

Liberia: Eighth Review Under the Three-Year Arrangement Under the Extended Credit Facility—Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Liberia.

In the context of the eighth review under the three-year arrangement under the Extended Credit Facility for Liberia, the following documents have been released and are included in this package:

- The staff report for the eighth review under the three-year arrangement under the Extended Credit Facility for Liberia, prepared by a staff team of the IMF, following discussions that ended on March 14, 2012, with the officials of Liberia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 24, 2012. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- Informational Annex.
- A Press Release summarizing the views of the Executive Board as expressed during its May 9, 2012 discussion of the staff report that completed the request and/or review.
- 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*
Technical Memorandum of Understanding*

*Also included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

LIBERIA

Eighth Review Under the Three-Year Arrangement Under the Extended Credit Facility

Prepared by the African Department
(In consultation with other departments)

Approved by Seán Nolan and Taline Koranchelian

April 24, 2012

Overview: Economic activity remains on a solid upward trend. Inflation has nudged higher due to rising international fuel prices and elevated food prices. Revenue performance has been strong and helped to accommodate some unexpected current expenditure overruns. The authorities' immediate fiscal priorities are to contain discretionary current spending and bolster investment. Financial sector expansion remains brisk and foreign exchange reserves accumulation has been adequate. Tackling the weak credit environment and related nonperforming loans remains the main challenge in the financial sector. Looking ahead, the Liberian authorities plan to focus on job creation and infrastructure rehabilitation, particularly in the energy sector, and need to mobilize concessional financing in support of a new poverty reduction strategy starting mid-2012.

The discussions for the eighth review of the ECF arrangement took place in Monrovia during March 5–14, 2012. The mission comprised of Messrs. Lane (head), Rosales, Ismail (all AFR), Mr. Cipollone (SPR), and Mr. Sobolev (Resident Representative). World Bank and European Union delegation staff participated in some of the policy discussions.

The mission met with President Johnson Sirleaf, Minister of Finance and Economy Konneh, other senior government officials, Central Bank Executive Governor Mills Jones, representatives of the private sector, development partners, and civil society.

Program performance. All performance criteria and indicative targets under the program through December 2011 were observed. One structural benchmark for the eighth review was met while the other is in progress. Significant progress was made towards completing two outstanding benchmarks from the seventh review.

The authorities' Letter of Intent is attached as Appendix I.

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Abbreviations and Acronyms

BADEA	Arab Bank for Economic Development in Africa
CBL	Central Bank of Liberia
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
FDI	Foreign Direct Investment
FY	Fiscal Year
GAC	General Auditing Commission
GDP	Gross Domestic Product
GoL	Government of Liberia
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
LISGIS	Liberia Institute of Statistics & Geo-Information Services
MDG	Millennium Development Goals
MOF	Ministry of Finance Liberia
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NPL	Non-performing Loans
NPV	Net Present Value
PFM	Public Financial Management
PRS	Poverty Reduction Strategy
SDR	Special Drawing Rights
SME	Small and Medium-sized Enterprise
SOE	State-Owned Enterprises
TMU	Technical Memorandum of Understanding
VAT	Value-Added Tax

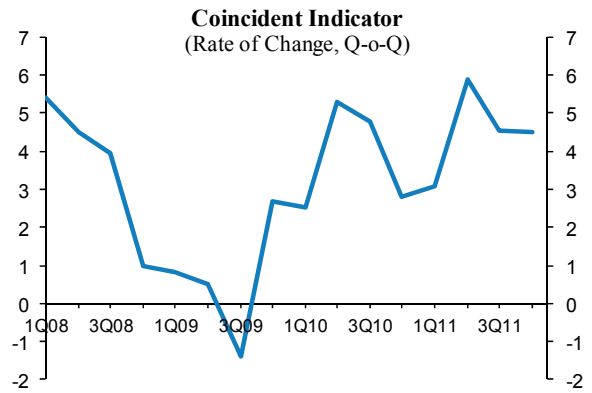
I. RECENT DEVELOPMENTS

1. GDP growth in 2011 was robust

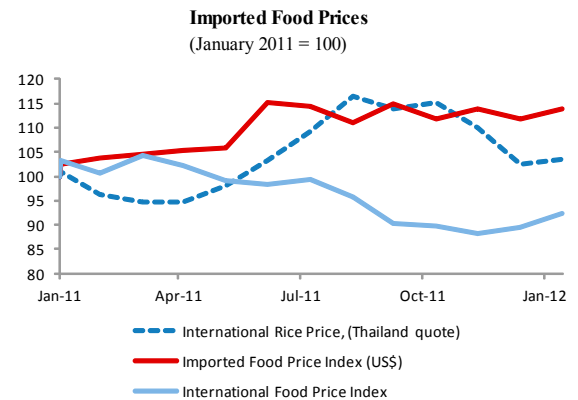
(Figure 1, Table 1).¹ The rubber sector benefited from high prices and increased production. Iron ore production is expanding, though exports were hampered by infrastructure constraints that are expected to ease during the course of 2012. Foreign direct investment into the iron ore and palm oil sectors remains strong. While construction and related services are growing rapidly, growth in other non-mining sectors such as agriculture and forestry is impeded by low productivity and poor infrastructure. Gross international reserves rose in 2011, though import coverage declined below three months (Figure 2).

2. **Inflation has been higher-than-expected as food and fuel prices remain elevated.** Inflation reached 11 percent by end-year, as against projections of 6 percent. The imported food price index expressed in US dollars remains high despite moderating international rice and food prices. This discrepancy in prices is likely due to the effects of rising fuel prices on costs of distribution and limited competition among importers and wholesalers.

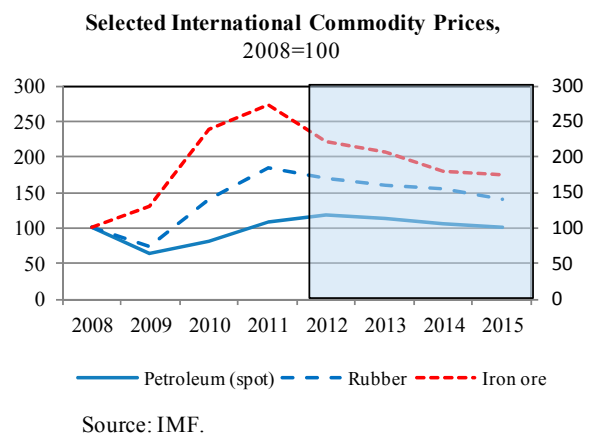
3. **Visible trade expanded rapidly.** (Table 2). Exports of rubber, in US dollar terms, expanded by two thirds in 2011. Forestry sector exports continue to be held back by inadequate infrastructure. Broad-based growth of imports led to a higher overall trade deficit.



Note: This indicator of activity combines seven monthly series (exports, rice imports, cement production, government expenditure, broad money, private credit, and the exchange rate).



Sources: Central Bank of Liberia; International Financial Statistics; and IMF staff estimates.



Source: IMF.

¹ National accounts data are weak. World Bank and Fund staffs are working with the authorities to create a more reliable data set.

4. **The banking system continues to develop** (Figure 3, Table 3). Commercial bank deposits, broad money and credit to the private sector increased at annual rates of near 30 percent. However, credit growth has begun to slow since mid-2011 as banks with high non-performing loans (NPLs) are tightening lending controls. System-wide NPLs are high and have recently moved above 20 percent of gross loans.

5. **All quantitative performance criteria (PCs) and indicative targets under the program were met through end-December 2011** (Appendix I, Table 1). Total central government revenues comfortably exceeded the program target mainly on account of taxes on trade. Education and healthcare spending exceeded the indicative program floor (see text table). Central Bank of Liberia (CBL) foreign exchange reserves surpassed the program floor due to delays in foreign currency spending by the CBL on the rehabilitation of its headquarters. The CBL's net domestic assets remained well below the program ceiling partly as a result of program adjustors for external financing.²

Liberia: Health and Education Spending, FY2010-12

	FY2010 Actual	FY2011 Actual	FY2012 Fiscal program ^{1/}	H1 FY2012 Outcome 2/
(Millions of US dollars)				
Health and Education	59.6	88.1	112.6	58.5
Health	20.1	33.1	47.2	21.9
Education	39.4	55.0	65.4	36.6
(Share of total expenditure)				
Health and Education	21.1	23.0	25.1	28.0
Health	7.1	8.6	10.5	10.5
Education	14.0	14.4	14.6	17.5

Source: Liberian authorities.

1/ Share of total budgeted expenditure, where total budget excludes contingency expenditure, off budget expenditure, and project expenditure financed by external borrowing.

2/ Breakdown of core, contingency, off budget expenditure, and project financed by external borrowing is not available.

6. **Administrative reforms were delayed by the 2011 elections and the formation of a new cabinet in early 2012** (Appendix I, Table 2). Also, a merger of the finance and economic affairs ministries was announced in January with most of the senior management changed on the finance side. As a result, the implementation of structural fiscal reforms slowed temporarily. Little progress was made towards strengthening financial oversight of state-owned enterprises (SOEs), a seventh review structural benchmark. However, helped by a Fund technical assistance mission, a SOE oversight unit reporting to the Finance Minister is expected to be operating shortly.

² The program ceiling for the CBL net domestic assets is adjusted upward and the program floor on the net foreign exchange position of the CBL is adjusted downward by US\$20 million due to shortfall in external budget support relative to the program.

II. PROGRAM AND POLICY DISCUSSIONS

A. Macroeconomic Outlook and Poverty Reduction Strategy

Discussions focused on risks to the broadly favorable outlook and policy responses.

7. **The outlook for growth has weakened somewhat since the seventh review due to slower global demand for commodities, with heightened tail risks for exports and investment inflows** (Table 4). Lower price projections for iron ore and rubber have weakened the terms of trade outlook, while both iron ore production and FDI in general are vulnerable to global uncertainties. Rising and volatile oil prices may depress private consumption and investment while raising inflation. On the upside, timber exports are expected to increase rapidly following the dredging of a port that is underway; offshore oil exploration is continuing, with several test drills expected following promising initial test results. The authorities noted that their medium-term growth objectives are significantly higher than staff projections, and achievable if critical infrastructure investments can be completed in the next three years.

8. **The authorities see foreign exchange reserve coverage as broadly adequate going forward.** As the economy is highly dollarized, the main functions of reserves are to provide foreign currency liquidity to banks and the government and for foreign currency market intervention. While there is no deposit guarantee scheme, CBL reserves help maintain confidence in the ability of the central bank to backstop the banking system if needed. While gross reserve coverage of imports remains modest, at two to three months over the medium term, coverage of broad money is adequate. Staff cautioned that the CBL net foreign exchange position is undersized and that a gradual upward trajectory would be desirable given the uncertain external environment.

9. **The 2008–11 Poverty Reduction Strategy (PRS1) Assessment Report concludes that about two-thirds of planned measures were implemented.**³ Staff shares the assessment that the fully successful outcomes included macroeconomic stability, fiscal policies, and external debt reduction. Satisfactory outcomes included selected health indicators, water and sanitation, and aspects of private sector development (Figure 4). Some important areas were assessed as only marginally successful, including the transition to having Liberian agencies handle security, road construction, and basic education. Progress on electric power, the judicial process and decentralization was identified as unsatisfactory.

10. **PRS2 focuses on three strategic areas and prioritizes most of the specific initiatives where implementation was disappointing in PRS1.** The draft strategy, which is now subject to stakeholder consultation, emphasizes:

³ IMF Country Report 12/45, available at <http://www.imf.org/external/country/LBR/index.htm>.

- *investment in infrastructure*, particularly rehabilitation of the Mount Coffee hydropower plant, and related transmission and distribution networks, and improvement of trunk roads and ports;
- *investing in people*, especially to develop youth skills and increase capacity, strengthen the country's reconciliation process, and increase inclusiveness through social spending;
- *investing in institutions*, especially to promote private sector development and foster economic growth, to increase security for people and property, and to protect human rights.

B. Fiscal Policies

Discussions centered on FY2012 budget implementation and the priorities for FY2013 and the medium term.

11. **Fiscal performance during July-December 2011, i.e., the first of half FY2012, exhibited a strong revenue outturn with a pickup in current spending.** Revenues were boosted by trade taxes⁴ and a frontloading of non-tax revenues. Total spending outpaced revenue growth due to payroll increases for new teachers and job creation schemes. The overall fiscal balance recorded a smaller surplus compared to the previous fiscal year. Staff supports the authorities' intention to curb the growth of discretionary recurrent spending and to boost capital spending, including through capital transfers, in the second half of the fiscal year.

Liberia: Fiscal Outturn, FY2011 and FY2012 (first six months)
(Percent of GDP)

	Jul.-Dec. 2010	Jul. - Dec. 2011
Total revenue and grants	19.0	20.3
Total revenue	17.5	20.3
Tax revenue	14.2	14.7
Taxes on international trade	5.3	6.6
Taxes on Income and Profit	6.0	5.6
Taxes on Goods and Services	2.7	2.3
Non-Tax Revenue	3.3	5.7
Grants	1.5	0.0
Total Expenditure	15.2	19.5
Current	14.5	17.3
Salaries and Wages	6.7	8.1
Capital	0.7	2.2
Other		
Overall balance (Including grants)	3.8	0.9
Overall balance (Excluding grants)	2.3	0.9

Source: Liberian authorities and IMF staff calculations.

12. **The new administration is committed to an aggressive reform agenda that aims to boost growth and create jobs, especially for youth, including through increased public investment and support to agriculture.** The call circular for the FY2013 budget (starting July 2012) seeks to curtail discretionary current spending and payroll growth to increase space for capital projects and social programs. Staff concurs with the authorities' plans to prioritize infrastructure investment and foster social inclusion. On the revenue side, the government expects to consolidate recent good tax revenue performance with measures to broaden the sales tax base for services (communication, hotels, and airlines) and actions to strengthen the Large Taxpayers Unit.

⁴ An anticipated decline in trade taxes resulting from adoption of GATT valuation and the first step of adopting the regional common external tariff did not materialize.

13. **The FY2013 budget will be prepared in the context of a three-year Medium Term Expenditure Framework (MTEF).** The draft proposal consolidates ministries and agencies into 11 broad government functions. Baseline non-discretionary MTEF spending strips out projects, transfers and subsidies, and one-off expenditures—and as a result is considerably lower than the FY2012 budget total. Requests for funding above the MTEF baseline ceilings are to be made in relation to specific objectives, new Poverty Reduction Strategy (PRS2) objectives, taking into account existing donor support. On the financing side, costing of the MTEF for 2012–15 is underway with the authorities expecting to hold a donor conference later in 2012.

14. **Staff estimates suggest the FY2013 overall fiscal deficit will widen to around 2 percent of GDP** (Table 5a–b). FY2013 total revenues will likely decline as a share of GDP compared to FY12 as one-off receipts from withholding taxes in the oil sector and signing bonuses in the iron-ore sector are expected to be lower. The elevated level of trade taxes is expected to be maintained over the medium term, which raises the overall revenue path above previous estimates. On the expenditure side, capital spending is expected to increase, which reflects the government’s public investment plan while taking into account the limited execution capacity, and the temporary expansion of subsidies and transfers is expected to be reined in over the medium term.

15. **To increase efficiency in the use of public funds, the government will seek to strengthen the monitoring and control of expenditure.** The authorities’ goal is to introduce a Public Expenditure Tracking System (PETS) with donor support to link expenditures to outcomes and use selected indicators to monitor the achievement of PRS2 objectives and goals.

C. Monetary and Financial Policies

Policy discussions focused on the monetary program, liquidity management tools (t-bills), and financial sector policies.

16. **Monetary policy will continue to aim to support stability in Liberian dollar prices by limiting excessive exchange rate volatility.** The Central Bank of Liberia (CBL) supplies the market through weekly US dollar auctions to meet money demand. Since December 2011, in addition to the auctions, the CBL has established ad-hoc special windows to sell US dollars close to the market rate in response to elevated US dollar demand.

17. **The government plans to issue treasury bills shortly, which should help provide the CBL with a tool for managing Liberian dollar liquidity.** Accordingly, the CBL is prepared for treasury bill issuance and has postponed plans to issue CBL bills. Commercial banks’ appetite for Liberian dollar denominated securities remains strong due to high excess liquidity. However, with the economy highly dollarized, it is unlikely that Liberian dollar instruments would be a pivotal monetary policy tool in the near term.

18. **The CBL continues to enhance its supervisory capacity, but significant credit risks remain.** The rollout of risk-based supervision is progressing with Fund technical assistance, with all but two banks having undergone on-site inspection by end-2011. NPLs had increased to an elevated level of around 24 percent of gross loans by end-February 2012. The banking system is weakened by the overhang of bad debt on bank balance sheets, together with low returns on assets and equity. Banks' efforts towards loan recovery—helped by the CBL and the recent establishment of a fast-track commercial court—are underway, but are yet to translate into strengthened balance sheets.

19. **Reserves will be reduced in 2012 by capital spending on the delayed CBL building rehabilitation and lending programs to under-served borrowers.** The building rehabilitation will be financed from the CBL's own foreign exchange reserves. The CBL is introducing two small-scale initiatives (US\$10 million) in which it places certificates of deposit with commercial banks to encourage on-lending to rural borrowers and Liberian businesses with longer maturities at attractive interest rates. Staff's view is that such lending initiatives may expose the CBL to reputational risk, e.g., resulting from improper on-lending, and potential pressure to share credit losses. The authorities stressed the need to promote lending to under-served small borrowers. They view these initiatives as a way to encourage banks to expand operations in these markets, and emphasized the low risk of repayment default.

20. **Staff and CBL officials discussed factors affecting bank profitability** (Appendix II). Bank returns are low by regional standards due to the high operational costs that banks face and provisioning for NPLs. Staff raised the concern that lending rates have been overly rigid and that moral suasion by the CBL to keep lending rates low has been counter-productive. The authorities emphasized the need to contain lending rates, to support investment and job creation, while higher lending rates would lead to greater borrower default risk.

D. Administrative and Other Reforms

21. **The new administration's legislative agenda includes new and carried-forward proposals to:** create an autonomous revenue agency; replace the general sales tax with a value-added tax (VAT); strengthen the anti-corruption commission; update the legislative framework for SOEs management and governance; and introduce a code of conduct for all public servants.⁵ A Constitutional Reform Commission is proposed to review the 1986 Constitution, including provisions that might affect foreign direct investment, such as clauses relating to property ownership.

⁵ Preparatory work has been completed to draft a Revenue Authority Act, and to analyze state enterprise governance framework. A code of conduct for officials in the executive branch has been adopted by decree.

22. **Discussions on improving the financial oversight of state enterprises advanced.** The authorities requested Fund technical assistance to set up an oversight unit in the Ministry of Finance by mid-2012. The technical assistance mission recommended: creation of a unit reporting to the Minister of Finance to coordinate financial reporting as provided for in the Public Financial Management Act; publishing national accounting standards to be used by state enterprises; capacity building initiatives in state enterprises and other oversight bodies (legislature and external audit); and enforcement of sanctions for non-reporting.
23. **Progress is on-going on establishing a national payments system.** The CBL is building technical capacity in its payments system department. The Payments System Act has been re-drafted to bring it into line with international best practice.
24. **The CBL's roadmap for capital market development is being finalized** (benchmark). Given the lack of money markets and securities, the CBL will take an incremental approach to developing capital markets. The authorities will start by drafting and enacting a comprehensive-but-flexible Capital Markets Act, which gives scope and flexibility for detailed elements to be developed and introduced on a step-by-step basis.

E. External Policies

25. **HIPC Initiative debt restructuring negotiations are nearing completion.** Negotiations with most remaining multilateral and bilateral creditors, representing less than 2 percent of total debt to be restructured under the HIPC Initiative, are progressing. A debt restructuring agreement was reached with the Arab Bank for Economic Development in Africa (BADEA). However discussions with Taiwan, Province of China have not advanced, despite the authorities' efforts.
26. **In support of a scaled-up investment program and to accommodate increased flows of highly concessional financing, the mission discussed modifications to the debt strategy.** Presently the strategy (and program ceilings) limits annual foreign currency borrowing, including concessional financing, to 3 percent of GDP in net present value (NPV) terms. The authorities noted that large infrastructure projects might test these limits without undermining medium term debt sustainability. The mission suggested that the borrowing program be viewed in a medium-term context and that an increase in the annual foreign currency borrowing limit to an average of 4 percent of GDP (NPV terms) over the medium term would be consistent with maintaining low debt vulnerabilities (Appendix III). The authorities are working on a financing package for priority infrastructure investments (energy, the primary road network, and ports). Staff urged the authorities to carefully assess their financing options and take advantage of available grants and highly concessional financing to the maximum amount possible. Non-concessional financing should only be considered for critical projects that have been evaluated to have a high return and cannot be financed by other means.

27. **New financing commitments from development partners are on favorable terms.** A loan of US\$15 million was recently contracted with IFAD on highly concessional terms. To finance port rehabilitation, US\$30 million of financing is expected to be provided by Kuwait and BADEA, also on highly concessional terms.

28. **Accession to the World Trade Organization (WTO) is progressing while the regional tariff harmonization faces delay.** A WTO working party meeting is scheduled for July 2012 to discuss the Liberian foreign trade regime. Liberia's adoption of the regional Common External Tariff (CET) has paused because of some concerns from regional partners on compensatory measures to cushion potential revenue losses. ECOWAS partners will meet to deal with this issue in July 2012.

F. Fund Relations

29. **The authorities expressed interest in a possible successor program.** Staff sees merit in a strong program that would: catalyze financing for PRS2, including budget support; support reserve adequacy; and contribute to the development of a fiscal framework to manage increasingly large and volatile non-renewable resource revenues.⁶ Other policies supported by a program could include: further advancing public financial management and tax administration reforms; trade facilitation; and, bolstering financial sector stability. More focused discussions are expected to be linked to policies articulated in the second poverty reduction strategy.

III. STAFF APPRAISAL

30. **There are increased signs that the economy is on a firm upward trajectory.** During 2011, there appears to have been a shift towards more broad-based growth in the primary and services sectors, underpinned by rising investment and imports of capital goods. The unwelcome uptick of inflation was primarily driven by external developments, though product market distortions, e.g., in rice distribution, may also have contributed and warrant monitoring.

31. **Tail risks remain, notably from particularly adverse movements of commodity prices, balanced by prospective upside potential from mining and oil exploration.** Staff continues to project buoyant growth in the period ahead, with export-oriented mining as the leading sector. Export commodity prices remain volatile however, and have historically been closely correlated with each other, suggesting that projections remain subject to considerable risks. Prospects for agriculture and services are closely linked to implementation plans for the rehabilitation of infrastructure and to the broader economic reform agenda.

⁶ Various options to manage non-renewable resource revenues volatility and to channel revenues to productive investment were discussed with the authorities and civil society groups.

32. **The budget strategy for the upcoming financial year and the medium term is appropriate and should, in staff's view, be resolutely pursued.** While revenue growth remains strong and significant concessional financing is available, fiscal policy will need to focus more on the composition and effectiveness of spending. The draft budget strategy for the FY2013 budget and the medium-term expenditure plans seek to orient budgetary priorities away from payroll and related current expenditures while focusing on investment priorities linked to the poverty reduction strategy. The PRS2 focus on infrastructure and tackling social exclusion—particularly among youth—seems appropriate. In view of the many competing priorities, notably security spending, this strategy will need coordinated support from the international community and firm implementation by the government over several years. The proposed use of expenditure tracking systems is welcome.

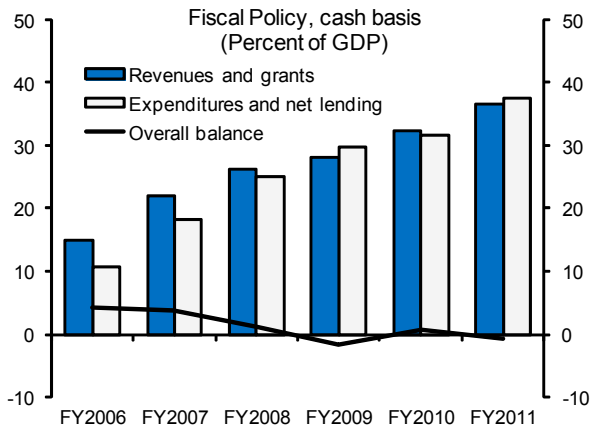
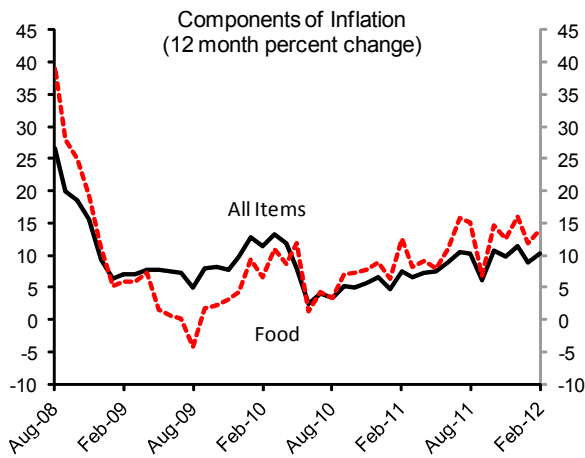
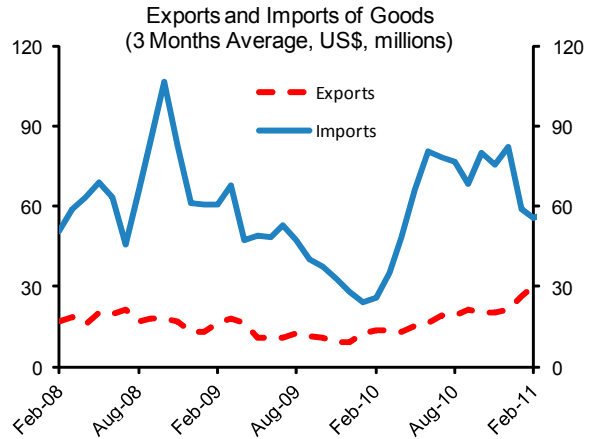
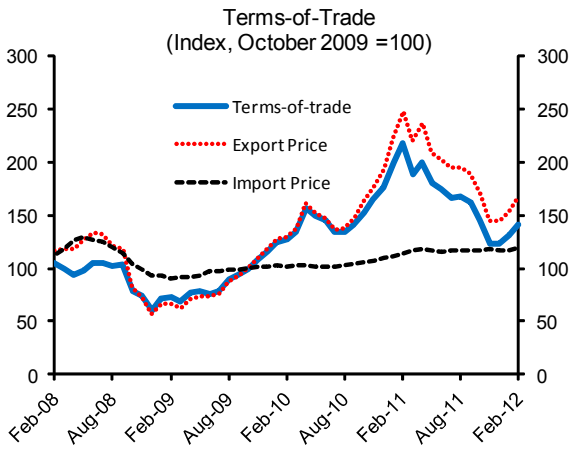
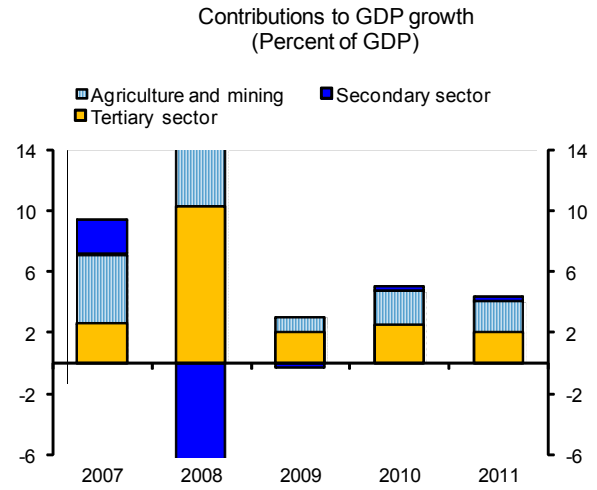
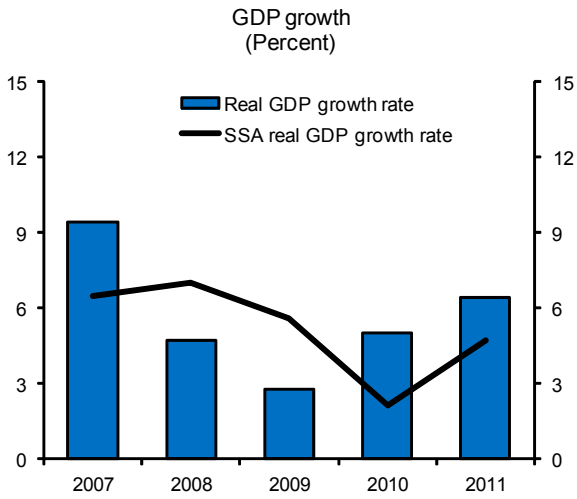
33. **The continued accumulation of gross foreign exchange reserves under the program is a significant achievement.** At the outset of the program in 2008, it was envisaged that reserve coverage would remain close to one month of imports. A significantly better outcome was achieved through a combination of the 2009 SDR allocation, limited CBL intervention in the foreign exchange market, and gradually rising transactions demand for the Liberian dollar. As a result, the monetary authorities are better placed to weather external volatility, and to meet foreign exchange demands of the government and the banking sector. Looking forward, given the uncertain external environment and rapid monetization, the CBL should continue to build up foreign exchange reserves.

34. **With rapid growth of the financial sector, significant challenges need to be tackled in the period ahead.** The authorities should continue to enhance supervisory capacity in view of the significant stock of non-performing assets, to support efforts to improve the credit culture, and to liberalize lending rates.

35. **Staff supports a modification of the debt and financing strategy moving forward.** In view of the extremely limited external and domestic borrowing since the 2010 completion point, and the expected conclusion of all debt restructuring, staff sees scope to raise projected borrowing while maintaining low debt vulnerabilities. The main constraints remain effective implementation of the investment program, which will require close coordination with development partners (and, in some cases, the private sector), and continued efforts to strengthen debt management capacity. Staff also welcomes advances in the accession process to the World Trade Organization.

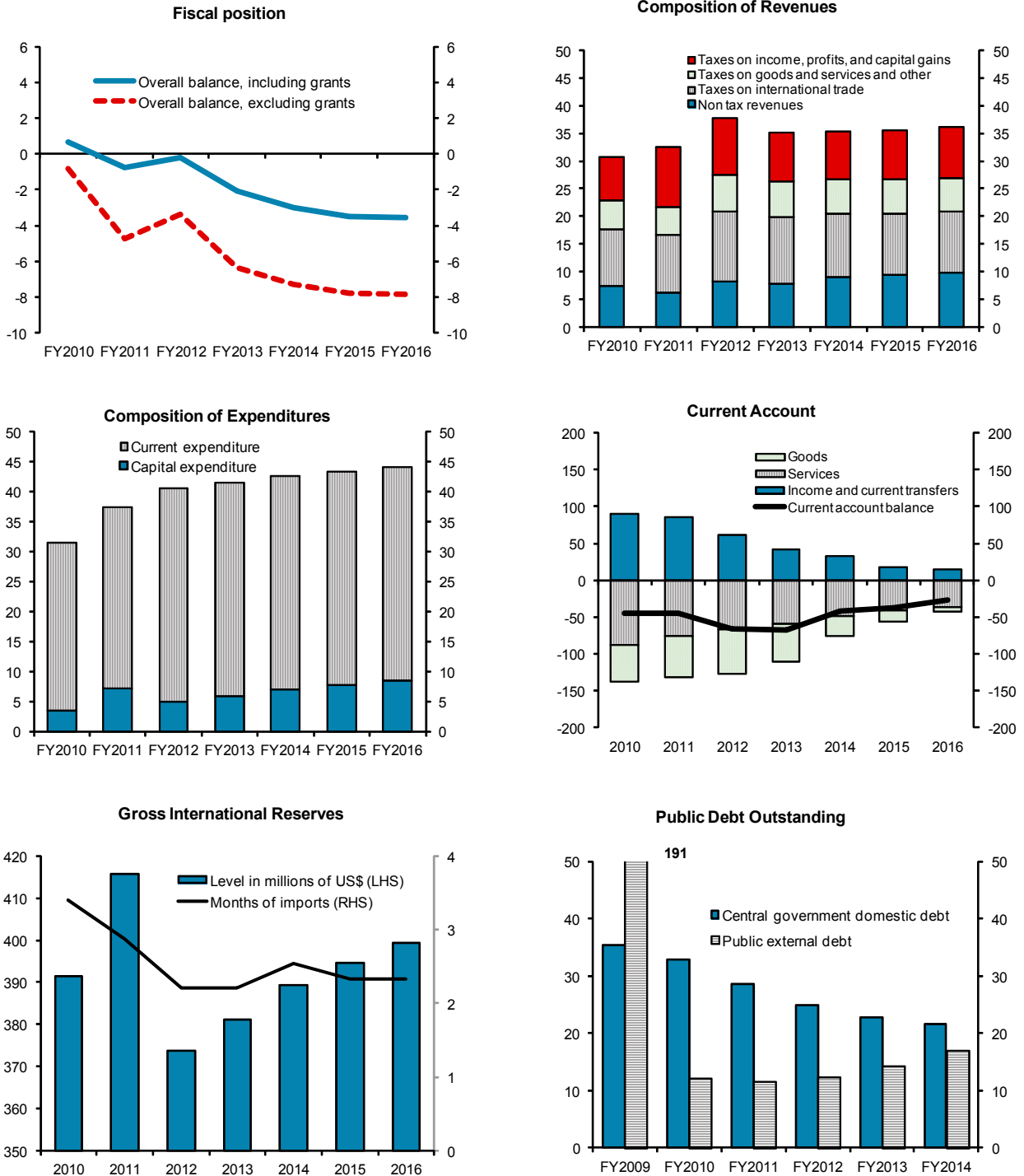
36. **Staff supports the completion of the eighth and final program review.** The ECF-supported program has succeeded in maintaining macroeconomic stability and supporting growth against the backdrop of a challenging external environment. The authorities have continued to advance administrative reforms, particularly in the areas of public financial management and enhancing financial sector stability. Planned actions to strengthen oversight of state enterprises' financial operations would effectively complete the reform program measures that were envisaged under the ECF arrangement. Staff looks forward to a continued policy dialogue with the authorities while they are finalizing their new poverty reduction strategy.

Figure 1. Liberia: Recent Economic Developments



Sources: Liberian authorities; and IMF staff estimates.

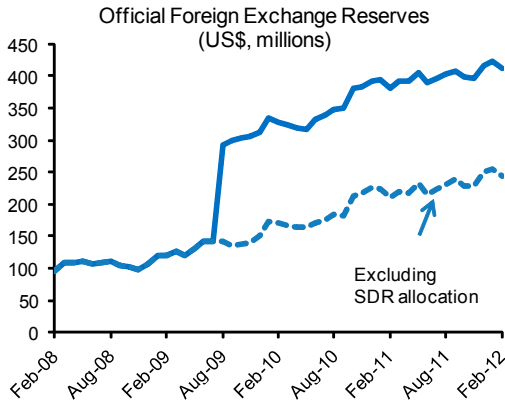
Figure 2. Liberia: Medium-term Fiscal and Balance of Payments Outlook, FY2009-14
(Percent of GDP, unless otherwise indicated)



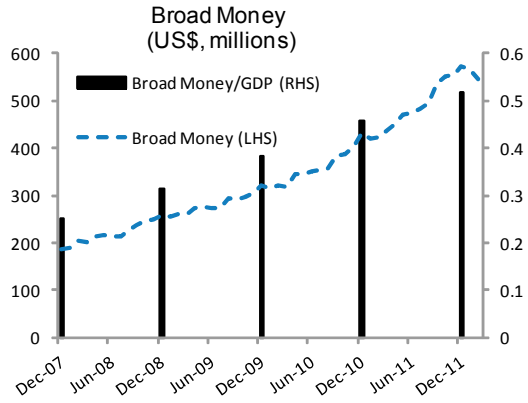
Sources: Liberian authorities; and IMF staff estimates and projections.

Figure 3. Liberia: Monetary and Financial Developments

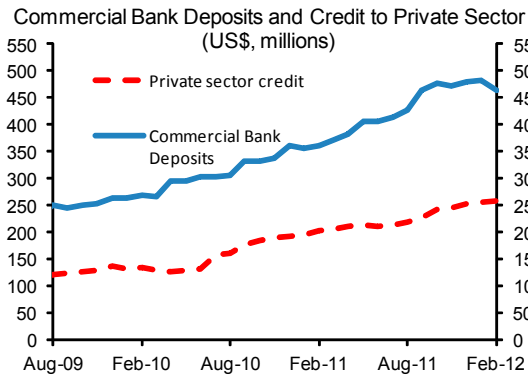
Reserve Accumulation has been strong..



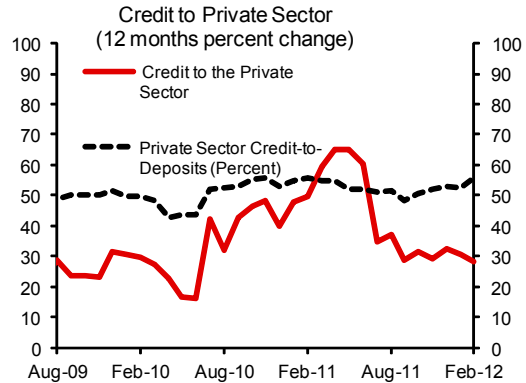
..and the economy is monetizing rapidly.



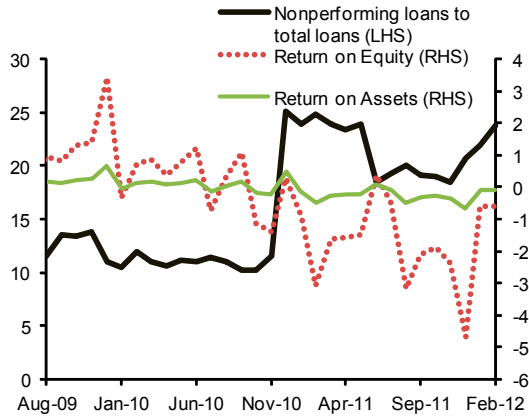
Commercial bank deposits growth in 2011 was strong..



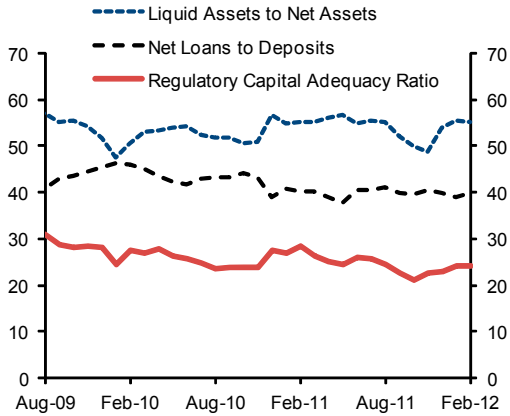
..but growth of credit to private sector, while high, is slowing.



NPLs are elevated and bank returns are weakening..

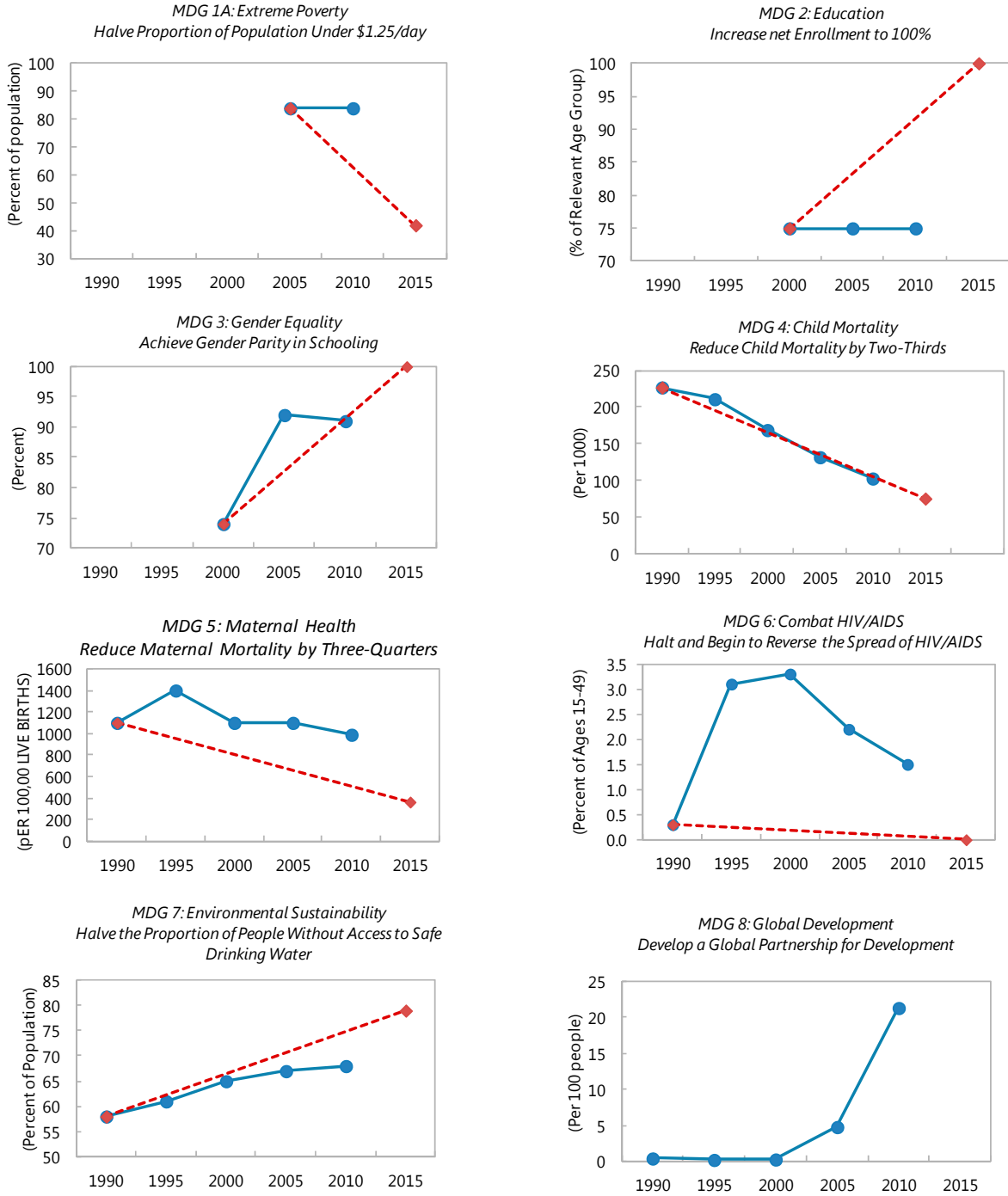


..but the banking system remains well-capitalized and highly liquid.



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

Figure 4. Liberia: MDG Progress Report, 1990-2015



Source: World Bank, Millennium Development Goals database.

Note: Solid line indicates observed performance, while dotted line indicated required achievement.

Table 1. Liberia: Selected Economic and Financial Indicators, 2009–14

	2009	2010		2011		2012		2013	2014
		Prel.	7 th Rev ^{1/}	Prel.	7 th Rev ^{1/}	Proj.	Proj.	Proj.	
(Annual percentage change, unless otherwise indicated)									
National account and prices									
GDP at constant prices	2.8	5.0	6.9	6.4	9.5	8.8	5.1	5.9	
GDP deflator (US dollars)	-1.2	6.2	9.5	10.4	8.5	2.9	0.3	-1.1	
Nominal GDP (millions of US dollars)	844.7	941.4	1,155.3	1,105.8	1,373.0	1,238.1	1,304.8	1,366.8	
Consumer prices (average)	7.4	7.3	7.4	8.5	3.1	5.2	4.2	5.0	
Consumer prices (end of period)	9.7	6.6	6.1	11.4	1.6	3.3	3.4	4.0	
Consumer prices (US dollar denominated, year-on-year)	2.4	1.3	3.6	10.2	1.3	1.9	1.2	1.6	
External sector									
Exports, f.o.b.	-39.7	40.3	56.6	72.5	83.9	25.9	27.2	19.5	
Imports, f.o.b.	-19.0	17.4	37.8	45.6	41.9	24.4	2.6	-13.5	
Terms of trade (deterioration -)	-9.4	77.3	20.7	15.9	0.4	-7.9	-4.7	-0.6	
Average exchange rate (local currency per U.S. dollar)	68.3	71.4	73.1	72.2	...	...	...	...
Average nominal effective exchange rate change (depreciation -)	-1.7	-3.6	...	-5.3	...	...	...	...
Average real effective exchange rate (depreciation -)	4.4	1.7	...	0.1	...	...	...	...
Import coverage of reserves excluding UNMIL imports (months)	3.2	3.4	2.7	2.9	2.1	2.2	2.2	2.5	
Gross official reserves (millions of US dollars)	312.2	391.4	377.3	415.8	389.6	373.7	381.3	389.3	
Money and credit									
Net foreign assets	1.4	149.8	-7.8	11.9	3.4	-15.2	-2.7	-5.1	
Net domestic assets	5.7	-89.9	92.4	101.4	40.6	60.2	14.8	14.3	
Net claims on central government	-0.2	-84.4	10.3	25.5	3.8	-19.3	2.7	-0.5	
Claims on nongovernment	42.2	27.0	35.5	30.6	24.7	56.2	9.9	11.3	
Other items (net)	1.9	-10.0	13.2	-2.2	-15.2	2.2	0.0	0.0	
Broad money (M2)	24.1	33.5	15.5	32.7	17.8	11.4	6.2	5.5	
Reserve money	2.1	32.0	7.2	47.7	13.4	9.7	8.9	8.1	
Velocity (GDP-to-M2)	2.6	2.2	2.3	1.9	2.3	1.9	1.9	1.9	
Money multiplier (M2/M0)	4.8	5.4	5.8	5.4	6.0	5.5	5.3	5.2	
(Percent of GDP)									
External sector									
Current account balance									
(including official grants)	-39.8	-45.7	-39.4	-45.0	-58.1	-66.1	-67.0	-42.2	
(excluding official grants)	-148.7	-149.5	-123.1	-133.3	-122.0	-133.8	-124.1	-90.2	
Trade balance	-49.8	-48.7	-51.2	-55.2	-50.8	-60.9	-50.5	-27.4	
Exports, f.o.b.	18.2	22.9	29.2	33.6	45.2	37.7	45.6	52.0	
Imports, f.o.b.	-68.0	-71.6	-80.4	-88.8	-96.0	-98.7	-96.1	-79.3	
Central government budget ^{2/}									
Total revenue and grants	28.0	32.3	35.0	36.6	35.1	40.2	39.3	38.8	
Of which: total revenue	25.2	30.8	31.2	32.7	30.4	37.3	35.2	35.3	
Total expenditure and net lending	29.7	31.6	35.7	37.4	36.5	40.3	41.4	41.9	
Of which: current expenditure	25.7	28.0	28.9	30.2	27.2	35.7	32.6	31.3	
capital expenditure	4.0	3.5	6.9	7.2	5.2	4.6	8.8	10.5	
Overall fiscal balance (including grants)	-1.7	0.7	-0.7	-0.8	-1.4	-0.2	-2.1	-3.0	
Overall fiscal balance (excluding grants)	-4.5	-0.8	-4.5	-4.7	-6.1	-3.0	-6.2	-6.5	
Public external debt	198.9	12.2	11.1	11.5	11.4	12.5	14.4	17.1	
Central government domestic debt	35.4	32.9	27.2	28.5	23.0	24.8	22.8	21.6	

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

1/ IMF Country Report No. 11/345.

2/ Budget data expressed as fiscal year ending in June on a cash basis, i.e., 2011 = FY2010/11.

Table 2. Liberia: Balance of Payments, 2009–14
(Millions of US dollars, unless otherwise indicated)

	2009	2010	2011		2012		2013	2014
		Prel.	7 th Rev	Prel.	7 th Rev	Proj.	Proj.	Proj.
Trade balance	-421	-459	-592	-610	-698	-754	-659	-374
Exports, f.o.b.	153	215	337	371	620	467	594	710
Of which: rubber	93	156	258	250	258	232	228	245
Of which: Iron	0	0	33	16	246	133	232	306
Imports, f.o.b.	-574	-674	-929	-982	-1,318	-1,221	-1,254	-1,084
Services (net)	-740	-830	-809	-836	-873	-824	-774	-663
Of which: UNMIL services ^{1/}	-455	-455	-418	-418	-342	-342	-266	-190
Income (net)	-145	-182	-106	-114	-191	-166	-276	-288
Of which: public interest payments due ^{2/}	-111	-109	-1	-1	-1	-1	-1	-2
Of which: IMF	1	-1	-1	-1	0	0	0	0
Current transfers	970	1,041	1,053	1,062	964	926	836	748
Donor transfers (net)	920	978	967	976	876	838	746	656
Of which: UNMIL transfers	600	600	550	550	450	450	350	250
Private transfers (net)	50	63	85	86	87	88	90	93
Current account balance	-336	-430	-455	-498	-798	-818	-874	-577
Current account balance, excluding grants	-1,256	-1,408	-1,422	-1,474	-1,675	-1,656	-1,620	-1,232
Capital and financial account (net)	371	1,234	465	508	809	735	787	581
Capital account (HIPC debt relief) ^{3/}	1,524	1,586	0	0	0	0	0	0
Financial account	-1,154	-351	465	508	809	735	787	581
Foreign direct investment (net)	153	398	431	431	821	724	760	565
Portfolio investment (net)	0	0	0	0	0	0	0	0
Other investment (net)	-1,307	-749	35	78	-13	11	27	16
Official financing: Medium and long-term (net)	-1,371	-819	2	2	22	22	34	45
SDR allocation	163	0	0	0	0	0	0	0
Disbursements	0	0	6	6	28	28	40	53
Amortization	-1,534	-819	-4	-4	-6	-6	-6	-8
Private financing (net) ^{3/}	64	70	33	76	-35	-11	-7	-29
Errors and omissions	20	15	0	0	0	0	0	0
Overall balance	54	820	11	11	10	-49	7	4
Financing	-54	-820	11	-11	-10	49	-7	-4
Change in gross official reserves (increase -) ^{4/}	-183	-79	-24	-24	-17	42	-7	-4
Net use of Fund credit and loans	18	-849	14	14	7	7	0	-3
Disbursements	18	14	14	14	7	7	0	0
Of which: ECF financing	18	14	14	14	7	7	0	0
Repayments	0	-863	0	0	0	0	0	-3
Exceptional financing	111	108	0	0	0	0	0	0
Debt forgiveness	1,524	1,586	0	0	0	0	0	0
Change in arrears ^{5/}	-1,524	-1,586	0	0	0	0	0	0
Debt rescheduling plus HIPC interim debt relief ^{6/}	111	108	0	0	0	0	0	0
Memorandum items:								
Current account balance (percent of GDP)								
Including grants	-39.8	-45.7	-39.4	-45.0	-58.1	-66.1	-67.0	-42.2
Excluding grants	-148.7	-149.5	-123.1	-133.3	-109.1	-133.8	-124.1	-67.6
Trade Balance (percent of GDP)	-49.8	-48.7	-51.2	-55.2	-50.8	-60.9	-50.5	-27.4
Donor transfers (net, percent of GDP)	108.9	103.9	83.7	88.3	63.8	67.7	57.2	48.0
Public sector external debt (medium and long-term)								
Debt outstanding, including arrears	1,680	114	128	128	157	154	188	234
(percent of GDP)	198.9	12.2	11.1	11.5	11.4	12.5	14.4	17.1
Debt service charges (after relief)	0.0	2.2	5.8	5.8	7.3	7.3	7.4	9.1
(percent of GDP)	0.0	0.2	0.5	0.5	0.5	0.6	0.6	0.7
Terms of trade (2000=100)	121	214	261	248	262	228	217	216.2
Gross official reserves	312	391	377	416	390	374	381	389
Gross official reserves (months of imports) ^{7/}	3.2	3.4	2.7	2.9	2.1	2.2	2.2	2.5

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

1/ Net of estimated value of goods and services purchased by UNMIL (and its staff) in Liberia.

2/ From 2007, interest charged on debt stock after application of traditional debt relief mechanisms.

3/ Includes short-term trade credits and private sector operating balances abroad.

4/ Includes SDR assets and excludes SDR liabilities of US\$ 163.2 million.

5/ Includes debt forgiveness from multilateral creditors and Paris Club creditors.

6/ Includes deferred debt service payments in the interim period.

7/ Excludes UNMIL service imports.

Table 3. Liberia: Monetary Survey, 2009–14
(Millions of US dollars; unless otherwise indicated)

	2009	2010	2011		2012		2013	2014
			7 th Rev	Actual	7 th Rev	Proj.		
(Central Bank Balance Sheet)								
Net foreign assets	-749.1	191.4	165.8	236.3	176.2	140.5	136.5	127.4
Of which: Fund credit	-891.2	-44.4	-60.2	-46.4	-57.6	-58.1	-57.9	-54.7
CBL's gross foreign reserves ^{1/}	372.5	467.0	464.8	523.6	493.6	494.4	508.5	522.6
Commercial banks' US\$-denominated deposits at CBL	60.2	75.5	87.5	107.8	104.0	120.7	127.2	133.3
CBL's gross official foreign reserves ^{1/ 2/}	312.2	391.4	377.3	415.8	389.6	373.7	381.3	389.3
Government US\$-denominated deposits at CBL	45.5	103.7	68.7	84.2	60.7	77.0	71.7	71.7
CBL's net foreign exchange position ^{1/ 3/}	266.5	287.5	308.6	331.3	328.9	296.7	309.6	317.6
CBL's net foreign exchange position excluding SDR holdings	65.1	77.0	76.2	107.7	90.2	72.2	85.2	96.6
Net domestic assets	823.0	-93.8	-61.3	-92.2	-57.7	17.6	35.6	58.6
Net claims on government	1,067.4	170.6	187.9	219.0	195.0	178.2	182.9	182.1
Claims on other public sector ^{4/}	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on private sector	1.8	4.9	4.7	5.8	5.6	6.5	6.9	3.1
Claims on commercial banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items (net) ^{5/}	-246.1	-269.3	-269.3	-317.0	-269.3	-269.3	-269.3	-269.3
Base money	73.9	97.6	104.6	144.0	118.6	158.0	172.0	186.0
(Monetary Survey)								
Net foreign assets	-664.3	330.5	304.7	369.9	315.0	313.6	305.3	289.6
Net domestic assets	986.7	100.1	192.6	201.5	270.7	322.7	370.4	423.6
Net domestic credit	1,241.3	380.1	472.6	487.8	550.8	602.8	650.5	703.6
Net claims on government	1,074.3	168.0	185.3	210.8	192.4	170.1	174.7	173.9
Claims on nongovernment	154.5	199.6	240.2	264.5	358.4	294.6	309.6	529.7
Claims on private sector	136.5	191.3	222.8	253.2	264.7	283.5	298.7	240.4
Claims on public enterprises	17.9	7.0	16.1	9.9	16.1	9.7	9.5	9.1
Claims on nonbank financial institutions	0.0	1.3	1.3	1.4	1.3	1.4	1.3	1.3
Other Items (Net)	-254.6	-280.1	-243.1	-286.3	-280.1	-280.1	-280.1	-280.1
Monetary aggregates								
Monetary Base (M0)	67.1	79.9	85.9	105.9	96.9	115.6	126.9	138.4
Currency in circulation	59.0	70.0	75.4	92.5	84.4	100.2	110.6	121.3
Required reserves	8.1	9.9	10.5	13.4	12.5	15.5	16.3	17.1
Commercial bank deposits	263.4	360.5	421.9	478.9	501.3	536.2	565.1	591.9
Total demand deposits	201.3	260.1	297.9	348.6	354.1	360.8	380.3	193.6
L\$-denominated deposits	12.3	16.4	19.2	23.6	22.9	26.4	27.8	48.4
US\$-denominated deposits	188.9	243.7	278.7	325.1	331.2	334.4	352.5	145.2
Time, savings and other deposits	62.1	100.4	123.9	130.3	147.3	175.4	184.8	398.3
L\$-denominated deposits	19.4	24.5	28.6	39.2	34.0	43.9	46.2	29.1
US\$-denominated deposits	42.7	76.0	95.3	91.1	113.3	131.5	138.6	369.2
Broad money (M2)	322.4	430.6	497.3	571.4	585.8	636.4	675.7	713.2
L\$ component	90.8	110.9	123.2	155.2	141.3	170.4	184.7	198.8
US\$ component	231.7	319.6	374.0	416.2	444.5	465.9	491.0	514.3
Memorandum items:								
Broad money (annual change)	24.1	33.5	15.5	32.7	17.8	11.4	6.2	5.5
L\$ component as percent of beginning period broad money	2.4	6.2	2.9	10.3	3.6	2.7	2.2	2.1
US\$ component as percent of beginning period broad money	21.7	27.3	12.6	22.4	14.2	8.7	3.9	3.4
Reserve money (annual change)	2.1	32.0	7.2	47.7	13.4	9.7	8.9	8.1
Base money (annual change)	6.0	19.1	7.5	32.5	12.9	9.2	9.8	9.0
Credit to government (annual change)	-0.2	-84.4	10.3	25.5	3.8	-19.3	2.7	-0.5
Credit to private sector (annual change)	31.5	40.1	16.5	32.4	18.8	12.0	5.4	4.7
Velocity (GDP-to-M2)	2.6	2.2	2.3	1.9	2.3	1.9	1.9	1.9

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

1/ SDR holdings are included from December 2009.

2/ Data for 2011 6th Review corrected from US\$425 to US\$375 million.

3/ Defined as gross official reserves less government foreign currency deposits at the central bank.

4/ Including public enterprises and the local government.

5/ Including valuation adjustment.

Table 4. Liberia: Medium-Term Outlook, 2010–16

	2010	2011		2012		2013	2014	2015	2016
	Prel.	7 th Rev	Prel.	7 th Rev	Proj.	Projections			
	(Annual percentage change)								
National income									
Real GDP	5.0	6.9	6.4	9.5	8.8	5.1	5.9	6.8	6.4
Agriculture & fisheries	2.7	4.6	3.9	2.8	1.8	3.6	4.1	4.3	4.4
Forestry	6.7	1.9	5.6	2.0	1.9	2.0	6.1	6.2	6.3
Mining & panning	46.4	134.7	93.1	169.9	153.9	11.7	10.4	22.5	17.5
Manufacturing	3.1	3.1	3.1	3.1	3.1	3.2	3.5	3.6	3.7
Services	5.7	6.6	5.3	4.7	5.2	7.0	7.1	6.0	5.4
Real GDP excluding mining sector ^{1/}	4.6	5.2	4.7	3.6	3.1	4.4	5.4	5.2	5.0
Nominal non-mining per capita GDP (US dollar)	248.4	287.9	278.4	292.4	282.7	287.2	298.4	304.8	312.9
Prices									
GDP deflator	6.2	9.5	10.4	8.5	2.9	0.3	-1.1	-0.7	-0.3
Consumer prices (annual average)	7.3	7.4	8.5	3.1	5.2	4.2	5.0	5.0	5.0
Consumer prices (end of period)	6.6	6.1	11.4	1.6	3.3	4.0	5.0	5.0	5.0
Population (millions)	3.8	3.9	3.9	4.0	4.0	4.1	4.2	4.3	4.4
	(Percent share)								
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture & fisheries	50.2	52.3	50.6	45.6	45.8	44.3	44.4	43.0	41.8
Forestry	11.3	11.1	11.8	9.6	11.0	10.7	11.1	11.3	11.5
Mining & panning	1.2	4.5	3.7	16.4	10.4	11.3	9.7	10.8	11.7
Manufacturing	5.6	4.9	5.3	4.3	5.1	5.0	5.1	5.0	5.0
Services	31.7	27.1	28.6	24.1	27.7	28.6	29.7	29.9	30.0
	(Percent of GDP, fiscal year)								
Central government operations									
Total revenue and grants	32.3	35.0	36.6	35.1	40.2	39.3	38.8	38.4	38.8
Total revenue	30.8	31.2	32.7	30.4	37.3	35.2	35.3	35.6	36.2
Grants	1.5	3.8	3.9	4.7	2.9	4.2	3.5	2.8	2.6
Total expenditure and net lending	31.6	35.7	37.4	36.5	40.3	41.4	41.9	41.9	42.4
Current expenditure	28.0	28.9	30.2	27.2	35.7	32.6	31.3	31.3	31.5
Capital expenditure	3.5	6.9	7.2	5.2	4.6	8.8	10.5	10.6	10.9
Unallocated expenditure	0.0	0.0	0.0	4.1	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance, including grants	0.7	-0.7	-0.8	-1.4	-0.2	-2.1	-3.0	-3.5	-3.6
Overall fiscal balance, excluding grants	-0.8	-4.5	-4.7	-6.1	-3.0	-6.2	-6.5	-6.3	-6.2
Public external debt	12.2	11.1	11.5	11.4	12.5	14.4	17.1	19.5	21.4
Central government domestic debt	32.9	27.2	28.5	23.0	24.8	22.8	21.6	20.2	19.0
	(Percent, unless otherwise indicated)								
M2/GDP	45.7	43.0	51.7	42.7	51.4	51.8	52.2	52.4	52.5
Private sector credit/GDP	20.3	19.3	22.9	19.3	22.9	22.9	22.9	22.9	22.9
Velocity (GDP-to-M2)	2.2	2.3	1.9	2.3	1.9	1.9	1.9	1.9	1.9
Money multiplier (M2/M0)	5.4	5.8	5.4	6.0	5.5	5.3	5.2	5.1	5.0
	(Percent of GDP, unless otherwise indicated)								
External sector									
Current account balance, including grants	-45.7	-39.4	-45.0	-58.1	-66.1	-67.0	-42.2	-37.3	-27.1
Current account balance, excluding grants	-149.5	-123.1	-133.3	-122.0	-133.8	-124.1	-90.2	-72.9	-58.1
Trade balance	-48.7	-51.2	-55.2	-50.8	-60.9	-50.5	-27.4	-15.1	-7.2
Exports	22.9	29.2	33.6	45.2	37.7	45.6	52.0	72.5	76.8
Imports	-71.6	-80.4	-88.8	-96.0	-98.7	-96.1	-79.3	-87.5	-83.9
Grants (donor transfers, net)	103.9	83.7	88.3	63.8	67.7	57.2	48.0	35.6	31.0
Gross official reserves (millions of US dollars)	391.4	377.3	415.8	389.6	373.7	381.3	389.3	394.6	399.3
Months of imports of goods and services ^{2/}	3.4	2.7	2.9	2.1	2.2	2.2	2.5	2.3	2.3

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

^{1/} Chained weighted sectoral average growth rate.^{2/} Excludes UNMIL service imports.

Table 5a. Liberia: Fiscal Operations of the Central Government, FY2009–14^{1/}
(Millions of US dollars)

	FY2009	FY2010	FY2011		FY2012		FY2013	FY2014
			7 th Rev	Actual	7 th Rev	Proj.	Proj.	Proj.
Total revenue and grants	234.9	288.0	374.9	374.9	443.4	470.8	500.0	518.8
Revenue	211.3	275.0	334.6	334.6	384.3	437.3	447.2	472.1
Tax Revenue	190.0	207.8	269.2	269.2	269.0	338.9	349.3	352.0
Taxes on income, profits, and capital gains	65.8	70.2	111.2	111.2	100.8	120.0	112.6	114.9
Taxes on goods and services	33.7	39.2	48.4	48.4	61.2	72.0	75.1	78.6
Taxes on international trade	87.9	91.7	105.4	105.4	102.6	147.0	155.7	152.4
Other taxes	2.6	6.7	4.3	4.3	4.5	5.7	5.8	6.1
Non-tax	21.3	67.3	65.3	65.3	115.3	98.3	97.9	120.1
Grants	23.6	13.0	40.3	40.3	59.1	33.5	52.8	46.7
Expenditures and net lending	248.9	282.2	382.9	382.9	461.0	472.9	526.4	559.0
Current expenditures	215.1	250.5	309.4	309.4	343.2	418.8	414.4	418.6
Wages and salaries	91.4	113.9	138.6	138.6	163.0	186.0	198.8	209.0
Goods and services	75.3	76.7	86.3	86.3	115.6	116.1	119.0	124.3
Subsidies and transfers	40.9	55.7	80.5	80.5	60.6	112.0	91.5	80.1
Interest	7.5	4.2	4.0	4.0	4.1	4.7	5.1	5.2
Capital expenditure	33.8	31.7	73.5	73.5	66.2	54.1	112.0	140.4
Foreign loan financed ^{2/}	0.0	0.0	9.6	9.6	18.0	18.0	33.1	46.8
Domestically financed	33.8	31.7	63.9	63.9	48.2	36.1	79.0	93.7
Unallocated expenditure	0.0	0.0	0.0	0.0	51.6	0.0	0.0	0.0
Overall balance								
Including grants	-14.0	5.9	-8.0	-8.0	-17.6	-2.1	-26.4	-40.2
Excluding grants	-37.6	-7.1	-48.3	-48.3	-76.7	-35.6	-79.2	-86.9
Identified financing	14.0	-5.9	8.0	8.0	17.6	2.1	26.4	40.2
External financing (net)	-3.7	-3.3	3.8	3.8	12.5	12.5	27.2	40.8
Loans	0.0	0.0	9.6	9.6	18.0	18.0	33.1	46.8
Amortization (-)	-3.7	-3.3	-5.8	-5.8	-5.5	-5.5	-5.9	-5.9
Domestic financing (net)	17.7	-2.6	4.3	4.3	5.1	-10.4	-0.7	-0.6
Central Bank of Liberia	19.7	0.2	10.0	10.0	8.8	-5.2	0.0	0.0
Use of deposits	19.7	3.8	10.0	10.0	8.8	-5.2	0.0	0.0
Deposit money banks	-0.4	-0.9	-3.0	-3.0	-0.4	-1.5	-0.7	-0.6
Treasury bill purchases (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other lending to government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (including repayment of arrears)	-1.6	-1.8	-2.7	-2.7	-3.3	-3.8	0.0	0.0
Unidentified financing/float	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Iron ore-related revenues	0.0	29.9	32.0	32.0	44.8	44.7	26.4	38.8
Total public external debt ^{3/}	3,203.2	1,679.8	115.1	114.5	141.2	140.6	167.7	208.6
Central government domestic debt ^{4/}	296.4	293.8	291.8	292.0	290.7	291.0	289.9	289.0
o/w Foreign currency denominated	282.7	280.4	278.9	278.9	278.3	278.3	277.6	277.0
Basic balance ^{5/}	19.8	37.6	65.4	65.4	48.6	52.0	85.6	100.2
Current balance ^{6/}	-3.9	24.6	25.2	25.2	41.1	18.5	32.8	53.5
Primary balance, including grants	-6.5	10.1	-4.0	-4.0	-13.5	2.7	-21.3	-35.1
Fiscal year nominal GDP	838.2	893.1	1,071.3	1,023.6	1,264.2	1,172.0	1,271.5	1,335.8

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

1/ Budget is shown on a cash basis (i.e. debt service payments are shown after all debt relief).

2/ Approximately 50 percent of on-budget loan-financed capital expenditure substitutes for hitherto off-budget grant-financed expenditure.

3/ Includes debt to IMF.

4/ Includes central government debt to the Central Bank of Liberia (which is excluded from domestic debt for purposes of debt sustainability analysis).

5/ Basic balance is defined as (total revenue and grants minus project grants) minus (total expenditure minus foreign and domestically financed investment spending).

6/ Current revenue less current expenditure.

Table 5b. Liberia: Fiscal Operations of the Central Government, FY2009–14 ^{1/}
(Percent of GDP)

	FY2009	FY2010	FY2011		FY2012		FY2013	FY2014
			7 th Rev	Actual	7 th Rev	Proj.		
Total revenue and grants	28.0	32.3	35.0	36.6	35.1	40.2	39.3	38.8
Revenue	25.2	30.8	31.2	32.7	30.4	37.3	35.2	35.3
Tax Revenue	22.7	23.3	25.1	26.3	21.3	28.9	27.5	26.4
Taxes on income, profits, and capital gains	7.9	7.9	10.4	10.9	8.0	10.2	8.9	8.6
Taxes on goods and services	4.0	4.4	4.5	4.7	4.8	6.1	5.9	5.9
Taxes on international trade	10.5	10.3	9.8	10.3	8.1	12.5	12.2	11.4
Other taxes	0.3	0.7	0.4	0.4	0.4	0.5	0.5	0.5
Non-tax	2.5	7.5	6.1	6.4	9.1	8.4	7.7	9.0
Grants	2.8	1.5	3.8	3.9	4.7	2.9	4.2	3.5
Expenditures and net lending	29.7	31.6	35.7	37.4	36.5	40.3	41.4	41.9
Current expenditures	25.7	28.0	28.9	30.2	27.2	35.7	32.6	31.3
Wages and salaries	10.9	12.8	12.9	13.5	12.9	15.9	15.6	15.6
Goods and services	9.0	8.6	8.1	8.4	9.1	9.9	9.4	9.3
Subsidies and transfers	4.9	6.2	7.5	7.9	4.8	9.6	7.2	6.0
Interest	0.9	0.5	0.4	0.4	0.3	0.4	0.4	0.4
Capital expenditure	4.0	3.5	6.9	7.2	5.2	4.6	8.8	10.5
Foreign loan financed ^{2/}	0.0	0.0	0.9	0.9	1.4	1.5	2.6	3.5
Domestic and grant financed	4.0	3.5	6.0	6.2	3.8	3.1	6.2	7.0
Unallocated expenditure	0.0	0.0	0.0	0.0	4.1	0.0	0.0	0.0
Overall balance								
Including grants	-1.7	0.7	-0.7	-0.8	-1.4	-0.2	-2.1	-3.0
Excluding grants	-4.5	-0.8	-4.5	-4.7	-6.1	-3.0	-6.2	-6.5
Identified financing	1.7	-0.7	0.7	0.8	1.4	0.2	2.1	3.0
External financing (net)	-0.4	-0.4	0.4	0.4	1.0	1.1	2.1	3.1
Loans	0.0	0.0	0.9	0.9	1.4	1.5	2.6	3.5
Amortization (-)	-0.4	-0.4	-0.5	-0.6	-0.4	-0.5	-0.5	-0.4
Domestic financing (net)	2.1	-0.3	0.4	0.4	0.4	-0.9	-0.1	0.0
Central Bank of Liberia	2.3	0.0	0.9	1.0	0.7	-0.4	0.0	0.0
Use of deposits	2.3	0.4	0.9	1.0	0.7	-0.4	0.0	0.0
Deposit money banks	0.0	-0.1	-0.3	-0.3	0.0	-0.1	-0.1	0.0
Treasury bill purchases (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (including repayment of arrears)	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Iron ore-related revenues	0.0	3.3	3.0	3.1	3.5	3.8	2.1	2.9
Total public external debt ^{3/}	382.2	188.1	10.7	11.2	11.2	12.0	13.2	15.6
Central government domestic debt ^{4/}	35.4	32.9	27.2	28.5	23.0	24.8	22.8	21.6
o/w Foreign currency denominated	33.7	31.4	26.0	27.2	22.0	23.7	21.8	20.7
Basic balance ^{5/}	2.4	4.2	6.1	6.4	3.8	8.9	6.7	7.5
Current balance ^{6/}	-0.5	2.7	2.3	2.5	3.3	3.2	2.6	4.0
Primary balance, including grants	-0.8	1.1	-0.4	-0.4	-1.1	0.5	-1.7	-2.6
Fiscal year nominal GDP (millions of US dollars)	838.2	893.1	1,071.3	1,023.6	1,264.2	1,172.0	1,271.5	1,335.8

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

1/ Budget is shown on a cash basis (i.e. debt service payments are shown after all debt relief).

2/ Approximately 50 percent of on-budget loan-financed capital expenditure substitutes for hitherto off-budget grant-financed expenditure.

3/ Includes debt to IMF.

4/ Includes central government debt to the Central Bank of Liberia (which is excluded from domestic debt for purposes of debt sustainability analysis).

5/ Basic balance is defined as (total revenue and grants minus project grants) minus (total expenditure minus foreign and domestically financed

6/ Current revenue less current expenditure.

Table 6. Liberia: Fund Credit Position and Projected Payments to the Fund, 2011–22
(Millions of SDRs, unless otherwise indicated)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Prospective drawings												
ECF	8.80	4.40	-	-	-	-	-	-	-	-	-	-
Projected debt service to the Fund ^{1/}	-	0.00	1.00	4.20	6.79	9.54	12.75	15.67	13.05	12.44	11.66	10.44
Repayments and repurchases	-	-	-	2.10	3.69	5.46	7.68	9.62	6.02	4.43	2.66	0.44
ECF-current	-	0.00	0.00	2.10	3.69	5.46	7.24	8.74	5.14	3.55	1.78	0.00
ECF-projected	-	0.00	0.00	0.00	0.00	0.00	0.44	0.88	0.88	0.88	0.88	0.44
Interests	-	0.00	1.00	2.10	3.10	4.08	5.07	6.05	7.03	8.01	9.00	10.00
ECF-current	-	0.00	0.00	0.09	0.09	0.07	0.06	0.04	0.02	0.01	0.00	0.00
ECF-projected	-	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00
<i>In percent of</i>												
GDP	0.0	0.0	0.1	0.5	0.7	1.0	1.2	1.3	1.0	0.9	0.8	0.6
Gross Official Reserves	0.0	0.0	0.4	1.7	2.7	3.7	4.9	6.3	5.2	4.9	4.5	3.9
Exports of goods and services	0.0	0.0	0.2	0.7	0.8	1.0	1.2	1.4	1.1	1.0	0.9	0.8
Fiscal revenues (excluding grants)	0.0	0.0	0.3	1.2	1.9	2.4	2.9	3.4	2.7	2.4	2.1	1.8
Fund credit outstanding	37.6	42.0	42.0	39.9	36.2	30.8	23.1	13.5	7.4	3.0	0.4	0
<i>In percent of</i>												
GDP	5.4	5.2	5.0	4.5	3.9	3.1	2.1	1.1	0.6	0.2	0.0	0.0
Gross Official Reserves	14.3	17.4	17.0	15.8	14.2	11.9	8.8	5.4	3.0	1.2	0.1	0.0
Exports of goods and services	8.4	8.2	7.2	6.2	4.3	3.3	2.1	1.2	0.6	0.2	0.0	0.0
Fiscal revenues (excluding grants)	13.7	14.5	12.8	11.6	10.0	7.8	5.3	2.9	1.5	0.6	0.1	0.0
Quota	29.1	32.5	32.5	30.9	28.0	23.8	17.9	10.4	5.8	2.3	0.3	-0.1

Sources: Finance Department and staff estimates.

^{1/} Data are actual through September 2010 and are projected after that. Effective on January 7, 2010 interest on ECF credit outstanding would be zero in 2010 and 2011. It is assumed the ECF interest rate would be at 0.25% from 2012 and onward.

Table 7. Liberia: Schedule of Disbursements Under the ECF/EFF Arrangements, 2008–12

Amount	Actual Disbursement Date/ Date of Availability	Conditions for Disbursement¹
Total : SDR 550.03 million ECF: SDR 207.26 million EFF: SDR 342.77 million	March 14, 2008	Executive Board approval of the three-year ECF/EFF arrangements
ECF: SDR 7.00 million	December 29, 2008	Executive Board approval of the first review under the three-year ECF arrangements
ECF: SDR 7.00 million	May 14, 2009	Executive Board approval of the second review under the three-year ECF arrangement
ECF: SDR 4.44 million	December 21, 2009	Executive Board approval of the third review under the three-year ECF arrangement
ECF: SDR 4.44 million	July 2, 2010	Executive Board approval of the fourth review under the three-year ECF arrangement
ECF: SDR 4.44 million	December 22, 2010	Executive Board approval of the fifth review under the three-year ECF arrangement
ECF: SDR 4.44 million	July 7, 2011	Observance of the performance criteria for December 31, 2010; completion of the sixth review of the arrangement
ECF: SDR 4.44 million	December 12, 2011	Observance of the performance criteria for June 30, 2011; completion of the seventh review of the arrangement
ECF: SDR 4.44 million	May 9, 2012	Observance of the performance criteria for December 31, 2011, completion of the eighth review of the arrangement

Source: IMF staff estimates.

¹In addition to the conditions that normally apply to an ECF arrangement.

Table 8. Liberia: External Financing Requirements and Sources, 2010–15
(US\$ millions)

	Est.	Projections				
	2010	2011	2012	2013	2014	2015
I. Total financing requirement	-4,739	-1,503	-1,621	-1,633	-1,244	-1,068
Current account (excluding donor grants)	-1,408	-1,474	-1,656	-1,620	-1,232	-1,057
Debt amortization	-1,669	-4	-6	-6	-8	-10
NFA	-78	-24	42	-7	-4	-2
<i>Of which: gross reserves</i>	-79	-24	35	-8	-8	-5
Reduction in arrears	-1,586	0	0	0	0	0
II. Total available financing	3,031	1,489	1,614	1,633	1,244	1,068
Donor transfers	978	976	838	746	656	516
Debt forgiveness	1,586	0	0	0	0	0
Foreign direct investment	398	431	724	760	565	526
Official medium- and long-term flows	0	6	28	40	53	58
Private Financing	70	76	24	87	-29	-33
III. Exceptional Financing	1,707	14	7	0	0	0
IMF	14	14	7	0	0	0
Debt Forgiveness	1,586	0	0	0	0	0
Debt Rescheduling	108	0	0	0	0	0
	1,707					
IV. Financing Gap	0	0	0	0	0	0

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

APPENDIX I—LIBERIA: SUPPLEMENTARY LETTER OF INTENT

Monrovia, April 20, 2012

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Madame Lagarde,

The ECF-supported program, approved in 2008, is coming to a successful conclusion. Over the last four years, Liberia has made substantial progress towards achieving macroeconomic stability, rebuilding institutions, and restoring debt sustainability. This Letter of Intent outlines our recent economic performance and some of the economic policies we intend to implement during the course of the remainder of 2012.

All quantitative performance criteria and indicative targets under the ECF-supported program through end-December 2011 were comfortably met (Table 1). While we have made notable progress to implement the remaining structural benchmarks, continued efforts are needed (Table 2): particularly in the area of providing more robust financial oversight of state-owned enterprises by the Ministry of Finance; more specifically by strengthening reporting performance. In this context, we request that the eighth and final review under the ECF-supported program be completed and the last disbursement in the amount of SDR 4.44 million be approved.

Regarding the performance of the economy, preliminary estimates indicate a real GDP growth of about 6–7 percent in 2011. The exchange rate against the US dollar was broadly stable, and reserves increased. Strong exports were supported by high rubber prices and the restart of iron ore production after more than two decades. Persistent high food and oil prices contributed to an uptick in inflation and an increased trade deficit.

Economic prospects for 2012 and over the medium term remain favorable. The expansion of iron ore exports will support high GDP growth in 2012 and in the medium term. Downward risks are mostly linked to the increased volatility of international commodities prices, which could raise inflationary pressures and depress private consumption growth.

Recent fiscal developments were characterized by strong revenues, which, among others, enabled increased spending on priority areas of education and health. However, the overall fiscal balance, including grants, recorded a small surplus in the first half of FY 2012, which coincided with the program period. In the second half of the fiscal year, we will seek to boost capital expenditure to facilitate sustained economic growth and development.

For FY2013, we intend to intensify the development orientation of the budget by focusing more on infrastructure investments, agriculture and youth empowerment. This will be done in the context of a medium-term expenditure framework, which is the new approach to budgeting that has been adopted by the Government. Also, the oversight responsibility of the Ministry of Finance for financial operations of SOEs will be strengthened in keeping with the Public Finance Management Law.

The CBL continues to contribute to price and exchange rate stability and support financial sector development. Foreign exchange reserves exceeded the program target due to temporary factors, which are expected to unwind during the course of 2012. The CBL will continue to maintain a stabilized exchange rate regime. Interventions in the foreign exchange market will be limited to prevent excessive volatility. We expect that measures to further improve the banking supervision framework, build a national payments system, and the introduction of treasury bills in the near term, will substantially contribute to financial sector development.

We continue to make progress on completing debt restructuring while preserving borrowing discipline. We have built capacity within the Ministry of Finance to begin conducting internal DSA as and when required by the Debt Management Committee. Agreement has been reached with BADEA on debt restructuring, while negotiations with the EIB, ECOWAS, OFID and other non-Paris Club creditors are progressing. We remained committed to a prudent borrowing strategy. New loans were contracted with IDA and IFAD at highly concessional terms, with total disbursements amounting to US\$19 million in 2011. Preparations for WTO accession and the adoption of harmonized ECOWAS tariff system are progressing as planned.

Liberia will continue a good working relationship with the Fund and seek further technical assistance as needed.

Finally, we consent to the publication on the Fund website of this letter of intent and the related staff report for the eighth and final review under the ECF-supported program.

Sincerely yours,

_____/s/_____
Amara Konneh
Minister of Finance
Ministry of Finance

_____/s/_____
Joseph Mills Jones
Executive Governor
Central Bank of Liberia

Table 1. Liberia: Quantitative Performance Criteria and Indicative Targets, 2011–12
(Millions of US dollars, unless otherwise indicated)

	Jun. 11				Sep. 11				Dec. 11				Mar. 12	Jun. 12
	Program	Adjusted target	Actual	Outcome	Program	Adjusted target	Actual	Outcome	Program	Adjusted target	Actual	Outcome	Projection	Projection
Performance criteria ^{1/, 2/}														
Floor on total revenue collection of the central government ^{3/}	327.1	314.9	334.6	Met	61.6	61.6	94.3	Met	170.6	170.6	224.9	Met	252.9	377.4
Ceiling on new noncash tax/duty payment to the central government (continuous basis)	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	0.0
Ceiling on new domestic arrears/payables of the central government (continuous basis)	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	0.0
Ceiling on new external arrears of the central government (continuous basis)	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	0.0
Ceiling on non-concessional external borrowing of the public sector (continuous basis)	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	0.0
Ceiling on gross borrowing by the public sector in foreign currency	46.0	...	9.6	Met	46.0	...	9.0	Met	46.0	...	11.4	Met	46.0	46.0
Ceiling on new domestic borrowing of the central government ^{4/}	10.0	...	0.0	Met	12.5	...	0.0	Met	12.5	...	0.0	Met	12.5	12.5
Floor on CBL's net foreign exchange position ^{4/, 5/}	276.5	256.7	310.6	Met	279.0	279.0	320.5	Met	288.6	268.6	319.3	Met	292.3	303.1
Ceiling on CBL's gross credit to central government ^{4/}	0.0	19.8	0.0	Met	0.0	0.0	0.0	Met	0.0	20.0	0.0	Met	0.0	0.0
Indicative Targets														
Ceiling on net domestic assets of the CBL (indicative target) ^{4/}	-77.6	-57.8	-68.5	Met	-68.7	-68.7	-74.7	Met	-73.3	-53.3	-80.2	Met	-53.8	-47.6
Floor on social and other priority spending (percent of total revenue and grants collected)	65.0	...	69.6	Met	n.a.	...	...	...	n.a.	...	...	...	n.a.	n.a.
Floor on education and healthcare spending (percent of total budgeted expenditure, excluding contingencies)	n.a.	...	...	...	n.a.	...	...	...	25.1	...	28.0	...	n.a.	25.1
Memorandum items:														
Memorandum item: Programmed receipt of one-time signing bonuses and Social Development Fund contributions from new iron ore projects ^{2/}	42.5	...	30.3	...	0.0	...	n/a	...	22.7	...	27.3	...	26.0	53.8
Memorandum item: Programmed receipt of external budget support and ratified concession payments ^{2/}	92.6	...	72.8	...	0.0	...	0.0	...	51.1	...	27.3	...	72.3	100.1

1/ Performance criteria at end-June 2011 and end-December 2011 except where marked. All others indicative targets.

2/ Fiscal targets are cumulative within each fiscal year (July 1-June 30).

3/ Beginning December 2009, an adjuster comes into force stipulating that the floor on total revenue collection will be adjusted downward by any shortfall in receipts of one-time iron ore signing bonuses and contributions into Social Development Funds from new iron ore projects from their programmed level.

4/ Bridge financing from the CBL is available under the program for shortfalls in programmed receipt of external budget support and ratified concession signature payments up to a maximum of US\$20 million. In this event, floors will adjust downwards and ceilings adjust upwards by the extent this financing is utilized, up to a maximum of US\$20 million.

5/ In the event of delays to ECF disbursements, the floor would adjust down by the cumulated amount of financing relative to the programmed schedule of disbursements.

n.a. = not applicable; ... = not available

Table 2. Liberia: Structural Benchmarks and Prior Action, 2011–12

Measure	Target Date	Justification	Status
Publication of validated national accounts data for 2008 by the Statistical agency LISGIS.	Benchmark, February 2011	Provision of critical data for economic surveillance and macroeconomic policy.	Not met. Additional source data needed for reliable national accounts estimates.
Publication of the revised Liberian Revenue Code 2011	Prior action Seventh Review	Publication required for the revised Code to become effective. Revisions have a significant impact on revenues in FY2012 and beyond.	Met. November 14, 2011.
Extend ASYCUDA system to the Monrovia oil terminal and international airport.	Benchmark, Seventh Review	Trade facilitation and tax administration enhancement.	Met. ASYCUDA in place at the oil terminal in 2010 and airport at September 2011.
Regular quarterly reporting of state owned enterprise (SOE) financial operations to Ministry of Finance.	Benchmark Seventh Review	Essential for program monitoring of public sector borrowing.	Not met. Poor compliance by SOEs. State enterprise coordination unit to be set up in Ministry of Finance.
Launch of pilot phase of the Integrated Financial Management Information System (IFMIS) linking Ministry of Finance, Civil Service Agency, Central Bank and GAC.	Benchmark Seventh Review	Critical to improving reporting and monitoring of budget implementation.	Not met, though largely completed. Launched in Ministry of Finance. Links to other agencies Completed and operational in February 2012, except GAC.
Create a small mining tax assessment team in the Large Taxpayer Unit with technical assistance if needed.	Benchmark Eighth Review	Taxation of concessions is a major element in the projected revenue increase over the medium term.	Not met, but progress is ongoing. Capacity building technical assistance identified.
Development by the Central Bank of Liberia of a road map and interim regulations for capital market development.	Benchmark Eighth Review	Undeveloped capital markets are an important impediment to private sector development.	Met. Draft road map under review. Draft regulations prepared for CBL bills issuance and nonbank financial institutions.

ATTACHMENT I—LIBERIA: TECHNICAL MEMORANDUM OF UNDERSTANDING

This memorandum sets out the understandings between the Liberian authorities and the International Monetary Fund (IMF) regarding the definitions of the quantitative performance criteria and structural benchmarks for the Extended Credit Facility arrangement, as well as the reporting requirements.

I. DEFINITIONS

1. **For the purposes of the program, the Government is defined as the central Government of Liberia (GoL).** This definition excludes legally autonomous state-owned enterprises whose budgets are not included in the central government budget. The operations of the central government will be presented in U.S. dollars with all revenues and expenditures that are denominated in Liberian dollars converted at the end of period exchange rate. **The public sector** comprises the central government, the Central Bank of Liberia, public enterprises (enterprises and agencies in which the government holds a controlling stake—typically owns more than 50 percent of the shares, but which are not consolidated in the budget), and other official sector entities.

2. **Total revenue collection** includes all tax and nontax receipts transferred into the U.S. dollar GoL accounts at the CBL, including income and transfers from state-owned enterprises and public institutions (excluding external loans and grants). The GoL accounts at the CBL include the GoL General Account No. 2, the GoL Special Rice Fund, and the Liberian dollar account at the CBL comprising the GoL General Account. Any new accounts opened by the GoL at the CBL or at any other local financial agency shall be reported to the IMF as well. For the purposes of the program, the revenues of the GoL are measured on the basis of cash deposits in the four accounts specified above converted to U.S. dollars using the end of period exchange rate.

3. **The program floor on total revenue collection will be adjusted downward** to the extent that signing bonuses and payments into Social Development Funds from new iron-ore projects fall short of the program schedule, cumulative within the fiscal year.

Program Schedule for Cumulative Signing Bonuses and
Social Development Fund Payments from New Iron-Ore Projects
(In millions of U.S. dollars, cumulative from start of fiscal year)

	Program path
September 2011	0.0
December 2011	22.7
March 2012	26.0
June 2012	53.8

4. **For FY2012, education and healthcare spending** is defined as total spending from the FY2012 budget of the units listed below (payment vouchers approved by the Ministry of Finance). It is evaluated as a share of total budgeted expenditure, where total budget expenditure excludes contingency expenditure, off budget expenditure, and project expenditure financed by external borrowing.

FY2012 Education and Healthcare Spending in the Core Budget (Millions of US dollars)	
Total Education and Health	112.6
Education	65.4
Ministry of Education	39.1
University of Liberia	11.8
Monrovia Consolidated School System (MCSS)	3.3
Lofa Community College	0.0
Nimba Community College	0.0
Booker Washington Institution (BWI)	1.9
Gbarnga Central High	0.0
Forestry Training Institution (FTI)	0.5
Cuttington University (CUC)	1.0
National Commission on Higher Education (NCHE)	1.6
W. V. S. Tubman Technical College (WVSTC)	3.4
West African Examination Council (WAEC)	2.1
Liberia Institute for Public Administration	0.7
Health	47.2
Ministry of Health and Welfare	36.2
JFK Medical Center (JFKMC)	6.9
Phebe Hospital	1.8
LIBR	0.7
Jackson F. Doe Medical Hospital	1.6

5. **The overall fiscal balance of the central government through end-June 2010** is defined as—the difference between (a) revenue including grants and earmarked external loans; and (b) government current expenditure, plus capital expenditure plus payment of arrears, amortization, and payments to the domestic trust fund. From July 1, 2010 the overall fiscal balance of the central government is defined as—the difference between (a) total revenue including grants; and (b) total expenditure, excluding payment of arrears, amortization, and payments to the domestic trust fund on a commitment basis (payment vouchers approved by the Ministry of Finance).

6. **Noncash tax/duty payment** is defined as any noncash settlement of duty/tax obligations to the GoL through the exchange of goods or services.
7. **Gross borrowing by the public sector in foreign currency** is defined as cumulated new foreign currency claims by residents and non-residents from July 1, 2010 on the public sector excluding borrowing for reserve management purposes by the CBL.
8. **New domestic borrowing of the central government** is defined as new claims on the central government since the start of the program in domestic and foreign currency. It will be measured by the change in the stock of all outstanding claims on the central government (loans, advances, and any government debt instruments, such as long-term government securities) by the banking system plus the net issuance of debt instruments by the GoL to the nonbank sector. For the purposes of measurement, all claims in Liberian dollars will be converted to U.S. dollars at the end of period exchange rate.
9. **New domestic arrears/payables of the central government** are calculated as the difference between government payment commitments and the actual payments made on such commitments, providing for a processing period of no more than 15 days from the date of commitment. Actual payments are defined as having taken place on the date of issuance of the checks by the Ministry of Finance. Government payment commitments include all expenditure for which commitment vouchers have been approved by the Ministry of Finance, and expenditure that are now automatically approved, namely, wages and salaries, pensions, debt payments to the CBL and commercial banks, CBL bank charges, and transfers of Economic Community of West African States (ECOWAS) levies into the ECOWAS account.
10. **The government undertakes not to incur payments arrears on external debt that it owes or guarantees**, with the exception of external payments arrears arising from government debt that is being renegotiated with creditors, including Paris Club creditors. Arrears on external debt are defined as any unpaid obligation on the contractual due date. In cases where a creditor has granted a grace period after the contractual due date, arrears are incurred following the expiration of the grace period.
11. **Contracting or guaranteeing of new external debt by the public sector applies to borrowing with non-residents with original maturities of one year or more.** For the purposes of the program, external debt applies not only to the meaning set forth in point No. 9 of the "Guidelines on Performance Criteria with Respect to External Debt" (see Decision No. (79/140) adopted August 3, 1979, as amended August 31, 2009, effective December 1, 2009 attached in Annex I), but also to commitments contracted or guaranteed for which value has not been received.

12. **The concessional nature of debt** will be determined on the basis of the commercial interest reference rates published by the Organization for Economic Cooperation and Development (OECD). A debt is defined as concessional if, on the date of signature, the ratio between the present value of debt computed on the basis of reference interest rates and the face value of the debt is less than 65 percent (equivalent to a grant element of at least 35 percent).

13. **The ceiling for contracting and guaranteeing non-concessional external debt by the public sector will be set at zero continuously throughout the program period except as agreed with Fund staff.** The ceiling for contracting and guaranteeing non-concessional debt excludes short-term import-related credits, rescheduling arrangements, borrowing from the Fund.

14. **CBL gross credit to central government** is defined as the sum of claims on central government, including loans, advances, accounts receivable, and any government debt instrument as defined in the monetary survey template excluding CBL purchases of treasury bills in the secondary market and non-competitive purchases in the primary market. The gross credit to government is expressed in U.S. dollars. Claims denominated in Liberian dollars are valued at a fixed rate of L\$/US\$72.00 as of September 30, 2009. Other currencies are valued at cross-rates against the U.S. dollar as of September 30, 2009.

15. **The net foreign exchange position of the CBL** is defined as the difference between (a) the CBL's gross foreign reserves including SDR holdings, as currently defined in the monthly monetary survey and (b) the sum of its gross foreign liquid liabilities and liquid liabilities denominated in U.S. dollars, as currently defined in the monthly monetary survey. The net foreign exchange position floor at end-June 2011 and end-December 2011 is US\$25 million below the projected net foreign exchange position. In the event of delays to a disbursement under the ECF arrangement, the floor of the net foreign exchange position of the CBL will be adjusted down by the cumulative amount of financing relative to the programmed schedule of disbursements. The net foreign exchange position of the CBL is presented in the U.S. dollar. SDR holdings are valued at a fixed rate of the U.S. dollar against SDR, 1.5844 as of September 30, 2009. Other currencies are valued at cross-rates against the U.S. dollar as of September 30, 2009.

16. **The net domestic assets of the CBL** are defined as base money minus the net foreign assets of the CBL converted into United States dollars at program exchange rates as defined in paragraph 14. Base money is defined as the stock of currency in circulation plus reserve deposits of commercial banks at the CBL, plus sight deposits of commercial banks at the CBL and plus vault cash of commercial banks. The net foreign assets of the CBL are defined as foreign assets minus foreign liabilities of the CBL balance sheet.

17. **External financing adjustor.** The program ceilings for CBL gross credit to government and CBL net domestic assets will be adjusted upward and the program floor on the net foreign exchange position of the CBL will be adjusted downward, by the amount of the difference between actual and programmed external budget support and ratified concession signature payments up to a maximum of US\$20 million. The adjuster will be calculated on a cumulative basis from the start of the financial year (July 1).

Cumulative Program External Budget Support and
Ratified Concession Signature Payments

(In millions of U.S. dollars)

September 2011	0.0
December 2011	51.1
March 2011	72.3
June 2012	100.1

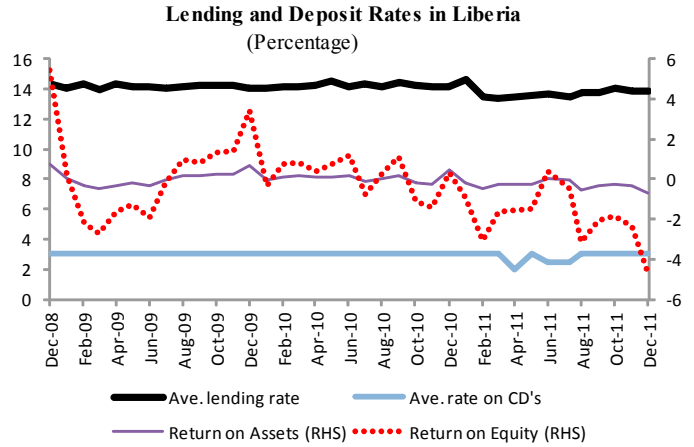
II. PROGRAM MONITORING

A. Program–Monitoring Committee

18. **The Liberian authorities shall maintain a program-monitoring committee composed of senior officials from the Ministry of Finance, the CBL, and other relevant agencies.** The IMF Resident Representative will have observer status on this committee. The committee shall be responsible for monitoring the performance of the program, recommending policy responses, informing the IMF regularly about the progress of the program, and transmitting the supporting materials necessary for the evaluation of benchmarks. The committee shall provide the IMF with a progress report on the program on a monthly basis within four weeks of the end of each month, using the latest available data.

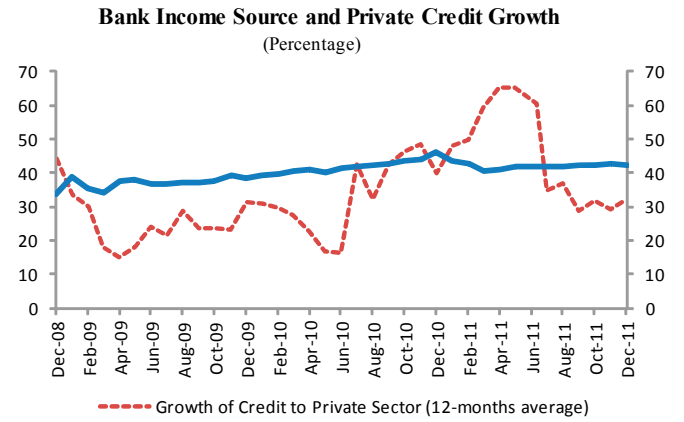
APPENDIX II—LIBERIA: NET INTEREST MARGINS AND BANK PROFITABILITY

1. **Despite the anemic bank profitability, bank lending and deposit rates have been relatively rigid.** An increase in the number of banks may have played a role in containing lending rates through competition. However, returns on assets and equity have been persistently very low in Liberia relative to the region. In 2011, despite a sharp increase in non-performing loans, lending and deposit rates remained stable while net interest margins declined.



Source: Central Bank of Liberia.

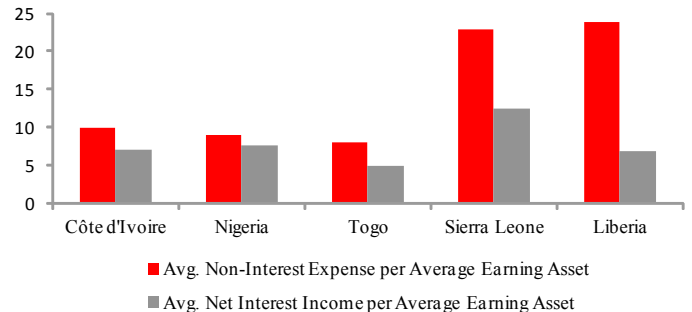
2. **Bank lending is increasing rapidly, yet banks continue to rely mainly on non-interest revenue sources.** Non-interest income as share of revenue has remained near 60 percent during 2008–11 despite growth of private sector credit averaging a brisk 34 percent per year over the same period. This suggests that new credit is not significantly improving bank profits.



Sources: Central Bank of Liberia and IMF staff estimates.

3. **Staff analysis on determinants of net interest margins across banks in the ECOWAS region shows that operational costs is a dominant factor.** However, Liberia is an outlier to this trend with low net interest margins despite high operational costs relative to the region. The elevated operational costs are due to: expensive electricity because of poor infrastructure and the lack of a sufficiently skilled workforce.

Net Interest Margins and Overhead costs (2008-2010)
(Percentage)



Sources: Bankscope and Central Bank of Liberia.

APPENDIX III—LIBERIA: TECHNICAL NOTE ON DEBT SUSTAINABILITY ANALYSIS

1. **In support of the Liberian authorities’ objective to scale-up investment and to accommodate increased flows of concessional financing, there could be scope to modify the debt management strategy.** Presently, the strategy (and program ceiling) limits annual foreign currency borrowing, including concessional financing, to 3 percent of GDP in net present value (NPV) terms.¹ This ceiling is converted to a US dollar value of nominal debt in the Fund program taking into account the terms expected.² The program ceiling was set so that Liberia would remain at a low risk of debt distress including in circumstances of significant economic shocks.
2. **A re-examination of debt vulnerabilities suggests that a higher level of financing in coming years could still be consistent with continued low debt vulnerability.** On the basis of three different scenarios, it is suggested that an increase in the size of maximum sustainable annual borrowing from 3 percent of GDP per year (NPV terms) to an average of 4 percent of GDP over the period 2012–15, is feasible given the headroom available. The bigger scope for borrowing results, in part, from lower-than-expected borrowing in the period since the HIPC Completion Point in June 2010 that is well below the 3 percent of GDP (NPV terms) ceiling.
3. **Debt sustainability analysis (DSA) scenarios³ presented below, which are in line with the 2011 Joint IMF and WB DSA, are based on the current IMF staff macro-framework (Box 1) with assumptions of “low”, “moderate”, and “high” concessional borrowing over FY2013–FY2017** (Figures 1–3). The DSA projects debt and debt service over a 25 year period. The evolution of debt indicators are compared to thresholds which take into account macroeconomic and public financial management capacity, i.e., countries with higher management capacity are viewed as being able to manage a larger amount of debt or debt service. In all scenarios, new borrowing is assumed to be on IDA terms, i.e., 40 years maturity, grace period of 10 years and interest rate of 0.75 percent.

Box 1. Baseline Macroeconomic Assumptions

Real GDP growth. The baseline scenario assumes that GDP growth will accelerate to an average of 7 percent during FY2012/13 – 2017/18 due to the increasing production in large mining sector investments. After this peak, the GDP growth rate is projected to slow down and stabilize at 3.5 percent for the remaining projection period.

Inflation as measured by the GDP deflator in local currency is expected to decelerate from 8 percent in FY2011/12 to 3 percent in FY2012/13 and stabilize afterwards at 5 percent.

¹ For example, because of low interest rates and long repayment periods the net present value of repayments on a concessional loan from the World Bank is approximately 50 percent of its nominal value. Thus, annual borrowing of 6 percent of GDP from the World Bank is equivalent to 3 percent of GDP in net present value terms.

² The grant element expresses the extent a loan is offered on below market terms.

³ See IMF Country Report No. 11/174.

Box 1. Baseline Macroeconomic Assumptions (concluded)

Exports are projected to grow on average at 16 percent during the period FY2012/13–2015/16 due to exports of iron ore. Thereafter, the export growth rate is expected to gradually decelerate to 4 percent in FY2018/19 and stabilize at this level thereafter.

Imports will mirror to some extent the export dynamics. Import growth is projected to average 13 percent for the period FY2011/12 due to the construction phase of the above-mentioned mining projects, and then in FY2018/19 slow down to about 5 percent growth.

The current account deficit is expected to increase during the construction of the big mining projects reaching 66 percent of GDP in FY2012/13, to rapidly decline at the conclusion of the investment phase of these projects (32 percent of GDP in FY2014/15), and fluctuate at a around 15 percent afterwards.

External grants (excluding UNMIL) progressively decline from 35 percent of GDP in FY2011/12 to 19 percent of GDP in FY2024/25.

4. **The details of the three scenarios are:**

- The “low” scenario (Figure 1), which is in line with the published 2011 DSA, assumes a restart of external borrowing in FY2011/12 (1.7 percent of GDP in NPV terms) expected to rise to 2 percent of GDP in NPV terms by FY2014/15 and then decline gradually to stabilize at 1 percent of GDP in 2020–21.
- The “moderate” scenario (Figure 2) assumes a larger increase in concessional borrowing to an annual average of 4 percent of GDP in the period from FY2012/13 to 2016/17 and then, as above, a gradual decline to 1 percent of GDP in FY2020/21.
- The “high” scenario (Figure 3) assumes even higher borrowing assumptions, to 5 percent of GDP in NPV terms in the next five years (FY2012/13 to 2016/17), and thereafter the borrowing profile remains unchanged as above.

5. Each scenario has a baseline projection as well as alternative projections that incorporate an adverse external shock or stress test (the most severe of standardized shocks to the exchange rate, exports and growth), and an alternative evolution of macroeconomic variables in line with historical averages.

6. **In the low borrowing scenario**, the baseline projection meets all the stress tests with the exception of the historical averages projection, which suffers from volatile and unreliable data; staff has not considered this scenario a reliable indicator for potential debt distress.

7. **In the moderate scenario**, with 4 percent of GDP annual borrowing in NPV terms over 2012–17 the net present value of the external debt stock will remain below all policy-related thresholds in the baseline as in the low borrowing scenario. The most extreme stress test results in a breach of the debt-to-GDP threshold.

8. **In the high scenario**, with scaled up gross annual borrowing of five percent of GDP in NPV terms over 2012–17, the baseline external debt-to-GDP reaches, but does not cross, the policy-dependent threshold. Thresholds in relation to revenue and exports are comfortably met in all scenarios.⁴ The interpretation of the scenario results for the debt-to-GDP ratio should take into account the fact that historical nominal GDP series are staff estimates, i.e., there is no national accounts data. A number of other indicators, particularly the high ratio of revenue to GDP, suggest that 2010 nominal GDP is underestimated.

9. **The moderate and high scenarios do not include a dynamic effect on GDP growth, revenue and exports from additional investment to the low scenario.** A substantial impact might reasonably be expected if the additional borrowing finances additional investment with high returns. To this extent the moderate and high scenarios represent conservative estimates of debt burdens. However, as the moderate and high scenarios are not linked to specific additional investments, and because national accounts data on an expenditure basis are not produced, calculating the dynamic growth effects would be subject to a wide margin of error. An alternative interpretation is that the scenarios represent similar levels of nominal new borrowing but with differing concessionality in which case limited dynamic macroeconomic effects would be expected. Alternatively, the moderate and high scenarios could represent scenarios where concessional loans substitute for grants and the actual amount of externally financed investment is similar in all three scenarios.

10. **For the next three years, the illustrative scenarios would generate a considerable room for new borrowing** (Table 1). Compared to the current projections, the “moderate” scenario would imply an increase in concessional borrowing (IDA terms) of up to 140 percent, from the current US\$137 million expected in the low scenario to US\$330 million. Under the “high” scenario, the amount of concessional borrowing would almost triple, from US\$137 million in the low scenario to US\$413 million. Even assuming less concessional loans, the new borrowing would substantially increase by 80 and 120 percent under the “moderate” and “high” scenarios, respectively.⁵ It should be noted that the paths of annual borrowing in each scenario are illustrative and could be front- or back-loaded depending on the expected profile of investment and financing while still yielding the same average annual borrowing in NPV terms.

⁴ The Debt Sustainability Framework indicative ceilings for Liberia are: (i) PV of external debt 30 percent of GDP; (ii) PV of external debt to exports: 100 percent; and (iii) PV of external debt to revenue: 200 percent.

⁵ Compared to the 3 percent in NPV ceiling, the “moderate” and “high” scenario would still generate a considerable increase in the order of 33 percent and 66 percent, respectively (similar increases assuming both IDA and 35 percent level of concessionality).

Table 1. Financing Envelope Under Alternative Borrowing Scenarios
(Gross new borrowing in US\$ Millions)

IDA terms (52 percent of grant element)

	Current projection in DSA	3 percent NPV	4 percent NPV	5 percent NPV
2012/13	33	79	106	132
2013/14	47	84	113	140
2014/15	59	88	118	147
2015/16	58	94	124	157
2016/17	56	99	134	169
Total (2012-15)	139	250	336	419
Total (2012-17)	253	443	594	745

Minimum concessional terms (35 percent grant element)

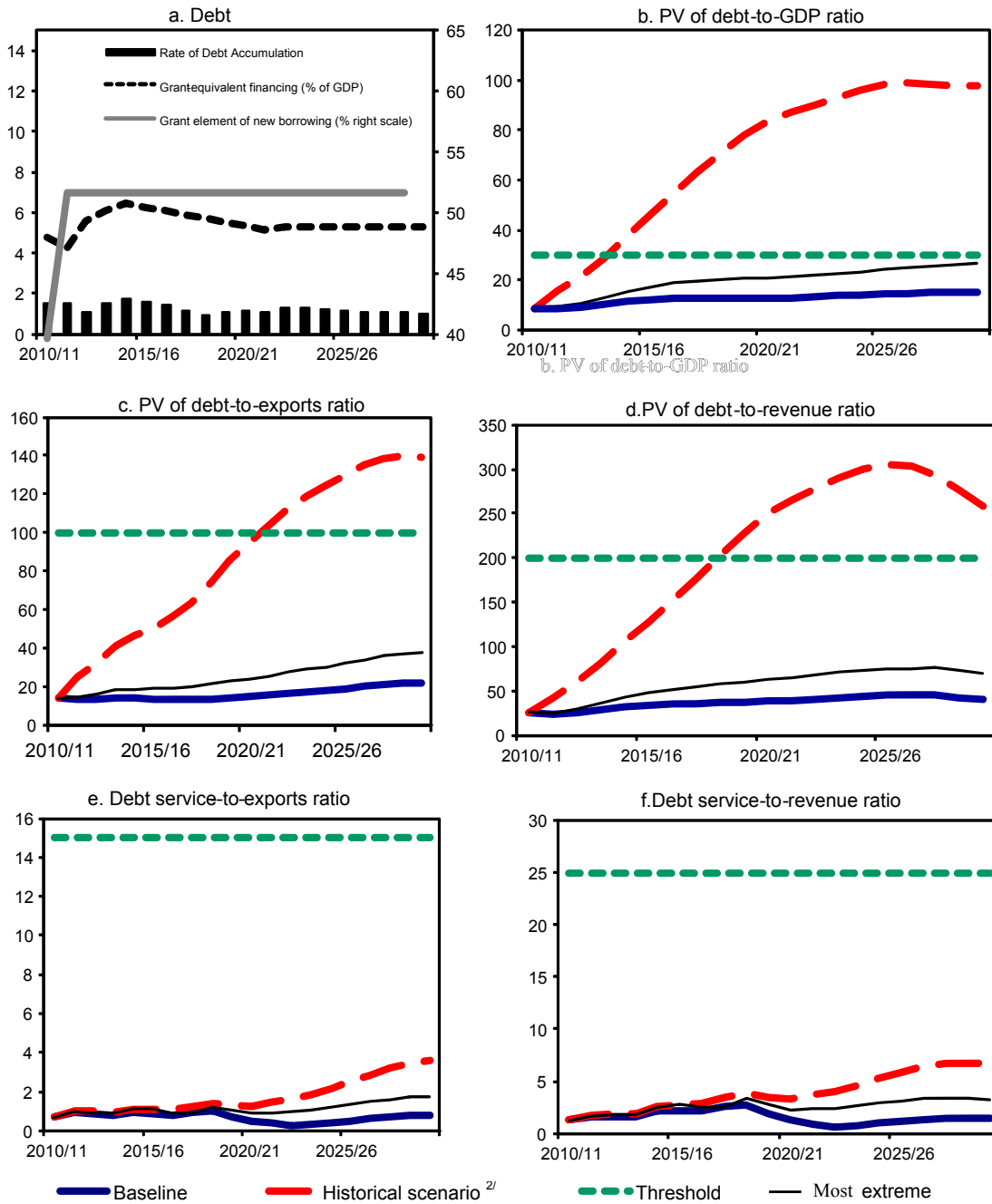
	Current projection in DSA	3 percent NPV	4 percent NPV	5 percent NPV
2012/13	33	59	79	98
2013/14	47	63	83	103
2014/15	59	65	88	108
2015/16	58	69	92	114
2016/17	56	74	99	124
Total (2012–15)	139	186	249	308
Total (2012–17)	253	329	440	546

Source: Staff estimates.

11. **The overall conclusion is that borrowing in line with the moderate scenario (equivalent of 4 percent of GDP in net present value terms) over the next five years would not result in significantly increased debt vulnerabilities.** The key challenge would be to mobilize this amount of financing in support of a prioritized investment program under the second Poverty Reduction Strategy.

Figure 1 - Liberia - Low Scenario - PPG External debt Indicators, 2010/11–2029/30

(Based on 2010 DSA assumptions, new borrowing on average at 2 percent of GDP in NPV from FY2011/12 to FY2015/16 and gradually declining and stabilizing at 1 in FY 2022/23).



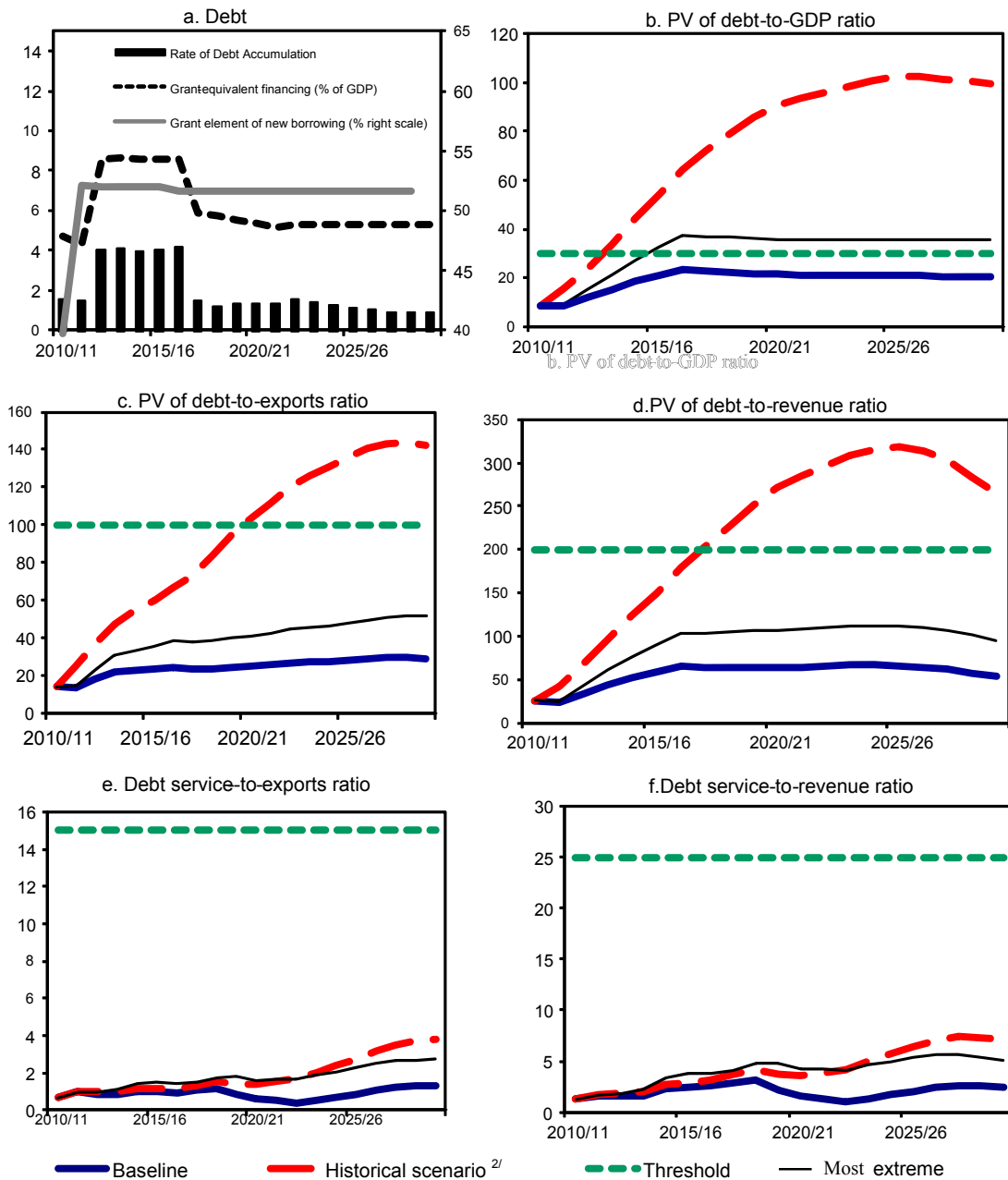
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2019/20. In figures b, d, e, and f it corresponds to loans on less favorable terms; in c. to export values growing at historical average minus one standard deviation.

2/ Given the lack of reliability of historical data, the DSA uses only FY2004/05 to FY2009/10 data. The historical scenario breaches the PV of debt to GDP threshold, but staff does not consider this a reliable indicator of potential debt distress, as it results mainly from the high current account deficits in the period following the return of political stability.

Figure 2 - Liberia - Low Scenario - PPG External debt Indicators, 2010/11–2029/30

(Based on 2010 DSA assumptions, new borrowing on average at 4 percent of GDP in NPV from FY2011/12 to FY2015/16 and gradually declining and stabilizing at 1 in FY 2022/23).



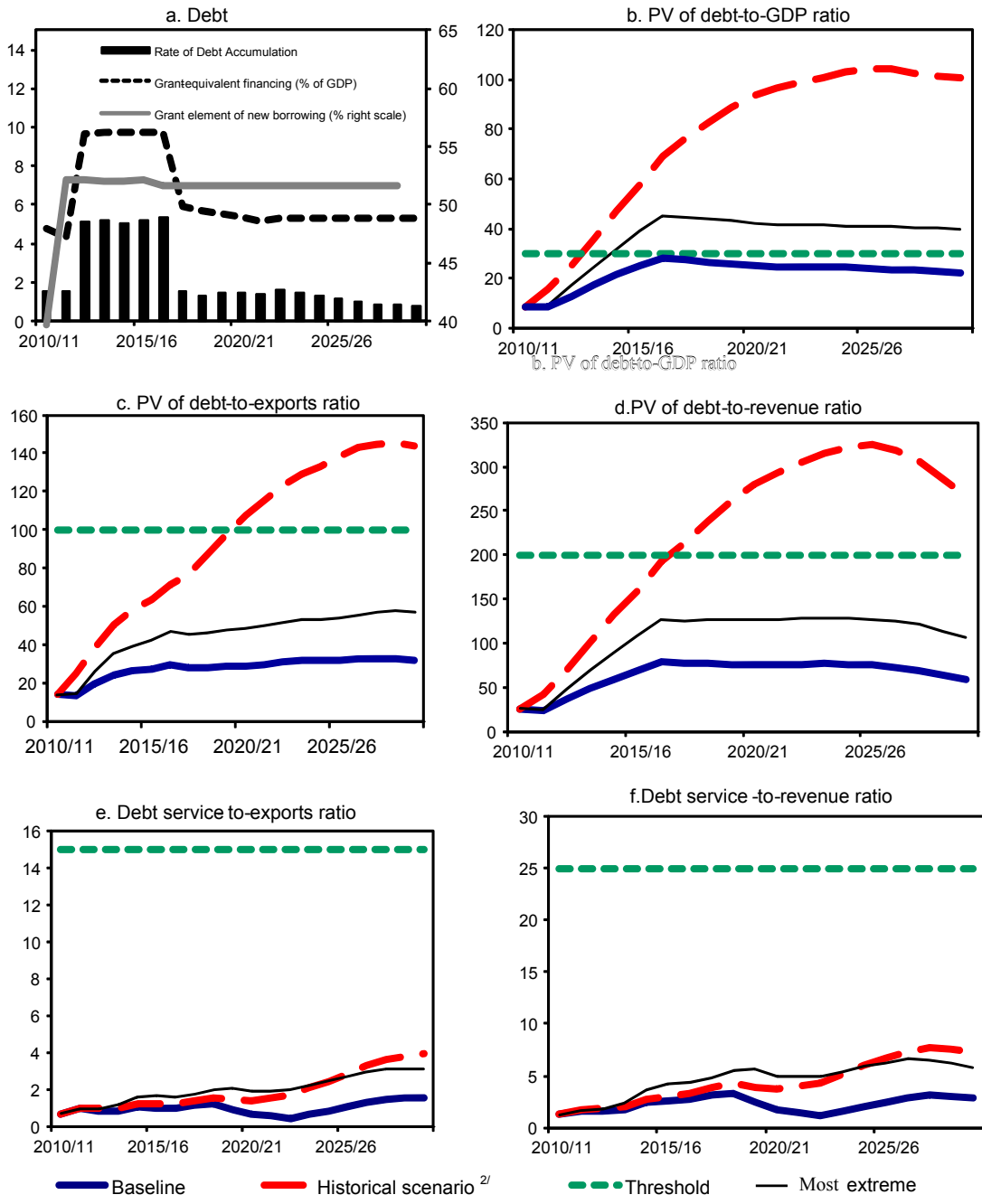
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2019/20. In figures b, d, e, and f it corresponds to loans on less favorable terms; in c. to export values growing at historical average minus one standard deviation.

2/ Given the lack of reliability of historical data, the DSA uses only FY2004/05 to FY2009/10 data. The historical scenario breaches the PV of debt to GDP threshold, but staff does not consider this a reliable indicator of potential debt distress, as it results mainly from the high current account deficits in the period following the return of political stability.

Figure 3 - Liberia - High Scenario - PPG External debt Indicators, 2010/11–2029/30

(Based on 2010 DSA assumptions, new borrowing on average at 5 percent of GDP in NPV from FY2011/12 to FY2015/16 and gradually declining and stabilizing at 1 in FY 2022/23).



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2019/20. In figures b, d, e, and f it corresponds to loans on less favorable terms; in c. to export values growing at historical average minus one standard deviation.

2/ Given the lack of reliability of historical data, the DSA uses only FY2004/05 to FY2009/10 data. The historical scenario breaches the PV of debt to GDP threshold, but staff does not consider this a reliable indicator of potential debt distress, as it results mainly from the high current account deficits in the period following the return of political stability.

INTERNATIONAL MONETARY FUND

LIBERIA

Eighth Review Under the Three-Year Arrangement Under the Extended Credit Facility

Informational Annex

Prepared by African Department
(In consultation with other departments)

April 24, 2012

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 37.7 million (29.18 percent of quota) at end-February 29, 2012.
- **Joint World Bank-IMF Work Program, 2011–12.**
- **Statistical Issues.** Assessment of the quality of the statistical data. Weaknesses in national accounts statistics are hampering the analysis of economic developments in the country.

	Contents	Page
I.	Relations with the Fund.....	2
II.	Joint World Bank-IMF Work Program, 2011–12	7
III.	Relations with the World Bank Group	8
IV.	Statistical Issues	12

I. Liberia—Relations with the Fund

(As of March, 2012)

1.	Membership Status: Joined: March 28, 1962.	Article XIV
2.	General Resources Account:	
	SDR Million	%Quota
	Quota	100.00
	Fund holdings of currency	99.99
	Reserve Tranche Position	0.02
3.	SDR Department:	
	SDR Million	%Allocation
	Net cumulative allocation	100.00
	Holdings	117.46
4.	Outstanding Purchases and Loans:	
	SDR Million	%Quota
	ECF Arrangements	29.18

5. **Latest Financial Arrangements:**

	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF ^{1/}	Mar 14, 2008	Mar 31, 2012	247.90	243.46
EFF	Mar 14, 2008	Sep 25, 2008	342.77	342.77
Stand-By	Dec 07, 1984	Dec 06, 1985	42.78	8.50

^{1/} Formerly PRGF.

6. **Projected Payments to Fund (SDR Million; based on existing use of resources and present holdings of SDRs):**

	Forthcoming				
	2012	2013	2014	2015	2016
Principal	0.00	0.00	2.10	3.69	5.46
Charges/Interest	0.00	0.00	0.09	0.09	0.08
Total	0.00	0.00	2.19	3.78	5.54

7.	Implementation of HIPC Initiative:	Enhanced Framework
	I. Commitment of HIPC assistance	
	Decision point date	March 2008
	Assistance committed	
	By all creditors (US\$ Million) ^{1/}	2,739.20
	Of which: IMF assistance (US\$ Million)	721.10
	(SDR equivalent in millions)	440.90
	Completion point date	June 2010

^{1/} Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	440.90
Interim assistance	30.14
Completion point balance	410.76
Additional disbursement of interest income ^{2/}	10.99
Total disbursements	451.89

^{2/} Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

8. Delivery of Debt Relief at the Completion Point:

I. Debt relief (SDR Million)	548.53
Financed by: Liberia Administered Account	116.20
Remaining HIPC resources	432.33

II. Debt relief by facility (SDR Million)

Delivery Date	Eligible Debt		
	GRA	PRGT	Total
June 2010	342.77	205.76	548.53

9. Safeguards Assessment

A 2011 update assessment of the Central Bank of Liberia (CBL) found strengthened safeguards in place, including through the implementation of International Financial Reporting Standards (IFRS), independent external audits, and effective oversight of audit and control matters by the Board of Governors and its Audit Committee. Continued progress and development of relevant safeguards will be needed with the envisaged expansion of reserves and cash management activities. Also, the respective rights and obligations of the government and the CBL regarding IMF transactions need to be clarified and transparently disclosed in the CBL financial statements.

10. Exchange Rate Arrangement

Liberia maintains an exchange rate system that is free of restrictions on payments for current and capital transfers. The currency of Liberia is the Liberian dollar. The U.S. dollar is also legal tender. The exchange rate showed limited mobility for most of 2011 resulting in a short lived re-classification of the de facto exchange rate regime to 'stabilized arrangement' effective January 5, 2011. The de facto exchange rate regime was re-classified back to 'other managed' effective November 7, 2011 as the Liberian dollar diverged from the 2 percent six months band. The de jure exchange rate regime classification remains 'managed floating'. The exchange rate between the Liberian dollar and United States dollar at end-March 2012 was L\$74.00=US\$1 (mid-point between buying and selling rates).

11. Article IV Consultation

The 2010 Article IV consultation discussions were held in Monrovia during September 21–October 1, 2010. The staff report (Country Report No. 10/373, December 2010) was discussed by the Executive Board on December 8, 2010 and is posted on the IMF website.

12. Technical Assistance 2009–12

Subject	Department	Date
Resident Advisors		
Long-term Advisor for the CBL	MCM	August 2007–October 2009
Public Financial Management	FAD	July 2008–Present

Topic	Date
Fiscal Affairs Department	
Reforms and Technical Assistance Needs	February 2009
Public Financial Management—Drafting Regulations	February–March 2009
Fiscal Decentralization	February–March 2009
Public Financial Management Regulations Drafting	May 2009
Revenue Authority, Customs and Tax Administration	May 2009
Public Financial Management	June 2009
Tax Administration	September 2009
Tax Policy	November 2009
Public Financial Management	October 2010
Tax Administration	March 2010
Revenue Administration	June 2010 and September 2010
Revenue Department Strategic Plan	November–December 2010
Tax Policy	November–December 2010
Revenue Administration	December 2010
Public Financial Management Strategy	December 2010
Revenue Department Strategic Plan	January–February 2011
Cash Flow Planning and Government Banking Arrangements	February 2011
Medium Term Expenditure Framework	March 2011
Public Financial Management Strategy	March–April 2011
County Treasury Framework	June 2011
Tax Administration	June–July and August–September 2011
Medium Term Budget Framework	August–September 2011
Tax Policy	November–December 2011
Revenue Administration	January–February 2012

Topic	Date
Statistics Department	
Government Finance Statistics	April–May 2009
Monetary Finance Statistics	March–April 2010
National Accounts	April 2010, and July–August 2010
National Accounts	January 2011
Balance of Payments	March–April 2011
Statistics Department Monetary and Financial Statistics	August 2011
National Accounts Compilation	September 2011
Monetary and Capital Markets Department	
Accounting	January and August–Sept. 2009
Monetary Operations	April and October 2009
Foreign Exchange Operations	June 2009
Banking Supervision	September–October 2009
Monetary Financial Statistics	March–April 2010
Central Bank Accounting Standards	May 2010
Monetary Operations	June–July 2010
Banking Supervision	August 2010
Bank Payment Systems	December 2010
Central Bank Accounting	January–February 2011
Central Bank Modernization	March–April 2011
Bank Payment Systems	May 2011
Banking Supervision	June–July 2011
Safeguards Assessment	July 2011
Monetary Financial Statistics	August 2011
Capacity building for national payment system	September–November 2011
Central Bank Accounting	December 2011
Accounting	January 2012
Monetary Operations	January 2012
Stress Testing	January 2012
Payment Systems Law	February 2012
Banking Supervision	March–April, 2012
Legal Department	
Legal Drafting	May 2009 and December 2009
Drafting Tax Legislation	July 2010
Legal Drafting	December 2010
Legal Drafting	March 2011 and August 2011

Technical Assistance Pipeline (indicative at end-August 2011)	Estimated Date	Type of Assistance
Fiscal Affairs Department		
Design, sequencing, coordination and monitoring of public financial management (PFM) reforms	2012–14	Resident Advisor
Medium term expenditure framework capacity building (multi-mission)	April–Sept. 2012	Short-term experts and Regional PFM adviser
Public Financial Management Program oversight	August 2012	Short-term expert
Public Expenditure Financial Assessment (PEFA)	June 2012	Follow up
Cash flow management	Sept.–Dec. 2012	Short-term expert
Fiscal reporting	April and October 2012	Short-term expert
Fiscal decentralization	July 2012	HQ team
SOE Financial Reporting Framework	March– April 2012	SOE Financial Reporting Framework
Tax policy (VAT, petroleum, other)	April, May, September 2012	Short-term experts and HQ team
Tax Administration Design & Monitoring		Short-term experts and HQ team
Tax audit strategy		Short-term experts

13. Resident Representative

A resident representative has been posted in Monrovia since April 2, 2006. Mr. Sobolev assumed the position in July 2009.

II. Liberia—Joint World Bank-IMF Work Program, 2011–12

(As of March 30, 2012)

Title	Products	Timing of mission	Expected delivery date	Status
A. Mutual information on relevant work programs				
1. World Bank work program	1. Liberia Poverty Assessment	January 2010	May 2012	Ongoing (Workshop held in March 2011)
	2. Fourth Reengagement and Reform Support Program	November 2010	September 2011	Signed December 2011
	3. Poverty Reduction Strategy - Support	November 2010	Ongoing	Ongoing
	4. Public Expenditure Review Notes	November 2011	May 2012	Decision draft of first note circulated
2. IMF work program	1. Eighth review of ECF	March 2012	May 2012	
	2. Negotiation successor ECF	June 2012	September 2012	
	3. Article IV Consultation	June or October 2012	September or December 2012	
3. Work jointly performed	1. Assist the authorities in developing MTEF/PSIP framework for 2011/12 budget	April 2011 (Fund) October 2010 (Bank)	April 2011 (Fund)	Ongoing technical assistance
	2. Assist the authorities in compiling 2008 National Accounts	July 2010 (Fund) October 2010 (Bank) January 2011 (Fund) September 2011 (Fund)	February 2011 (Fund)	Completed. Data gaps to be filled with establishment and household income and expenditure surveys in 2013
	3. Presentation to the Legislative Budget Office on the role of the Bank and the Fund in Liberia in the context of the second Poverty Reduction Strategy	To be carried out by IMF Resident Representative and World Bank	June 2012	
	4. Evaluation of the impact of power sector financing plan on debt sustainability	HQ discussions	2012	Initial discussions held October 2011
	5. PEFA follow up	June 2012	July	August
B. Requests for work program inputs				
4. Fund request to Bank	1. Assistance in elaborating and delivering financial sector development program	2011	Early 2012	Bank missions fielded August 2011
	2. World Bank Relations Note		As needed	
5. Bank request to Fund	1. Regular updates of performance under the Fund-supported program, macroeconomic projections and data following each IMF mission		Continuous	Last update March 2012
	2. IMF Relations Note		As needed	

III. Liberia—Relations with the World Bank Group⁷

(As of April 4, 2012)

The overarching aim of the Joint Country Assistance Strategy⁸ (JCAS) presented to the Board of the World Bank Group on April 21, 2009 is to support Liberia's transition from post conflict recovery to long-term development. More specifically, the JCAS, which is fully aligned with the Africa Regional Strategy and the Government's Poverty Reduction Strategy (PRS), focuses on three strategic objectives: (i) rebuilding core state functions and institutions; (ii) rehabilitating infrastructure to sustain economic growth; and (iii) facilitating pro-poor growth. The World Bank's lending program under the JCAS proposed a combination of development policy lending and investment lending in support of the three strategic objectives.

The World Bank's indicative IDA financing for the JCAS (FY09–FY11) was US\$298.0 million. With the addition of some US\$120 million under the Liberia Reconstruction Trust Funds managed by the Bank, as well as other trust funds, the actual financing under the JCAS program is approximately US\$530 million. The International Finance Corporation (IFC) net commitment under the JCAS was about US\$16.4 million with a program focused on: improvement of the investment climate; improving the dialogue between the government and the private sector; strengthening the financial sector; supporting private participation in the economy by financing selected private sector companies in identified priority sectors including agribusiness, infrastructure, mining and manufacturing; and supporting the sustainable development of small and medium-sized enterprises.

A progress report presented to the Board on July 7, 2011 extends the current Joint Country Assistance Strategy to end FY12 to coincide with the launching of Liberia's PRS II planned for July 1, 2012. The Liberia indicative allocation for the IDA16 period (July 2011–June 2014) is SDR 117.5 million, an increase of 18 percent over the IDA 15 allocation. The preparation of the new five-year Country Partnership Strategy (CPS) for FY13–17 is underway and it is expected that the CPS will be presented to the Board mid-October 2012.

A. Active Projects

There are eleven active⁹ IDA projects in Liberia, including three regional projects, with a total commitment of approximately US\$305.6 million of which US\$167.2 million is undisbursed. Three new operations (credits) were approved in FY12 for a total commitment of approximately US\$32 million. The three new credits are summarized below:

⁷ Prepared by the World Bank.

⁸ Joint with World Bank, IFC and African Development Bank.

⁹ Effective and or disbursing operations.

The Liberia Electricity System Enhancement Project (LESEP)-Additional Financing was approved in January 2012 for US\$22 million. The objective of the Additional Financing for the Electricity System Enhancement Project is to improve and increase access to electricity in Liberia. The additional financing will provide for additional or expanded activities to scale up project's impact and development effectiveness in the following areas: 1) distribution network reinforcement and extension; 2) enhancing options for power generation through the procurement of a thermal power plant of approximately 10MW; and 3) providing modern renewable energy services through a Global Environment Facility (GEF) financed lantern exchange program.

Liberia Integrated Public Financial Management Reform Project was approved in December 2011 for US\$5 million of IDA resources and approximately US\$23.5 million of cofinancing from the African Development Bank, United States Agency for International Development, and Swedish International Development Cooperation Agency. The development objective of the project is improved budget coverage, fiscal policy management, financial control, and oversight of government finances of Liberia. The project has five components. The first component of the project focuses on enhancing budget planning systems, coverage, and credibility. The second component of the project is aimed at strengthening Project Financial Management (PFM) legal framework, budget execution, accounting, and reporting. The third component of the project focuses on revenue mobilization and administration. The fourth component of the project deals with enhancing transparency and accountability. The fifth and final component of the project addresses program governance and project management.

Liberia Fourth Reengagement and Reform Support Program was approved in October 2011 for US\$5 million. The objectives of the operation are to support government-owned ongoing reforms to strengthen governance and improve the environment for private sector-led inclusive growth. More specifically, the RRSPIV focuses on: (i) improving the capacity for and transparency of public procurement; (ii) improving internal control procedures and the capacity for internal audit; (iii) improving revenue administration; and (iv) improving land administration to reduce conflicts and enhance the investment climate.

B. Economic and Sector Work

The Bank has completed a series of analytical studies to support the preparation of the next Poverty Reduction Strategy in the context of the Government long-term vision plan—Liberia Rising 2030. The analytical work includes: (i) a policy note describing underlying assumptions and baseline outcomes generated using a general equilibrium model (MAMS). The model is being used to simulate the impact of various policy alternatives on key macro variables as well as MDGs; (ii) an inclusive growth diagnostic study for assessing binding constraints to economic activity in Liberia; (iii) an analysis of the options for leveraging investment activities and rents from the extractive sectors to support the development of the domestic private sector; (iv) an infrastructure diagnostics intended to help answer two key policy concerns: (1) how to prioritize infrastructure investments for economic diversification; and (2) how to leverage concessions contract for infrastructure development in Liberia; and

(v) a preliminary diagnostic of the state of social protection in Liberia and a comprehensive inventory on social protection interventions as a basis for debate and discussion towards the formulation of an effective social protection policy and strategy. A Poverty Assessment currently under preparation will provide an updated assessment of poverty levels and will focus on issues of gender as well as equality of opportunity. The World Bank is also providing technical assistance for the preparation of the Second Poverty Reduction Strategy and the compilation of the national accounts in collaboration with the IMF.

C. Financial Relations (as at April 4, 2012)

(Millions of U.S. dollars)

Project	Closing Date	Approval (Fiscal Year)	Net Commitment Amount	Total Disbursed	Of Which: Loan Disbursement	Total Undisbursed Balance
West Africa Power Pool APL	3/28/2013	2010	1.9	1.3	1.3	0.6
LR: Youth, Employment, Skills Project	6/30/2013	2010	6.0	3.3	3.3	2.8
LR-Agriculture & Infrastructure Development Project. ERL	10/31/2013	2008	53.0	44.2	0.0	9.2
LR-Econ. Governance & Institutional. Reform TAL	12/31/2013	2008	18.0	11.6	1.5	5.6
LR-Emergency Monrovia Urban Sanitation	12/31/2013	2010	22.4	15.2	0.3	7.2
LR-Urban and Rural Infra. Rehab. Project	6/30/2014	2009	64.0	39.8	0.0	26.5
West Africa Regional Fisheries Program	12/15/2014	2009	9.0	3.1	3.1	5.8
Liberia Electricity System Enhancement Project	12/31/2014	2012	32.0	1.7	1.7	30.2
West Africa Regional Communications Infrastructure Program	9/30/2015	2011	25.6	18.3	18.3	6.8
West Africa Productivity Program APL	6/30/2016	2011	6.0	0.0	0.0	6.0
LR-Road Asset Management Project	6/30/2022	2011	67.7	0.0	0.0	66.4
Total	...	...	305.6	138.5	29.5	167.1

^{1/} Amounts may not add up to original principal due to changes in the SDR/US exchange rate since signing.

IDA Disbursements and Debt Service (Quarterly since HIPC Completion Point)

	Jul-Sep 2010	Oct-Dec 2010	Jan-Mar 2011	Apr-Jun 2011	Jul-Sep 2011(*)	Oct-Dec 2011	Jan-Mar 2012
Total disbursements	9.47	22.13	7.64	22.58	21.82	10.73	14.25
Repayments	0.33	0.00	0.00	0.00	0.00	0.00	0.00
Net disbursements	9.14	22.13	7.64	22.58	21.82	10.73	14.25
Interest and fees	0.05	0.00	0.00	0.00	0.00	0.00	0.00

Note: *=revised data.

IV. Liberia—Statistical Issues

(As of April 10, 2012)

I. Assessment of Data Adequacy for Surveillance

General: Data have serious shortcomings that significantly hamper surveillance. Shortcomings are most serious in the areas of national accounts and balance of payments statistics.

National Accounts: Comprehensive national accounts data are not available. Fund staff estimate GDP by sector using the production approach and primary source data provided by the Liberia Institute of Statistics and Geo-Information Services (LISGIS). Estimates for GDP by expenditure are not available. Consequently, there is a high degree of uncertainty regarding estimates of the level and growth rate of real GDP, sectoral components, and all ratios to nominal GDP. Liberia participates in the National Accounts Module of the Enhanced Data Dissemination Initiative (EDDI), which aims to strengthen annual national accounts, and to develop producer price indices. The national business register and national accounts questionnaires were established in December 2008. In 2009, the LISGIS conducted the first post-war National Accounts Annual Survey (NAAS) and collected information for the calendar year 2008. This survey had problems with low response rates and the results from the survey have not been published yet. A second round of the national accounts establishment survey (NAAS 2012) is expected to be launched in the coming months to collect information for the years 2009 and 2010. The World Bank has appointed a consultant to guide the LISGIS in various aspects of the survey. The Fund is currently providing TA in this area aimed at verifying and validating the NAAS results for their usability in improving estimates of the formal economy. There are, however, challenges to estimating informal sector activities. A Household Expenditure and Income Survey planned for 2012 will provide data from which such estimates may be developed. Supply and use tables (SUT) for 2008 were independently estimated by a World Bank consultant to provide a benchmark year for national accounts. The Liberian authorities requested STA to make an assessment of the SUT estimates. After a desk-based review of the results, STA noted that the SUT estimates for 2008 are not sufficiently robust to be published as official statistics and should be considered as experimental. The assessment took into account the lack of basic information for the population of the tables and the use of many imputations and manual adjustments in the compilation process. It was stressed that such research results, however, serve to generate discussion with interested users and may, with appropriate improvements to source data and methodology, develop into official estimates. Through its technical assistance missions within the EDDI project, STA will continue to provide guidance on the use of existing source data to compile national accounts estimates and to build capacity in LISGIS to produce reliable national accounts statistics on an ongoing basis. With improved data sources, it is expected that reliable GDP estimates should be available by 2014.

Price statistics: A consumer price index for Monrovia has been compiled since 2005. The Harmonized Consumer Price Index providing national coverage was officially adopted in 2007.

Government finance statistics: The Ministry of Finance regularly provides the African Department with monthly disaggregated data on budgetary central government revenue recorded on a cash basis, and expenditure recorded on both cash and commitment basis. While they are in the process of phasing-in the *GFSM 2001* framework, there is still a number of areas where the government finance statistics need to be improved: lack of legal framework to collect statistics; limited data sharing and coordination among data producing agencies; inconsistent institutional coverage of the statistics with other datasets (e.g., national accounts and monetary statistics); omission of nonmonetary transactions; limited data on stocks of financial assets, liabilities, and arrears; and incorrect reference exchange rate to convert data from Liberian dollars to U.S. dollars.

<p>Monetary statistics: Data provision in this area is adequate for surveillance. The Central Bank of Liberia (CBL) has made progress in adopting the statistical methodology recommended by the IMF's <i>Monetary and Financial Statistics Manual (MFSM)</i>. However, the reporting of monetary and financial statistics (MFS) has been suspended since September 2010. STA missions in March 2010 and August 2011 assisted authorities in advancing the introduction of standardized report forms (SRFs) and collecting data from commercial banks in accordance with the methodology in the <i>MFSM</i>. The CBL agreed to start reporting the SRFs for the central bank, other depository corporations, and monetary aggregates by end-December 2011. However, no data in the format of SRFs have been received by STA.</p>	
<p>Balance of payments: Reporting is not comprehensive, and Fund staff prepares provisional balance of payments statistics for surveillance. Although some progress in the collecting and reporting of data has been made with STA support, there still remain several areas that need improvement particularly with regards to primary source data, methodology, compilation practices, and frequency and timeliness in data dissemination. Additionally, coverage needs to be improved, especially for: (i) foreign direct investment, including direct investment in kind, that is likely to become significant as plans are underway for foreign companies to invest in mining activities; (ii) technical assistance services, development aid, and compensation paid to locally employed workers of international organizations, which have a very large presence in Liberia; (iii) banking sector transactions, as relevant monetary and financial statistics data are not used for balance of payments and there is a lack of financial account entries for the banking sector; and (iv) other areas such as remittances, investment income, and the overall coverage of the financial account.</p>	
<p>II. Data Standards and Quality</p>	
<p>Participant in the General Data Dissemination System (GDDS) since October 2005.</p>	<p>No Data Module of the Reports on the Observance of Standards and Codes (data ROSC) is available.</p>
<p>III. Reporting to STA</p>	
<p>The authorities report for the related publications (<i>IFS, GFSY, and BOPSY</i>) annual balance of payments data and government finance statistics, the latter with a considerable lag (latest available data is 2008).</p>	



INTERNATIONAL MONETARY FUND

EXTERNAL
RELATIONS
DEPARTMENT

Press Release No.12/165
FOR IMMEDIATE RELEASE
May 9, 2012

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Eighth Review Under the ECF Arrangement for Liberia and Approves US\$6.8 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the eighth review of Liberia's performance under the program supported by the Extended Credit Facility (ECF). The completion of the review enables the disbursement of an amount equivalent to SDR 4.44 million (about US\$ 6.8 million), which will bring total disbursements under the arrangement to an amount equivalent to SDR 247.9 million (about US\$ 381.7 million).

The ECF arrangement for Liberia was initially approved in March 2008, for an amount equivalent to SDR 239.02 million (see [Press Release No. 08/52](#)). In June 2011, the IMF Executive Board approved an extension of the arrangement through March 31, 2012, and an augmentation of access in an amount equivalent to SDR 8.88 million (see [Press Release No. 11/258](#)). In March 2012, the IMF Executive Board approved a further extension of the arrangement through May 31, 2012.

Following the Executive Board's discussion on Liberia, Mr. Naoyuki Shinohara, Acting Deputy Managing Director and Chair issued the following statement:

"Liberia has made significant progress under the Fund-supported program. The authorities' consistent implementation of sound economic and financial policies supported rising investment and solid economic growth, and laid the basis for obtaining comprehensive debt relief.

"The medium-term outlook for the economy remains favorable on account of increasing exports, strong foreign investment, and rising activity in the services sector. However, slowing global demand for commodities and volatile food and fuel prices pose challenges. Continued prudent macroeconomic policies will be important to consolidate the achievements thus far, tackle the vulnerabilities, support reduction in poverty, and mobilize donor support.

“Fiscal performance in FY2012 has been characterized by strong revenue performance as well as some additional current spending. Going forward, it will be important to focus more on the composition and effectiveness of spending. The emphasis is being appropriately placed on boosting public investment and priority social spending, and preparing the FY2013 budget in the context of a three-year Medium-Term Expenditure Framework. In addition, relying mainly on grants and concessional borrowing will ensure debt sustainability. Continued efforts to address capacity constraints will also be important to strengthen the execution of the public investment program.

“Monetary policy should continue to focus on maintaining price and exchange rate stability and the planned issuance of treasury bills will enhance liquidity management. Although the financial sector continues to develop, the weak credit environment and high level of non-performing loans warrant continued proactive supervision by the Central Bank of Liberia. “The authorities’ reform agenda rightly aims at boosting growth and employment. Financial sector reforms are intended to enhance stability and to improve financial sector infrastructure and intermediation in support of job creating investment. Fiscal reforms aim at improving the quality of institutions, reducing waste and inefficiency, widening the tax base, and improving taxpayer services,” Mr. Shinohara added.

Statement by Moeketsi Majoro, Executive Director for Liberia
May 9, 2012

Introduction

My Liberian authorities continue to persevere with sound macroeconomic policies while deepening critical structural reforms, in spite of the difficult external environment and daunting challenges of post-conflict reconstruction. They remain unrelenting in their efforts to transform the economy through increased investment in both infrastructure and social sectors with a view to sustaining growth, creating job opportunities and reducing poverty. Accordingly, efforts to enhance domestic revenue mobilization continue to be strengthened in the face of accelerated development spending. Implementation of their development agenda is, however, severely challenged by dwindling external financing and fiscal space.

My Liberian authorities value the constructive engagement with the IMF and thank staff for their candid policy dialogue and advice under the program. They broadly share the thrust of the staff report as it presents a balanced assessment of recent macroeconomic developments, prospects and policy challenges going forward.

Program performance

My authorities have demonstrated consistent impressive performance in implementing the economic program supported under the Extended Credit Facility (ECF) arrangement since its inception. Program targets have been mostly attained and far-reaching structural measures, ranging from the areas of public financial management, tax administration and policy, debt management to economic governance, have been instituted. The attainment of completion point under the Enhanced HIPC Initiative created some fiscal space for implementing the authorities' development agenda and addressing pervasive poverty.

The authorities remain steadfast in pursuing prudent macroeconomic and structural policies as reflected in the fulfillment of the end-December 2011 program targets. All quantitative performance criteria and indicative targets were met and implementation of the structural reform agenda has broadly remained on course. However, as acknowledged by staff, delays have been experienced in instituting key administrative reforms as a result of the 2011 Presidential and Legislative elections and the formation of a new cabinet early this year. All effort is being made to keep the reform program on track, including fast-tracking the operationalization of the financial oversight unit for state-owned enterprises. In view of the strong performance under the program, the authorities request Directors' support for the completion of eighth and final program review.

Recent economic developments

Following a protracted period of economic contraction on account of the civil conflict exacerbated by a succession of exogenous shocks, the Liberian economy has reverted to a high growth trajectory. To sustain the growth momentum, the authorities have focused their efforts at unleashing the potential of key growth-enhancing sectors of the economy. The rubber sector has been revitalized and foreign direct investment in the mining sector substantially increased.

In view of these developments, the economy is estimated to have expanded by 6.9 percent in 2011 led by the agricultural sector through increased rubber production and the first post-war iron ore export towards the end of 2011.

The global food and fuel price shocks heightened inflationary pressures in 2011. Inflation averaged 8.5 percent in 2011, a percentage point above the preceding year's outturn, reflecting higher prices of imported food items and limited domestic food supply. The exchange rate of the Liberian dollar vis-à-vis the US dollar remained broadly stable and gross international reserves increased. However, the trade deficit widened over the period reflecting the broad-based growth of imports to meet the increased domestic demand as the economy expands.

Medium-term outlook and policies

As the economic recovery entrenches and risks from a double-dip global financial crisis gradually abate, my authorities' policy focus has shifted towards maintaining growth at high and sustainable levels while pursuing a results-oriented development strategy, albeit within a stable macroeconomic environment. Increased investment in infrastructure and institutions, improved delivery of basic social services, and greater employment opportunities especially for the youths and under-privileged will form centerpiece of this strategy, in line with the authorities' "Vision 2030 Liberia Rising" expected to transform the country to middle income status. An immediate policy focus will be on expanding electricity generation in order to support manufacturing industries and promote private sector development with a view to sustaining growth. Medium-term macroeconomic policies will be anchored on the second poverty reduction strategy (PRS2) currently being subjected to public consultations. Against this backdrop, the medium-term economic outlook is expected to be favorable, with growth projected at 9.5 percent in real terms in 2012 while averaging 6.5 percent over the horizon. Inflation is expected to remain in single digits around 7 percent in 2012, declining to 4 percent by 2014. Gross official reserves are projected to fall to around 2.5 months of imports of goods and services by the end of 2014, with the exchange rate maintaining its relative stability over the period.

Fiscal policy

My authorities remain committed to strengthening fiscal management with a view to creating the fiscal space needed to implement the country's development agenda. To that end, the upcoming 2012/13 budget is being prepared within the context of a Medium-Term Expenditure Framework (MTFF) that seeks to better align policy and development priorities with the resource envelope. The budget is expected to be predicated on fiscal rules that guide domestic and external public borrowing and the allocation of resources. Containing discretionary current spending and growth of the public payroll will constitute a critical part of the fiscal strategy going forward. In addition, efforts will be made to further strengthen public financial management through the introduction of a Public Expenditure Tracking System (PETS). On the revenue side, far-reaching tax policy and administration reforms will be instituted aimed at improving efficiency in revenue collection.

Monetary policy

Over the medium term, monetary policy will continue to focus on achieving broad exchange rate stability with the ultimate goal of maintaining price stability. Given the extensive dollarization of the economy, the Central Bank of Liberia (CBL) will, in the near term, continue to use the foreign exchange auction as the primary policy instrument to influence domestic monetary conditions. Going forward, efforts will be made to broaden the array of monetary policy instruments at the Bank's disposal to help enhance the efficacy of monetary policy. With the operational framework for treasury securities trading already developed, operationalization of the treasury bills market will be a strategic objective of the CBL aimed at improving domestic liquidity management.

Financial sector policy

The financial sector will continue to serve as a conduit through which the overarching objectives of sustained economic growth, broad-based development, and poverty reduction will be achieved. Importantly, the authorities will seek to examine how best the financial sector can support development. To help preserve the stability of the sector, the CBL will further strengthen its supervisory capacity, including through the rollout of risk-based supervision to the entire banking system. Efforts will be made to minimize the huge portfolio of non-performing loans (NPLs) which have undermined bank profitability and constrained private sector lending. In addition to the establishment of a special court to ensure timely adjudication of commercial contracts, on-site credit examinations will be stepped up and banks' risk management systems further reinforced. In keeping with its commitment to enhance and promote financial inclusion in Liberia, the CBL will continue to encourage increased competition and expansion in bank branches across the country to support access to banking services and products. Furthermore, to enhance the efficient functioning of the financial system, the CBL will strengthen its collaboration with the West African Monetary Zone to modernize the national payment system in line with international standards.

Debt management policy

In this post HIPC era, my authorities are determined to judiciously manage new borrowing in order to maintain a sustainable debt profile while, at the same time, responding to the country's urgent development financing needs. In view of this, the authorities plan to abide by the fiscal rules guiding borrowing, by ensuring that all borrowing are undertaken for the purpose of investment, consistent with the public sector investment plan; total debt stock must not exceed 60 percent of the given year's GDP as contained in the Public Financial Management regulation; and that prior to undertaking new borrowing, a debt sustainability analysis is carried out and presented to the debt management committee to ensure debt rules are not breached. The authorities will continue to strengthen debt management capacity, while seeking external support for developing a robust medium-term public debt strategy. In the meantime, all efforts will be made to ensure that loans contracted are mostly highly concessional consistent with the Fund's concessionality threshold.

Conclusion

The authorities appreciate the critical role of the ECF program in providing policy guidance in rebuilding technical capacity and state institutions, strengthening economic governance, and helping the economy revert to a high growth trajectory. They remain steadfast in implementing sound policies geared towards maintaining a stable macroeconomic environment and creating conditions conducive to fostering inclusive growth and poverty reduction. To this end, they are committed to maintaining their policy engagement with the Fund to help strengthen domestic revenue mobilization while catalyzing external financial resources in support of the country's development agenda. My authorities are considering a successor ECF program and are already in discussion with staff.

My authorities consider the Fund's and other development partners' policy advice and financial assistance crucial to actualizing the country's Vision 2030 and improving the living conditions of all Liberians. It is against this backdrop that they solicit the Executive Board's support in completing the eighth and final review of the current ECF arrangement.