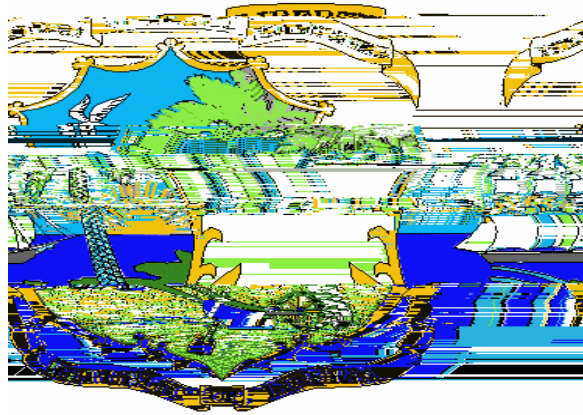


PUBLIC FINANCE MANAGEMENT ACT  
OF 2009



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:

- (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

*“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

*“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, the entity’s assets.

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.

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**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**

1. 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 endorsement 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 Bu



- (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**

1. 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 before the presentation of the budget of the next fiscal 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



- (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 22.3., 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 t



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**PART V. BORROWING, PUBLIC DEBT GOVERNMENT GUARANTEES AND AID  
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3. The State Owned Enterprises or other autonomous agencies not falling directly under Central

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.
4. 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 M**

- (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

preparation and submission of the Final Account of the National Budget shall be determined by

2. The function, reporting responsibilities, and activities of internal auditors shall be prescribed in *regulations*



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,

#### **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**

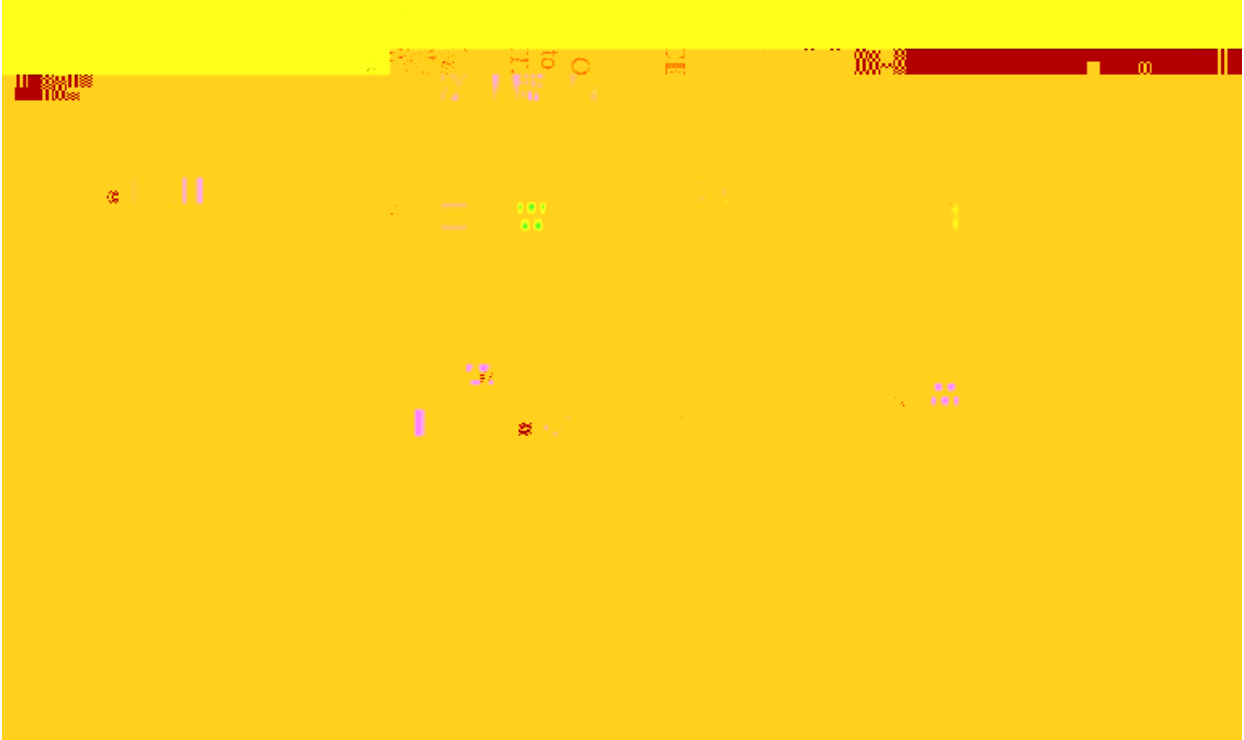
#### **Section 47. Sanctions Regime**

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.





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2009

ATTESTATION TO:

"PUBLIC FINANCES MANAGEMENT ACT OF 2009"

REPUBLIC OF LIBERIA  
LEGISLATIVE ASSEMBLY OF REPRESENTATIVES

