REVENUE SHARING REGULATIONS

MINISTRY OF FINANCE AND DEVELOPMENT PLANNING

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PREFACE TO THE REVENUE SHARING REGULATIONS

The systems of governance in Liberia, including the public financial management (PFM) system, had been over-centralized from the beginning of the Republic. This has presented serious impediments to local development and service delivery. The inclusion of a fiscal decentralization strategy as part of the National Policy on Decentralization and Local Governance is intended to remove the hurdles to local development as far as revenue generation, planning, budgeting, expenditure, and other PFM processes are concerned.

This transfer of financial decision-making and the capacities for financial management to local authorities is also consistent with the national policy agenda of the current administration of President Joseph Nyuma Boakai and his national development agenda for **Agriculture, Roads, Rule of Law, Education, Sanitation** and **Tourism (ARREST)**, which is being developed and implemented at both national and local levels. The Ministry of Finance and Development Planning envisages that if fiscal decentralization is institutionalized throughout the country, including the implementation of the Revenue Sharing Law [and Regulations], citizens and local leaders will take the lead, and be held accountable for, the interventions that improve their standards of living. Fiscal decentralization, when linked to devolution of decision-making, will help to narrow the many gaps between urban and rural Liberia, including differences in bureaucratic authority, economic well-being, and quality of services.

Adopting the Revenue Sharing Regulations also means that, for the first time in Liberian public administration, counties and other sub-national administrative units will assume significant levels of responsibility for local financial management. This includes the authority for mobilization and generation of own-source revenues that are currently administered by the central government such as real property, business registration, professional services, and administrative services as well as shared revenues from natural resource rents and direct transfers from the central government to finance functions to be devolved to authorities.

Despite some teething challenges, we cannot afford to delay decentralization any longer than we have already done. Even more imperative is the need to accelerate fiscal decentralization because the present centralized bureaucracy cannot provide the effective and efficient services to every corner of Liberia, even if the annual budget hits the one billion, five billion, or ten billion mark. The specific development challenges and constraints of each locality, whether village or hamlet, town or township, district or county and city or conurbation, are best known by the inhabitants and their local leaderships. So, as we unveil this latest milestone on the decentralization roadmap, I expect the Revenue Sharing Regulations to be the guideposts for accountability, transparency, and responsible financial decision-making as well as the vehicle through which we can deliver services to all parts of Liberia.

I also caution all stakeholders that by adopting these regulations we are committing ourselves to abide by the rule of law. The provisions in the Revenue Sharing Regulations are not a route for local officials to escape from other fiduciary requirements set out in *Liberia Revenue Code, the Public Financial Management Law, the Public Procurement and Concessions Act, and the Local Government Act*, among others. Rather, it is an additional dimension to the overall public financial management legal framework.

Finally, my appreciation goes to all national and local government stakeholders, civil society actors, and our development partners who contributed their human, financial, and in-kind resources to the preparation, review and validation of the Revenue Sharing Law and Regulations. I encourage everyone to remain equally engaged as we embark on the implementation of the regulations.

A.G. Myers

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Explanatory Memorandum

The Purpose of Revenue Sharing Regulations

The Revenue Sharing Regulations aim to establish clear and transparent methods and procedures for distributing both natural and non-natural resource revenues between the Central Government, Local Governments, and sub-local government units. This fiscal decentralization framework strengthens local government financial management capacities, ensure communities benefit from economic activities in their areas, emphasized the establishment and roles of the county treasuries incompliance with the Revenue Sharing Law of 2021 (RSL) and the Local Government Act of 2018 (LGA). This framework has different provisions that cumulates into it being referred to as regulations.

The Legislative Contexts

The Ministry of Finance and Development Planning has developed this fiscal decentralization reform document so as to clearly state the schedules and methods of transfers to local governments and sub-local governments units and ensure revenues allocated and transferred to Local Government be subjected to the public finance management law and attendant regulations, including budgeting, accounting, audits in compliance with the Revenue Sharing Law of 2021 and the Local Government Act of 2018.

The legal basis for the regulations outlined in the Revenue Sharing Law (RSL) is firmly established through various chapters and it is within the law itself. The (RSL) section 4.6 emphasizes the establishment of County Treasuries in each county, ensuring financial management processes, treasury services, procurement standards, transparency, and accountability are institutionalized strictly incompliance with the Local Government Act of 2018's provisions for central government tax collection and distribution to local governments over the next decade. It is also structured in Chapter 4, 5, and 6 of the RSL underscored the need for fair and transparent sharing of taxes collected by the Liberia Revenue Authority, both from non-natural resource sources and natural resource revenues, precisely utilizing indicator-based and derivative-based models, and respectively, to distribute funds between the Central Government and Local Governments, as well as among local government units.

The Revenue Sharing Law, precisely chapter seven delineates the handling of revenues from County Service Centers, depositing them into the Central Government's Consolidated Account while ensuring a portion remains with the Local Government for sustaining center operations. In chapter eight and section 4.28 of the Revenue Sharing Law and the Local Government Act established the Equalization Fund at the Central Bank, aiming to address unequal development across Liberia, with specific allocations for basic services and infrastructure to marginalized towns. This fund's implementation follows a two-step process overseen by the Local Government Fiscal Board, with periodic reviews to ensure efficacy and discourage dependency on continuous support are reflected in the document.

Methodology

There were several steps taken in the development of these regulations so as to meet national consensus. The United Nations Development Program through the support of the Swedish Government recruited the consultant to develop the revenue sharing law regulations. The consultant did purposive engagements and desk reviews of the Revenue Sharing Law, local government act, existing legislations, proposed amendments to the Public Financial Management (PFM) Act, the Liberia Revenue Code (LRC) were conducted to avoid inconsistencies and addressed issues related to this regulations. Public consultations were held with key stakeholders through regional and institutional engagements. The Ministry of Finance and Development Planning Fiscal Decentralization Unit (FDU) set up critical team to review the first draft of the regulations and it was done in Grand Bassa County, Buchanan City.

Central and Local Government respondents coupled with civil society organizations, including the Ministries of Finance and Development Planning (MFDP), Internal Affairs (MIA), Liberia Information Geo- Information Services (LISGIS), Governance Commission (GC), Nimba, Bomi and Bong Counties were proactively engaged. A chatroom for fiscal decentralization was set up for revision of the regulations. Consultative technical revisions were facilitated by Dr. Romeo D.N. Gbartea, Director of the Fiscal Decentralization Unit (FDU), Ministry of Finance and Development Planning. These strategic engagements were held with the Ministry of Internal Affairs (MIA), Governance Commission (GC) and the Liberia Revenue Authority (LRA). The current appointed Local Leaders (Superintendents, County Finance Officer, and Administrative Officers) and officials of MFDP, MIA, LRA and GC had asset to review it for more than two months. A technical and national validation of these regulations were conducted in Sanniquellie, Nimba County- July 10-13, 2024, to ensure the products serve as an embodiment of both national (Centralized authority and Local Government) consensus.

The Regulations

As a result of the desk review, purposive engagements, stakeholders' consultations and validations, it was determined that the five (5) topics will each be developed into these Revenue Sharing Law 2021 Regulations. The title and rational are as follows:

i. County Treasury – This regulation details how the County Treasury Function should be constituted and operated to ensure it attains the goal of building capacity at the local government and sub-local government units' level, and not become a mere extension of the function of the central government.

ii. Non-Natural Revenue Sharing – This regulation expands on chapters 4 and 5 of the Revenue Sharing Law and provides response to a very critical element not provided for in the RSL (i.e. the base upon which the indicator base model will be applied). The regulation also provided for the simultaneous distribution of revenue within the consolidated account between central and local governments.

iii. Natural Resource Revenue Sharing – This regulation provides the step-by-step process by which central government will allocate revenues from natural resources via the transitory account required by the RSL.

iv. County Service Centers – This regulation address the retention of resources generated in the county service centers. It clearly delineates the base upon which the county share would be applied.

v. Equalization Fund – This regulation provides the mechanism through which towns and cities would be selected and how this fund would be allocated and distributed by the Local Government Fiscal Board (LGFB) is enshrined.

Review of the Regulations

This Regulation shall be revised by the provisions provided under Section 9.3 of the Revenue Sharing Law of 2021, which underscored the need for the revenue sharing formula to be reviewed and revised, every five years.

Part I – Preliminary

1.1. **Citation and application**.

1.1.1. These Regulations shall be cited as the Revenue Sharing Regulations.

1.1.2. These Regulations apply to the Central Government and all its institutional functionaries, particularly the Ministry of Finance and Development Planning, the Ministry of Internal Affairs, the Liberia Revenue Authority, the Local Government Fiscal Board, as well as Local Governments and sub-local government units mentioned in the Revenue Sharing Law of 2021 and the Local Government Act of 2018.

Definition of concepts

In these Regulations, unless the context otherwise requires. In essence, the following are meaning of concepts utilized in this regulations:

(a) **Central Government:** It is the national government of the Republic of Liberia comprising of three (3) branches: Legislative, Executive, and judicial.

(b) **County:** Interchangeably used to reflect local government or a sub-national structure organized to share authority with the central government.

(c) **County Service Center:** A one-stop-shop where all deconcentrated services provided by central government's sector ministries and agencies are delivered in each county. Some of these services include County treasury functions, issuance of marriage certificates, birth certificates, operating permits, vehicle licenses and registration of businesses, land deeds as well as provision of psychosocial support to victims of domestic violence including sexual and gender-based violence.

(d) **County Treasury:** A deconcentrated financial management framework set up in the counties so as to strengthen local governments by collecting revenues received from central government and donors; learn-by-doing institutional capacity building, providing treasury services, ensuring maintenance of financial standards for procurement, increasing transparency and accountability of budgetary spending, financial accounting, and implementing sound internal control and auditing systems. The treasury officers

(e) **Decentralization:** The transfer of political, administrative, and fiscal powers or responsibilities from central government to local governments.

(f) **Delegated Functions:** When the function(s) of central government is assigned to a personnel or agency for local government functionalities to be institutionalized in a local govoernment structure.

(g) **Derivation based methood:** The sharing of revenue based on where they are collected; in essence, a portion of revenue is transferred back to its area of origin especially where the resource is derived based on established law(s) or regulations.

(h) **Development Fund:** A fund established by each county, city or township institutionalized by the central government for the purpose of capital investments and development.

(i) **Devolved Functions:** Central government agency functions transferred by law to local governments.

(j) **Earmarked Transfers for delegated functions:** It means the transfer from the central government or a central government agency, to local governments for implementing delegated functions.

(k) **Earmarked Transfers for devolved functions:** It refers to the transfers from the central government to local governments for implementing functions devolved from the central government to local governments.

(l) **Equalization Fund:** A fund set aside by the central government to provide basic services and infrastructures to address unequal developments of select marginalized and deprived communities.

(m) **Fiscal Decentralization:** The transfer of certain revenue and expenditure management functions and authority from central to local governments.

(n) **General Fund:** A fund established by the Central Government for each county for the receipt of annual transfers for the purposes of general administration and operations as well as for redistribution to local government sub-units.

(o) **Indicator-based Model:** The method of sharing revenue calculated based on a set of indicators such as population, land area, and poverty level. This model ensures that revenues are transferred based on needs.

(p) **Legislature**: The law making body of the Republic of Liberia, comprising of two (2) houses, the House of Senate, and the House of Representatives.

(q) **LISGIS:**It is the Liberia Institute of Statistics and Geo-Information Services (LISGIS).

(r) **Local Government:** It is a sub-national or a county with deconcentrated authority that shares authority with the central government.

(s) **Local Government Fiscal Board:** It is the a body whose membership is appointed by the President that determines the amount of grant allocations to sub-national government based on a process that considers objective, equitable and measurable factors.

(t) **Municipalities:** refers to cities, townships, and a borough.

(u) **Own-Source Revenues:** revenues specified by law to be collected, retained, and utilized by local governments for their own administrative and development purposes.

(v) **Revenues:** Monies collected through extraction of natural resources, taxation and other sources such as fees, duties, and fines imposed on individuals and corporations by central and local governments.

(w) **Revenue Sharing:** the distribution of revenues between central and local governments, as well as between local government and sub-local government units.

(x) **Revenue Sharing Formulas:** the formulas used in the determination and distribution of revenues between central and local governments, as well as between local governments and sub-local government units.

(y) **Transitory Account:** A temporary account for all Local Governments established at the Central Bank for deposits of all monies from natural resources revenues prior to their distribution among the fifteen (15) Local Governments.

1.3. Authority and Responsibilities for the Revenue Sharing Law

1.3.1. The Ministry of Finance and Development Planning (MFDP) is responsible to formulate, institutionalize and administer economic, development, fiscal and tax policies for the promotion of sound and efficient management of the financial resources of the government.

1.3.2. The Revenue Sharing Law mandates the Ministry of Internal Affairs and related central government bodies to oversee local governments' adherence to transparency and accountability in fund utilization. It requires that revenues allocated to local governments be managed according to public finance management laws, including budgeting, accounting, and audits, overseen by the Ministry of Finance and Development Planning.

1.4. Financing and Sustainability of the County Treasury

1.4.1. The county treasury framework shall be sustained and financed by resources from the central and local governments through the basic financial mechanisms. Financing shall include compensation, goods & services and capital investment.

1.4.2. Central government shall finance and sustain the county treasury. Once the central government starts the process of transfer of revenue to the local government, the financing of the treasury shall be jointly done by central and local governments. Annually, the central and local governments shall formulate the mechanics on the budget allocation in the financing process of the treasury. There are fundamental stages to illustrate the pattern on the processes of financing and sustainability.

1.4.2.1 For the first three (3) years, following the effective date of this Regulation and the establishment of a County Treasury, the operations shall be financed 70% by the Central Government and 30% by local government.

1.4.2.2 From the fourth (4) years through the sixth (6) years, the County Treasury operations financing shall be shared equally between Central Government and Local Government

1.4.2.3 From the seventh (7) years and onward, the County Treasury operations shall be wholly financed by the Local Government.

Part II: Establishment and operations of a County Treasury

2.1. Establishment of County Treasury

The County Treasury Framework shall be set up and well situated in the fifteen counties with all the spending entities working through these treasuries. There shall be a gradual process in the setting up of the treasuries in the country.

2.1.1. The initial four treasuries in Grand Bassa, Bong, Nimba and Margibi, shall be operational with all the Ministries, Agencies and Commissions (MACs). Thereafter, additional six counties shall be structured with all the spending entities on board to perform their financial processes within twelve (12) months of the effectiveness of the regulation in context with the framework. The last five counties shall be in place within twenty-four (24) months of the effective date of this regulation. Notably, the eleven counties' treasuries shall be set up and operational once the government has the resources and all the necessary mechanisms are put into perspective especially all the Ministries, Agencies and Commissions budgets shall be disaggregated.

2.2. Composition of Each County Treasury

A treasury shall be represented by five Institutions. Each personnel of the County Treasury shall be persons hired within the civil service. The following institutions and members shall be constituted as provided below:

2.2.1. Ministry of Finance and Development Planning (MFDP) – The MFDP shall have Financial Management Officer (FMO), Budget Officer (BO), Regional Development Officer (RDO), County Monitoring Officer (M&E), and Revenue and Tax Policy Officer (RTPO) in the treasuries. The Financial Management Officer (FMO) shall serve as the head of the Treasury while the Asst. Head shall be the Revenue and Tax Policy Officer (RTPO).

2.2.2. Public Procurement and Concession Commission (PPCC) – The PPCC shall have two procurement officers.

2.2.3. Internal Audit Agency (IAA) - The Internal Audit Agency (IAA), shall comprise of two Internal Auditors.

2.2.4. Liberia Revenue Authority (LRA) - The Liberian Revenue Authority (LRA) shall have three revenue staff.

2.2.5 The County Administrative Officer, County Finance officer and County Development Officer are integral part of the county treasury framework.

2.3. Functions of the County Treasury

The County Treasury shall, for the next ten (10) years:

2.3.1. Support and strengthen capacity of local government in financial management processes (budgetary appropriation, allotment, and printing of checks and disbursement);

2.3.2. Provide sustainable and reliable financial standards for procurement incompliance with the Public Financial Management law and procurement regulations;

2.3.3. Ensure transparency and accountability of budgetary spending and prudent financial processes;

2.3.4. Implement sound financial internal control and auditing systems;

2.3.5. An automatic technological machinery and approving mechanisms between the centralized authorities, treasury officers, (MACs) and local government administration shall be put into placed for the operations of the treasuries;

2.3.6. Make sure all the Ministries, Agencies and Commissions process their vouchers, allotments and payments in the treasuries including the county and social development funds Supervision, Coordination and Reporting.

2.4. Supervision of the Treasury

The supervision of the treasury shall be under the Ministry of Finance and Development Planning, with coordination by the Fiscal Decentralization Unit, and shall gradually transfer, to the Local Government. Treasury officers through the Financial Management Officer shall do the reporting of the county treasury to the Ministry of Finance and Development Planning and the local government administration.

2.5. Monitoring and Evaluation of the Treasury

The central government shall develop a capacity development strategy in consultation with the local government. Each County Treasury shall prepare an annual capacity development plan out of the capacity development strategy, which shall be monitored and evaluated, on an annual basis by the Local Government Fiscal Board.

2.6. Duration of the County Treasury

The county Treasury Framework shall have a perpetual existence for the basis of sustainable development and incorporated into the local government structure.

Part III: Non-Natural Resources Revenue Sharing

3.1. **Sources of Non-Natural Resource Revenue**

Non-Natural Resource Revenue shall constitute all revenues that are generated and collected from Non-Natural Revenues sources such as real estate taxes, income taxes, licenses, permits, professional fees, and leases of government assets. Except that any non-natural resource revenue collected through a County Service Center shall be allocated in accordance with the County Service Center Regulation.

3.2. **Allocation of Non-Natural Resource Revenue between the Central Government and Local Governments**

The revenues collected from non-natural resources shall be shared between the Central Government and Local Government. The amount to be shared with the local government shall not be less than twenty-five percent (25%) nor more than fifty percent (50%) of the total non-natural resource revenue for the fiscal year.

3.2.1. The Central government shall on an annual basis determine and publish in the budget law the percentage of the non-natural resources revenue to be allocated for sharing with local governments. However, when there are delays in the passage of the current year budget, allocation shall be based on the 1/12 rule as stipulated in the PFM law, Section 22.

3.2.2. All non-natural resource revenues will first be deposited in the Consolidated Revenue Account of the Central Government. However, the distribution shall exclude the revenue generated from the County Service Centers.

3.2.3. The Funds to be allocated for the Local government from the Central Government shall be transferred at the same time, the Central Government transfers its funds from the Consolidated Revenue Account to any of its operational account at the authorized percentage for that fiscal year.

3.2.4. The revenues are generated throughout the year; therefore, the Central Government shall communicate the amounts to be shared monthly to the Local Government Fiscal Board (LGFB). The Central Government shall, no later than fifteen days following the end of the month in which the revenue was collected, disburse to the General Fund established for each county the determined amounts.

3.2.5. The total amount available for distribution to the local governments shall be distributed by the Central Government using the LGFB determined percentage allocation per each county, as published in the budget law, using the below formula of the indicator-based model:

$\boldsymbol{RSi}$=$\mathbf{0.4}$ $\boldsymbol{PIi}$ + $\mathbf{0.3}$ $\boldsymbol{PLii}$ + $\mathbf{0.15}$ $\boldsymbol{LAi}$ + $\mathbf{0.1}$ $\boldsymbol{Di}$ + $\mathbf{0.05}$ $\boldsymbol{FEi}$

Where:

i. $\boldsymbol{PIi}$ - Population Index shall be calculated by dividing the population of the county by the total population of the country;

ii. $\boldsymbol{PLi}$ – Poverty Level Index shall be calculated by dividing the poverty level of the county by the total poverty level of the country;

iii. $\boldsymbol{LAi}$ – Land Area Index shall be calculated by dividing the land area of the county by the total land area of the country;

iv. $\boldsymbol{Di}$ - Development (Education and Health) Indicator Index shall be calculated as the share of the county population with little or no education plus either the average time it takes for households in the county to access primary health care or the average cost, in Liberia Dollars, of a visit to a primary care facility;

v. $\boldsymbol{FEi}$ - Fiscal Efficiency Index shall be calculated as the revenue collected in a county during the year, plus the difference between the revenue collected in the current year and the previous year minus one as shown in the below formula:

The following weight shall be applied to each of the above parameters:

No	**Parameter**	**Weight (%)**
1	Population	40
2	Poverty Level	30
3	Land Area	15
4	Development Indicator	10
5	Fiscal Efficiency	5
		100

3.3. Primary Sources of Data

The primary sources of data to be used in the above formula shall be sourced as follows:

i. Liberia Institute of Statistics and Geo-Information Services (LISGIS) Reports for:

   a. Population

   b. Poverty Level

   c. Development Indicator

ii. Liberia Land Authority (LLA) Report

   a. Land Area – as found in the national cadastral registry and updated from time to time.

iii. Liberia Revenue Authority (LRA) Report

   a. Fiscal Efficiency – the revenue outturn report from the immediate past fiscal year.

3.4. Secondary Sources of Data

Where a primary data source has not been generated, the respective agency of government responsible to produce the data shall communicate the secondary data source to be used by the LGFB. This secondary source shall be used consistently until a primary data source has been created.

3.5. Determination of the percentage allocation

The LGFB shall on an annual basis make a determination of the annual percentage allocation for each local government, which shall be communicated with the National Legislature and published in the annual Budget law. The annual percentage shall be used throughout the fiscal year to which it applies. The LGFB may update the percent allocation during the year; however, any change shall only be applicable to future fiscal periods and shall be communicated to the National Legislature for publication in each annual budget law.

3.6. Allocation of Non-Natural Resource Revenue between the Local Governments and Sub-Local Government Units (cities, townships, and the borough of New Kru Town)

The LGFB shall determine the annual amount of the local governments' revenues to be allocated amongst the sub-local government units of each county.

3.6.1. The LGFB shall on an annual basis determine and communicate to the National Legislature, for publication in the budget law, the percentage of the non-natural resources revenue allocated to local governments for sharing with the sub local government units.

3.6.2. The amount to be shared shall not be less than Twenty-five percent (25%) nor more than fifty percent (50%) of the total non-natural resource revenues of the county for the fiscal year.

3.6.3. As the revenues are distributed to the General Fund of each county, the local government shall immediately transfer the allocated revenues to the accounts of each sub-local government units.

3.6.4. The Local Government using the LGFB determined percentage allocation per each sub-local government unit, as published in the budget law shall distribute the total amount available for distribution to the sub-local governments units.

3.6.5. The LGFB percentage allocated per each of the sub-local government units revenues shall be determined using the below formula of the indicator-based model:

$$\boldsymbol{RSi}=\mathbf{0.4}\ \boldsymbol{PIi}+\mathbf{0.3}\ \boldsymbol{PLii}+\mathbf{0.15}\ \boldsymbol{LAi}+\mathbf{0.1}\ \boldsymbol{Di}+\mathbf{0.05}\ \boldsymbol{FEi}$$

Where:

i. $\boldsymbol{PIi}$ - Population Index shall be calculated by dividing the population of each city or township by the total population of the county;

ii. $\boldsymbol{PLi}$ – Poverty Level Index shall be calculated by dividing the poverty level of each city or township by the total poverty level of the county;

iii. $\boldsymbol{LAi}$ – Land Area Index shall be calculated by dividing the land area of each city or township by the total land area of the county;

iv. $\boldsymbol{Di}$ - Development (Education and Health) Indicator Index shall be calculated as the share of the city/townships population with little or no education plus either the average time it takes for households in the county to access primary health care or the average cost in Liberia Dollars, of a visit to a primary care facility;

3.6.6. The LGFB shall allocate the revenue amongst the sub-local government units utilizing the available data for the indicator-based model. Where there is no information as required, the LGFB shall allocate the revenue to the sub local government on a pro rata basis.

Part IV: Natural Resource Revenues Sharing

4.1. Sources of Natural Resource Revenue

The payments to the central government by a natural resource concessionaire for exploitation of a natural resource shall constitute the sources of natural resources revenue, except income taxes. It includes but not limited to iron ore operations, gold and diamond operations, oil and gas operations and agricultural and forestry operations.

4.2. Establishment of a Transitory Account

A Transitory Account is hereby established at the Central Bank of Liberia into which the collection of all payments from natural resources operations shall be initially deposited. Notably, the revenues from the transitory account shall be distributed to the Consolidated Account for Central Government and the General Funds for each county and affected communities.

4.3. Distribution of revenue from Natural Resources between the Central Government and Local Governments

The revenues collected from natural resources shall be shared between the Central Government and Local Government under the derivative-based model. All funds allocated to the local government under the derivative-based model shall be distributed with the sub-local government units using the indicator-based model. The distribution based on the derivative-based model shall be as follows:

4.3.1. Ten percent (10%) to the county of origin of the natural resource revenues and shall be transferred from the Transitory Account directly to the General Funds of the affected county. This revenue shall be allocated between the local government and the sub-local government units as determined by the LGFB using the indicator-based model as published in the Annual Budget Law and distributed monthly along with the non-natural resource revenue.

4.3.2. Twenty-five percent (25%) to all the fifteen (15) Local Governments, including the county of origin. The revenue shall be allocated amongst the 15 counties as determined by the LGFB using the indicator-based model as published in the Annual Budget Law and distributed monthly along with the non-natural resource revenue.

4.3.3. Sixty percent (60%) to the Central Government towards its general revenues and shall be transferred to the General Revenue Account; and

4.3.4. Five Percent (5%) to communities and/or counties affected by the exploitation and transportation of the natural resource for shipment overseas or processing within Liberia. The revenue shall be transferred from the Transitory Account directly to the General Funds of each of the affected county (ies) in their proportion using the indicator-based model as determined by the LGFB.

4.4. Distribution Frequency

The transfers from the Transitory Account shall be done on a monthly basis or at the same time, the Central Government transfers its share to the Consolidated Account.

4.5. Allocation of Natural Resource Revenue between the Local Governments and Sub-Local Government Units

Twenty-five percent (25%) of the natural resource revenues transferred to each local government shall be distributed with the sub-local government units of each of the 15 counties.

4.5.1. The LGFB shall on an annual basis determine and communicate to the National Legislature, for publication in the budget law, the percentage of the natural resources revenue allocated to local governments for sharing with the sub local government units using the LGFB determined percentage allocation per each sub-local government unit, as published in the budget law.

Part V: County Service Centers

5.1. Categorization of Services

The county service center, a one-stop shop deconcentrated service delivery system in the fifteen (15) counties, provides two classifications of services. They are delegated services and own source revenue services. Delegated services are those services that remain under the control of the central government beyond the transitional period; while own source revenue services are non-natural resource revenue that would be owned exclusively by local government after the ten (10) years transition.

5.2. Delegated Services

The delegated services include the following but not limited to:

5.2.1. Registration and issuance of birth certificates and death certificates;
5.2.2. Registration and issuance of marriage certificates;
5.2.3. Reproduction of public records and documents;
5.2.4. Land registration;
5.2.5. Building construction permits;
5.2.6. Tribal land registries; and
5.2.7. Certification of traditional herbalists

5.3. Own Source Revenue

The own source re venue shall comprise:

5.3.1. Real property tax and income on same;
5.3.2. Business license for occupation and professional licenses;
5.3.3. Fees and charges for occupation and professional licenses;
5.3.4. Fees and charges for provision of public services provided directly by counties, cities and townships;
5.3.5. Revenues from rental of assets
5.3.6. Fees and charges for provision of official documents and services, as delegate by respective ministries and agencies; and
5.3.7. Fines imposed by local government authorities

5.4. Procedures and Processes

For all new services, Ministries, Agencies and Commissions (MACs) shall develop and distribute a standard operational procedure (SOP). For existing services, Ministries, Agencies and Commissions (MACs) shall periodically review, document and revise all standard operational procedures. The Standard Operational procedures are intended to build the capacity of the local government during the ten (10) years period. When the own sourced revenues processes are transitioned, the local government structure shall review the SOP and ensure it is in the context subnational structure.

5.5. Collection and reporting

5.5.1. The Liberia Revenue Authority (LRA) shall collect revenues in the county service center and do dual reporting. The LRA shall report to the local government structure, including the county Service Coordinator at the same time said report is provided to the LRA Headquarters.

5.5.2. The fees collected in the County Service Center shall all be deposited directly in an existing or new transitory account(s) as determined by the LRA and the central government Ministry or Agency.

5.6. Distribution of Fees generated

Consistent with the PFMA, funds in transitory accounts shall be transferred to the General Revenue Account the next clearing day or as provided for in the MOU establishing said transitory account. All existing MOUs or new MOUs to be created shall provide for the distribution of the forty percent (40%) of the net revenue to the Government to be transferred to the account of the County Service Center. The transfer to the County Service Center Account shall occur at the same time funds are transferred to the central government and any other third party beneficiaries' accounts.

5.7. Establishment of County Service Center Accounts

Upon the effectiveness of this regulation, all County Service Centers shall have an independent account for the receipt of funds to be retained, in concurrence with the PFMA and Regulations regarding opening of account.

5.7.1. Signatories - The signatories to the account shall not be less than two (2) to be determined by the Superintendent. The Head of the County Service Center shall at all times be the prime signatory to the account.

5.8. Compliance obligations

All transactions from the account of the country service center shall conform and comply with the public financial management and reporting requirements, public procurement and concession act and the Internal Audit Agency requirements.

5.9. County Service Center Operations

The county service center operations are structured into three (3) parts: budgeting, expenditure and reporting.

5.9.1. Budgeting - The County Service Center shall be required to commence preparing its budget of 40 % funds to be received and expended by year two following the effectiveness of this regulation. The Center shall develop its budget based on the actual revenue received in the prior fiscal year subject to such adjustments as may be determined by prevailing economic variables.

5.9.2. Expenditures – the expenditures of the County Service Center shall be subject to the public financial management, procurement and internal audit rules of the central government. Therefore, the Head of the County Service Center, with support from the county treasury, shall prepare procurement plan and cash plan to be submitted to and approved by the Superintendent.

5.9.3. Reporting – The reports of all funds received in and expended from the County Service Account shall be prepared by the county service coordinator, with support from the county treasury, issued consistent with PFMA and Regulations and shall be issued to the Office of the Superintendent, Minister of Internal Affairs (MIA), Local Government Fiscal Board (LGFB) and the Department of the Comptroller and Accountant General (CAGD), Ministry of Finance and Development Planning (MFDP).

Part VI: **Equalization Fund**

6.1. Establishment of the Equalization Fund

The Equalization fund shall be established by the Central Government within twelve (12) months of the coming into effect of this Regulation and shall be domiciled at the Central Bank of Liberia.

6.2. Source of Revenue for the Equalization Fund

The Central government from the Consolidated Fund shall finance the Equalization Fund.

6.2.1. The Central government shall on an annual basis determine and publish in the budget law the percentage of the Consolidated Fund to be allocated to the Equalization Funds.

6.2.2. The amount to be allocated shall not be less than five percent (5%) of the total funds of the Central Government share in the Consolidated Fund for the fiscal year. Central government share of funds in the consolidated account that are available for distribution shall not include aid, borrowings and earmarked revenues that are legislated.

6.2.3. The Funds to be allocated for the Equalization Fund from the Central Government Consolidated Account shall be transferred to the Equalization Fund at the same time the Central Government transfers its funds from the Consolidated Revenue Account to any of its operational account at the authorized percentage for that fiscal year.

6.3. Distribution of the Equalization fund

The Local Government Fiscal Board (LGFB) shall use the below two-step process of distributing the equalization fund:

6.3.1 **Beneficiaries of the Equalization Fund**

The Board shall within one year of the effective date of this Regulation identify for a five (5) year period the following beneficiaries:

i. Five (5) most deprived and marginalized towns in each county with population less than a hundred thousand (<100,000).

ii. The Board will use the officially published statistical records of the Government of Liberia to determine the towns to be selected in counts.

iii. The selected towns shall be notified and their Implementing local government authority shall be responsible to identify the basic services and infrastructures to be developed over five years. The development plan of the beneficiary towns shall be prepared in consultation with the local government structure.

iv. The Board shall, based on the available fund, determine the projects to be implemented annually based on the development plans of the beneficiaries. At least one project shall be implemented in each beneficiary town per annum.

6.3.2. Allocation of the Fund to Beneficiaries

The total amount appropriated for distribution to the selected towns, upon transfer from the Consolidated Revenue Account to the Equalization Fund Account, shall be distributed by the LGFB, using the below formula of the indicator-based model:

$$\boldsymbol{RSi} = \mathbf{0.4}\ \boldsymbol{PIi} + \mathbf{0.3}\ \boldsymbol{PLii} + \mathbf{0.3}\ \boldsymbol{Di}$$

Where:

i. Population Index: shall be calculated by dividing the population of the town by the total population of the towns as shown in the formula below:

$$\mathrm{PIi} = \frac{Population\ of\ town}{Total\ Population\ of\ all\ towns\ selected}$$

ii. Poverty Level Index: shall be calculated by dividing the poverty level of the town by the total poverty level of all towns selected as shown in the formula below

$$\mathrm{PLi} = \frac{Poverty\ level\ of\ town}{Total\ Poverty\ of\ all\ towns\ selected}$$

iii. Development (Education and Health) Indicator Index shall be calculated as the share of the town's population with little or no education plus either the average time it takes for households in the town to access primary health care or the average cost, in Liberia Dollars, of a visit to a primary care facility as shown in the below formula

$$\mathrm{DIi} = \mathrm{ED}i + HAi$$

iv. Each of the indicators shall have the following weights be applied:

No.	Parameter	Weight (%)
1	Population	40
2	Poverty Level	30
3	Development Indicator	30
		100%

v. Official Sources of Data – LISGIS shall be the official sources for the data to be used in the above formula.

6.4. Implementing Authority and Oversight of the Fund

The Implementing Authority for the Equalization Fund shall be the Township Administration headed by the Township Commissioner. The Township Administration, with guidance from the County Development Officer, shall identify and formulate a development plan to be approved by the Township Council. The approved Township Commissioner shall submit the approved plan to the County Superintendent and the Local Government Fiscal Board (LGFB)

6.5. Oversight Authority of the Fund

The Township Council shall provide direct oversight for the Township administration and shall approve the equalization fund and development projects in accordance with the Local Government Act. The approved funds and developmental projects shall be submitted to the County Superintendent and LGFB.

6.6. The Local Government Fiscal Board (LGFB)

The Board shall be the oversight authority for the Revenue Sharing Law (RSL) and shall determine the annual allocation to each beneficiary, using the indicator-base formula.

Public Notice

The Government of Liberia via the Ministry of Finance and Development Planning (MFDP), announces the establishment of County Treasuries with their roles in accordance with section. The MFDP shall issue regulations on the schedules and methods of transfers to local government and sub-local government units sharing non-natural resource revenues between Central Government, Local Governments, and Sub-national Government Units, as well as the distribution of natural resource revenues. Revenues are generated from the County Service Centers and deposited into the Government's Consolidated Account while an Equalization Fund shall be established at the Central Bank for all Local Governments to address unequal developments of marginalized and deprived towns across Liberia to lift them out of abject poverty. The objective is to provide, within specific fiscal periods, those basic services and infrastructure: water and sanitation; primary education services; and roads and bridges. This is consistent with Chapters 4, 5, 6, 7, 8, 9, 10 of the Revenue Sharing law of 2021.

Effective Date

The Regulations shall take effect as of the validation on July 13, 2024.