth and stability. Reducing the budget deficit necessitates a combination of revenue-enhancing measures, such as enhancing tax collection and cutting non-essential government spending.



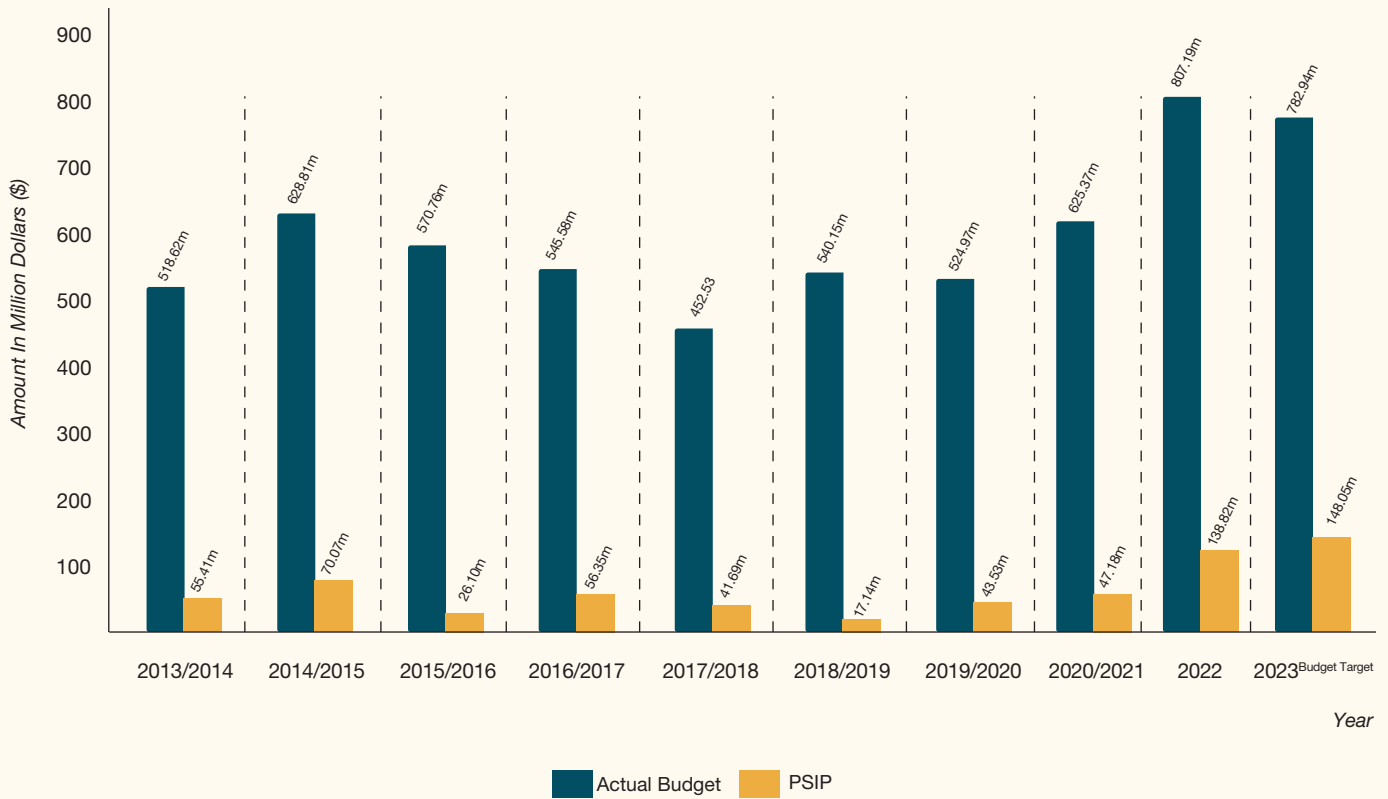
PUBLIC SECTOR INVESTMENT PLANS

The Public Sector Investment Plan (PSIP) funds are spent on acquiring fixed assets and implementing projects to stimulate economic growth and meet the needs of citizens, such as roads, hospitals, and security. This year, the PSIP is allotted 148.05 million dollars or 17.% of the total expenditure portfolio; It will fund ongoing projects and prioritize those that are 70% complete.

Nonetheless, the three-year pattern of PSIP budget and outcome figures, excluding 2022, demonstrates that the program has underperformed. In addition, PSIP projects and programs are typically untraceable and inaccessible concerning location, implementing department, and project status.

This section of the budget is unquestionably the most important, as it directly affects citizens and significantly impacts their daily lives. An open and transparent process will benefit both the government and the citizens. It will allow citizens to become aware of crucial government projects in their area, fostering public trust and encouraging public participation in governance. Corruption thrives in obscurity; therefore, if these development projects are made open and accessible, there will be more implementation and nationwide improvement.

PUBLIC INVESTMENT PLAN ALLOCATION IN THE LAST TEN YEARS



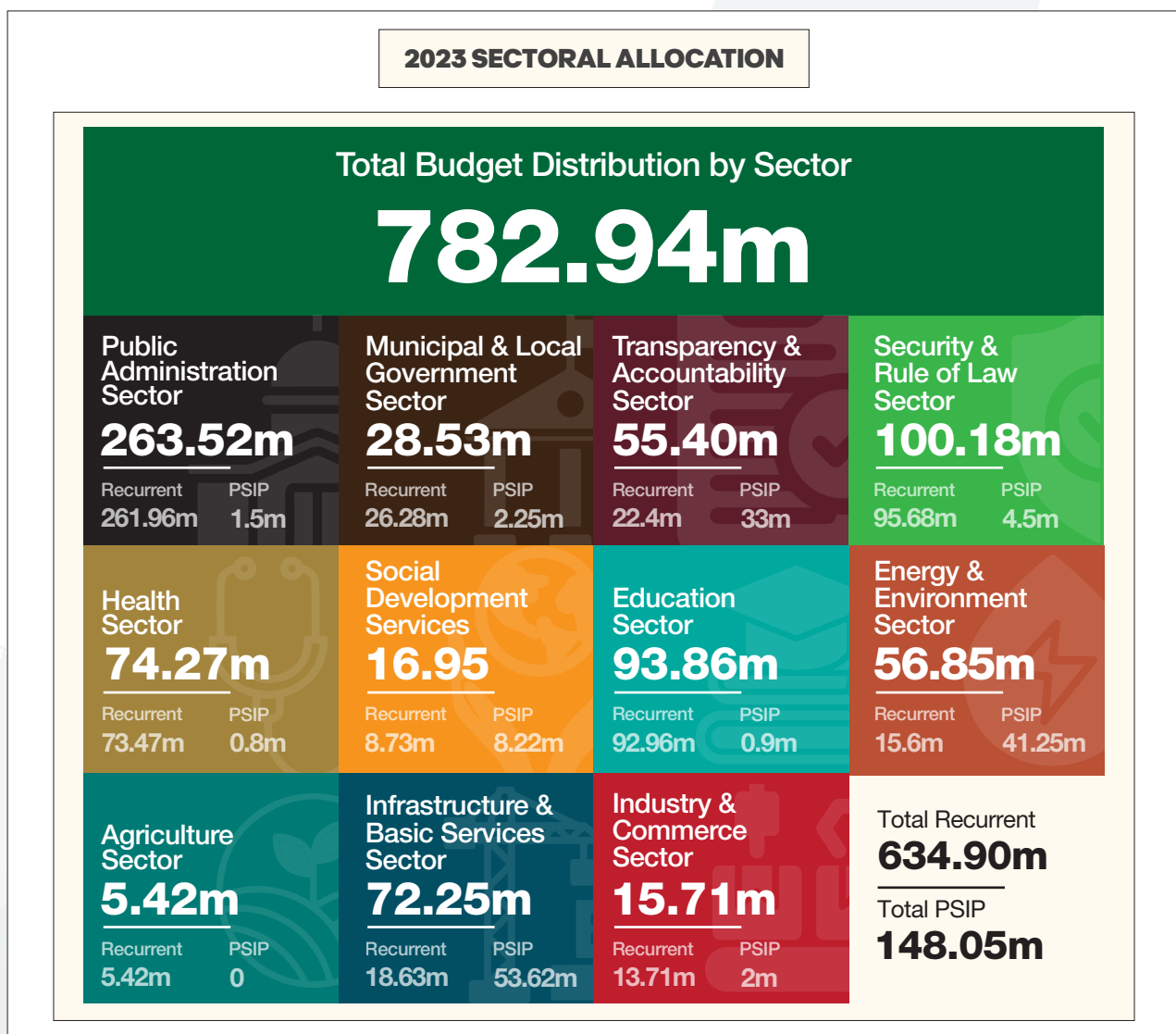


Sectoral Allocation Analysis

The biggest allocation in the 2023 budget in terms of the public sector investment plan (PSIP) will mainly go to the Transparency and Accountability, Energy and Environment, and Infrastructure and Basic sector. While allocations to the sectors have risen, it is essential to note that equally critical social sectors such as Education and Health did not get a substantial boost, and the Agriculture

sector got zero allocation.

Despite Liberia's proposed public investment plan increasing by approximately 11% from 2022, unfortunately, the Education budget was cut by 39%, the Health budget was slashed by about 86%, and the Agriculture budget was ignored with no allocation compared to last year's allocation.





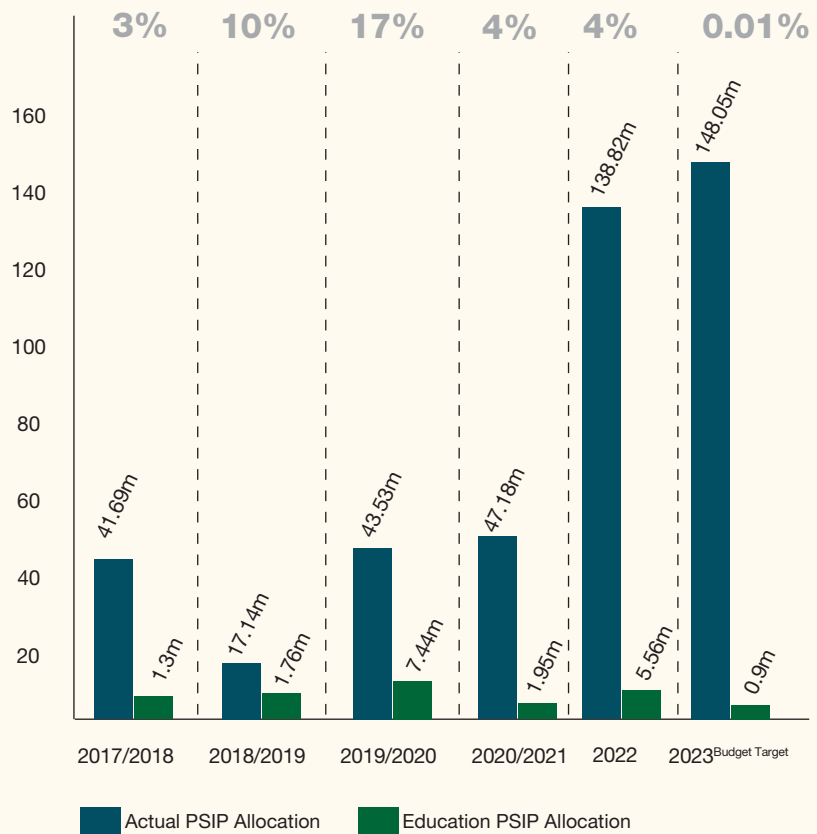
Education Sector

The government has committed US\$93.86 million (11.98% of the budget) to the education sector this year; however, only US\$0.9 million of this total will be devoted to capital expenditures, with the remaining allocated to recurrent expenses. This is extremely wasteful and reflects a lack of priority in the education sector. The government must demonstrate its commitment to investing in people by devoting additional funding to major projects in the education sector. The government must demonstrate its commitment to investing in the people by allocating more funds to education sector capital projects. The meager allocation of \$0.9 million includes only vague,

difficult-to-monitor line items; such opaque budget processes foster corruption and halt development. Liberia has a young population, and it is prudent to invest in education because it can lead to numerous social, economic, and health benefits. According to the Incheon Declaration of the United Nations Educational, Scientific, and Cultural Organization (UNESCO), 15 to 20% of a country's total budget should be allocated to education. Education is a key driver of economic development and growth. An educated labor force is more innovative and productive, resulting in greater economic output and competitiveness.

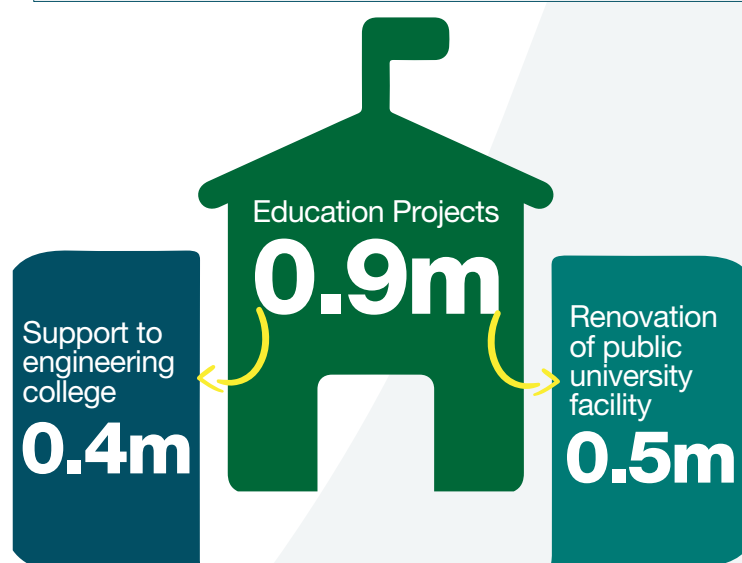


TREND ANALYSIS OF EDUCATION SECTOR PSIP ALLOCATION





KEY BUDGET ALLOCATIONS FOR EDUCATION IN 2023



Although the government launched a public participation mechanism initiative for citizens to contribute to the budgeting process, it must also ensure that citizens' suggestions, needs, and priorities are reflected in the national budget.

THE FOLLOWING SUGGESTIONS WERE MADE BY CITIZENS AT THE PPM:

Citizens at the public engagement mechanism demand an increase in funding for the following;

- Provision of projects in the education sector: early childhood education, teacher deployment and training to improve learning outcomes in rural and urban public schools, school health and nutrition programs.
- Provision of menstrual health and hygiene-friendly WASH facilities in public schools.
- Provision of educational resources and amenities, including teacher housing and technical and vocational education integration.



Agriculture Sector

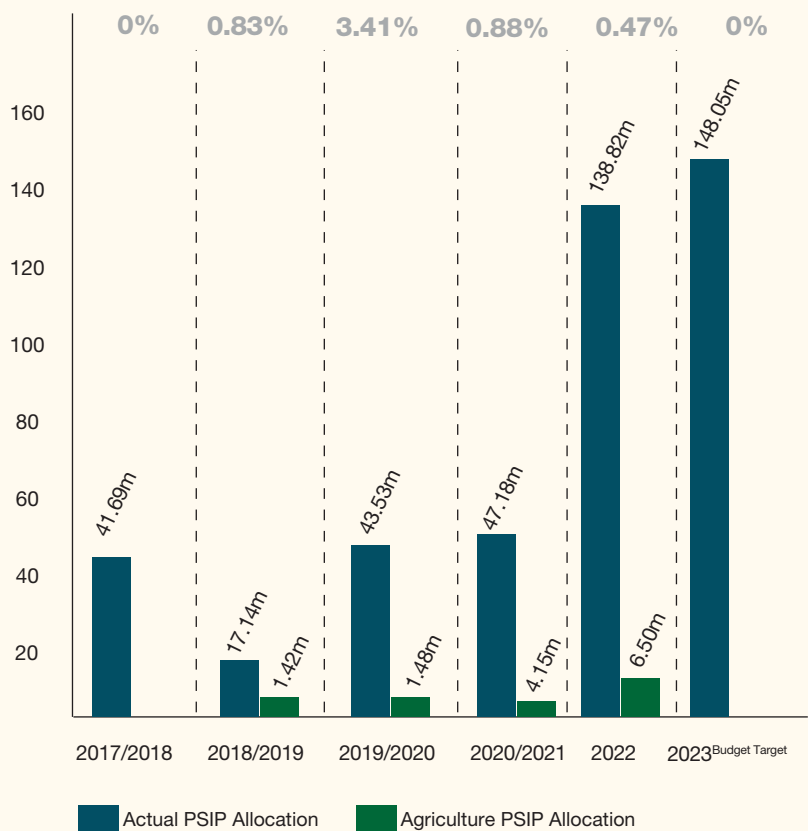
The agriculture sector will receive \$5.42 million in fiscal year 2023, a 31% decrease from the total allocation of \$7.81 million in fiscal year 2022. Unfortunately, no budget allocation was made for the Public Investment Plan during the same fiscal year, indicating that the entire \$5.42 million will be spent on recurrent expenditures (salaries, allowances, and other overhead costs) that will not generate a return or reduce the cost of food inflation in Liberia.

More than 60% of Liberians rely on agriculture as their primary source of income, and 31% of Liberia's real GDP in 2021 was derived from agriculture. Due to limited access to technology and a lack of high-quality agricultural inputs, farming is typically conducted on a small scale with low agricultural output. As a consequence, Liberia imports more than 80 percent of its rice, a

staple food, leaving it vulnerable to fluctuations in global food prices. In 2022, the Liberian government has set a new price ceiling of US\$17.5 per 25 kilograms of rice, compared to previous years. This decision was prompted by a dilemma the government encountered while subsidizing market rice imports. In 2021 and 2022, the government spent \$5.5 million and \$11 million on rice import subsidies, respectively. However, if the government is able to redirect these millions of dollars into subsidies, it will increase dividends to local producers, leading to an increase in employment and productivity. In addition, the agricultural industry is underdeveloped and lacks essential infrastructure, including machinery, cultivation tools, farm-to-market highways, fertilizers, insecticides, and food storage capacity.



TREND ANALYSIS OF AGRICULTURE SECTOR PSIP ALLOCATION





There is a need for more consistent and effective government investments in agriculture capital initiatives. During the public engagement mechanism, the public provided the government of Liberia with the following suggestions for enhancing the sector:

Overall, the agricultural sector is underfunded and citizens urge the government to increase the technical and financial assistance provided to small- and large-scale farmers, as well as women's and men's cooperatives, so they can significantly contribute to the food security and

self-sufficiency of Liberia, particularly in their counties and communities. Introduce and adequately finance a national farming program; the government will collaborate with the private sector to establish and operate regional farms to provide employment and subsistence opportunities for a large number of people. They also demand that the government invest in agricultural research and extension services to provide small- and large-scale producers with the necessary technical assistance and knowledge.



Health Sector

The healthcare delivery system in Liberia is plagued by chronic shortages of human resources, equipment, pharmaceuticals, infrastructure, and funding for essential services. However, these essential health benefits can transform the nation's fortunes. Public health expenditures have consistently been below 20% of total health expenditures. In 2023, the government allocated \$74.27 million for the health sector. However, salaries, goods, and services account for 98.03 % of the sum, with only 0.8 million, about 1.07% allotted towards

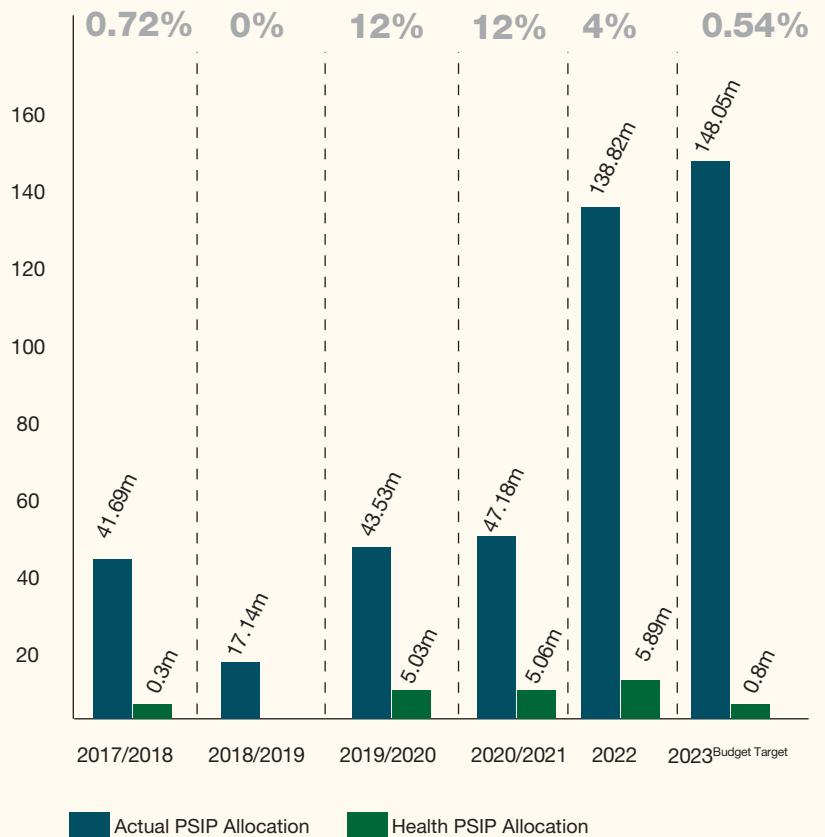
PSIP, the capital component of the budget. The only investment in the sector goes toward the renovation of public health facilities-C.H.Rennie hospital.

What is required is a strong executive intention to fund capital projects in the health sector.

Liberia's government should strive to meet the benchmark of 15% of total fiscal budget expenditure each year and solid legislative oversight focusing on outcomes and gender-responsive project-based budgeting.



TREND ANALYSIS OF HEALTH SECTOR PSIP ALLOCATION



According to the most recent World Health Organization (WHO) data 2018, Liberia has 0.5 nurses and midwives per 1,000 people. Adequate coverage with primary care interventions requires at least 2.5 medical staff (physicians, nurses, and midwives) per 1,000 people. There are 298 doctors in the country. This results in a doctor-to-patient ratio of 1: 15,000, which is lower than the WHO's recommended ratio of 1:1000. To close the considerable gap, the Liberian government must prioritize human

resource development, particularly in the health sector. There needs to be increased investment in products and services for pregnant women, new babies, mothers, children, people living with disabilities, and adolescents. The government must also consider reducing the number of workers in the agency and prioritize investments in health center buildings and personnel, medical facilities, and equipment for local health centers and hospitals.



BudgIT's Take On The 2023 National Budget

Despite the large budget size (US\$782.94 million), it is regrettable that the government continues disregarding PSIP projects that benefit citizens directly. The government may have squandered opportunities to implement austerity measures such as shrinking the government and cracking down on corruption. It is concerning to see significant reductions in critical sectoral budgets for agriculture, health, and education.

Liberia is passing up an opportunity to strengthen its economy and tap into its youth's innovative and creative spirit by failing to make substantial investments in its young people through education and healthcare. The country desperately needs economic growth, but it will be difficult to achieve without a business-friendly environment and significant investments in human capital and infrastructure.

To address this issue, we recommend the following actions.

Revisiting annual tax waivers and incentive programmes:

Incentives can be beneficial if they are aimed at encouraging investment and growth, as well as meeting specific qualification requirements, such as local content requirements and employment; thus, we need to revisit our incentive policies and monitoring frameworks to protect our revenues.

Diversifying the economy:

The government could create new sources of

revenue by diversifying the economy and developing other industries such as agriculture, tourism, and manufacturing.

Public-Private Partnership (PPP):

The government can collaborate with private entities to finance, develop, build, and operate infrastructure projects. This will bring in more investment and assist in closing the infrastructural deficit.

Prioritize infrastructure projects:

The Liberian government should prioritize significant and quantifiable initiatives for the sector. Furthermore, the Liberian government must be more strategic in its budget preparation and presentation to facilitate public participation; each sector's budget should be comprehensively detailed, including information about the status, location, and department responsible for project implementation, as it is difficult to monitor or evaluate capital projects in terms of their location or progress toward completion under the current budget structure. Budget allocations and training programs to improve the quality of elementary and secondary school teaching staff are grossly insufficient.

Increase investment in infrastructure:

The government should expand infrastructure investment by devoting more funding to infrastructure development initiatives. This can be accomplished by funding collaboration with international organizations and other countries.

ABBREVIATIONS/ACRONYMS

Acronyms	Full Meaning
AFDB -	African Development Bank
GDP -	Gross domestic product
PSIP -	Public Sector Investment Plan
FY -	Fiscal Year
PAPD -	Pro-Poor Agenda for Prosperity and Development
CDF -	County Development Funds
SDF -	Social Development Funds
CSC -	Counties Service Centers
CFSA -	Country Forest Sharing Agreement
LPRC -	Liberia Petroleum Refining Company
NPA -	National Port Authority
NAFA -	National Fisheries and Aquaculture Authority
M -	Million
O/W -	Over With - a subtracted percentage (%) of the main source
SOE -	State-Owned Enterprise
IMF -	International Monetary Fund
RCF -	Rapid Credit Facility
IDA -	International Development Association
PPM -	Public Participation Mechanism
ECF -	Extended Credit Facility

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