



LIBERIA

June 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR LIBERIA

In the context of the Request for Disbursement under the Rapid Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 5, 2020, following discussions that ended on May 22, 2020, with the officials of Liberia on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 1, 2020.
- A **Debt Sustainability Analysis** prepared by the staff of the International Monetary Fund and the International Development Association.
- A **Statement by the Executive Director** for Liberia.

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by the authorities of Liberia*

*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Executive Board Approves a US\$50 Million Disbursement to Liberia to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The IMF approved the disbursement of US\$50 million (1.7 percent of GDP) under the Rapid Credit Facility to support the authorities' response to the COVID-19 pandemic.
- The economic impact of the pandemic is hitting the poorest with little social safety net, and food security of those relying on uncertain daily income is a pressing concern.
- The authorities have responded by taking revenue and expenditure measures to support emergency food aid for the poor; improving monitoring and control of spending; and safeguarding scarce foreign exchange reserves.

WASHINGTON, DC – June 5, 2020 The Executive Board of the International Monetary Fund (IMF), today, approved the disbursement of SDR36.17 million (US\$50 million; 1.7 percent of GDP) to be drawn under the Rapid Credit Facility (RCF). This, together with debt relief approved in April 13, will help meet Liberia's urgent balance of payment needs, mostly stemming from fiscal needs necessary to respond to the pandemic.

The pandemic is hitting Liberia at a time, when economic activity was already declining. Real GDP growth for 2019 is estimated at -2.5 percent as private sector confidence remained weak, while inflation remains high. In addition, vulnerability to exogenous shocks remained high as both fiscal and external buffers were low. The full extent of the impact of COVID-19 is not known, but growth is now projected at -2.5 percent for 2020, largely due to lockdown at home and abroad which are negatively impacting domestic demand, net remittances, capital inflows, and the banking sector. In the absence of support, the poorest will feel the impact the most as there is little social safety net, and the food security of those relying on uncertain daily income is a pressing concern. The pandemic opens a balance of payment need of US\$150 million (5.1 percent of GDP) in 2020, which largely arises from a domestic revenue shortfall projected at US\$119 million.

Preliminary data suggest that performance under the Extended Credit Facility (ECF)-supported program has been weak, though the authorities are fully committed to address the weaknesses. Most of the end-December fiscal targets and structural benchmarks were met but the monetary program went off track by a large margin mainly for two reasons: an acute shortage of Liberian dollar banknotes at a period of high cash demand resulting in higher foreign exchange intervention than programmed; and acute shortages of U.S. dollar liquidity in the banking sector. The authorities are addressing these weaknesses—aiming to bring the program back on track in time to complete the first review—but are faced with the challenging task of managing the COVID-19 crisis at the same time.

Following the Executive Board's discussion of Liberia, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement:

“The COVID-19 pandemic came at a time when a consensus on the need for broad-based reform in Liberia had finally emerged, but when macroeconomic conditions remained challenging. The pandemic is expected to hit Liberia hard, and will likely disproportionately affect the most vulnerable as social safety nets are rudimentary, food insecurity is rising, and the healthcare system is underdeveloped.

“The authorities remain committed to protecting the most vulnerable amidst a significant revenue shortfall. The initial response to the pandemic, including the emergency food aid program, is welcome, but more remains to be done. Specifically, the passage of the agreed FY2021 budget with high-quality revenue measures is key to addressing the COVID-19 crisis. It is also important to expeditiously finalize the comprehensive off-budget COVID-19 response plan with development partners. The authorities have taken measures to raise domestic revenue, including legislative approval of an excise tax on fuel and adoption of a resolution to channel all revenues acquired by two large state-owned entities to the government’s consolidated account. They have also made significant improvements in the monitoring, control, and transparency of expenditure, including by tabulating and publishing detailed weekly reconciled spending reports, by requiring all budgetary entities to utilize the centralized financial management system, and by committing to the timely publication of an audit of crisis spending.

“To address the shortage of Liberian dollars and the growing need for more U.S. dollar liquidity, the authorities have contracted the printing of additional Liberian dollar bank notes and are formulating measures for inclusion in the FY2021 budget to augment US dollar liquidity.

“The authorities have also made steady progress in reaching benchmarks set under the Extended Credit Facility arrangement and remain committed to reforms under the arrangement to stabilize macroeconomic conditions and lay the foundation for inclusive and durable growth once the crisis subsides.”

More information

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)
<https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker>

IMF Executive Board calendar
<https://www.imf.org/external/NP/SEC/bc/eng/index.aspx>



LIBERIA

June 1, 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

EXECUTIVE SUMMARY

Context. The COVID-19 pandemic came at a time when a consensus on the need for broad-based reform had finally emerged, but macroeconomic conditions continued to be challenging in Liberia. With the impact of COVID-19, growth is now projected at -2.5 percent for 2020, 3 percentage points below the pre-COVID baseline, largely due to lockdowns at home and abroad. The impact will hit the poorest as there is little or no social safety net and the food security of those relying on uncertain daily income is a pressing concern. The full scale of the COVID spread is unknown, but the health care system is underdeveloped and likely to be overwhelmed should cases rise.

Request for Fund Support. In the attached letter of intent, the authorities request financial support amounting to 14 percent of quota (SDR36.176 million; US\$49.1 million; 1.7 percent of GDP) under the Rapid Credit Facility (RCF) to meet the urgent balance of payments need arising from the global pandemic at a time when the first review of the ECF program has been delayed due to the practical difficulties of holding comprehensive policy discussions in current conditions. Staff supports the request.

Macroeconomic Policies. The authorities' policies to address the pandemic include direct measures (quarantine requirements and a nation-wide lockdown announced on March 22; and fiscal measures, including securing a US\$3 million emergency response budget. More policy responses are however needed, requiring close cooperation between the authorities and development partners, including: procuring and distributing medical supplies; ensuring households have access to food throughout the lockdown; and funding and executing the budget—including paying wages to health workers even in the face of anticipated revenue shortfalls. The Liberian authorities are enhancing their response including by: putting all available domestic resources into the government consolidated account; reallocating non-essential spending to emergency food aid; improving monitoring and control of spending; and safeguarding scarce foreign exchange reserves. Given institutional weaknesses and limited administrative capacity, development partners are increasing their role in delivering both emergency and cash assistance. Nonetheless, urgent disbursement under the RCF is critical to address the balance of payments need and keep the budget fully funded.

Approved By
Dominique Desruelle
(AFR), Kevin Fletcher
(SPR)

An IMF team consisting of Ms. Saito (head), Mr. Jenya, Mr. Matsumoto and Ms. Tejada (all AFR), Ms. Kamali (SPR), Ms. Lattie (MCM), Mr. Oestreicher (Resident Representative), and Mr. Deline (Economist, Resident Representative Office) exchanged information and held discussions with President Weah, Finance Minister Tweah, Central Bank Governor Tarlue, State Minister McGill, Commerce Minister Tarpeh, Agriculture Minister Cooper, other senior government and central bank officials by video conferences during April 17-May 22, 2020. Ms. Kaze provided research support and Mr. Magno assisted the team in the preparation of this report.

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CONTEXT

1. **The COVID-19 pandemic came at a time when a consensus on the need for broad-based reform had finally emerged, but macroeconomic conditions continued to be challenging.** The authorities requested a four-year arrangement under the Extended Credit Facility (ECF) in December 2019 to restore macroeconomic stability, build a strong foundation for medium-term growth, and address weaknesses in governance. A broad range of the population has been suffering from the economic slowdown, high inflation, and volatile movements in the exchange rate for over two years.
2. **The economic toll and the impact of the pandemic on the population, especially on the poorest, are likely to be high.** Policy response to the pandemic was prompt. The first travel advisory, including quarantine requirements, was issued as early as February 28. By March 21, a general lockdown was mandated enforcing severe social distancing, including closure of schools, beaches, mosques, churches, and street markets. The spread of COVID-19 has so far been limited, but the number of cases is rising and carries a high mortality rate. The full scale of its potential spread is unknown, but the health care system is underdeveloped and likely to be overwhelmed should the incidence increase substantially. The general lockdown is taking a further toll on the population living below or near the poverty line with little or no social safety net.
3. **Preliminary data suggest that performance under the ECF-supported program has been weak, though the authorities are fully committed to address the weaknesses.** Most of the end-December fiscal targets and structural benchmarks were met but the monetary program went off track by a large margin mainly for two reasons: an acute shortage of Liberian dollar (LD) banknotes at a period of high cash demand resulting in higher foreign exchange intervention than programmed, as Liberians shifted from LD to U.S. dollar (USD) deposits to gain access to banknotes; and additional USD liquidity assistance extended to the banking sector. The authorities are addressing these weaknesses—aiming to bring the program back on track in time to complete the first review—but are faced with the challenging task of managing the COVID-19 crisis at the same time.

IMPACT OF THE COVID-19 PANDEMIC

A. Economic Developments Before the Pandemic

4. **The pandemic is hitting Liberia at a time when economic activity was already declining.** Staff revised the 2019 GDP growth rate down by 1.1 percentage point to -2.5 percent since the program inception as private sector confidence remained weak. Year-on-year imports and credit to the private sector also declined sharply in the second half of 2019.
5. **Pressure on the exchange rate and inflation eased due to involuntary monetary contraction.** A LD cash shortage at end-2019, a time of high seasonal demand, created LD scarcity

that appreciated the exchange rate by 11 percent between October 2019 and January 2020. With high passthrough, inflation fell to 23.6 percent by January 2020.

6. Vulnerability to exogenous shocks remained high as both fiscal and external buffers were low, despite the US\$23 million disbursement at the inception of the program. Gross official reserves increased in the fourth quarter of 2019 with the IMF disbursement and an increase in government deposits. However, net international reserves (NIR) declined by US\$26.4 million for two main reasons. First, facing an acute shortage of LD banknotes at a period of high cash demand, the CBL sold US\$10 million of USD cash to commercial banks to enable the banks to provide customers with cash to meet transactional demands. Second, additional USD liquidity assistance amounting to US\$7 million was extended to the banking sector. Both the shortage of LDs and the USD liquidity assistance remain stable but elevated.

7. Economic growth for 2020 was forecast to reach only 0.5 percent before the pandemic. The slowdown in non-mining growth observed in the second half of 2019 was expected to continue into the first of half of 2020. Given the weak demand, inflation was projected to close 2020 at 15 percent.

B. Impact of the Pandemic

8. The full extent of the impact of the pandemic is not known but GDP growth for 2020 is projected at -2.5 percent, a 3 percentage-point revision from the pre-COVID baseline (Text Table 1 and Text Figure 1). Signs of a slowing economy have started to emerge as imports have begun to decline. Non-mining GDP will be affected by a large decline in hotel and transportation services (which make up 16 percent of GDP) due to social distancing measures and restricted cross border travel. Airlines have already cancelled all flights to Liberia until further notice. In 2020, the downward revision of iron ore prices is likely to reduce mining growth as well.

9. The impact of the pandemic opens an urgent balance of payments (BOP) gap of US\$150 million (5.1 percent of GDP) in 2020. The terms-of-trade shock is positive as fuel import prices declined much more than those of Liberia's main export commodities (iron ore, rubber, gold). However, staff projects a deterioration in service receipts, especially in the hotel industry and related services, though the decline will be partly compensated by a fall in associated imports and income repatriation. A decline in net remittance inflows and delays in capital inflows are anticipated as advanced countries' growth has been markedly revised down.

10. The BOP financing gap arises from fiscal deficits (Text Table 2).¹ The fiscal financing gap has been estimated relative to fiscal target set under the ECF-supported program. These higher deficits are mostly due to a tax revenue shortfall, which is projected at US\$119 million for 2020.²

	2019		2020			2021		
	Est.	ECF Approval	Pre-COVID-19 Recast	Proj.	ECF Approval	Pre-COVID-19	Proj.	
Real GDP annual percent change ¹	-2.5	1.4	0.5	-2.5	3.4	3.4	4.0	
<i>of which, non-mining sector</i>	-4.5	0.0	-1.1	-3.5	2.7	2.7	3.5	
Inflation (annual average)	15.0	21.3	21.3	17.6	13.5	13.5	13.5	
	On-budget (millions of U.S. dollars) ¹							
Revenue and grants	451	506	485	426	517	517	422	
<i>of which, revenue</i>	459	465	444	395	495	495	402	
Expenditure	525	497	474	480	503	472	468	
Overall balance	-74	9	11	-53	14	45	-46	
Fiscal financing gap (millions of U.S. dollars)	0	0	0	-72	0	0	-78	
	On-budget (percent of GDP) ¹							
Primary balance excl. grants	-1.0	-0.1	0.0	-1.8	0.8	0.8	-1.3	
Fiscal financing gap	0.0	0.0	0.0	-2.4	0.0	0.0	-2.7	
Public external debt	32.1	38.0	40.1	39.2	42.7	46.7	45.4	
	(Percent of GDP, unless otherwise indicated)							
Current account balance	-22.5	-21.4	-20.8	-22.8	-21.9	-20.6	-20.2	
Balance of payments financing gap	0.0	0.0	0.0	-5.1	0.0	0.0	0.0	
Balance of payments financing gap (millions of U.S. dollars)	0	0	0	-150	0	0	0	
Gross official reserves (millions of U.S. dollars)	292	308	317	336	333	350	401	
<i>Months of imports of goods and services</i>	2.4	2.5	2.7	2.7	2.7	2.9	3.2	
Net international reserves (millions of U.S. dollars)	27	54	52	-16	63	64	28	
Broad money	20.9	15.8	21.0	22.0	16.3	21.5	22.3	
Credit to private sector (annual change)	-11.3	1.3	0.8	-1.1	3.7	3.6	4.6	

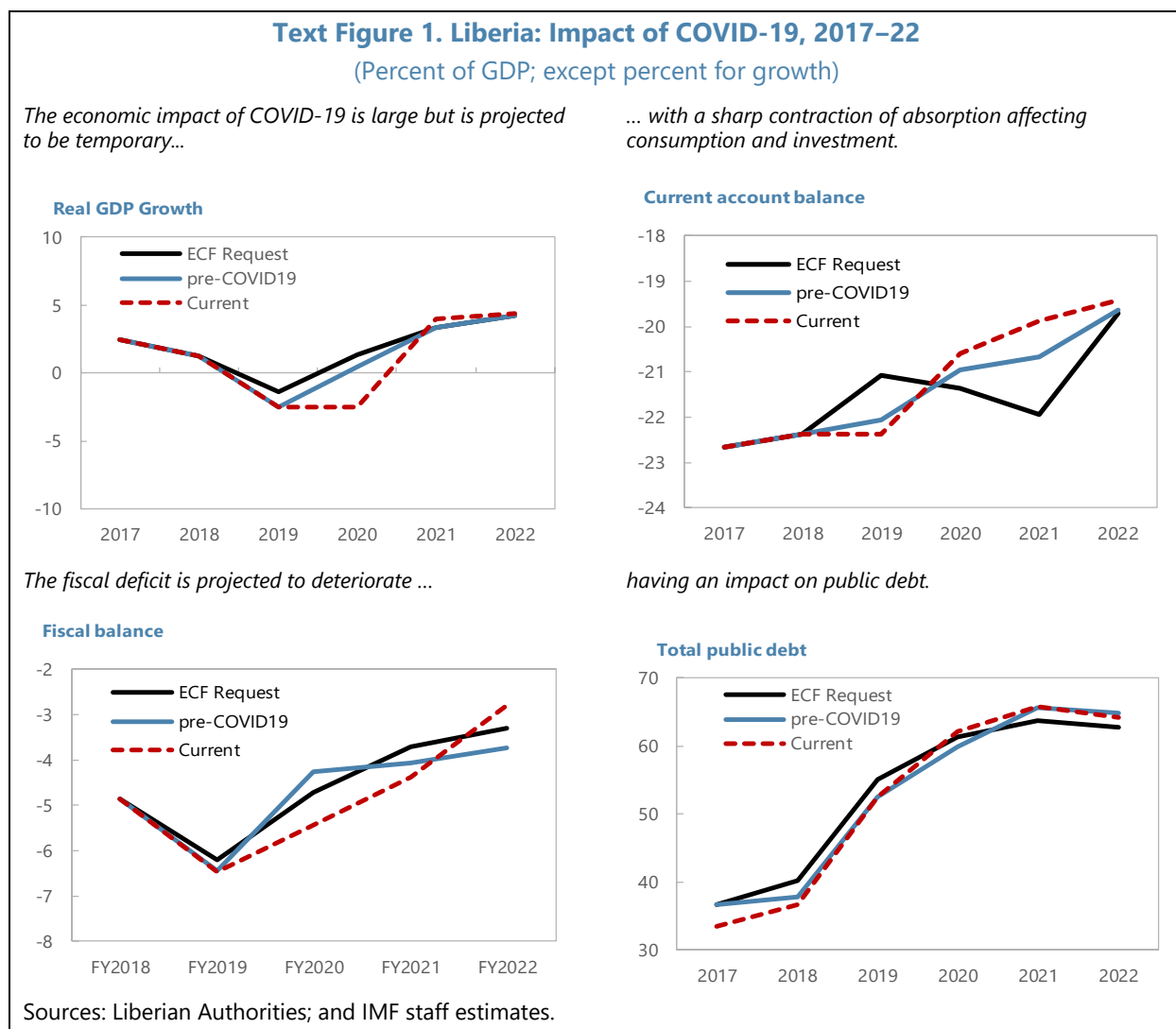
Source: IMF staff projections.
¹Fiscal variables are based on fiscal year.

11. A slowing economy will also have an adverse impact on the banking sector. The banking sector is largely stable, but risks are significant, particularly as some banks are already facing U.S. dollar liquidity challenges. Nonperforming loans remain high, reaching 30 percent for some banks, partly due to government arrears to contractors. Bank fragility will likely worsen once the impact of the pandemic permeates the wider economy. Moreover, the regulatory and supervisory framework dates from 2005 and, despite being updated in 2012, it remains inadequate. This results in a system particularly vulnerable to the build-up in undetected risks. In addition, the current bank resolution framework only provides the CBL with limited powers to intervene in distressed banks.

¹Fiscal year is July 1-June 30.

²The US\$119 million revenue shortfall assumes the introduction of excise tax on fuel (T17). Without this tax measure, the revenue shortfall from a decline in GDP of US\$98 million from pre-COVID-19 baseline would be even larger at US\$148 million assuming tax buoyancy of 1.5.

12. The Fund's debt sustainability analysis (DSA) of Liberia also indicates that the sharp decline in GDP growth will reduce Liberia's ability to borrow. Two consecutive years of negative growth will reduce the sustainable level of external debt, while the financing need will be rising. Staff estimates that the sustainable level of external borrowing (both concessional and non-concessional borrowing) will be reduced by close to US\$150 million over the medium-term. This will impact the medium-term growth potential.



13. The IMF response is expected to trigger higher support from other development partners. The authorities are hoping to finalize a COVID-19 preparedness plan in conjunction with the donor community together with its financing. External support to Liberia in response to COVID-19 is likely to be firmed up once the comprehensive plan has been finalized. Areas of concentration under the plan include support to health care workers, purchase and rehabilitation of health care equipment, procurement of drugs and other medical supplies, and deployment of surge staff to contact tracing activities, border areas, rapid response teams, training of responders, planning, communications and information sharing, staffing and equipping of laboratories, and

logistical and supply support. In addition, the authorities intend to request debt relief from the Debt Service Suspension Initiative (DSSI), supported by the G-20 and the Paris Club. The debt relief from DSSI amounts to \$1.2M. This debt suspension is incorporated in the macro framework and the DSA. Social support by donors thus far is summarized in Annex I. The COVID-19 response spending and sources of funding thus far are summarized in Text Table 2.

Text Table 2. Liberia: Sources of Financing for COVID-19 Response, 2020
(Million U.S. dollars)

	FY2020			FY2021		2020 COVID-19 Impact and Response
	Approved budget	Pre-COVID-19 Recast	Current	Pre-COVID-19	Current	
ON-BUDGET						
Revenue (including budget support grants and loans)	526	513	518	515	520	
<i>of which, excl. \$8 million transferred to FY2019 budget¹</i>	526	505	510			
Domestic revenue	465	452	395	464	402	-119
Budget Support	61	61	123	51	118	
Pre COVID-19 (loans and grants)	61	61	51	51	40	
World Bank	40	40	40	40	40	
EU	6	6	6	6	0	
USAID	6	6	0	0	0	
France	5	5	0	0	0	
AfDB	4	4	4	5	0	
Senegal			1		0	
COVID-19 response (financing gap)			72		78	150
World Bank			0		25	25
EU			7		9	16
AfDB			16		0	16
France			0		6	6
Provisional RCF			49		0	49
Prospective IMF			0		38	38
Total Expenditure	526	513	518	515	520	51.8
Expenditure (excl. \$8 million transferred to FY2019 budget)¹	526	505	510	515	520	
Primary expenditure	466	444	449	441	439	
Compensation of employees	297	297	297	294	292.5	
Use of goods and services	110	116	121	101	101	
Non-COVID-19	88	96	75	79	73	
Road Fund	22	20	14	22	18	
Mid-term election					8	
COVID-19 response			32.8		2.0	34.8
Food aid			25		0.0	25.0
Other			7.8		2.0	9.8
Health and security			2.3		0.0	2.3
Electricity and water support			2.0		0.0	2.0
Payroll deficit & operational losses (RIA/LAA)			1.5		0.0	1.5
Market women and other small business support program			2.0		2.0	4.0
POC payment						
Grants and others	51	30	30	42	41	
Capital	9	1	1		5	
Non-election				4	5	
Debt service	61	69	69	73	81	
Interest payment	31	31	31	31	29	
Principal repayment (net)	30	31	31	22	25	
Arrears clearance	0	8	8	20	10	
COVID-19 response	0	0	0	0	17	17
Bond repurchase	0	0	0	0	17	17
OFF-BUDGET PROJECTS						
COVID-19 response						52.0
World Bank - Health						17.0
COVID-19 fast track facility						7.5
Contingent Emergency Response Components (reallocation of existing projects)						9.5
World Bank - contribution to food aid program (reallocation of existing project)						5.0
World Bank - cash transfer program (existing program to be utilized)						8.0
USAID - cash transfer program (existing program)						7.0
DFID - contribution to food aid program (tentative)						5.0
United Nations - Global Humanitarian Response Plan (tentative)						10.0

Sources: Liberian authorities; and IMF staff calculations.

¹ In FY2020Q1 \$8 million of revenue collected was transferred into the FY2019 revenue account and used to cover FY2019 expenses.

C. Medium-Term Recovery and Risks

14. In the medium term, economic activity is expected to rebound as confidence is regained. The return to growth of non-mining GDP in 2021 is expected to lift the economy to a rebound of 3.5 percent, 2.4 percentage points higher growth than the pre-pandemic estimate as the GDP level does not fully recover to its pre-pandemic trend. These estimates assume that the spread of COVID-19 in Liberia will be contained.

15. Downside risks to the outlook are high. Medium-term growth would suffer from a more prolonged duration of virus-related economic disruptions, a greater impact on the domestic economy, or from a deterioration of terms-of-trade as a result of higher imported food prices or oil price recovery. On the fiscal front, the tight fiscal situation and the looming senatorial elections in late 2020 imply possible slippage from rising spending pressures, while political concerns could delay implementation of needed high-quality revenue measures. Moreover, the possible need to provide additional ELA to the banking sector would threaten NIR levels. Contingency plans include bringing the IMF-supported ECF program back on track.

POLICY DISCUSSIONS

The main objective of the proposed IMF support is to provide funds to cushion the immediate impact of the crisis with the help of development partners and despite a major revenue shortfall. Disbursement under the RCF will therefore be a lifeline. However, the Liberian authorities are also contributing in a significant way, including by: gathering all available domestic resources to the government consolidated account; reallocating non-essential spending to emergency food aid; improving monitoring and control of overall expenditure as well as the emergency response spending; and safeguarding foreign exchange reserves.

A. Gathering All Domestic Resources

16. The pandemic will have an adverse impact on already weak fiscal revenues.

Domestic revenue underperformed in the first half of FY2020 due to a sharp decline in imports but also weaknesses in tax administration. The revenue shortfall was particularly acute in border taxes thus far. The total revenue envelope for FY2020 was projected at US\$502 million before COVID-19, a shortfall of US\$24 million from the approved budget. The FY2020 recast budget was signed into law on March 23 with spending of US\$505 million, including US\$3 million for additional emergency spending.

Text Table 3. Liberia: Fuel Price, FY2020-21
(U.S. dollar per gallon; unless otherwise indicated)

	FY2020 (Q1-Q3)	FY2020 (Q4)	FY2021	Percent Change
Retail Price	3.21	2.95	3.10	-3.5
Fuel spot price	1.16	0.46	0.75	
Fiscal revenue	0.70	0.70	1.00	
Import duties	0.25	0.25	0.25	
GST	0.20	0.20	0.20	
Road Fund	0.25	0.25	0.25	
Excise tax	...	...	0.30	
Profit margin	1.35	1.79	1.35	
Revenue				Revenue yield
Millions of USD	72.5		104.4	
Percent of GDP	2.3		3.5	1.2

Source: Liberian authorities; and IMF Staff projections.

17. The authorities are gathering additional domestic resources to respond to this crisis.

Liberia's fuel prices are supposed to be automatically adjusted each month to reflect international prices. However, retail prices in Liberia were not reduced until April 19, whereas world energy prices collapsed earlier in February 2020 (Figure 2). The delay was partly due to fuel shortages. However, as the shortages eased, keeping fuel prices stable resulted in an increase in the margin for fuel importers. To instead garner this rent for the revenue effort, the Legislature recently approved as a COVID-19 response measure the introduction of a 30 cent per gallon excise tax on fuel to be effective immediately (**prior action**). This tax is expected to yield 1.2 percent of GDP while being neutral with respect to retail prices (Text Table 3). The Legislature also passed a resolution giving approval in principle to the gathering of additional domestic resources to the consolidated account. Under this resolution, all necessary legal arrangements will be put in place so that, by July 1, 2020, 100 percent of all revenues accruing to the Liberian Maritime Authority (LMA) and the Liberian Telecommunications Authority (LTA) from all sources will be collected by, and flow directly to, the Liberian Revenue Authority. Allocations of operating and capital expenses for these two institutions will then be allocated in the FY2021 budget in line with procedures for other parts of the budgetary central government. These changes will help the government preserve much needed revenue base for the post-COVID-19 recovery and ensure debt sustainability.

B. Reallocating Non-Essential Spending to Emergency Food Aid

18. On April 8, the President announced stay-at-home restrictions in Montserrado, Margibi, Nimba, and Grand Kru counties. The intension was to expand this to a total lockdown to fight the pandemic. The immediate concern was raised for the food security of the ultra-poor living in these counties. According to the World Food Program (WFP), a trajectory from the Comprehensive Food Security and Nutrition Survey (CFSNS) of March 2018 implies that about 1.4 million (about 280,000 households of 5 people each) people will be food insecure by the total lockdown in Montserrado and Margibi alone.

19. The COVID-19 Household Food Support Program (COHFSP) was conceived in early April. The COHFSP, initially started as a support to the poor during a planned total lockdown, has since evolved into a nation-wide feeding program to provide social protection to those living in poverty and to further food security.³ To make this program inclusive, a Steering Committee (SC) was formed on April 18, composed of political party leaders, civil society, religious leaders, cabinet members, as well as development partners, to oversee the program. The SC weighed need against available resources and decided that the program will cover a total of 2.5 million people, cover all 15 counties, and feed the targeted population for 30 days. The program and its goals have also been endorsed and contributed to by the World Bank. To ensure efficiency, the operational control of this program will be delegated fully to the WFP. The COHFSP will facilitate higher food security and an increase in the overall stocks of food available to the population by purchasing mainly

³The 2016 household income and expenditure survey (HIES) showed about 2.2 million Liberians or 50.9 percent of the population of 4.2 million was classified as poor. The WFP estimates based on 2018 CFSNS that 3.5 million people are food insecure.

imported commodities. The authorities have agreed, and the Legislature has passed the second recast budget to create the necessary fiscal space for this exercise.

C. Safeguarding External Buffers

20. **The authorities are making efforts to reduce Liberia’s vulnerability to external shocks.**

Plugging the leaks that led to substantial loss of reserves under the ECF program (¶16) is not only key to ensuring the viability of the balance of payments position, but also to bringing the ECF-supported program back on track. In this regard, the authorities have:

- Hired a firm through competitive tendering, with the support of the USAID, to print local currency. Failure to procure additional local currency before the independence celebration in July not only risks further losses to net international reserves but also the stability of the financial sector. Delivery is expected in the first week of July.
- Made progress in reaching benchmarks set under the ECF-supported program to ensure that heightened U.S. dollar liquidity needs in the banking sector are addressed promptly.

D. Improving Transparency of Emergency Response Expenses

21. The authorities are determined that timely monitoring and control of spending improves, including to ensure that crisis spending reaches the intended population. Cash management and expenditure control has improved significantly since the program inception. Despite revenue shortfalls in the first half of FY2020, the authorities kept spending within the available resource envelope using appropriate and strong allotment control. However, a central weakness remains—in that some institutions are not required to spend through the Integrated Financial Management and Information System (IFMIS). The Public Finance Management Act (PFMA) requires autonomous agencies and special funds receiving advance funding from the central government to report their monthly spending to the Ministry of Finance each month. The Ministry of Finance’s guidance is that they should report their spending in the IFMIS before the next funding is disbursed. However, some non-compliant institutions continue to receive advances, especially if deemed to provide important social services.

22. The authorities have therefore imposed the requirement, beginning July 1, 2020, that all budgetary spending entities utilize the IFMIS for all their expenditure. Combined with the advances in expenditure monitoring and control made to date and further advances in cash management, this should be sufficient to ensure that all government revenue, commitment spending and cash spending is reconciled with government bank statements and monitorable on a weekly basis. The Ministry of Finance will begin publishing weekly spending reports including non-compliant institutions’ unreconciled spending amount on its website effective immediately (**prior action**) (Annex II). This measure should help ensure that crisis-mitigation funds are used for their intended purpose.

23. The authorities have committed to the General Audit Commission conducting a post-crisis audit of crisis spending within a year of the date of approval of the RCF disbursement

This action will not only ensure that the crisis spending is not wasted, but will also provide lessons that will be needed to further strengthen existing systems—not only to effectively respond to crisis situations, but to improve public sector spending more broadly in the post-crisis period. For transparency, the authorities will publish the results of the audit within two weeks of its finalization. They will also publish on the government’s website all procurement contracts paid from the budget in the remainder of FY2020 and all of FY2021 above a value of US\$200,000 for goods, above US\$400,000 for public works, and above \$100,000 for services along with the names of the companies awarded the contract, their beneficial owners, and validation of delivery of the goods and services specified in the contracts.

E. Preserving a Sound Banking System

24. Measures to maintain adequate capital and liquidity levels are necessary to prevent the build-up of further risks in the banking system during the crisis. The authorities recognize that additional measures to keep capital and liquidity levels above the required minimum are necessary to offset the impact from the additional flexibility granted banks by the CBL to assist illiquid, but otherwise solvent, borrowers.⁴ In this regard, banks have been required to suspend payment of dividends to shareholders and bonuses to staff within their current financial year. The CBL will assess applications to pay dividends and bonuses on a case-by-case basis after six months. In addition, staff urged the CBL to reinstate appropriate prudential standards for loan classification and provisioning to avoid compromising information on loan quality. In this regard, the CBL has put in place necessary measures to ensure that only facilities affected by COVID-19 that were current prior to the pandemic are covered under the forbearance measures. Staff will continue to work with the authorities to examine requirements for loan reporting, particularly for restructured loans, in order to identify whether additional prudential measures for capital and liquidity buffers are needed to mitigate the additional stress being felt by banks and the financial system. Staff will also encourage the CBL to remain vigilant in monitoring banks’ compliance with other prudential limits, including for the reserve requirements and banks’ FX positions.

25. Staff acknowledges the efforts by the authorities to ensure access and affordability of electronic payment services for retail customers during the pandemic. The shortage of LD banknotes coupled with the lack of confidence in the banking system precludes any meaningful response to the pandemic using monetary policy instruments. But, to ease the use of electronic payments and mobile-money options, the CBL has temporarily suspended fees and charges for transfers, suspended processing fees at point-of-sale outlets used by merchants; and increased allowable limits for transfers.

⁴Regulatory measures announced by the CBL allow banks to exercise flexibility in restructuring terms for loans to specific categories of borrowers that had current loans on a case-by-case basis.

MODALITIES OF SUPPORT

26. The authorities are requesting support equivalent to 14 percent of quota (SDR 36.176 million) under the RCF whose access is provided under the exogenous shock window.

27. Liberia meets the eligibility requirements for support under the RCF:

- It faces an urgent BOP and fiscal financing need which, if not addressed, would result in immediate and severe economic disruption.
- It is not feasible to receive timely augmentation of access under the ECF program due to the high degree of uncertainty regarding the duration and scale of the COVID-19 impact, policy slippage, and the practical difficulties of holding comprehensive policy discussions with the authorities in the current no-travel/work-at-home environment, including in Liberia.
- Liberia is assessed as having sustainable debt and capacity to repay the Fund (Table 7). The most recent DSA, dated December 2019, and the updated DSA attached, find Liberia at moderate risk of external debt distress, especially with the support of the Catastrophe Containment Relief Trust (CCRT).
- Liberia commits not to introduce any actions or measures that would compound the existing BOP problem and will pursue economic policies appropriate for addressing the impact of the COVID-19 crisis as described above.

28. Liberia has an existing ECF arrangement approved on December 11, 2019, with an access level of 60 percent of quota. Access of 14 percent of quota (US\$49 million) is within the normal access limits under the PRGT. While this access level is on the low end of COVID-19 RCF disbursements as a percent of quota, it is 1.7 percent of GDP, which is above the average for sub-Saharan Africa (1.3 percent of GDP).⁵ In addition, Liberia's repayments to the Fund eligible for debt relief under the CCRT in the next two years is 1.5 percent of GDP, which is the second highest CCRT debt relief among Fund membership as a percent of GDP. The RCF access level will fully cover the remaining financing gap (including funds committed by other donors) for FY2020.

29. The proposed access of 14 percent of quota is about 32.7 percent of the estimated financing gap (US\$150 million) for CY2020. Remaining needs, include the fiscal financing gap projected for FY2021 budget, are expected to be filled by bilateral donors and development partners (US\$63 million), prospective Fund support (US\$38 million), and policy adjustment (Table 2). Liberia is expected to continue with the ECF arrangement and conclude upcoming reviews once the

⁵The different relative rankings depending on whether access is scaled by GDP or quota reflects that Liberia has the largest quota among Fund members relative to GDP due to the large decline in GDP during Liberia's civil wars.

obstacles noted above abate. A second RCF request to help fill the financing gap in FY21 is also expected to be made by the authorities soon once fiscal plans for FY21 are clarified.

30. RCF will be disbursed to the CBL, with 100 percent of the funds then on-lent to the government. In accordance with the safeguards assessments policy, a Memorandum of Understanding (MOU) was signed between the central bank and the government to establish the responsibilities for servicing financial obligations to the IMF. The MOU also specifies that half of the disbursement (US\$25 million) will be directed immediately to the WFP for implementation of the program of emergency food aid.

STAFF APPRAISAL

31. The COVID-19 pandemic is likely to inflict a heavy economic toll on Liberia at a time when the economy was poised for recovery. While the number of confirmed COVID-19 cases remains below 200, the prevention and containment measures the authorities have taken, and the associated disruptions to local transit and cross-border travel, are likely to impose a large toll on the economy. Hotels and related businesses are particularly vulnerable as they continue to suffer a lack of foreign arrivals due to the suspension of major international flights to Liberia.

32. Staff welcomes the authorities' efforts to fight the pandemic amidst significant revenue shortfalls. The initial response to the pandemic, including the emergency food aid program, has been appropriate, but more remains to be done. In this regard, staff sees passage of the agreed FY2021 budget with high-quality revenue measures as key to addressing the COVID-19 crisis and providing support to the emergency response. Staff also urges the authorities and other development partners to expeditiously finalize the comprehensive off-budget COVID-19 response plan together with its financing arrangements.

33. The authorities have taken strong steps to improve fiscal transparency to safeguard on-lent resources. Staff notes that part of the on-lent resources will be directed to government institutions that are at the center of the response to the crisis, but have a poor track record with ex post reporting of their expenditure in IFMIS. Consequently, it will be crucial to improving transparency and accountability that the authorities follow through with their commitment to require these institutions to use IFMIS for all purchases going forward. Transferring the collection of all revenues formerly accruing to the Liberian Maritime Authority and the Liberian Telecommunications Authority to the Liberian Revenue Authority, and funding both instead through the budget, will also help in this regard. Moreover, rebuilding confidence in the government's conduct of fiscal affairs will also significantly advance with the publication of regular weekly fiscal reports on detailed revenue and expenditure. The conduction and publication of the GAC post-crisis audit report will help to improve public sector spending efficiency.

34. Steps to stop further loss of reserves are also welcome. The initiation of the procurement process for additional local currency banknotes, and the assessment and selection of options for

addressing the liquidity situation in the banking sector will help stem reserve loss and preserve foreign-currency resources for crisis-fighting priorities.

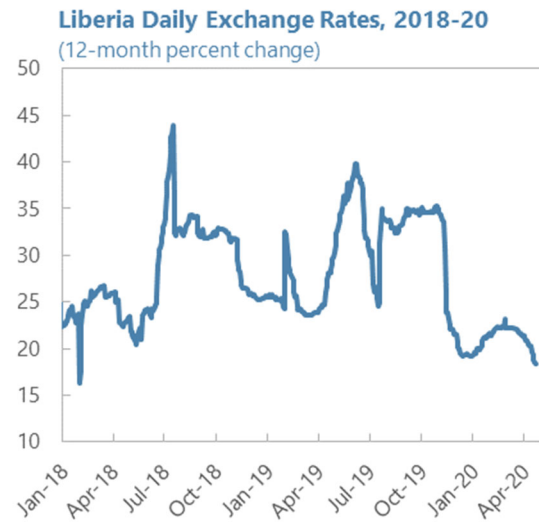
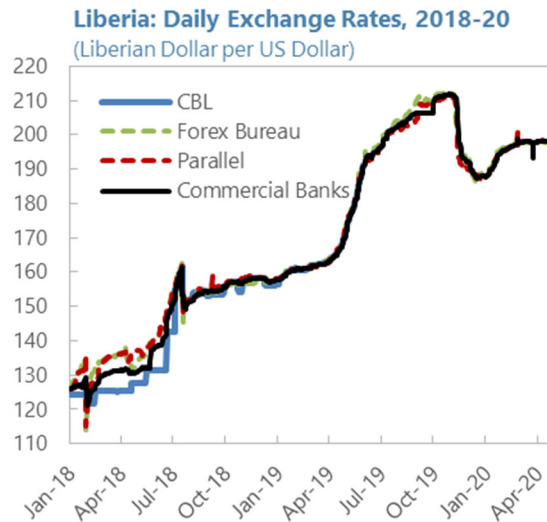
35. Liberia is assessed as having a sustainable debt burden and adequate capacity to repay the Fund (Table 7). The updated DSA continues to find Liberia at moderate risk of external debt distress.

36. Staff supports the authorities' request for a disbursement under the Rapid Credit Facility in the amount of SDR 36.176 million (14 percent of quota) to be on-lent to the government as budget support.

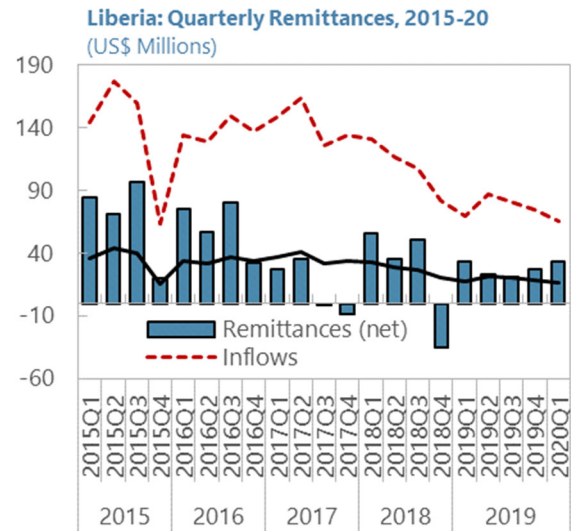
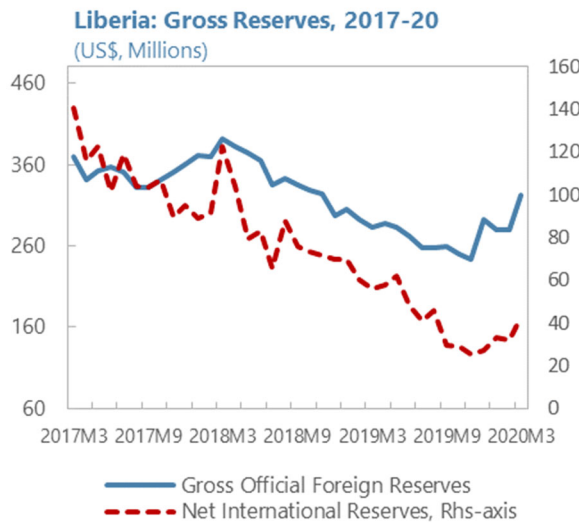
Figure 1. Liberia: Foreign Exchange Developments, 2015–20

The exchange rate appreciated rapidly in November 2019...

...in response to recent tightening of macroeconomic policies and a shortage of Liberian dollar banknotes.



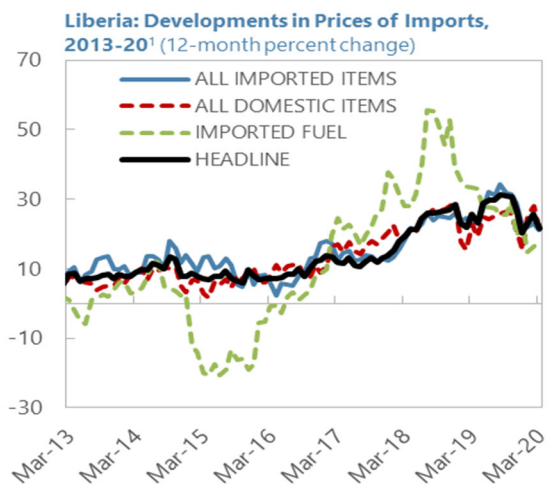
Gross international reserves continue to decline, as much reduced volume of remittance inflows (surrenders) to the CBL remain low, while the CBL's operational expenses and the CBL credit to the government remain high.



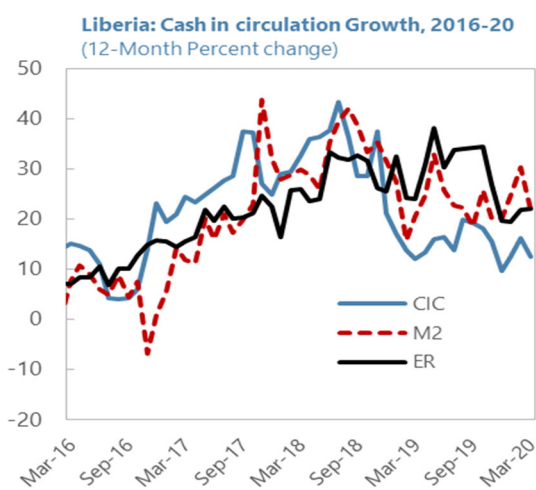
Sources: Central Bank of Liberia; and IMF staff calculations.

Figure 2. Liberia: Monetary Developments, 2013–20

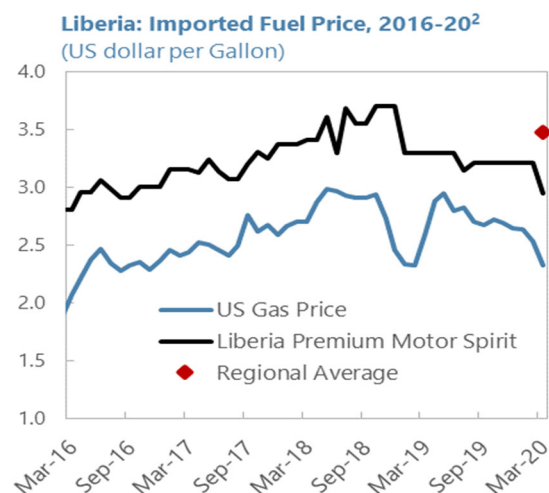
In March 2020, inflation decreased slightly to 21 percent reflecting a modest exchange rate depreciation.



In this highly inflationary environment, the growth of monetary aggregates sharply slowed because of the shortage of the stock of banknotes.



Fuel prices in Liberia fell slightly in response to drop in international prices but remains below the regional average.



Credit to the private sector has continued to decline in light of an economic slowdown.



Sources: Central Bank of Liberia, and IMF staff calculations.

¹Effective January 2019, Liberian authorities have rebased inflation using the 2016 Household Income and Expenditure Survey which calculates the 2004 base year using a regional average consumption basket.

²Regional average based on prices in Cote D'Ivoire, Guinea, Liberia and Sierra Leone as of March 20, 2020.

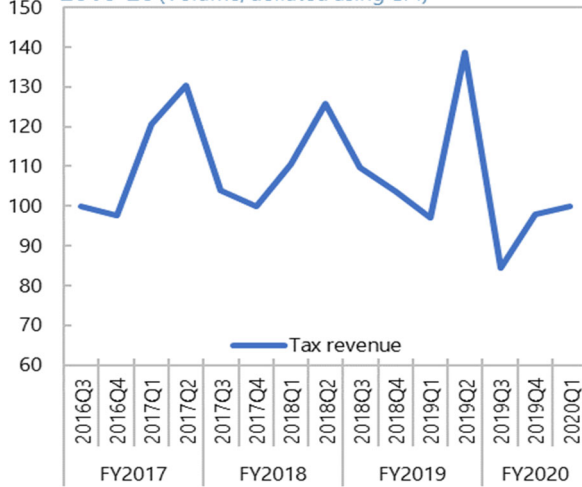
³A significant portion of Liberian credit is expressed in US Dollars, as such, private sector credit growth has been plotted using US dollar values.

Figure 3. Liberia: Recent Economic Developments, 2016–20

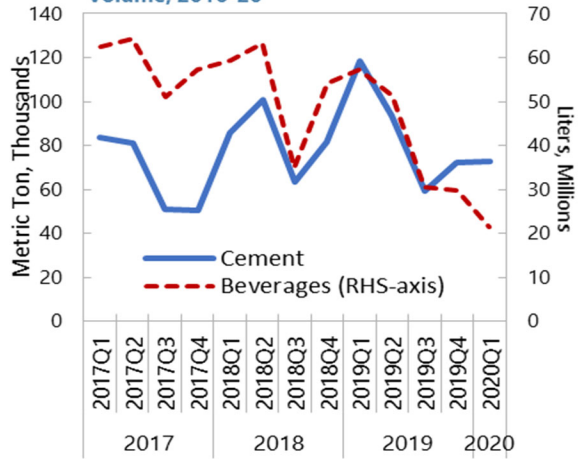
Data to capture recent economic activity are limited in Liberia, but there are a few leading indicators. The tax base on international trade in the first half of 2019 came in lower than previous years.

... but, other indicators of the economy such as production of cement and beverages seem to indicate that consumption or construction may be holding up...

Liberia: Tax Revenue Performance, 2016-20 (Volume, deflated using CPI)



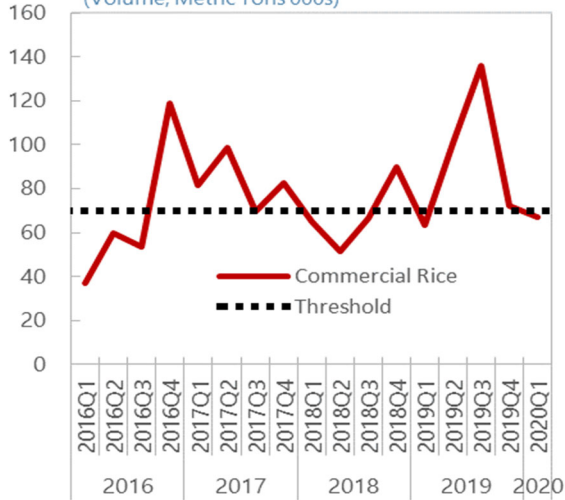
Liberia: Quarterly Production Import Volume, 2016-20¹



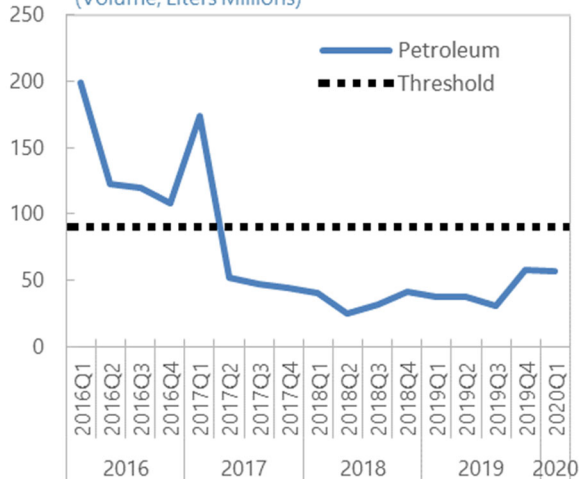
... and imports of staple goods declined sharply the second half of 2019

... though fuel imports seem to be stable with a slight increase in import volume relative to 2018.

Liberia: Quarterly Rice Imports, 2016-20¹ (Volume, Metric Tons 000s)



Liberia: Quarterly Petroleum Imports 2016-20² (Volume, Liters Millions)



Sources: Central Bank of Liberia, and IMF staff calculations.

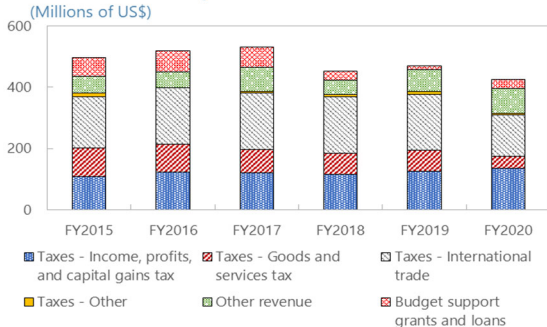
¹ Quarterly average rice imports needed to meet 400g rice per person per day criteria (World Food Program).

² Quarterly average fuel imports considered adequate by Liberia Petroleum Refining Company (LPRC).

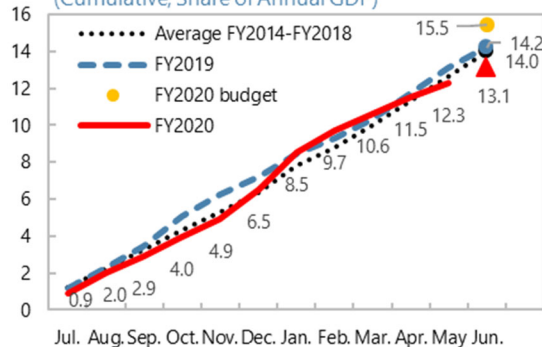
Figure 4. Liberia: Fiscal Performance, FY2014–20

Revenue collection in the first half of FY2020 underperformed significantly, picked up towards the end of December and January primarily after collections of one-off measures and PIT, and is set to underperform in FY2020Q4 as the economy is affected by the COVID-19 pandemic...

Liberia: Revenue Composition, FY2015-20



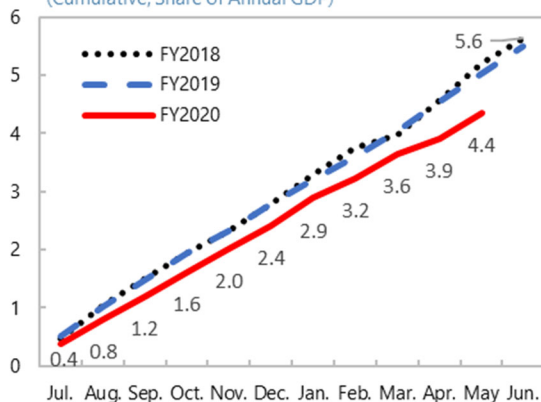
Liberia: Domestic Revenue Performance (Cumulative, Share of Annual GDP)



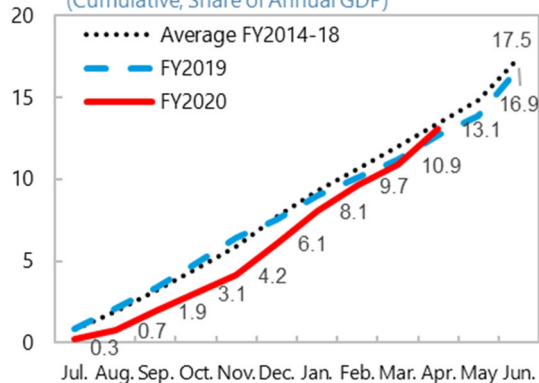
...which will affect international trade the most.

Expenditure in FY2020 has remained within available resources, but tight...

Liberia: Taxes on International Trade (Cumulative, Share of Annual GDP)



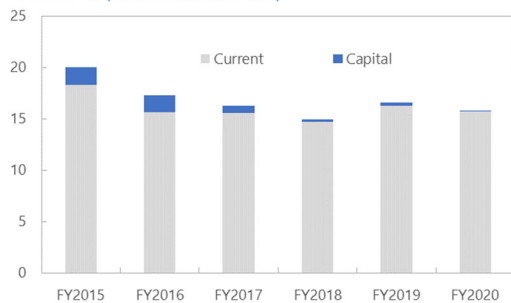
Liberia: Total Expenditure Performance (Cumulative, Share of Annual GDP)



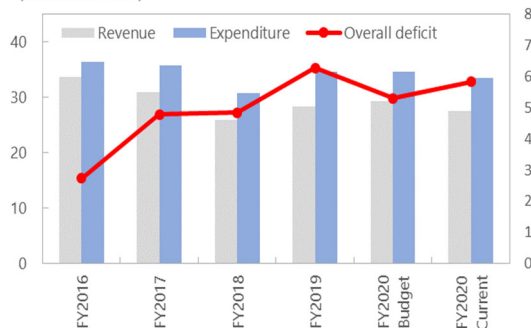
...and the size of the capital expenditure is inadequate to support economic growth...

...as the fiscal deficit remains a major source of macroeconomic imbalances and cannot accommodate larger capital expenditure.

Liberia: On-Budget Expenditure Composition, FY2015-19 (Percent of annual GDP)



Liberia: Revenue and Expenditure, FY2016-20 (Percent of GDP)



Sources: Liberian authorities; and IMF staff calculations.

Table 1. Liberia: Selected Economic and Financial Indicators, 2018–25

	2018	2019	2020		2021		2022	2023	2024	2025
	Act.	Est.	ECF Approval	Proj.	ECF Approval	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percentage change)										
Real sector										
Real GDP	1.2	-2.5	1.4	-2.5	3.4	4.0	4.4	5.0	5.4	5.4
<i>of which</i> , Mining & panning	24.2	13.2	9.7	8.6	6.8	6.8	6.0	5.6	6.0	5.6
<i>of which</i> , Non-mining	-1.2	-4.5	0.0	-3.5	2.7	3.5	4.1	4.8	5.2	5.4
Nominal non-mining per capita GDP (U.S. dollars)	660	604	621	553	542	542	544	558	576	634
Nominal GDP (millions of U.S. dollars)	3264	3084	3099	2928	3131	2954	3152	3330	3536	3787
Inflation										
Consumer prices (annual average)	21.2	24.4	21.3	17.6	13.5	13.5	11.0	8.5	7.0	6.0
Consumer prices (end of period)	28.5	20.3	15.0	15.0	12.0	12.0	10.0	7.0	7.0	5.0
Population (millions)	4.5	4.6	4.7	4.7	4.8	4.8	4.9	5.1	5.2	5.3
(Percent of GDP, fiscal year)										
Central government operations ¹										
Total revenue and grants	25.9	28.4	29.9	27.6	29.8	27.7	28.9	28.2	27.4	26.5
Total revenue	12.9	14.4	14.9	13.1	15.9	13.7	16.1	16.7	17.2	17.5
Grants	13.0	14.0	15.1	14.5	13.9	14.0	12.8	11.5	10.3	9.0
Total expenditure	30.8	34.7	34.6	33.6	33.5	33.2	31.8	30.5	29.9	29.2
Current expenditure	21.3	23.6	22.7	22.6	22.0	22.0	20.9	19.8	19.5	20.0
Capital expenditure	9.5	11.1	11.9	11.0	11.5	11.2	10.9	10.7	10.4	10.4
Overall fiscal balance, including grants	-4.8	-6.3	-4.7	-6.0	-3.7	-5.6	-2.9	-2.3	-2.4	-2.8
Overall fiscal balance, excluding grants	-17.8	-20.2	-19.7	-20.5	-17.6	-19.5	-15.7	-13.8	-12.7	-11.8
Financing gap / unidentified financing	0.0	0.0	0.0	-2.4	0.0	-2.7	0.0	0.0	0.0	0.0
Public external debt ²	26.0	32.1	38.0	39.2	42.7	45.4	48.3	48.6	48.5	48.1
Public domestic debt ³	10.6	19.0	19.1	20.3	18.4	20.2	18.3	16.5	15.0	13.8
(Percent, unless otherwise indicated)										
M2/GDP	19.6	20.9	16.7	22.0	16.3	22.3	21.8	21.8	21.8	22.3
Credit to private sector (percent of GDP)	16.3	15.3	17.3	15.9	17.8	16.5	16.3	16.5	16.7	17.0
Credit to private sector (annual percent change)	4.1	-11.3	1.3	-1.1	3.7	4.6	5.4	6.9	7.3	9.0
Velocity (GDP-to-M2)	5.1	5.1	6.0	4.5	6.2	4.5	4.6	4.6	4.6	4.5
Money multiplier (M2/M0)	2.7	3.0	2.9	3.0	2.9	3.1	3.2	3.4	3.6	3.9
(Percent of GDP, unless otherwise indicated)										
External sector										
Current account balance										
including grants	-22.4	-22.5	-21.4	-22.8	-21.9	-20.2	-19.4	-20.2	-20.1	-19.0
excluding grants	-37.1	-36.7	-35.9	-37.3	-35.5	-33.8	-31.6	-31.1	-29.7	-28.1
Trade balance	-22.3	-19.8	-13.4	-18.5	-12.3	-16.4	-15.8	-15.6	-15.0	-14.4
Exports	12.8	13.8	20.3	15.6	21.9	15.7	15.3	15.3	15.4	15.4
Imports	-35.0	-33.5	-33.7	-34.0	-34.2	-32.1	-31.1	-30.9	-30.5	-29.8
Grants (donor transfers, net)	14.7	14.2	14.6	14.4	13.5	13.6	12.1	10.9	9.6	9.1
Financing gap (- deficit / + surplus)	0.0	0.0	0.0	-5.1	0.0	0.0	0.0	0.0	0.0	0.0
Gross official reserves (millions of U.S. dollars) ⁴	297	292	308	336	333	401	439	471	458	453
<i>Months of next years imports</i>	2.3	2.4	2.3	2.7	2.4	3.2	3.4	3.5	3.2	2.9
CBL's net int'l reserves (millions of U.S. dollars) ⁴	70	27	54	-16	63	28	49	63	76	90
<i>Excl. prospective CCRT</i>				-15		-8	2	16	29	42

Sources: Liberian authorities; and IMF staff estimates and projections.

¹ Central government operation is based on a commitment basis and refers to the budgetary central government operations and off-budget projects. Fiscal year refers to July 1 to June 30.

² Ratios are calculated using external debt (in USD) evaluated at the end of period exchange rate over GDP (in USD) evaluated at the period average exchange rate.

³ Including the central government debts from the Central Bank of Liberia.

⁴ Projections for reserves assume that the remaining financing gap will be filled by donor financing, including possibly from the RCF, and other sources.

Table 2. Liberia: Balance of Payments, 2018–25
(Millions of U.S. dollars, unless otherwise indicated)

	2018	2019	2020		2021		2022	2023	2024	2025
	Act.	Est.	ECF Approval	Proj.	ECF Approval	Proj.	Proj.	Proj.	Proj.	Proj.
Trade balance ¹	-726	-609	-414	-541	-385	-486	-500	-520	-532	-545
Exports, f.o.b.	417	424	630	456	685	463	482	510	546	583
<i>of which</i> : Iron ore	74	142	162	134	177	125	122	124	131	137
<i>of which</i> : Gold	201	155	198	198	198	211	228	245	282	323
Imports, c.i.f.	-1,144	-1,033	-1,044	-997	-1,070	-949	-982	-1,030	-1,078	-1,128
Services (net)	-316	-295	-309	-271	-321	-286	-280	-293	-292	-307
Income (net)	-294	-353	-564	-369	-587	-362	-356	-368	-356	-346
<i>of which</i> : Compensation of employees	-17	-20	-35	-21	-41	-24	-27	-29	-31	-33
<i>of which</i> : Public interest payments due	-9	-13	-15	-15	-16	-15	-16	-17	-13	-10
Current transfers	606	564	626	512	605	536	523	509	469	479
Current account balance	-730	-694	-662	-669	-687	-598	-613	-673	-711	-719
Current account balance, excluding grants	-1,210	-1,132	-1,114	-1,091	-1,110	-999	-995	-1,035	-1,052	-1,065
Capital and financial account (net)	670	680	672	588	697	648	640	719	708	715
Capital account	62	63	51	61	42	56	57	58	59	60
Financial account	607	617	621	527	655	592	583	661	649	655
Foreign direct investment (net)	286	251	282	228	313	237	260	301	301	328
Portfolio investment (net)	0	0	0	0	0	0	0	0	0	0
Other investment (net)	322	366	340	299	342	355	324	360	348	326
Official financing: medium and long term (net)	58	135	141	148	133	110	97	109	102	103
Private financing (net) ²	264	231	198	151	208	245	227	251	247	224
Overall balance	-61	-14	10	-80	10	50	28	46	-3	-4
Financing	61	14	-10	-70	-10	-50	-28	-46	3	4
Change in gross official reserves (increase -) ³	64	5	-29	-43	-25	-65	-38	-32	13	4
Net use of IMF credit and loans	-3	9	19	-42	15	15	11	-14	-10	0
Exceptional financing (CCRT) ⁴	0	0	0	21	0	31	11	0	0	0
Financing gap (- deficit / + surplus)	0	0	0	-150	0	0	0	0	0	0
Provisional RCF	0	0	0	49	0	0	0	0	0	0
Prospective IMF	0	0	0	38	0	0	0	0	0	0
Other donors	0	0	0	63	0	0	0	0	0	0
<i>Memorandum items:</i>										
Current account balance (percent of GDP)										
Including grants	-22.4	-22.5	-21.4	-22.8	-21.9	-20.2	-19.4	-20.2	-20.1	-19.0
Excluding grants	-37.1	-36.7	-35.9	-37.3	-35.5	-33.8	-31.6	-31.1	-29.7	-28.1
Trade balance (percent of GDP)	-22.3	-19.8	-13.4	-18.5	-12.3	-16.4	-15.8	-15.6	-15.0	-14.4
Donor transfers (net, percent of GDP)	14.7	14.2	14.6	14.4	13.5	13.6	12.1	10.9	9.6	9.1
Foreign direct investment (net, percent of GDP)	8.8	8.1	9.1	7.8	10.0	8.0	8.2	9.0	8.5	8.7
Public sector external debt (medium and long term, percent of GDP) ⁵	26.0	32.1	38.0	39.2	42.7	45.4	48.3	48.6	48.5	48.1
Gross official reserves ⁶	297	292	308	336	333	401	439	471	458	453
Gross official reserves (months of next year's imports)	2.3	2.4	2.3	2.7	2.4	3.2	3.4	3.5	3.2	2.9

Sources: Liberian authorities; and IMF staff estimates and projections.

¹ The central bank is currently revising BOP statistics using the custom-based trade data, which would have better data coverage, especially on imports.

² "Private financing" may reflect current transfers that are not captured by the official statistics.

³ Includes SDR holdings.

⁴ CCRT prospective financing is contingent on availability of resources and IMF Board approval of additional funding.

⁵ Recorded in fiscal years.

⁶ Projections for reserves assume that the remaining financing gap will be filled by donor financing, including possibly from the RCF, and other sources.

Table 3a. Liberia: Fiscal Operations of the Budgetary Central Government (Including Off-Budget Transactions), 2018–25¹
(Millions of U.S. dollars)

	FY2018	FY2019	FY2020 ²		FY2021		FY2022	FY2023	FY2024	FY2025
	Act.	Est.	ECF Approval ³	Proj.	ECF Approval ³	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	849	902	936	830	907	813	884	913	941	969
<i>of which</i> : Revenue, excl. grants	423	459	465	395	495	402	492	540	589	640
Taxes	376	385	391	315	416	316	385	410	446	486
Income, profits, and capital gains tax	115	125	127	136	135	129	145	152	167	182
Goods and services tax	69	70	69	40	79	46	58	65	73	80
International trade tax	185	182	185	133	190	130	171	181	194	210
Other taxes ⁴	8	9	10	6	11	11	11	12	13	14
Other revenue	47	73	74	80	79	87	107	129	143	154
Grants	425	443	471	434	412	411	392	373	352	329
Expense	696	749	711	680	684	646	639	642	669	687
Compensation of employees	306	325	297	297	296	292	289	291	296	297
Use of goods and services	322	344	332	323	306	284	277	264	277	292
Interest	20	35	31	31	31	29	32	33	33	26
Subsidies and grants	47	44	50	30	50	40	40	53	62	71
Social benefits	1	0	1	1	1	1	1	1	1	1
Net operating balance	152	153	225	149	222	167	245	271	272	282
Gross investment in nonfinancial assets	311	355	371	330	358	331	332	346	356	380
Overall balance = Net lending/borrowing	-159	-201	-146	-180	-136	-164	-87	-75	-84	-98
excl. Grants	-584	-644	-617	-615	-548	-575	-479	-448	-436	-427
Primary balance	-139	-166	-115	-150	-104	-135	-56	-42	-51	-73
excl. Grants	-565	-609	-586	-584	-517	-546	-447	-415	-403	-402
Financing	-159	-201	-146	-108	-136	-86	-87	-75	-84	-102
Transactions in financial assets	-24	-89	0	0	0	0	0	0	0	0
Deposits	-24	-89	0	0	0	0	0	0	0	0
Loans (policy lending)	0	0	0	0	0	0	0	0	0	0
Transaction in liabilities	126	161	146	116	141	96	102	90	99	117
Loans	130	145	158	129	150	124	112	107	117	131
External (net)	112	137	164	136	142	109	96	89	99	118
Disbursements	124	145	175	147	170	138	131	131	141	155
Amortization (-)	-13	-8	-11	-11	-28	-29	-35	-42	-42	-38
Domestic (net)	19	8	-6	-8	8	15	16	18	18	13
o/w CBL	-22	8	-2	-2	12	18	20	22	22	17
Disbursements	-22	8	4	4	18	18	20	22	22	17
Amortization (-)	-22	0	-6	-6	-6	0	0	0	0	0
Debt Securities ⁵	-4	16	-12	-12	-9	-28	-9	-17	-18	-15
Bank	-4	16	-12	-12	-9	-28	-9	-17	-18	-15
Nonbank	0	0	0	0	0	0	0	0	0	0
Change in accounts payable (+ increase/-decrease in arrears)	-8	48	0	-8	-5	-10	-15	-15	-15	-15
Financing gap / unidentified financing	0	0	0	-72	0	-78	0	0	0	3
Provisional RCF	0	0	0	49	0	0	0	0	0	0
Prospective IMF	0	0	0	0	0	38	0	0	0	0
Other donors	0	0	0	23	0	40	0	0	0	0
<i>Memorandum items :</i>										
Total public debts	1,198	1,622	1,787	1,788	1,902	1,930	2,036	2,113	2,181	2,265
External	850	1,018	1,188	1,179	1,330	1,335	1,476	1,577	1,665	1,760
Domestic ⁶	348	605	598	609	572	595	560	536	516	506
Commodity revenue										
<i>of which</i> : Mining										
Fiscal year GDP	3,274	3,174	3,127	3,006	3,115	2,941	3,053	3,241	3,433	3,662

Sources: Liberian authorities; and IMF staff estimates and projections.

¹ Fiscal table is shown on a commitment basis and refers to the budgetary central government operations and off-budget projects. Fiscal year refers to July 1 to June 30.

² Starting in FY2020 budget support loans are shown as borrowing, while data prior from FY2020 show budget support loans as part of grants in line with past practice.

³ To ensure estimates are comparable across vintages in the table: i) budget support loans have been reclassified as borrowing; and ii) debt-to-GDP ratio is calculated as the stock of debt in USD divided by nominal GDP in USD.

⁴ Including property tax and social contribution by foreign concessions.

⁵ Including net issuance of T-bill and T-bond.

⁶ Including the central government debt from the Central Bank of Liberia, which was not included prior to 2019 Article IV Consultation.

Table 3b. Liberia: Fiscal Operations of the Budgetary Central Government (Including Off-Budget Transactions), 2018–25¹
(Percent of GDP, unless otherwise indicated)

	FY2018	FY2019	FY2020 ²		FY2021		FY2022	FY2023	FY2024	FY2025
	Est.	Est.	ECF Approval ³	Proj.	ECF Approval ³	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	25.9	28.4	29.9	27.6	29.1	27.7	28.9	28.2	27.4	26.5
<i>of which</i> : Revenue, excl. grants	12.9	14.4	14.9	13.1	15.9	13.7	16.1	16.7	17.2	17.5
Taxes	11.5	12.1	12.5	10.5	13.3	10.7	12.6	12.7	13.0	13.3
Income, profits, and capital gains tax	3.5	3.9	4.1	4.5	4.3	4.4	4.7	4.7	4.9	5.0
Goods and services tax	2.1	2.2	2.2	1.3	2.5	1.6	1.9	2.0	2.1	2.2
International trade tax	5.6	5.7	5.9	4.4	6.1	4.4	5.6	5.6	5.6	5.7
Other taxes ⁴	0.2	0.3	0.3	0.2	0.3	0.4	0.4	0.4	0.4	0.4
Other revenue	1.4	2.3	2.4	2.7	2.5	2.9	3.5	4.0	4.2	4.2
Grants	13.0	14.0	15.1	14.5	13.2	14.0	12.8	11.5	10.3	9.0
Expense	21.3	23.6	22.7	22.6	22.0	22.0	20.9	19.8	19.5	18.8
Compensation of employees	9.4	10.2	9.5	9.9	9.5	9.9	9.5	9.0	8.6	8.1
Use of goods and services	9.9	10.9	10.6	10.7	9.8	9.7	9.1	8.2	8.1	8.0
Interest	0.6	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.7
Subsidies and grants	1.4	1.4	1.6	1.0	1.6	1.3	1.3	1.6	1.8	1.9
Social benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net operating balance	4.7	4.8	7.2	5.0	7.1	5.7	8.0	8.4	7.9	7.7
Gross investment in nonfinancial assets	9.5	11.2	11.9	11.0	11.5	11.2	10.9	10.7	10.4	10.4
Overall balance = Net lending/borrowing	-4.8	-6.3	-4.7	-6.0	-4.4	-5.6	-2.9	-2.3	-2.4	-2.7
excl. Grants	-17.8	-20.3	-19.7	-20.5	-17.6	-19.5	-15.7	-13.8	-12.7	-11.7
Primary balance	-4.2	-5.2	-3.7	-5.0	-3.4	-4.6	-1.8	-1.3	-1.5	-2.0
excl. Grants	-17.2	-19.2	-18.8	-19.4	-16.6	-18.6	-14.6	-12.8	-11.7	-11.0
Financing	-4.8	-6.3	-4.7	-3.6	-4.4	-2.9	-2.9	-2.3	-2.4	-2.8
Transactions in financial assets	-0.7	-2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits	-0.7	-2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans (policy lending)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transaction in liabilities	3.8	5.1	4.7	3.9	4.5	3.2	3.3	2.8	2.9	3.2
Loans	4.0	4.6	5.1	4.3	4.8	4.2	3.7	3.3	3.4	3.6
External (net)	3.4	4.3	5.2	4.5	4.6	3.7	3.1	2.7	2.9	3.2
Disbursements	3.8	4.6	5.6	4.9	5.5	4.7	4.3	4.0	4.1	4.2
Amortization (-)	-0.4	-0.2	-0.3	-0.4	-0.9	-1.0	-1.2	-1.3	-1.2	-1.0
Domestic (net)	0.6	0.3	-0.2	-0.2	0.2	0.5	0.5	0.5	0.5	0.4
o/w CBL	-0.7	0.3	-0.1	-0.1	0.4	0.6	0.6	0.7	0.6	0.5
Disbursements	-0.7	0.3	0.1	0.1	0.6	0.6	0.6	0.7	0.6	0.5
Amortization (-)	-0.7	0.0	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Debt Securities ⁵	-0.1	0.5	-0.4	-0.4	-0.3	-1.0	-0.3	-0.5	-0.5	-0.4
Bank	-0.1	0.5	-0.4	-0.4	-0.3	-1.0	-0.3	-0.5	-0.5	-0.4
Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in accounts payable (+ increase/-decrease in arrears)	-0.3	1.5	0.0	-0.3	-0.2	-0.3	-0.5	-0.5	-0.4	-0.4
Financing gap / unidentified financing	0.0	0.0	0.0	-2.4	0.0	-2.7	0.0	0.0	0.0	0.1
Provisional RCF	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Prospective IMF	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0
Other donors	0.0	0.0	0.0	0.8	0.0	1.4	0.0	0.0	0.0	0.0
<i>Memorandum items :</i>										
Total public debts	36.6	51.1	54.1	59.5	61.1	65.6	66.7	65.2	63.5	61.9
External	26.0	32.1	38.0	39.2	42.7	45.4	48.3	48.6	48.5	48.1
Domestic ⁶	10.6	19.0	19.1	20.3	18.4	20.2	18.3	16.5	15.0	13.8
Fiscal year GDP	3,274	3,174	3,127	3,006	3,115	2,941	3,053	3,241	3,433	3,662

Sources: Liberian authorities; and IMF staff estimates and projections.

¹ Fiscal table is shown on a commitment basis and refers to the budgetary central government operations and off-budget projects. Fiscal year refers to July 1 to June 30.

² Starting in FY2020 budget support loans are shown as borrowing, while data prior from FY2020 show budget support loans as part of grants in line with past practice.

³ To ensure estimates are comparable across vintages in the table: i) budget support loans have been reclassified as borrowing; and ii) debt-to-GDP ratio is calculated as the stock of debt in USD divided by nominal GDP in USD.

⁴ Including property tax and social contribution by foreign concessions.

⁵ Including net issuance of T-bill and T-bond.

⁶ Including the central government debt from the Central Bank of Liberia, which was not included prior to 2019 Article IV Consultation.

Table 3c. Liberia: Fiscal Operations of the Budgetary Central Government, 2018–25¹
(Millions of U.S. dollars)

	FY2018	FY2019	FY2020 ²		FY2021		FY2022	FY2023	FY2024	FY2025
	Act.	Est.	ECF Approval ³	Proj.	ECF Approval ³	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	454	471	506	426	517	422	512	560	609	660
<i>of which</i> : Revenue, excl. grants	423	459	465	395	495	402	492	540	589	640
Taxes	376	385	391	315	416	316	385	410	446	486
Income, profits, and capital gains tax	115	125	127	136	135	129	145	152	167	182
Goods and services tax	69	70	69	40	79	46	58	65	73	80
International trade tax	185	182	185	133	190	130	171	181	194	210
Other taxes ⁴	8	9	10	6	11	11	11	12	13	14
Other revenue	47	73	74	80	79	87	107	129	143	154
Grants	30	13	41	31	22	20	20	20	20	20
Expense	481	517	489	479	490	463	471	500	530	551
Compensation of employees	306	325	297	297	296	292	289	291	296	297
Use of goods and services	107	113	110	121	112	101	109	122	138	156
Interest	20	35	31	31	31	29	32	33	33	26
Subsidies and grants	47	44	50	30	50	40	40	53	62	71
Social benefits	1	0	1	1	1	1	1	1	1	1
Net operating balance	-27	-46	17	-52	27	-41	41	60	79	109
Gross investment in nonfinancial assets	7	8	9	1	13	5	7	14	32	65
Overall balance = Net lending/borrowing	-34	-54	9	-53	14	-46	34	46	47	44
excl. Grants	-65	-67	-32	-84	-8	-66	14	26	27	24
Primary balance	-15	-19	40	-23	45	-17	65	79	80	69
excl. Grants	-45	-31	-2	-54	23	-37	45	59	60	49
Financing	-34	-55	9	19	14	32	34	46	47	44
Transactions in financial assets	-24	-89	0	0	0	0	0	0	0	0
Deposits	-24	-89	0	0	0	0	0	0	0	0
Loans (policy lending)	0	0	0	0	0	0	0	0	0	0
Transaction in liabilities	2	14	-9	-11	-9	-22	-19	-31	-32	-29
Loans	6	-1	3	2	0	6	-9	-14	-14	-14
External (net)	-13	-8	9	9	-8	-9	-25	-32	-32	-28
Disbursements	0	0	20	20	20	20	10	10	10	10
Amortization (-)	-13	-8	-11	-11	-28	-29	-35	-42	-42	-38
Domestic (net)	19	7	-6	-8	8	15	16	18	18	13
o/w CBL	20	8	-2	-2	12	18	20	22	22	17
Disbursements	20	8	4	4	18	18	20	22	22	17
Amortization (-)	0	0	-6	-6	-6	0	0	0	0	0
Debt Securities ⁵	-4	16	-12	-12	-9	-28	-9	-17	-18	-15
Bank	-4	16	-12	-12	-9	-28	-9	-17	-18	-15
Nonbank	0	0	0	0	0	0	0	0	0	0
Change in accounts payable (+ increase/-decrease in arrears)	-8	48	0	-8	-5	-10	-15	-15	-15	-15
Financing gap / unidentified financing	0	0	0	-72	0	-78	0	0	0	0
Provisional RCF	0	0	0	49	0	0	0	0	0	0
Prospective IMF	0	0	0	0	0	38	0	0	0	0
Other donors	0	0	0	23	0	40	0	0	0	0
<i>Memorandum items</i> :										
Total public debts	1,198	1,622	1,787	1,788	1,902	1,930	2,036	2,113	2,181	2,265
External	850	1,018	1,188	1,179	1,330	1,335	1,476	1,577	1,665	1,760
Domestic ⁶	348	605	598	609	572	595	560	536	516	506
Commodity revenue										
<i>of which</i> : Mining										
Fiscal year GDP	3,274	3,174	3,127	3,006	3,115	2,941	3,053	3,241	3,433	3,662

Sources: Liberian authorities; and IMF staff estimates and projections.

¹ Fiscal table is shown on a commitment basis and refers to the budgetary central government operations and off-budget projects. Fiscal year refers to July 1 to June 30.

² Starting in FY2020 budget support loans are shown as borrowing, while data prior from FY2020 show budget support loans as part of grants in line with past practice.

³ To ensure estimates are comparable across vintages in the table: i) budget support loans have been reclassified as borrowing; and ii) debt-to-GDP ratio is calculated as the stock of debt in USD divided by nominal GDP in USD.

⁴ Including property tax and social contribution by foreign concessions.

⁵ Including net issuance of T-bill and T-bond.

⁶ Including the central government debt from the Central Bank of Liberia, which was not included prior to 2019 Article IV Consultation.

Table 3d. Liberia: Fiscal Operations of the Budgetary Central Government, 2018–25¹
(Percent of GDP, unless otherwise indicated)

	FY2018	FY2019	FY2020 ²		FY2021		FY2022	FY2023	FY2024	FY2025
	Act.	Est.	ECF Approval ³	Proj.	ECF Approval ³	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	13.9	14.8	16.2	14.2	16.6	14.3	16.8	17.3	17.7	18.0
<i>of which</i> : Revenue, excl. grants	12.9	14.4	14.9	13.1	15.9	13.7	16.1	16.7	17.2	17.5
Taxes	11.5	12.1	12.5	10.5	13.3	10.7	12.6	12.7	13.0	13.3
Income, profits, and capital gains tax	3.5	3.9	4.1	4.5	4.3	4.4	4.7	4.7	4.9	5.0
Goods and services tax	2.1	2.2	2.2	1.3	2.5	1.6	1.9	2.0	2.1	2.2
International trade tax	5.6	5.7	5.9	4.4	6.1	4.4	5.6	5.6	5.6	5.7
Other taxes ⁴	0.2	0.3	0.3	0.2	0.3	0.4	0.4	0.4	0.4	0.4
Other revenue	1.4	2.3	2.4	2.7	2.5	2.9	3.5	4.0	4.2	4.2
Grants	0.9	0.4	1.3	1.0	0.7	0.7	0.7	0.6	0.6	0.5
Expense	14.7	16.3	15.6	15.9	15.7	15.7	15.4	15.4	15.4	15.1
Compensation of employees	9.4	10.2	9.5	9.9	9.5	9.9	9.5	9.0	8.6	8.1
Use of goods and services	3.3	3.6	3.5	4.0	3.6	3.4	3.6	3.8	4.0	4.3
Interest	0.6	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.7
Subsidies and grants	1.4	1.4	1.6	1.0	1.6	1.3	1.3	1.6	1.8	1.9
Social benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net operating balance	-0.8	-1.5	0.6	-1.7	0.9	-1.4	1.3	1.8	2.3	3.0
Gross investment in nonfinancial assets	0.2	0.3	0.3	0.0	0.4	0.2	0.2	0.4	0.9	1.8
Overall balance = Net lending/borrowing	-1.0	-1.7	0.3	-1.8	0.5	-1.6	1.1	1.4	1.4	1.2
excl. Grants	-2.0	-2.1	-1.0	-2.8	-0.3	-2.2	0.4	0.8	0.8	0.7
Primary balance	-0.5	-0.6	1.3	-0.8	1.5	-0.6	2.1	2.4	2.3	1.9
excl. Grants	-1.4	-1.0	-0.1	-1.8	0.8	-1.3	1.5	1.8	1.7	1.4
Financing	-1.0	-1.7	0.3	0.6	0.5	1.1	1.1	1.4	1.4	1.2
Transactions in financial assets	-0.7	-2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits	-0.7	-2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans (policy lending)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transaction in liabilities	0.1	0.5	-0.3	-0.4	-0.3	-0.8	-0.6	-0.9	-0.9	-0.8
Loans	0.2	0.0	0.1	0.1	0.0	0.2	-0.3	-0.4	-0.4	-0.4
External (net)	-0.4	-0.2	0.3	0.3	-0.2	-0.3	-0.8	-1.0	-0.9	-0.8
Disbursements	0.0	0.0	0.6	0.7	0.6	0.7	0.3	0.3	0.3	0.3
Amortization (-)	-0.4	-0.2	-0.3	-0.4	-0.9	-1.0	-1.2	-1.3	-1.2	-1.0
Domestic (net)	0.6	0.2	-0.2	-0.2	0.2	0.5	0.5	0.5	0.5	0.4
o/w CBL	0.6	0.3	-0.1	-0.1	0.4	0.6	0.6	0.7	0.6	0.5
Disbursements	0.6	0.3	0.1	0.1	0.6	0.6	0.6	0.7	0.6	0.5
Amortization (-)	0.0	0.0	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Debt Securities ⁵	-0.1	0.5	-0.4	-0.4	-0.3	-1.0	-0.3	-0.5	-0.5	-0.4
Bank	-0.1	0.5	-0.4	-0.4	-0.3	-1.0	-0.3	-0.5	-0.5	-0.4
Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in accounts payable (+ increase/-decrease in arrears)	-0.3	1.5	0.0	-0.3	-0.2	-0.3	-0.5	-0.5	-0.4	-0.4
Financing gap / unidentified financing	0.0	0.0	0.0	-2.4	0.0	-2.7	0.0	0.0	0.0	0.0
Provisional RCF	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Prospective IMF	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0
Other donors	0.0	0.0	0.0	0.8	0.0	1.4	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>										
Total public debts	36.6	51.1	54.1	59.5	61.1	65.6	66.7	65.2	63.5	61.9
External	26.0	32.1	38.0	39.2	42.7	45.4	48.3	48.6	48.5	48.1
Domestic ⁶	10.6	19.0	19.1	20.3	18.4	20.2	18.3	16.5	15.0	13.8
Fiscal year GDP	3,274	3,174	3,127	3,006	3,115	2,941	3,053	3,241	3,433	3,433

Sources: Liberian authorities; and IMF staff estimates and projections.

¹ Fiscal table is shown on a commitment basis and refers to the budgetary central government operations and off-budget projects. Fiscal year refers to July 1 to June 30.

² Starting in FY2020 budget support loans are shown as borrowing, while data prior from FY2020 show budget support loans as part of grants in line with past practice.

³ To ensure estimates are comparable across vintages in the table: i) budget support loans have been reclassified as borrowing; and ii) debt-to-GDP ratio is calculated as the stock of debt in USD divided by nominal GDP in USD.

⁴ Including property tax and social contribution by foreign concessions.

⁵ Including net issuance of T-bill and T-bond.

⁶ Including the central government debt from the Central Bank of Liberia, which was not included prior to 2019 Article IV Consultation.

Table 4. Liberia: Monetary Survey, 2018–25
(Millions of U.S. dollars; unless otherwise indicated)

	2018	2019	2020		2021		2022	2023	2024	2025
	Act.	Est.	ECF Approval	Proj.	ECF Approval	Proj.	Proj.	Proj.	Proj.	Proj.
<i>(Central Bank Survey)</i>										
Net foreign assets	-21	-38	-68	-122	-62	-72	-45	-25	-4	23
Foreign Assets	382	369	354	412	375	477	516	548	534	530
o/w Gross reserves	365	349	354	392	375	458	496	528	515	510
Foreign Liabilities	403	407	422	515	437	530	541	553	519	487
o/w ST Foreign Liabilities	220	225	242	333	257	348	359	371	337	305
Net domestic assets	256	254	237	340	229	298	281	274	269	267
Net domestic credit	425	481	551	558	559	533	529	533	538	541
Net claims on government	378	424	461	511	461	511	511	511	511	511
Claims on other public sector	0	0	0	0	0	0	0	0	0	0
Claims on private sector	7	7	8	7	8	7	7	7	7	7
Claims on commercial banks (net)	41	50	82	40	90	14	11	14	20	22
Capital account	-110	-121	-156	-122	-156	-122	-122	-122	-122	-122
Other items (net)	-59	-107	-157	-97	-174	-113	-127	-137	-147	-152
Monetary base (M0)	235	216	169	217	166	226	236	249	265	290
Monetary base (L\$ component, billions of L\$)	26	28	35	31	40	35	40	45	51	59
<i>(Depository Corporation Survey)</i>										
Net foreign assets	76	67	29	-25	35	25	52	72	93	120
Net domestic assets	517	572	488	670	475	635	636	655	680	725
Net domestic credit	895	963	1033	1058	1054	1053	1076	1115	1161	1217
Net claims on government	362	465	497	552	497	552	552	552	552	552
Claims on public enterprises	0	0	0	0	0	0	0	0	0	0
Claims on private sector	531	471	536	466	556	487	514	549	589	642
Claims on nonbank financial institutions	1	27	0	0	0	0	0	0	0	0
Capital account	-277	-282	-301	-267	-301	-267	-267	-267	-267	-267
Other Items (Net)	-101	-110	-244	-121	-278	-152	-173	-193	-214	-224
Broad money (M2)	641	644	517	645	509	659	688	727	772	845
L\$ component	206	206	166	207	163	212	221	233	248	271
L\$ Currency in circulation	115	109	93	116	92	119	124	131	139	152
L\$ denominated deposits	91	97	73	91	72	93	97	103	109	119
US\$ component (deposits only)	435	438	351	438	346	448	467	494	524	574
<i>Memorandum items:</i>										
Gross official reserves ¹	297	292	308	336	333	401	439	471	458	453
Net International Reserves ²	70	27	54	-16	63	28	49	63	76	90
Broad money (annual change) in USD	4.9	0.5	-4.2	0.2	-1.4	2.2	4.4	5.6	6.2	9.5
Broad money (annual change) in LD	31.6	20.1	12.5	14.9	11.9	14.6	15.7	13.3	13.9	12.9
L\$ contribution to broad money growth (in LD)	7.4	6.3	4.0	4.9	3.8	4.7	5.0	4.3	4.5	4.1
US\$ contribution to broad money growth (in LD)	24.2	13.8	8.5	10.0	8.1	9.9	10.7	9.0	9.4	8.7
Monetary base (LD component, annual change)	18.1	9.1	15.6	9.6	11.9	14.6	12.0	13.3	13.9	15.4
Net credit to government (annual change)	9.9	28.5	0.0	18.7	0.0	0.0	0.0	0.0	0.0	0.0
Credit to private sector (annual change)	4.1	-11.3	1.3	-1.1	3.7	4.6	5.4	6.9	7.3	9.0
Velocity (GDP-to-M2)	5.1	5.1	6.0	4.5	6.2	4.5	4.6	4.6	4.6	4.5
Money multiplier (M2/M0)	2.7	3.0	3.1	3.0	3.1	2.9	2.9	2.9	2.9	2.9

Sources: Liberian authorities; and IMF staff estimates and projections.

¹ Projections for reserves assume that the remaining financing gap will be filled by donor financing, including possibly from the RCF, and other sources.

² See Text Table 1 for adjustments to Net International Reserves target from program approval.

Table 5. Liberia: Financial Soundness Indicators, 2014–18
(Percent)

	2014	2015	2016	2017	2018
	Dec.	Dec.	Dec.	Dec.	Oct.
Capital adequacy					
Regulatory capital to risk-weighted assets	20.3	15.5	21.5	18.0	27.6
Reported net capitalization	12.6	11.8	15.9	19.7	19.8
Asset quality					
Non-performing loans to total loans	18.7	15.7	14.8	14.7	13.8
Provisions to non-performing loans net of interest in suspense	61.1	73.5	88.3	65.5	75.1
Provisions to classified loans net of interest in suspense	51.8	63.6	61.1	62.9	68.7
Loan concentration (share of total)¹					
Agriculture	6.8	7.0	4.4	30.1	30.8
Mining and Quarrying	0.6	0.4	0.1	1.4	5.2
Manufacturing	1.9	2.6	5.4	18.8	10.4
Construction	17.2	14.3	10.6	49.8	53.7
Transportation, Storage, and Communication	7.4	8.7	6.2	...	...
Trade, Hotels, and Restaurants	43.8	43.3	28.2	...	...
Services	6.3	5.6	3.3	...	...
Personal	9.7	10.0	12.4	...	...
Government of Liberia	2.2	2.5	0.0	...	...
Public corporations	1.1	0.7	0.1	...	...
Others	2.8	4.7	29.3	...	...
Earnings and profitability					
Return on assets	0.1	-1.0	0.2	-0.2	1.1
Return on equity	1.0	-9.0	0.8	-1.4	6.4
Non-interest income to total income	51.0	52.4	43.8	42.6	46.8
Net interest margin over average assets	7.4	7.6	2.7	1.4	4.4
Liquidity					
Liquid assets to deposits and designated liabilities	50.4	36.8	51.4	45.6	40.8
Liquid assets to net assets	34.0	26.7	35.6	30.1	0.0
Net loans to deposits	50.4	56.8	72.9	83.4	26.9

Sources: Liberian authorities; and IMF staff estimates.

¹Classification changed from 2017 in line with ISIC.

Table 6. Liberia: External Financing Requirement and Sources, 2017–25

(Millions of U.S. dollars)

	Est.			Projections					
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Financing Requirement	-1,341	-1,146	-1,128	-1,135	-1,064	-1,033	-1,067	-1,038	-1,061
Current account (excluding donor grants)	-1,408	-1,210	-1,132	-1,091	-999	-995	-1,035	-1,052	-1,065
Gross Reserves Accumulation (- increase)	67	64	5	-43	-65	-38	-32	13	4
Total Sources	1,341	1,146	1,128	985	1,064	1,033	1,067	1,038	1,061
Expected Disbursements (official)	740	537	574	571	512	479	471	442	449
Grants	664	479	439	423	402	382	363	340	346
Official financing: medium and long term (net)	76	58	135	148	110	97	109	102	103
Capital transfer	61	62	63	61	56	57	58	59	60
Foreign direct investment	239	286	251	228	237	260	301	301	328
Private financing (net)	301	264	231	151	245	227	251	247	224
IMF (net, existing credit)	0	-3	9	-42	15	11	-14	-10	0
Financing gap	0	0	0	-150	0	0	0	0	0
Proposed RCF	0	0	0	87	0	0	0	0	0
Other sources	0	0	0	63	0	0	0	0	0
Gross official reserves	361	297	292	336	401	439	471	458	453
Months of imports	2.6	2.3	2.4	2.7	3.2	3.4	3.5	3.2	2.9

Sources: Liberian authorities and IMF staff estimates and projections.

Table 7. Liberia: Indicators of Capacity to Repay the IMF, 2019–29

(As of October 2019; SDR millions, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Projections										
Fund obligations based on existing credit											
(in millions of SDRs)											
Repayment of principal	10.5	5.6	0.0	18.4	27.3	24.4	18.3	20.4	21.7	25.6	31.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit											
(in millions of SDRs)											
Repayment of principal	10.5	17.2	0.0	18.4	27.3	24.4	20.2	24.2	25.5	29.3	36.1
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit											
In millions of SDRs											
In millions of US\$	14.5	23.9	0.0	25.5	38.0	33.9	28.1	33.7	35.5	40.8	50.3
In percent of exports of goods and services	2.2	3.7	0.0	3.5	5.0	4.3	3.3	3.5	3.5	3.4	3.8
In percent of debt service 1/	50.6	59.0	0.0	39.7	51.3	46.3	46.2	47.9	40.9	39.8	41.2
In percent of GDP	0.5	0.8	0.0	0.8	1.1	1.0	0.7	0.8	0.8	0.8	1.0
In percent of Gross International Reserves	5.0	7.1	0.0	5.8	8.1	7.4	6.2	7.2	7.5	8.5	10.4
In percent of quota	4.0	6.7	0.0	7.1	10.6	9.4	7.8	9.4	9.9	11.4	14.0
Outstanding Fund credit											
In millions of SDRs											
In millions of US\$	162.6	195.7	206.8	214.5	221.2	213.8	193.6	169.4	143.9	114.6	78.4
In percent of exports of goods and services	34.2	41.7	40.9	41.2	40.7	37.4	32.0	24.7	19.7	13.1	8.3
In percent of external public debt service 1/	787.3	671.0	502.6	464.2	414.9	406.4	442.7	334.8	230.8	155.2	89.4
In percent of GDP	7.3	9.3	9.7	9.5	9.2	8.4	7.1	5.8	4.5	3.3	2.1
In percent of Gross International Reserves	77.4	81.1	71.7	67.9	65.3	64.9	59.4	50.7	42.1	33.0	22.5
In percent of quota	62.9	75.8	80.0	83.0	85.6	82.7	74.9	65.5	55.7	44.3	30.3
Net use of Fund credit (in millions of SDRs)											
Disbursements	17.0	53.2	34.0	34.0	34.0	17.0	0.0	0.0	0.0	0.0	0.0
Repayments	10.5	17.2	0.0	18.4	27.3	24.4	20.2	24.2	25.5	29.3	36.1
Memorandum items:											
Exports of goods and services (in millions of US\$)	662	653	703	725	756	795	840	954	1,017	1,212	1,311
Debt service (in millions of US\$)	28.7	40.6	57.2	64.3	74.1	73.2	60.8	70.4	86.7	102.6	122.0
Nominal GDP (in millions of US\$)	3,084	2,928	2,954	3,152	3,330	3,536	3,787	4,096	4,446	4,827	5,241
Gross International Reserves (in millions of US\$)	292	336	401	439	471	458	453	465	476	482	484
Quota (millions of SDRs)	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4

Sources: Liberian authorities; and IMF staff estimates and projections.

1/ Total debt external public debt service includes IMF repayments.

Annex I. Social Spending in Liberia (Update from the 2019 Article IV)

1. Liberia lacks a robust system to protect its most vulnerable population from the health and economic consequences of COVID-19. Existing social safety net programs are financed with foreign aid in the form of off-budget projects, mostly from the World Bank, USAID, World Food Program (WFP), and UNICEF. However, these programs are limited, and the social protection system remains underdeveloped and underfunded (Table A1.1). Partly due to lack of coordination among donors and the government, access to social safety nets remains uneven across the population.

2. The donor community and the authorities are working diligently amid the pandemic towards scaling up existing projects, but greater coordination is needed. Consistent coordination with donors and the relevant line Ministries is essential for a timely and effective response to the crisis and to ensure that the population go along with the lockdown. Rapid scale up of food distribution and cash transfer programs depend on food availability, procurement capacity, market functionality, penetration of mobile money, liquidity constraints, and security considerations. It also requires strengthening partnerships at national, subnational and community levels, as well as increasing staffing capacity and extension of geographical presence across the country.

3. Addressing food insecurity during the lockdown period remains the most urgent task and needs to be done through a combination of in-kind food distribution and cash-transfers. Among others, the government and WFP are working together to scale up the following programs:

- **“Shelter-in-place” food security response:** aims to provide a nutrition-sensitive (daily levels of fat, protein and carbohydrates), and balanced food basket comprising rice, beans, vegetable oil and salt to around 1.4 million inhabitants (280,000 households) estimated to fall into food insecurity in Montserrado and Margibi counties. The cost is estimated at around \$15.3 million per month (\$0.37 dollars per day per person) depending on food basket and area coverage.
- **Home-grown school feeding program:** WFP’s national home-grown school feeding program supports nearly 90,000 primary schoolchildren in Nimba and Maryland. With school closures, WFP has shifted transfer modalities from direct school meal distributions to take-home rations of in-kind food to sustain an estimated 45,000 vulnerable households. With funding, this can be rapidly scaled up to reach a total of 335,000 vulnerable households in the country.

4. The humanitarian response to the crisis would be costly and the fiscal stance is expected to deteriorate further without greater support in the form of grants. Donors are reallocating resources from existing projects to the most urgent interventions, but additional resources may be needed in the form of grants as Liberia’s borrowing space is very limited. The GOL have allocated additional spending of \$3 million in FY2020 and \$5 million in FY2021 budgets, made reductions in non-essential primary expenditure, and is working with the international community to secure additional funding. The GOL has made an initial budget allocation of \$35 million to guarantee food assistance for two months through the “shelter-in-place’ program. Depending on the length of the lockdown and geographical coverage of the program, the cost could increase above \$60 million, and the government will need to secure additional resources to finance it.

Table 1. Liberia: Social Safety Net Programs Operated by Major Donors

Managing Institution	Program Name	Type of Program	Target Population
AfDB	Fishtown to Harper and Mano River Union Road Development and Transport Facilitation (2015 to Present)	Communities/Workers sensitization on HIV/AIDS, Malaria, Gender Empowerment and road safety	Local communities living along the project road and construction workers
AfDB	Smallholder Agricultural Productivity Enhancement and Commercialization Project	Agriculture development (with skills enhancement activities embedded)	Farmers and youth
UNICEF	Care for children with Severe Acute Malnutrition (SAM)	Treatment of Severe Acute Malnutrition (SAM)	Children under five years with SAM
UNICEF	Household fortification of complementary foods using Multiple Micronutrient Powder (MNP)	Household Food Fortification	Children aged 6-23 months
UNICEF	Social Cash Transfer (2019 - 2020)	Randomized Control Trial to test the efficacy of cash transfer and nutrition education in improving dietary diversity among children aged 6-23 months.	Children aged 6-23 months
UNICEF	School Feeding under Gender Equitable Education Program (GEEP)	School feeding	45 schools in six counties
UNICEF	Student teaching/Learning materials package	Provision of school bag, copy books, pencils, pen and reading & textbooks to support the learning in 40 Community Early Child Development Centers (ECD) and pre-primary schools	40 ECD Centers and 100 pre-primary schools in six counties

Table 1. Liberia: Social Safety Net Programs Operated by Major Donors (continued)

Managing Institution	Program Name	Type of Program	Target Population
UNICEF	Provision of teaching/Learning materials	Provision of school supplies and learning materials to students	45 schools in six counties
UNICEF	Child Protection: Adolescent empowerment (TVET)	Selected adolescent at risk provided with tart up kits/tool kits for those who completed technical and vocational training	Adolescent girls at risk
UNICEF	Child Protection: Adolescent empowerment (Functional Literacy)	Selected adolescent at risk provided with either education kit to ensure continued enrollment in schools	Adolescent girls at risk
UNICEF/IRCL/MO GCSP	Child Protection: Strengthening Child Protection Systems and Consolidating Community Based Mechanisms to Prevent and Respond to Violence and Abuse Against Children in Liberia.	Tuition and medical fees support to the EVD affected children	200 EVD orphans in the three counties of Nimba, Bong and Montserrado (rural)
USAID	School Feeding Program II	School Meals	Pre-primary, primary and/or secondary schools
USAID	Liberia: Accelerated Quality Education for Liberian Children (AQE)	skills development	Overage and out-of-school primary learners in Bong, Loga, Margibi, Grand Bassa, Montserrado and Nimba Counties
USAID and co-finance with Good Ventures	Assessing the Role of Digital Household Grants (HHGS) in Liberia	Unconditional cash transfer	Food-insecure households and small holder farmers in Bong and Nimba counties.

Table 1. Liberia: Social Safety Net Programs Operated by Major Donors (concluded)

Managing Institution	Program Name	Type of Program	Target Population
World Bank with co-financing from SIDA (Implemented by Ministry of Youth and Sports and Liberia Agency for Community Empowerment)	Liberia: Youth Opportunities Project (YOP)	Pre-employment support; Support to household enterprises (Small Business Support); Productive public works (Community Livelihood and Agriculture Support)	Youth ages 15-35 year in rural and urban areas; 50% women; Covers all 15 counties.
World Bank with co-financing from USAID & DFID (Implemented by Ministry of Gender, Children and Social Protection)	Liberia: Social Safety Nets Project (LSSNP)	Social registry; Cash transfers; Nutrition education (accompanying measures)	Extremely poor and food insecure households in Liberia (Maryland, Bomi, River Gee, Grand Kru, Bong, Montserrado and Nimba Counties, seven of Liberia most food insecure counties).
WFP	School Feeding	School Meals	Primary school children across 2 counties (Maryland and Nimba)
WFP	Girls Take-Home Rations	School Meals	Adolescent Girls in upper primary school (grades 4-6)
WFP	Home-Grown School Feeding	School Meals through Cash transfers and purchase of locally grown commodities	A pilot scheme has been launched in Nimba county targeting 126 schools currently
WFP	HIV/AIDS Nutrition Interventions	Conditional food transfers - on attendance at clinics	Patients living with HIV/AIDS
WFP	Community Grain Reserves	Conditional cash transfers	Smallholder rural women farmers
Sources: Compilation from Survey to Major Donors operating in Liberia.			

Annex II. Weekly Fiscal Dashboard, March 2020

Liberia: FY2020 Fiscal Budget Execution Report, (Millions of USD, fiscal year-to-date, as of March 30, 2020)

Table 1. Expenditure Breakdown by Code

Code	Description	Appropriation	Allotment	Financial Budget	IFMIS Expenditures	Cash Expenditures
21	Compensation	298.34	247.75	207.35	173.86	156.39
22	Goods and Services	84.17	61.54	44.08	42.62	37.76
23	Consumption of Fixed Capital	0.00	0.00	0.00	0.00	0.00
24	Interest Charges	0.00	0.00	0.00	0.00	0.00
25	Subsidies	0.97	0.45	0.18	0.18	0.13
26	Grants	54.85	24.21	20.10	19.14	14.19
27	Social Benefits	1.49	2.45	2.20	1.48	0.70
31	Capital Expenditures	25.33	0.95	0.41	0.12	0.10
32	Outstanding Advances	0.00	0.00	0.00	19.79	30.19
41	Domestic Liabilities	35.76	32.62	19.01	17.12	16.13
42	International Liabilities	24.75	12.49	10.95	10.94	8.94
XX	Unreconciled 1/	0.00	0.00	0.00	0.00	17.82
Total		525.67	382.46	304.27	285.25	282.35

Memorandum item:

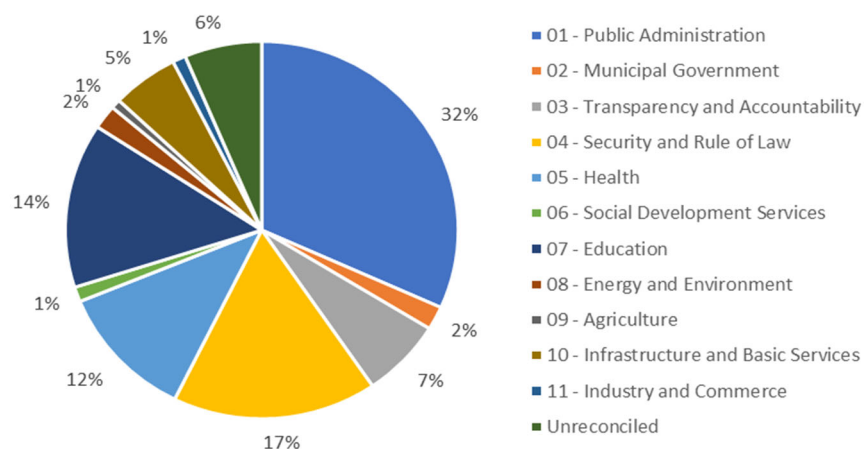
Road Fund expenditure (cash basis) 10.24

1/ Cash expenditure is unreconciled because of cash expenditure is unreported by 11 advance receiving entities which are General Auditing Commission, Forestry Development Authority, National Election Commission, Independent National Human Right Commission, Judiciary, Public Procurement and Concession Commission, John F. Kennedy Memorial Hospital, National Investment Commission, Liberia Anti-Corruption Commission, Governance Commission, and National Security Agency.

Table 2. Currency Split of Cash Revenue and Expenditure

	LD (converted)	USD	Total
Revenue	113.45	185.23	298.68
Expenditure	96.58	185.76	282.35

Figure 1. Expenditure Sectoral Breakdown



Sources: Liberian authorities.

Appendix I. Letter of Intent

Monrovia, June 1, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva,

1. Since adopting an ECF-supported program in December 2019, Liberia has been fully committed to reforms aimed at leaving behind a prolonged period of economic stagnation.

The need for reform built up over a number of years, as our economic position suffered from a series of exogenous shocks—including to commodity prices, the departure of our UN peacekeeping force, and the outbreak of Ebola—with the situation exacerbated by less-than-optimal economic management. Nonetheless, over the four months following program inception, we made impressive steps towards regaining macroeconomic stability, establishing greater fiscal control and transparency, and laying the foundations for a re-igniting of the growth needed to improve the living conditions of our population, the majority of whom continue to exist in poverty and want. Much remains to do, however, as inflation remains high, fiscal resources are too tight to satisfy demand for investment in both physical and human infrastructure, and governance issues persist. Nonetheless, with the ECF arrangement providing an appropriate policy framework, we believed up to recently that perseverance with the program would be sufficient to advance us towards our development goals.

2. The appearance of the COVID-19 global pandemic changed this perception. Since Liberia discovered its first case of the virus in March 2020, the number of cases has increased to more than 200, and the authorities have adopted serious containment measures. In addition to mandating a two-week quarantine period for returning travelers from infected areas, on March 21, 2020 we issued severe social distancing rules, including closure of all schools, night clubs, cinemas, beaches, spas, and places of worship; banning of all street selling and gatherings of more than 10 people; limits on admittance to banks and restaurants to five customers kept six feet apart; social distancing for health facilities and pharmacies (which are to remain open); mandatory washing of hands with soap and clean water at all establishments; and, in addition, a hotline has been established for use by the population to report those exhibiting COVID-19 symptoms. So far, the number of confirmed cases remains quite small. However, we are fully cognizant that should these

numbers experience the same exponential growth as they have in other countries, our health care system—inadequate in the best of times—would be quickly overwhelmed. In recognition of this vulnerability, we will shortly initiate a complete lockdown of the hardest hit areas of the country, including Montserrado County.

3. We anticipate that the economic effects of the crisis on Liberia will be severe. The full impact is not known, but GDP growth for 2020 is projected at $-2\frac{1}{2}$ percent, a 3 percentage point downward revision compared to pre-COVID-19 expectations. While the terms of trade shock has so far been positive—prices of imported fuel declined much more than those of our export commodities—the general lockdown abroad and at home, combined with suspension of aid-related travel is adversely affecting the hotel and related service sectors. Revenue shortfalls for this fiscal year had already emerged before the arrival of the virus and were met with a reduction in budgetary allocations. However, additional COVID-19-related shortfalls are now anticipated to reduce this fiscal year's revenues by a further $\frac{3}{4}$ percent of GDP (US\$17 million). Looking ahead to FY2021, increasing revenue shortfalls and the need for some additional COVID-19-related spending will likely produce a cumulative fiscal gap of about $3\frac{1}{2}$ percent of GDP across both fiscal years. Complicating next year further, a sharp contraction in capital inflows, including a reduction in official financing of infrastructure projects, is expected to more than offset the improvements in the current account, and increase our balance of payments need by 5.3 percentage points of GDP. The banking system will also suffer, but with magnitudes difficult to predict. While the system labors under a large stock of nonperforming loans, loan provisioning was broadly adequate up to the time the COVID-19 pandemic began. We anticipate, however, that the quality of assets could deteriorate significantly as the crisis adversely impacts the cashflows of many borrowers. For the present, however, despite heightened US dollar liquidity risks in some banks—which our proposed program will address—the sector remains largely stable.

4. Against this dire background, we are requesting emergency funding from the IMF under the Rapid Credit Facility (RCF) to finance our urgent balance of payment needs which have partly arisen from a deteriorating fiscal position. Specifically, we are requesting support equivalent to SDR 36.176 million (14 percent of quota, about US\$49 million). While we would ask that these funds be disbursed to the Central Bank of Liberia (CBL), considering the sizable fiscal gap we face, we further ask that this support be made available to our fiscal budget by having it on-lent by the CBL to Government on the same terms and currency composition as obtained from the IMF. We have already prepared, in consultation with Fund staff, a memorandum of understanding (MOU) between the Government and the CBL stipulating responsibilities for servicing financial obligations to the IMF. In order for the World Food Programme (WFP) to help us execute our large-scale

program of in-kind food assistance for 2.5 million of our most vulnerable citizens in all the 15 counties we will, upon receipt of the RCF funds, immediately transfer US\$25 million to the WFP (less any advances already transferred from the Government of Liberia for this purpose). The recast budget approved by the Legislature also incorporates additional measures aimed at supporting poor households during the lockdown. These include appropriating US\$2 million to pay electricity and water bills for poor households consuming below specific thresholds per month, and US\$2 million to provide support to market women and petty traders. We note that this support would be in addition to IMF debt relief that could be provided under the Catastrophe Containment Relief trust (CCRT) and for which we take this opportunity to express our gratitude. We are also requesting the Debt Service Suspension Initiative (DSSI), supported by the G-20 and the Paris Club, while remaining committed to spending the freed resources on COVID-related health or economic relief; disclosing our public sector debt to the IMF; and not contracting any new non-concessional debt during the suspension period.

5. Based on the expectation of your support, we have prepared a set of policies to protect our economy and people from the worst of the COVID-19 effect. On the fiscal side, in FY2021 we expect a combination of IMF disbursements, generous additional budget support from our major donors, and moderate cuts to wages, subsidies and capital spending to largely compensate for lost revenue, allowing health and social safety net spending in our FY2021 budget to approximate the level anticipated under our ECF-supported program. Within this envelope, however, we intend to substitute US\$10 million (¼ percent of GDP) of above the line current spending for below the line clearance of outstanding domestic arrears to support the private sector in these difficult times. With respect to monetary policy, the existing shortage of Liberian dollar banknotes and lack of confidence in the banking system, significantly elevate risks to our external buffers and limits our ability to respond to the crisis. However, we are working towards remedying these by moving ahead with the printing of additional banknotes, with the first shipment expected by early July. The IMF staff has advised us to also make provision in our fiscal program for the buyback of US\$15 million of government bonds to allow for immediate injection of additional much-needed US dollar liquidity into our banking sector. An alternative solution would be to proceed with a private bank's bond discount facility (BDF), though it poses heightened debt sustainability risks. Government currently favors the latter alternative based on the scale of the liquidity constraints banks face, but discussion will continue in the weeks ahead in the context of the formulation of the FY2021 budget. To adequately safeguard financial stability, the CBL will pursue measures consistent with the understandings reached under the Extended Credit Facility (ECF) arrangement to ensure that any emerging risks to the banking sector are addressed in the near-term. On the prudential side, in recognition of the virus' adverse impact on private sector cashflows

and on the quality of banking sector assets, the CBL will permit financial institutions some additional and reasonable flexibility on a case-by-case basis to solvent borrowers in hard-hit sectors experiencing temporary liquidity shortfalls, but will maintain loan reporting, classification, and provisioning standards to avoid compromising information on loan quality. However, in the interests of prudence, in exchange for this latitude and for the period it persists, banks will be required to forego paying shareholder dividends or executive bonuses.

6. We are also in the process of implementing a number of policy measures that are needed to mitigate somewhat the projected large shortfall in revenue. We view these actions as appropriate to the very difficult economic situation we face and expect that their implementation will help significantly to safeguard and augment scarce resources, as well as provide the Fund with assurance that its resources will be used appropriately. They include (i) ensuring proper monitoring and control of all expenditure in the months ahead by mandating that all advance-reporting agencies revert to using the government's Integrated Financial Management Information System (IFMIS) for all purchases beginning July 1, 2020; (ii) the government publishing weekly spending reports and non-compliant institutions' unreconciled spending amounts on the MFDP website effective immediately; (iii) having safeguarded additional revenues by enacting the necessary legal arrangements to ensure that, beginning with the FY2021 fiscal year, 100 percent of all revenues accruing to the Liberian Maritime Authority (LMA) and the Liberian Telecommunications Authority (LTA) from all sources are collected by, and flow directly to, the Liberian Revenue Authority—with the sole funding source of all operating and capital expenses of the LMA and LTA in FY2021 restricted henceforth to formal lump sum allocations in the FY2021 national budget; and (iv) preserving the revenue base by enacting in May 2020 a 30 cent per gallon excise tax on fuel products—given the recent decline in the world oil prices, we expect this measure to yield 1.2 percent of GDP of additional revenue without necessitating an increase in the retail price of fuel. We will submit a budget for FY21 consistent with these measures and other understandings reached with IMF staff.

7. Given the need for transparency and accountability in the use of resources, we commit to having the General Audit Commission conduct a post-crisis audit of all the crisis response spending within a year of the approval of the RCF disbursement. This action will not only ensure that the crisis spending is not wasted but will also provide lessons that will be needed to further strengthen our existing systems to effectively respond to crisis situations as well as public sector spending more broadly in the post-crisis period. For transparency, we will publish the results of the audit online within two weeks of its finalization. We will also publish on the government's website all procurement contracts paid from the budget in the remainder of FY2020 and all of FY2021 above a

value of US\$200,000 for goods, above US\$400,000 for works, and above US\$100,000 for services, along with the names of the companies awarded the contract, their beneficial owners, and validation of delivery of the goods and services specified in the contracts.

8. We remain committed to the goals and policies contained in our ECF-supported program, and look forward to completing the first review once the COVID-19 situation eases.

Our focus over the few months will need to be on short-term macroeconomic and fiscal stability and crisis response. However, looking ahead, in consultation with IMF staff, we have already clearly identified the actions necessary to bring our ECF-supported program back on track. We want to return quickly to the growth and macroeconomic trajectory outlined in our ECF-supported program, as we continue to regard this framework as both appropriate and necessary for the underpinning of our medium-term development plan, the Pro-Poor Agenda for Prosperity and Development, and will continue to seek donor assistance in support of this plan.

9. We believe that the measures and policies outlined in this letter are enough to address the immediate priorities required by the pandemic.

We will use the resources provided by the Fund in a manner consistent with the understandings reached and welcome the planned ex-post audit of such use in about a year's time. We covenant that we will not introduce measures or policies that worsen the balance-of-payments position, and that we will not impose new or intensify existing restrictions on the making of payments and transfers for current international transactions, trade restrictions for balance-of payments purposes, or multiple currency practices, or enter into bilateral payments agreements which are inconsistent with Article VIII of the IMF's Articles of Agreement. Should the measures and policies we have adopted prove insufficient to their aims, we will take additional measures necessary to achieve those ends and will consult with the IMF on the adoption of such additional measures prior to any revision. We will also provide Fund staff with all information they require to monitor our economic situation on a regular and timely basis, including by continuing to provide all the data stipulated in the Technical Memorandum for the ECF-supported program (IMF Country Report No. 19/381). We will also, as far as is practical, share any other information that may be necessary to evaluate and understand our economic situation.

10. In line with our commitment to transparency, we authorize the IMF to publish this document, and the related staff report, data tables, and debt sustainability analysis report on its website and other media once the RCF disbursement is approved.

Sincerely,

_____/s/_____
Hon. Samuel D. Tweah, Jr.
Minister
Ministry of Finance and Development Planning

_____/s/_____
Hon. J. Aloysius Tarlue, Jr.
Executive Governor
Central Bank of Liberia

Table 1. Liberia: Prior Actions for RCF, 2020

Measure	Macroeconomic Justification	Scheduled Completion Date
Passage of a credible FY2020 recast budget consistent with understandings reached with IMF staff.	Help to ensure that the approved budget is in line with credible revenue projections and emergency response	The recast budget was passed by the Legislature on May 22, 2020.
Begin publishing weekly spending reports, including unreconciled spending amount, on the MFDP's website.	Help to improve tracking, accounting, and reporting of emergency response spending. This helps to ensure greater public expenditure efficiency.	MFDP started publishing weekly reports on May 31.



LIBERIA

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

June 1, 2020

Approved By
Dominique Desruelle
(IMF) and **Marcello**
Estevão (IDA)

Prepared by the International Monetary Fund and the International Development Association.¹

Risk of external debt distress	<i>Moderate</i> ²
Overall risk of debt distress	<i>High</i>
Granularity in the risk rating	<i>Limited space to accommodate shocks</i>
Application of judgment	<i>No</i>
Macroeconomic projections	<i>With the impact of COVID-19, growth for 2020 is now projected at -2.5 percent for 2020, 3 percentage points below the pre-COVID baseline, largely due to lockdowns at home and abroad. In 2020, an emerging BOP need is projected at 5.3 percent of GDP, partly due to a sharp decline in service sector exports and remittances and delays in capital inflows. The terms-of-trade shock is positive since fuel import prices declined more than the prices of key exports (iron ore, rubber, and gold). The BOP need also stems from a sharp decline in revenue and an increase in COVID-19 response spending on health and social programs. The fiscal deficit is projected to increase to 5.1 percent of GDP in 2020.</i>
Financing strategy	<i>Additional financing needs are filled by the RCF, other multilateral institutions (i.e., World Bank and African Development Bank), and donor grants in FY2020 and FY2021.³</i>
Realism tools flagged	<i>Large unexpected change in public debt in the last 5 years. 3-year primary balance adjustment greater than 2.5 percentage points of GDP.</i>
Mechanical risk rating under the external DSA	<i>Moderate</i>
Mechanical risk rating under the public DSA	<i>High</i>

¹Debt coverage has remained the same as in the previous DSA.

²Liberia's debt-carrying capacity based on the Composite Indicator (CI), which is based on the October 2019 WEO and the 2018 CPIA, is assessed as weak. The CI score is 2.41.

³See Table 2 of the main text for the COVID-19 response spending and sources of funding so far. The World Bank additional financing includes US\$25 million of budget support and US\$30 million of off-budget financing (primarily health and social protection programs).

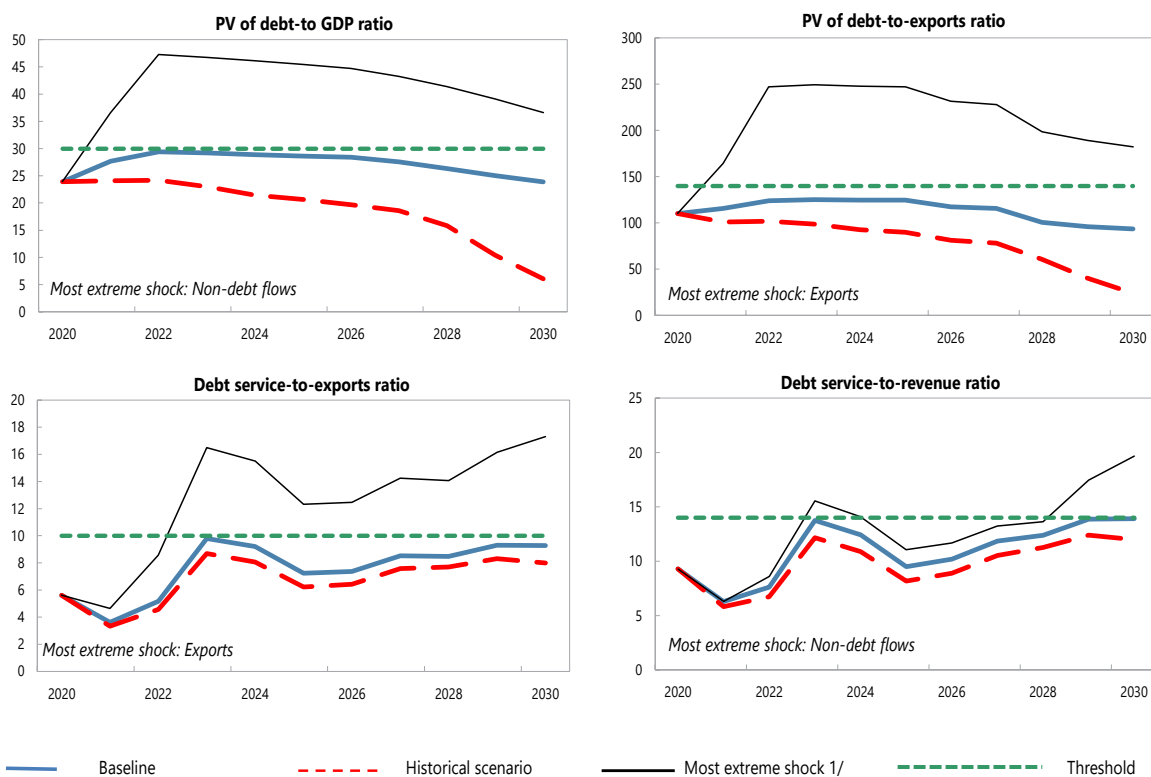
The Debt Sustainability Analysis (DSA) continues to assess Liberia at moderate risk of external debt distress and high risk of overall public debt distress, with very limited space to accommodate shocks and an extended breach of the PV of public debt-to-GDP ratio. However, public debt is assessed to be sustainable as (i) both the PV of public debt-to-GDP and PV of debt-to-revenue ratios are projected to be on a downward trend and (ii) the high PV of public debt ratios largely reflect debt to the central bank, for which the interest rate is relatively low but is not discounted in the PV calculations. Moreover, staff projects that there is a high likelihood that Liberia will be able to meet all of its current and future financial obligations.

The macroeconomic outlook is less favorable compared to the previous Debt Sustainability Analysis (DSA) in December 2019 due to the external shock caused by the COVID-19 pandemic. The analysis indicates that the impact of the COVID-19 shock, especially on the growth outlook, further reduces Liberia's space to absorb shocks relative to the previous DSA. However, Liberia remains at moderate risk of external debt distress. This DSA also points to the tension between the near-term borrowing need to minimize the COVID-19 impact and the need for medium-term borrowing space to support post-COVID-19 recovery, and in turn highlights the potential benefit of debt relief from the Catastrophe Containment Relief Trust (CCRT).⁴ In addition, the authorities will request the debt service suspension from official bilateral creditors as envisaged under the Debt Service Suspension Initiative (DSSI) supported by the G-20 and Paris Club and intend to adhere to the needed commitments.⁵ \$1.2m of debt service will be suspended under DSSI. This debt suspension is reflected in the macro framework and the DSA, reducing debt service pressure in 2020. Staff considers the projected fiscal adjustment as realistic given that COVID-19 related spending is projected to phase out over time and given the authorities' fiscal measures taken and committed under the RCF and ECF-supported program. In this regard, the authorities should refrain from non-concessional borrowing in the near term and risky collateralized agreements at all times, while ensuring that new debt is contracted transparently. Due consideration should also be given to the country's absorption capacity, which remains low.

⁴The DSA and macro-framework assume CCRT debt service relief through April 2022. The last 18 months of debt service relief is subject to the availability of CCRT resources.

⁵Participation in the DSSI which provides a time-bound suspension of official bilateral debt service payments to IDA-eligible and least developed countries as defined by the UN would provide additional fiscal space in the near term.

Figure 1. Liberia: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2020-30



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price 2/	n.a.	n.a.
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	0.9%	0.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	31	31
Avg. grace period	7	7

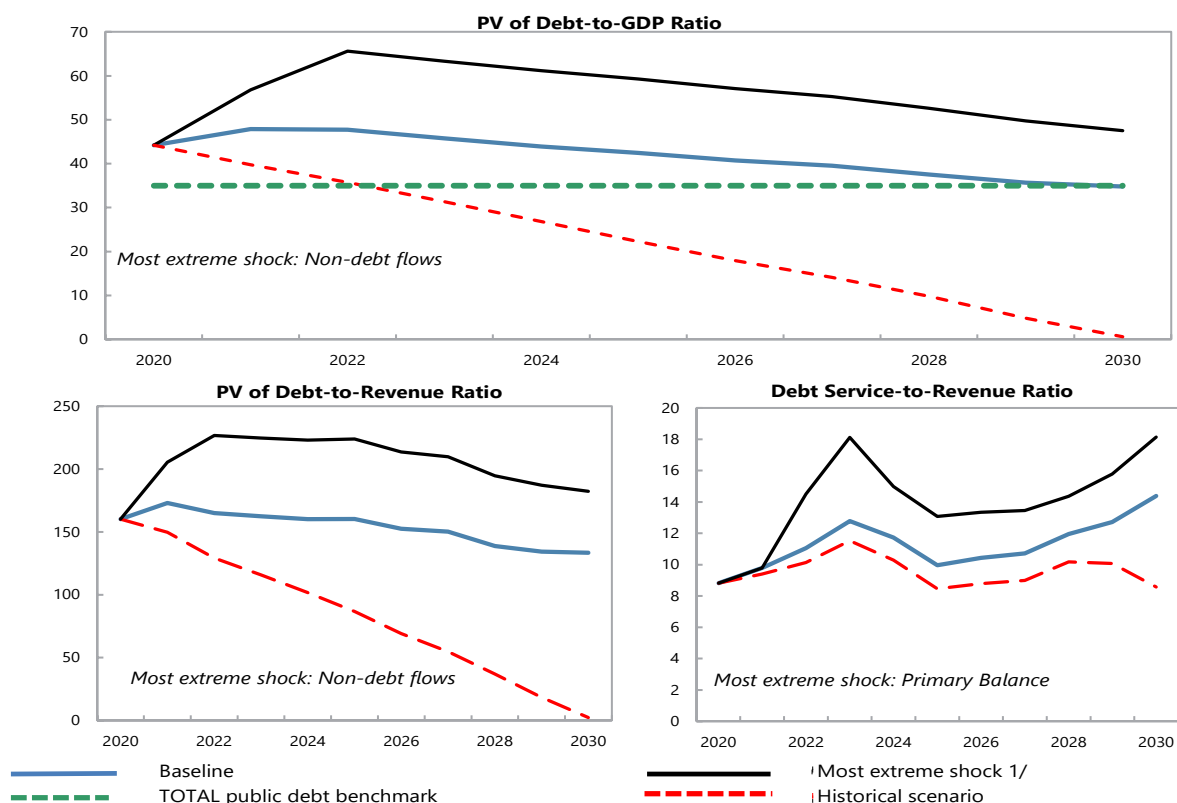
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Liberia: Indicators of Debt Under Alternative Scenarios, 2020-30



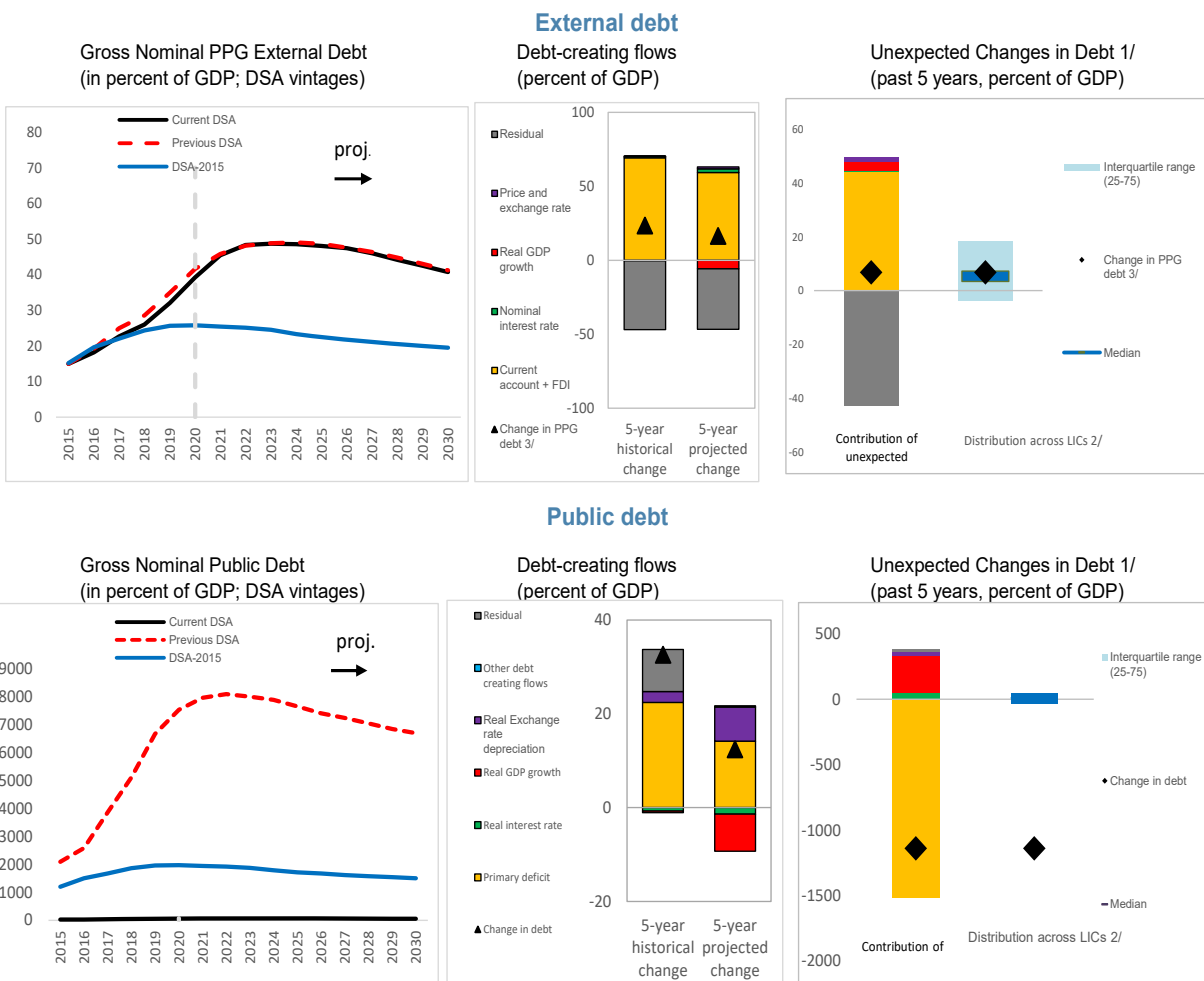
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	80%	80%
Domestic medium and long-term	15%	15%
Domestic short-term	5%	5%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.9%	0.9%
Avg. maturity (incl. grace period)	31	31
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	8.3%	8.3%
Avg. maturity (incl. grace period)	10	10
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	5.8%	5.8%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

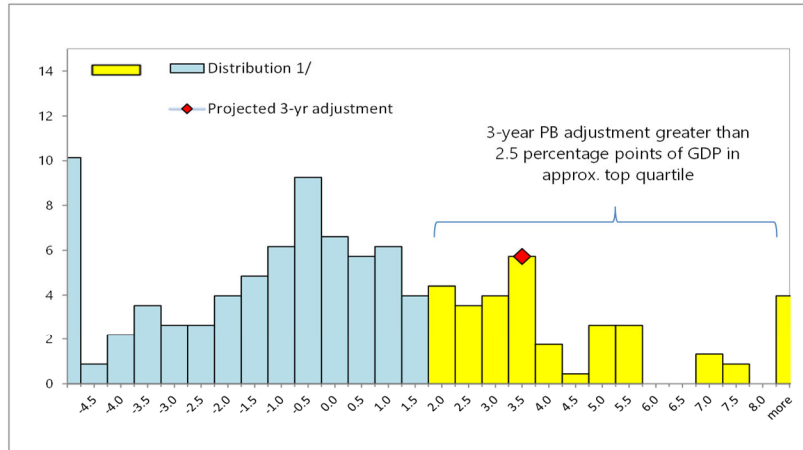
Figure 3. Liberia: Drivers of Debt Dynamics – Baseline Scenario



1/ Difference between anticipated and actual contributions on debt ratios.
 2/ Distribution across LICs for which LIC DSAs were produced.
 3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

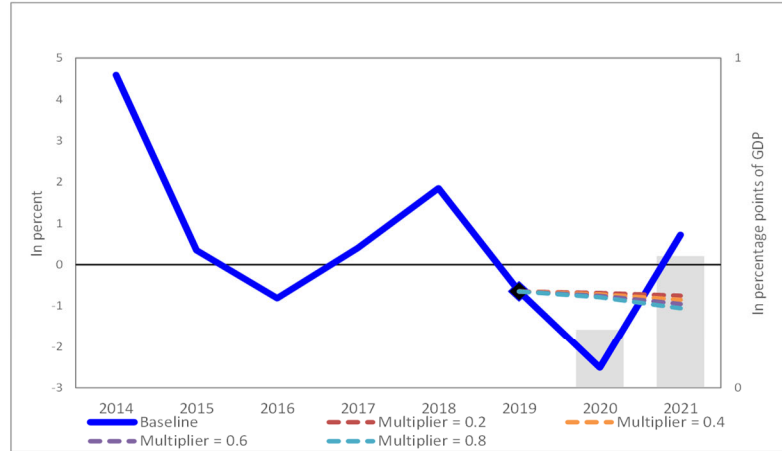
Figure 4. Liberia: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

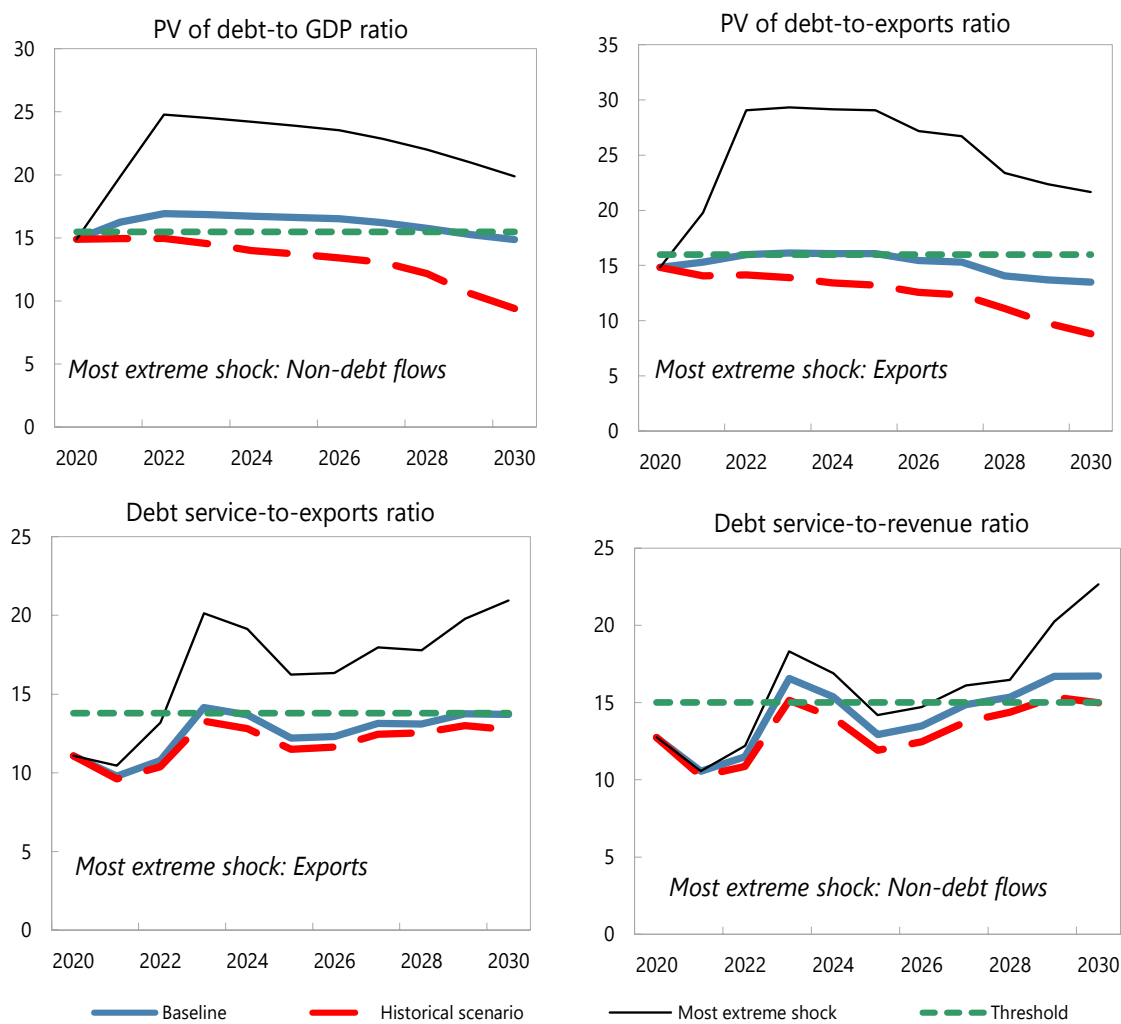
Figure 5. Liberia: Qualification of the Moderate Category, 2020-30^{1/}



Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Figure 6. Liberia: Probability of Debt Distress of Public and Publicly Guaranteed External Debt Under Alternative Scenarios^{1/}



1/ The probability approach focuses on the evolution of the probability of debt distress over time, rather than on the evolution of debt burden indicators.

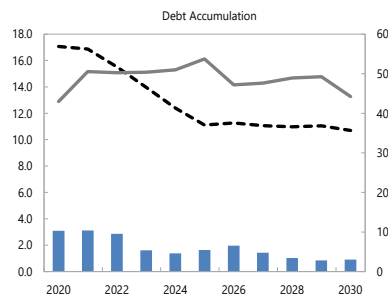
Sources: Country authorities; and staff estimates and projections.

Table 1. Liberia: External Debt Sustainability Framework, Baseline Scenario, 2017-40

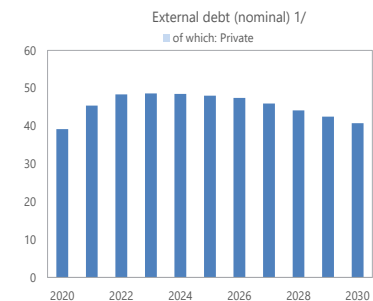
(Percent of GDP, unless otherwise indicated)

	Actual			Projections							Average 8/		
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	22.7	26.0	32.1	39.2	45.4	48.3	48.6	48.5	48.1	40.8	31.6	14.9	45.4
<i>of which: public and publicly guaranteed (PPG)</i>	22.7	26.0	32.1	39.2	45.4	48.3	48.6	48.5	48.1	40.8	31.6	14.9	45.4
Change in external debt	4.5	3.3	6.1	7.2	6.2	2.9	0.3	-0.1	-0.5	-1.7	-1.2		
Identified net debt-creating flows	15.3	13.4	14.8	15.5	12.0	9.7	9.3	9.6	8.2	15.0	9.6	8.9	11.3
Non-interest current account deficit	22.8	22.0	21.6	21.7	19.8	19.6	20.2	20.2	19.4	16.7	10.8	19.6	19.4
Deficit in balance of goods and services	39.1	31.8	28.5	27.0	26.2	25.5	25.1	24.0	23.3	21.6	14.4	47.6	24.2
Exports	20.7	20.2	20.9	21.7	23.9	23.7	23.3	23.2	22.9	25.5	21.8		
Imports	59.7	52.1	49.4	48.7	50.1	49.3	48.4	47.2	46.2	47.2	36.2		
Net current transfers (negative = inflow)	-22.7	-18.5	-17.8	-17.0	-18.2	-17.1	-15.7	-13.7	-13.1	-10.4	-6.6	-36.4	-13.8
<i>of which: official</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	6.4	8.7	10.9	11.7	11.8	11.2	10.8	9.9	9.2	5.4	2.9	8.5	9.1
Net FDI (negative = inflow)	-7.4	-8.7	-7.9	-7.6	-8.1	-8.5	-9.3	-8.8	-9.0	0.0	0.0	-10.9	-6.7
Endogenous debt dynamics 2/	-0.1	0.1	1.1	1.4	0.2	-1.3	-1.6	-1.9	-2.2	-1.8	-1.2		
Contribution from nominal interest rate	0.2	0.3	0.3	0.5	0.5	0.5	0.5	0.5	0.3	0.3	0.4		
Contribution from real GDP growth	-0.1	-0.4	0.2	0.8	-0.3	-1.8	-2.1	-2.4	-2.4	-2.1	-1.6		
Contribution from price and exchange rate changes	-0.2	0.2	0.6	...	...	...	...	...	...	...	...
Residual 3/	-10.8	-10.1	-8.6	-8.4	-5.8	-6.8	-9.0	-9.7	-8.7	-16.7	-10.7	-6.0	-10.6
<i>of which: exceptional financing</i>	0.0	0.0	0.0	-0.7	-1.1	-0.4	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	19.6	23.9	27.7	29.4	29.2	28.9	28.6	23.9	21.4		
PV of PPG external debt-to-exports ratio	...	...	93.8	110.2	115.8	123.8	125.2	124.7	124.7	93.6	98.2		
PPG debt service-to-exports ratio	1.5	3.3	4.3	5.6	3.6	5.2	9.8	9.2	7.2	9.3	8.1		
PPG debt service-to-revenue ratio	2.1	5.1	6.2	9.3	6.3	7.6	13.7	12.4	9.5	13.9	8.9		
Gross external financing need (Million of U.S. dollars)	509.9	456.6	462.3	461.6	372.2	375.0	428.8	466.4	441.8	1043.5	1455.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	0.4	1.8	-0.6	-2.5	0.7	4.2	4.7	5.2	5.4	5.3	5.3	3.3	4.0
GDP deflator in US dollar terms (change in percent)	1.3	-0.9	-2.4	-2.8	-2.9	-0.4	1.4	0.7	1.2	3.1	2.1	2.7	1.0
Effective interest rate (percent) 4/	0.9	1.3	1.0	1.6	1.2	1.2	1.2	1.1	0.6	0.8	1.3	1.1	0.9
Growth of exports of G&S (US dollar terms, in percent)	0.1	-1.2	0.0	-1.4	7.6	3.2	4.3	5.2	5.7	6.4	4.8	5.8	7.1
Growth of imports of G&S (US dollar terms, in percent)	-18.3	-12.0	-8.1	-6.5	0.6	2.0	4.3	3.1	4.5	4.9	5.0	1.3	4.8
Grant element of new public sector borrowing (in percent)	...	...	...	42.9	50.5	50.2	50.3	51.0	53.7	44.2	32.2	...	48.7
Government revenues (excluding grants, in percent of GDP)	14.3	12.9	14.4	13.1	13.7	16.1	16.7	17.2	17.5	17.0	19.9	15.1	16.5
Aid flows (in Million of US dollars) 5/	663.4	549.7	588.0	534.6	532.2	507.5	484.0	457.8	454.3	636.0	1160.8		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	17.1	16.9	15.5	14.0	12.4	11.1	10.7	9.4	...	12.9
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	83.1	85.7	85.4	85.3	85.8	85.8	83.9	84.7	...	84.8
Nominal GDP (Million of US dollars)	3,244	3,274	3,174	3,006	2,941	3,053	3,241	3,433	3,662	5,465	11,584		
Nominal dollar GDP growth	1.7	0.9	-3.0	-5.3	-2.2	3.8	6.2	5.9	6.7	8.6	7.5	6.1	5.2
Memorandum items:													
PV of external debt 7/	...	...	19.6	23.9	27.7	29.4	29.2	28.9	28.6	23.9	21.4		
In percent of exports	...	...	93.8	110.2	115.8	123.8	125.2	124.7	124.7	93.6	98.2		
Total external debt service-to-exports ratio	1.5	3.3	4.3	5.6	3.6	5.2	9.8	9.2	7.2	9.3	8.1		
PV of PPG external debt (in Million of US dollars)	...	...	621.3	719.6	813.4	897.6	946.7	991.5	1047.6	1305.3	2482.9		
(PVt-PVt-1)/GDPt-1 (in percent)	...	...	...	3.1	3.1	2.9	1.6	1.4	1.6	0.9	1.0		
Non-interest current account deficit that stabilizes debt ratio	18.3	18.7	15.5	14.5	13.7	16.6	19.9	20.4	19.8	18.5	12.0		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No



■ Debt Accumulation
 - - - Grant-equivalent financing (% of GDP)
 — Grant element of new borrowing (% right scale)



Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - \rho(1+g) + \epsilon\alpha(1+r)] / (1+g+\rho+g\rho)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, ϵ = nominal appreciation of the local currency, and α = share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 2. Liberia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017-40
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/ of which: external debt	33.9	36.6	51.1	59.5	65.6	66.7	65.2	63.5	61.9	51.7	42.9	26.8	60.0
	22.7	26.0	32.1	39.2	45.4	48.3	48.6	48.5	48.1	40.8	31.6	14.9	45.4
Change in public sector debt	6.8	2.7	14.5	8.4	6.1	1.1	-1.5	-1.7	-1.7	-1.5	-0.8		
Identified debt-creating flows	4.3	4.4	6.7	8.7	6.6	0.2	-1.8	-1.5	-0.4	-0.1	-0.9	-4.3	0.7
Primary deficit	4.5	4.2	5.2	5.0	4.6	1.8	1.3	1.5	3.2	3.6	1.2	-4.7	3.0
Revenue and grants	31.0	25.9	28.4	27.6	27.7	28.9	28.2	27.4	26.5	26.1	28.4	24.9	27.2
of which: grants	16.7	13.0	14.0	14.5	14.0	12.8	11.5	10.3	9.0	9.1	8.6		
Primary (noninterest) expenditure	35.5	30.2	33.6	32.6	32.2	30.8	29.5	28.9	29.7	29.7	29.7	20.2	30.2
Automatic debt dynamics	-0.2	0.1	1.6	3.7	2.0	-1.7	-3.1	-3.0	-3.6	-3.7	-2.1		
Contribution from interest rate/growth differential	-0.3	-0.8	-0.1	1.5	-0.4	-3.1	-3.5	-3.7	-4.1	-3.2	-2.1		
of which: contribution from average real interest rate	-0.1	-0.2	-0.3	0.2	0.0	-0.5	-0.5	-0.5	-0.8	-0.5	0.1		
of which: contribution from real GDP growth	-0.1	-0.6	0.2	1.3	-0.4	-2.6	-3.0	-3.2	-3.2	-2.7	-2.2		
Contribution from real exchange rate depreciation	0.0	1.0	1.7	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	2.5	-1.7	7.8	1.9	2.0	2.3	0.7	0.6	-0.8	-1.8	0.0	7.7	-0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	38.6	44.2	47.9	47.7	45.8	43.9	42.4	34.8	32.8		
PV of public debt-to-revenue and grants ratio	...	...	136.0	160.1	173.1	164.9	162.5	160.1	160.3	133.5	115.1		
Debt service-to-revenue and grants ratio 3/	2.4	3.6	6.0	8.8	9.8	11.1	12.8	11.7	10.0	14.4	14.3		
Gross financing need 4/	5.2	5.2	6.9	7.4	7.3	5.0	4.9	4.7	5.8	7.4	5.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	0.4	1.8	-0.6	-2.5	0.7	4.2	4.7	5.2	5.4	5.3	5.3	3.3	4.0
Average nominal interest rate on external debt (in percent)	0.9	1.3	1.0	1.6	1.2	1.2	1.2	1.1	0.6	0.8	1.3	1.1	0.9
Average real interest rate on domestic debt (in percent)	0.3	3.1	9.6	5.7	5.7	3.4	1.5	2.2	1.8	1.1	3.5	-1.0	2.2
Real exchange rate depreciation (in percent, + indicates depreciation)	0.2	3.1	4.6	...	...	...	...	...	...	...	...	-0.9	...
Inflation rate (GDP deflator, in percent)	1.3	-0.9	-2.4	-2.8	-2.9	-0.4	1.4	0.7	1.2	3.1	2.1	2.7	1.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-1.4	-13.4	10.5	-5.4	-0.4	-0.6	0.3	3.2	8.2	5.3	5.3	3.3	2.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.3	1.5	-9.4	-3.4	-1.5	0.8	2.8	3.2	4.9	5.1	2.1	-3.4	3.0
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

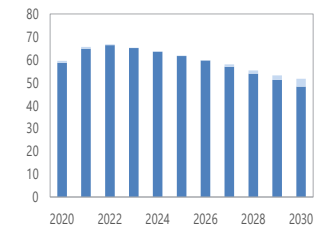
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (i.e., a primary surplus), which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No

Public sector debt 1/

■ of which: local-currency denominated
■ of which: foreign-currency denominated



■ of which: held by residents
■ of which: held by non-residents

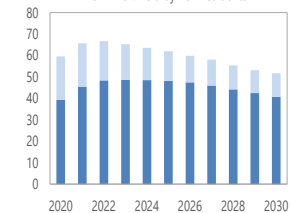


Table 3. Liberia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020-30
(Percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	24	28	29	29	29	29	28	28	26	25	24
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	24	24	24	23	21	21	20	19	16	10	6
B. Bound Tests											
B1. Real GDP growth	24	29	33	33	32	32	32	31	29	28	27
B2. Primary balance	24	32	39	39	39	39	39	38	36	35	33
B3. Exports	24	31	39	38	38	38	37	36	34	33	31
B4. Other flows 3/	24	37	47	47	46	45	45	43	41	39	37
B5. Depreciation	24	35	32	32	31	31	31	30	29	27	26
B6. Combination of B1-B5	24	37	43	43	42	41	41	40	38	36	34
C. Tailored Tests											
C1. Combined contingent liabilities	24	33	36	35	35	35	35	34	32	31	29
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	110	116	124	125	125	125	117	116	101	96	94
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	110	101	102	99	93	90	81	78	61	40	24
B. Bound Tests											
B1. Real GDP growth	110	116	124	125	125	125	117	116	101	96	94
B2. Primary balance	110	136	165	169	169	170	160	158	138	133	129
B3. Exports	110	164	247	249	248	247	232	228	199	189	182
B4. Other flows 3/	110	153	199	201	199	198	185	182	158	150	144
B5. Depreciation	110	116	106	107	107	107	101	100	87	83	81
B6. Combination of B1-B5	110	163	164	205	204	203	190	187	163	155	149
C. Tailored Tests											
C1. Combined contingent liabilities	110	140	150	152	152	152	143	141	123	118	116
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	6	4	5	10	9	7	7	9	8	9	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	6	3	5	9	8	6	6	8	8	8	8
B. Bound Tests											
B1. Real GDP growth	6	4	5	10	9	7	7	9	8	9	9
B2. Primary balance	6	4	6	11	10	8	8	9	9	11	11
B3. Exports	6	5	9	16	15	12	12	14	14	16	17
B4. Other flows 3/	6	4	6	11	10	8	8	10	9	12	13
B5. Depreciation	6	4	5	9	9	7	7	8	8	9	8
B6. Combination of B1-B5	6	4	7	13	12	10	10	11	11	14	14
C. Tailored Tests											
C1. Combined contingent liabilities	6	4	6	10	10	8	8	9	9	10	10
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	9	6	8	14	12	9	10	12	12	14	14
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	9	6	7	12	11	8	9	11	11	12	12
B. Bound Tests											
B1. Real GDP growth	9	7	9	15	14	11	11	13	14	16	16
B2. Primary balance	9	6	8	15	13	10	11	13	13	16	17
B3. Exports	9	6	8	15	14	11	11	13	14	16	17
B4. Other flows 3/	9	6	9	16	14	11	12	13	14	17	20
B5. Depreciation	9	8	10	17	15	12	13	15	15	17	16
B6. Combination of B1-B5	9	7	9	16	15	11	12	14	14	18	19
C. Tailored Tests											
C1. Combined contingent liabilities	9	6	8	14	13	10	11	12	13	14	14
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Liberia: Sensitivity Analysis for Key Indicators of Public Debt, 2020-30

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	44	48	48	46	44	42	41	40	38	36	35
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	44	40	36	31	27	22	18	14	10	5	1
B. Bound Tests											
B1. Real GDP growth	44	51	56	55	54	54	54	53	52	51	51
B2. Primary balance	44	55	62	60	58	56	55	53	51	48	47
B3. Exports	44	51	55	53	51	49	48	46	44	42	40
B4. Other flows 3/	44	57	66	63	61	59	57	55	53	50	48
B5. Depreciation	44	53	51	48	45	42	39	37	34	31	29
B6. Combination of B1-B5	44	53	54	46	44	43	42	41	39	37	36
C. Tailored Tests											
C1. Combined contingent liabilities	44	57	56	55	53	51	50	48	46	44	43
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	160	173	165	162	160	160	153	150	139	134	133
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	160	150	129	116	102	87	69	55	37	18	2
B. Bound Tests											
B1. Real GDP growth	160	181	183	186	190	197	193	195	186	185	188
B2. Primary balance	160	199	214	213	212	213	204	201	187	182	180
B3. Exports	160	183	191	188	186	187	178	175	162	156	154
B4. Other flows 3/	160	205	227	225	223	224	214	210	195	187	182
B5. Depreciation	160	199	184	175	168	163	151	144	129	120	115
B6. Combination of B1-B5	160	193	186	164	162	164	157	155	144	140	140
C. Tailored Tests											
C1. Combined contingent liabilities	160	204	195	194	192	194	186	183	170	166	165
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	9	10	11	13	12	10	10	11	12	13	14
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	9	9	10	12	10	8	9	9	10	10	9
B. Bound Tests											
B1. Real GDP growth	9	10	12	14	13	12	13	13	15	16	18
B2. Primary balance	9	10	15	18	15	13	13	13	14	16	18
B3. Exports	9	10	11	13	12	10	11	11	12	14	16
B4. Other flows 3/	9	10	12	14	13	11	11	12	13	15	18
B5. Depreciation	9	10	12	15	14	12	12	13	14	15	17
B6. Combination of B1-B5	9	10	11	13	12	10	10	11	12	13	14
C. Tailored Tests											
C1. Combined contingent liabilities	9	10	15	15	13	12	12	12	13	14	16
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

**Statement by Mr. Dumisani Hebert Mahlinza, Executive Director for Liberia, and
Mr. Bernard Wleh Jappah, Advisor to the Executive Director
June 5, 2020**

Introduction

1. On behalf of our Liberian authorities, we thank management and staff for their timely response to the request for emergency disbursement under the Rapid Credit Facility (RCF). The authorities view the RCF as crucial in catalysing donor support from other development partners.
2. Over the past two years, Liberia has pursued a broad-based reform agenda to restore macroeconomic stability, improved financial management, and sustainable growth, underpinned by the Pro-poor Agenda for Prosperity and Development (PAPD 2018-23). To anchor their reform agenda, the authorities requested an Extended Credit Facility (ECF) arrangement, approved in December 2019. The outbreak of the COVID-19 pandemic has, however, severely derailed the country's growth path, generating urgent balance of payments (BOP) needs. Consequently, the authorities request emergency financial assistance under the RCF in the amount of SDR 36.2 million (14 percent of quota) to meet urgent balance of payments needs. In parallel, they are exploring debt service relief under the G-20 Debt Service Suspension Initiative (DSSI).
3. Consistent with the authorities' commitment to transparency and accountability, all crisis-related expenditures will be audited by the General Auditing Commission and published within two weeks of the finalization of the audit. The authorities have also agreed to publish on the government's website, procurement contracts within established timeframes and thresholds, including details of beneficiaries. As part of the prior actions for the RCF, the authorities have begun publishing weekly expenditure reports on the government's website, including COVID-19 related expenditures. Starting in the new fiscal year, all spending entities will be required to utilize the Integrated Financial Management Information System (IFMIS) for stronger expenditure management.

Program Performance under the Extended Credit Facility (ECF)

4. The authorities remain committed to the implementation of reforms under the ECF program. While most end- December 2019 fiscal targets and structural benchmarks were met, the monetary program faced some challenges. Accordingly, the authorities are taking corrective action to address the missed performance targets including the hiring of a firm to print local currency and ensuring liquidity needs are addressed promptly. They plan to resolve all outstanding issues in time for the first review.

Impact of the COVID-19 Pandemic

5. Since the first case was reported in March 2020, the number of confirmed COVID-19 cases has continued to increase to more than 300, including 28 fatalities. As the authorities continue work to improve testing capacity and tracing of infections, the number of cases is expected to rise, exerting pressure on the already fragile health care system.

6. The impact of COVID-19 and the necessary containment measures introduced by the authorities to contain the pandemic threaten to severely undermine the already strained private sector activity, particularly hotel and transportation services, which make up 16 percent of GDP. As a result, the FY 2019/2020 growth rate has been revised downwards to -2.5 percent, from the pre-COVID-19 projection of 0.5 percent. Similarly, revenue performance is now expected to decline by close to 1 percent of GDP, amidst pressures for additional emergency financing. Consequently, a cumulative fiscal gap of close to 3.5 percent of GDP is projected for fiscal years 1920/2020 and 20/21. At the same time, the sharp contraction in foreign funding for infrastructure projects, decline in remittance inflows, and drop in services receipts, are expected to widen the BOP gap by 5.1 percentage points of GDP in 2020. Furthermore, the depressed iron ore prices and possible decline in mining production, could impact the growth forecast, revenue, and the external position, going forward.

Policy Responses to the Pandemic

7. The authorities have taken decisive measures to contain the spread of the COVID-19 disease to preserve human lives and protect businesses. Key measures include the declaration of a state of emergency, restrictions on movement and gatherings, and the temporary closure of all schools, places of worship, and non-essential services. The government also established an Executive Committee on Coronavirus (ECOC) to effectively coordinate the national response, in collaboration with development partners.

8. With support from the international community, the development of a COVID-19 preparedness plan is at an advanced stage and will mostly incorporate support to the health sector. The authorities are also leveraging on the experience gained during the Ebola crisis, including surveillance and contact tracing, to break the chain of disease transmission.

9. The authorities place great importance to food security and the provision of adequate social support. In this context, they have revised the FY 2019/2020 budget to allocate resources to augment the COVID-19 Household Food Support Program (COHFSP); purchase medical supplies for health facilities; settle utility bills for households in affected communities; and implement a cash transfer program for small informal traders, including women. Further, the government is prioritizing the clearance of outstanding domestic expenditure arrears to support the private sector. In this respect, they are working with the Fund to provide resources in their fiscal program to buy back bonds issued to banks in lieu of arrears due to customers who undertook government contracts. This would have the effect of injecting additional, much-needed liquidity in the banking system.

10. In the monetary sector, the authorities' priorities are to improve the availability of Liberia dollar banknotes and slowly build up reserves to stabilize the exchange rate and inflation. Due to limitations imposed by partial dollarization, scope for an effective monetary policy response to the pandemic remains limited. Nonetheless, the central bank is implementing several temporary measures to ease liquidity conditions in the banking system. Key measures include (i) flexible restructuring of borrowing terms by banks to benefit solvent borrowers in hard-hit sectors, (ii) suspension of fees at point of sale outlets, and (iii) increasing allowable transfer limits on mobile money transactions. While focused on preserving financial sector stability, the CBL has stepped up on-site supervision at systemic financial institutions and intensified monitoring of activity in the banking sector to ensure compliance with prudential requirements. Looking ahead, the CBL will continue to assess the impact of their interventions and introduce additional measures to ameliorate stress on the financial system, when warranted.

Post-Crisis Measures

11. The authorities reiterate their commitment to reforms under the ECF arrangement to stabilize macroeconomic conditions and lay the foundation for inclusive and durable growth. Once the crisis subsides, they will resume fiscal consolidation to support debt sustainability, including domestic revenue mobilization and rationalization of expenditures. They will also improve cash management. As part of the revenue mobilization efforts, the National Legislature has approved an increase in the excise on fuel beginning FY 2020/2021- a measure which is expected to yield about 1.2 percent of GDP in additional revenue, with no impact on retail prices. To maintain debt sustainability, they will limit the financing of development expenditure to mostly grants and highly- concessional resources.

12. The authorities continue to implement recommendations of the Action Plan on the Kroll Report. They are carrying out internal reorganization, including within the internal audit and banking departments. More importantly, they are prioritizing the finalization of the amendments to the Financial Institutions Act, and enhancement of the AML CFT framework in line with FATF recommendations.

Conclusion

13. Our authorities look forward to Executive Directors' support for the disbursement under the RCF to help sustain ongoing efforts to contain the fallout of the pandemic and support the recovery. They are committed to pursuing their medium-term policies, as articulated in their Memorandum of Economic and Financial Policies (MEFP) under the ECF arrangement, to strengthen public institutions, improve the business environment, and support growth. They look forward to continued Fund engagement and technical support.