



LIBERIA

January 2021

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; STAFF STATEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR LIBERIA

In the context of the First and Second Reviews Under the Extended Credit Facility Arrangement, Request for Waivers of Nonobservance of Performance Criteria and Modification of Performance Criteria, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 21, 2020, following discussions that ended on October 27, 2020, with the officials of Liberia on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 8, 2020.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for Liberia.

The document listed below have been or will be separately released.

Pro-Poor Agenda for Prosperity and Development (PAPD) paper.

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

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IMF Executive Board Completes the First and Second Review under the Extended Credit Facility for Liberia, and Approves US\$48.86 Million Disbursement

FOR IMMEDIATE RELEASE

- The completion of the first and second reviews enables an immediate disbursement of US\$48.86 million, of which US\$38 million will fill the fiscal financing gap arising from the impact of COVID-19.
- Restoring macroeconomic stability, providing a foundation for sustainable inclusive growth, and addressing weaknesses in governance remain the main objectives of this program.
- Economic activity is projected to contract by about 3.0 percent in 2020, reflecting the effects and challenges from the COVID-19 disruptions, but signs of recovery are now emerging with growth projected to reach 3.2 percent in 2021.
- While the fiscal stance has been loosened to meet humanitarian needs, tight monetary policy, much improved public financial management, domestic revenue mobilization, and no central bank financing have helped achieve price and exchange rate stability, preserving the purchasing power of the poor.

WASHINGTON, DC – December 21, 2020: Today, the Executive Board of the International Monetary Fund (IMF) completed the first and second reviews under the Extended Credit Facility (ECF). The four-year ECF arrangement, with a total access of SDR155 million (60 percent of quota or about US\$214.30 million) was approved by the IMF Executive Board on December 11, 2019. Completion of the first and second reviews enables the immediate disbursement of SDR34 million (US\$48.86 million), bringing total disbursements under the arrangements to SDR51 million (about US\$72.20 million).

After mixed program performance initially, the authorities have taken corrective actions to address weaknesses in the program and they continue to make progress in structural reforms. Reflecting the impact from the COVID-19 pandemic, the growth forecast for 2020 has been revised down from 1.4 percent at the program's inception to -3.0 percent. Assuming global conditions gradually normalize, growth is projected to reach 3.2 percent in 2021, but downside risks to the outlook are high. Liberia remains fragile and vulnerable to shocks as both fiscal and external buffers remain low. Liberia continues to be assessed as having a sustainable debt burden, but borrowing space is limited.

Following the Executive Board discussion, Mr. Tao Zhang, Acting Chair and Deputy Managing Director, made the following statement:

"The COVID-19 pandemic continues to exert significant strain on Liberia's fragile economy. The authorities have taken the necessary steps to stabilize the economy amid multiple challenges. A modest fiscal loosening is appropriate to meet humanitarian needs during the COVID19 pandemic.

“The authorities are committed to fiscal discipline and further improvements in cash management, transparency and accountability in spending, and domestic revenue mobilization to finance their development agenda. The monetary policy stance is appropriately aligned with the inflation objective, and significant progress has been made in strengthening central bank independence. In the context of the gradual de-dollarization of fiscal spending, it is important to further refine instruments for open market operations and enhance policy coordination between the central bank and the government.

“Further efforts are needed to contain the central bank’s operational expenses and build up reserves. Rebuilding confidence in the financial sector is critical for financial stability. Priority should be given to addressing risks from weak financial institutions and ensuring the supply and quality of Liberian dollar banknotes. Further improvements in governance are necessary for efficient delivery of public services. Steps are being taken to clear the fiscal audits backlog, further enhance procurement transparency, and upgrade the anti-corruption legal framework. Efforts to increase borrowing space would support sustainable growth. The authorities should continue to work with donors and development partners to secure grants and concessional borrowing, and carefully prioritize the use of public resources.”

Table 1. Liberia: Selected Economic Indicators (SEI), 2018-2025

	2018	2019	2020		2021		2022	2023	2024	2025		
	Act.	Est.	ECF	RCF	Proj.	ECF	RCF	Proj.	Proj.	Proj.		
	(Annual percentage change)											
Real sector												
Real GDP	1.2	-2.5	1.4	-2.5	-3.0	3.4	4.0	3.2	4.1	4.9	5.3	5.4
of which, Mining & panning	24.3	13.2	9.7	8.6	1.7	6.8	6.8	1.9	4.2	5.2	5.3	5.3
of which, Non-mining	-1.3	-4.7	0.0	-3.5	-3.8	2.7	3.5	3.5	4.1	4.8	5.3	5.4
Nominal non-mining per capita GDP (U.S. dollars)	620	574	621	553	535	527	542	527	537	549	564	613
Nominal GDP (millions of U.S. dollars)	3264	3176	3099	2928	3067	3131	2954	3107	3247	3411	3601	3828
Inflation												
Consumer prices (annual)	23.5	27.0	21.3	17.6	16.2 ⁵	13.5	13.5	9.8	7.0	5.5	5.0	5.0
Consumer prices (end of period)	28.5	20.3	15.0	15.0	11.6 ⁵	12.0	12.0	8.0	6.0	5.0	5.0	5.0
Population (millions)	4.5	4.6	4.7	4.7	4.7	4.8	4.8	4.8	4.9	5.1	5.2	5.3
	(Percent of GDP, fiscal year)											
Central government operations ¹												
Total revenue and grants	25.9	28.0	29.9	27.6	28.1	29.8	27.7	29.1	28.9	28.7	28.2	27.3
Total revenue	12.9	14.3	14.9	13.1	13.9	15.9	13.7	14.2	16.2	17.0	17.5	17.8
Grants	13.0	13.8	15.1	14.5	14.1	13.9	14.0	14.9	12.7	11.7	10.7	9.5
Total expenditure	30.8	34.2	34.6	33.6	31.7	33.5	33.2	32.3	31.7	30.6	29.9	29.5
Current expenditure	21.3	23.3	22.7	22.6	21.7	22.0	22.0	21.6	20.4	19.3	19.1	18.7
Capital expenditure	9.5	11.0	11.9	11.0	9.9	11.5	11.2	10.7	11.3	11.3	10.7	10.8
Overall fiscal balance, including grants	-4.9	-6.2	-4.7	-6.0	-3.6	-3.7	-5.6	-3.2	-2.8	-1.9	-1.7	-2.2
Overall fiscal balance, excluding grants	-17.9	-20.0	-19.7	-20.5	-17.7	-17.6	-19.5	-18.1	-15.5	-13.6	-12.3	-11.7
Public external debt ²	25.9	31.5	38.0	39.2	37.2	42.7	45.4	43.1	46.2	46.9	46.5	46.1
Public domestic debt ³	8.1	9.9	19.1	20.3	19.4	18.4	20.2	19.3	18.8	17.5	16.3	14.7
	(Percent, unless otherwise indicated)											
M2/GDP	19.6	20.3	16.7	22.0	21.6	16.3	22.3	22.3	22.6	22.6	22.6	22.6
Credit to private sector (percent of GDP)	16.3	14.8	17.3	15.9	15.7	17.8	16.5	16.1	16.2	16.4	16.6	16.7
Credit to private sector (annual percent)	4.1	-11.3	1.3	-1.1	2.1	3.7	4.6	4.0	5.1	6.2	6.7	6.9
	(Percent of GDP, unless otherwise indicated)											
External sector												
Current account balance												
including grants	-23.1	-22.5	-21.4	-22.8	-21.4	-21.9	-20.2	-22.2	-22.6	-22.9	-21.8	-20.7
excluding grants	-37.8	-36.4	-35.9	-37.3	-36.1	-35.5	-33.8	-36.1	-34.8	-34.0	-31.9	-30.3
Trade balance	-22.2	-19.2	-13.4	-18.5	-17.9	-12.3	-16.4	-18.9	-18.3	-17.6	-16.5	-15.6
Exports	12.8	13.4	20.3	15.6	13.4	21.9	15.7	14.9	14.9	14.8	14.8	14.7
Imports	-35.0	-32.5	-33.7	-34.0	-31.4	-34.2	-32.1	-33.8	-33.2	-32.3	-31.3	-30.2
Grants (donor transfers, net)	14.7	13.9	14.6	14.4	14.7	13.5	13.6	13.9	12.2	11.2	10.1	9.6
Gross official reserves (millions of U.S. dollars) ⁴	297	292	308	336	331	333	401	403	429	448	438	443
Months of next years imports	2.2	2.3	2.3	2.7	2.5	2.4	3.2	2.9	3.0	3.1	2.9	2.8
CBL's net int'l reserves (millions of U.S. dollars) ⁴	70	27	54	-16	13	63	28	70	75	82	105	135

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

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

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

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

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

⁵ 2020 CPI inflation is measured excluding health and education sub-index due to measurement issues.



LIBERIA

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context. Restoring macroeconomic stability, providing a foundation for sustainable inclusive growth, and addressing weaknesses in governance remain the main objectives of this program. While allowing for a slight fiscal loosening to meet humanitarian needs during the COVID-19 pandemic, tight monetary policy, much improved public financial management, domestic revenue mobilization, and zero central bank financing have supported the administration's efforts to achieve price and exchange rate stability. This has helped to preserve the purchasing power of the poor who were the most affected by the high inflation environment at the program's inception. The authorities consider bringing the ECF-supported program back on track of utmost importance and are committed to their development plan, the Pro-Poor Agenda for Prosperity and Development (PAPD).

Program status. The IMF's Executive Board approved a four-year arrangement under the ECF (60 percent of quota) in December 2019. The Board also approved, in the context of the COVID-19 pandemic, debt relief under the Catastrophe Containment and Relief Trust (4.5 percent of quota) in April 2020 and a disbursement under the Rapid Credit Facility (RCF) (14 percent of quota) in June 2020.

Program performance. Three out of six end-2019 performance criteria (PCs) were not met. In particular, the PC on net international reserves (NIR) was missed by a large margin due to higher foreign exchange intervention than programmed and U.S. dollar liquidity assistance to the banking sector. Three of the six end-June 2020 PCs were not met as the impact of the pandemic made the PC targets no longer feasible nor appropriate. Two structural benchmarks (SBs) were met; four were not met, as the pandemic further strained implementation capacity. Nonetheless, one of the four was implemented with a delay and notable progress was made on several others. To further strengthen program performance, the authorities have implemented key measures as prior actions, including adopting a FY2021 budget in line with program parameters and clearing all debt service arrears, among other measures.

Request. The Liberian authorities request (i) a waiver for nonobservance of the end-December 2019 and end-June 2020 PCs on the basis of the corrective actions taken; (ii) the completion of the first and the second reviews; and (iii) modification of PCs.

Risks to the program. Risks are high despite significant mitigation measures built into prior actions and PCs. The main risks are a worse- and longer-than-anticipated impact of COVID-19; slippage from fiscal spending pressures; re-emergence of U.S. dollar liquidity needs in the banking sector; and re-emergence of Liberian dollar banknote shortages.

Policy commitments. The fiscal authorities' efforts are focused on improving fiscal cash management and control and mobilizing domestic revenue, with the objective of financing vast development needs and better protecting the poor. The central bank is rebuilding confidence in the banking sector by addressing the root cause of the U.S. dollar liquidity needs that emerged last year and ensuring adequate supply of Liberian dollar banknotes. The central bank is also committed to rebuilding NIR to reduce vulnerability to external shocks. The authorities have adopted a comprehensive resolution to fight corruption, which is an important milestone whose effective implementation is vital.

Approved By
**Celine Allard (AFR) and
 Kevin Fletcher (SPR)**

Discussions were held virtually (September 28-October 27, 2020). The staff team comprising Ms. Saito (head), Messrs. Jenya and Matsumoto, and Ms. Tejada (all AFR), Ms. Kamali (SPR), Ms. Lattie (MCM), Mr. Abdychhev (Resident Representative), and Mr. Deline (Economist, Resident Representative Office) exchanged information and held discussions with Finance Minister Tweah, Central Bank Governor Tarlue, Commerce Minister Tarpeh, Legal Advisor to the President Bernard, Auditor General Gaye, other senior government and central bank officials, and development partners. Ms. Kaze and Ms. Jain provided research support and Mr. Magno assisted the team in the preparation of this report.

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CONTEXT

1. **Since program inception, macroeconomic conditions have continued to challenge this fragile state.**

An acute shortage of Liberian dollar banknotes in December (a period of high currency demand), heightened U.S. dollar liquidity needs in the banking sector, high inflation, a three-week fuel shortage in February, long-standing delays in the government meeting payment obligations, and poor provision of public services were some important challenges. The pandemic then followed in March, with the general lockdown affecting more severely those depending on day-to-day market trading for livelihood. With the support of the disbursement under the Rapid Credit Facility (RCF), the authorities launched the COVID Household Food Support Program (COHFSP) in June to benefit those affected but delivery of the food items has been much delayed as the government agencies faced capacity constraints in enumerating food-insecure households.

2. **The authorities are, however, committed to bringing the ECF-supported program back on track to advance their Pro-Poor Agenda for Prosperity and Development (PAPD).**

The authorities remain committed to restoring macroeconomic stability, providing a foundation for sustainable inclusive growth, and addressing weaknesses in governance. In this regard, they consider bringing the ECF-supported program back on track of utmost importance.

RECENT ECONOMIC DEVELOPMENTS

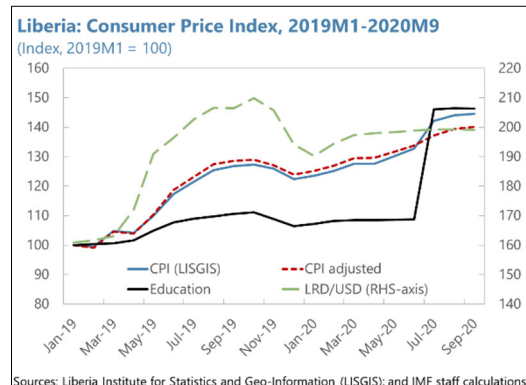
3. **Economic activity declined in the first half of 2020 but signs of recovery are now emerging and inflation is moderating.**

- High frequency indicators (revenue, imports, credit growth, Figure 3) show that economic activity is down from the previous year by about 3 percent. In particular, imports in the first half of 2020 are down by about 7 percent. There are signs of recovery in the second half of 2020.
- Headline inflation has sharply declined to 14 percent in September from about 30 percent at program inception, reflecting tight monetary conditions (Figure 2) and exchange rate appreciation (Figure 1) as well as lower fuel prices (Figure 2), weak economic activity (Figure 3), and substantial fiscal tightening (Figure 4). Much improved fiscal cash management by the government, with zero overdrafts from the central bank under the program, the suspension of the surrender requirement, and higher demand for CBL bills (in response to higher monetary policy rates under the program) helped to contain growth in currency in circulation and the pressure on the exchange rate.
- Domestic food inflation (year-on-year) spiked to 30 percent in March and April due to disruptions to the supply of domestically produced food to Monrovia during the general lockdown. However, it quickly declined to 14 percent by September. Health and education inflation spiked in July, but this is considered a measurement issue (Box 1).

Box 1. Liberia CPI Measurement Issues, 2020

Prices for some education and health services are infrequently priced, and recent price collection resulted in a spike in July inflation relative to June 2020.

The Consumer Price Index (CPI) was updated with new weights and basket items in January 2019, based on the results of the 2016 Household Income and Expenditure Survey, which became available in 2018. In July 2020, CPI data (in the sub-index of education and health) show a discrete jump, reflecting new inputs from surveys conducted for the first time since January 2019. The size of the jump is in line with the change in the Liberian dollar exchange rate during this period. The discrete change, however, has resulted in CPI inflation (12-month percentage change) jumping from 13 percent in June to 17 percent in July. Staff has advised the Liberia Institute of Statistics and Geo-Information Service (LISGIS) on regularizing price collection for these basket items and recompiling the effected indices from January 2019 to better represent their price development.



Meanwhile, to assess Liberia's inflation dynamics more accurately, a critical input to the monetary policy targets, the inflation index excluding health and education was also examined in parallel.

Inflation using this adjusted measure shows a downward trend, which is in line with the tight monetary conditions.

Liberia: Monthly Inflation Dynamics, 2020 (12-months percentage change)

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Inflation	23.6	25.8	21.7	22.5	18.4	13.1	17.1	14.8	14.0
Inflation (excl. health and education)	25.1	28.1	23.9	24.8	19.3	12.6	11.5	9.4	8.9

Source: Liberian authorities; and IMF Staff calculations.

4. Despite recent improvements, Liberia remains vulnerable to shocks as both fiscal and external buffers remain low. Fiscal buffers remain non-existent and spending needs outweigh revenue inflows. External buffers have improved relative to end-December 2019. Gross official reserves of the CBL as of end-June rose by US\$16.1 million due to increased donor support. However, end-June 2020 NIR declined by US\$21.1 million compared to end-December 2019, mostly because the RCF disbursement of US\$50 million was on-lent to the government.

OUTLOOK AND RISKS

5. The growth forecast for 2020 has been revised down from 1.4 percent at program inception to -3.0 percent. The current forecast is another ½ percentage point lower than the forecast at the time of the RCF request in June, reflecting the prolonged period of COVID-19 restrictions in Liberia and disruption of cross-border travel.¹ The growth forecast for 2021 is at

¹The upward revision to nominal GDP projections relative to the RCF request is due to a higher GDP deflator because of large upward revisions to commodity prices (e.g., iron ore and gold).

3.2 percent, also a ½ percentage point down from the RCF forecast. In the medium-term, growth is expected to average 4.5 percent, supported by higher capital spending and improved business confidence.

6. Risks to the outlook are tilted towards the downside. A second wave of cases (domestic or overseas) would slow economic activity further; slippages from fiscal spending pressures could result in larger drawdowns on government deposits than programmed, putting pressure on the exchange rate and inflation; re-emergence of heightened U.S. dollar liquidity needs in the banking sector and that of Liberian dollar banknote shortages would undermine confidence in the banking sector and the business climate more broadly.

PROGRAM PERFORMANCE

7. Overall program performance at end-December 2019 was weak largely due to a significant slippage on the monetary program.

- **All fiscal targets except two were met:** The PC on the *primary balance excluding grants* was met by appropriately adjusting expenditure following revenue shortfalls compared to the approved budget. Two other PCs on *the CBL's gross direct credit to the government* and *new external non-concessional debt of the public sector* were also met thanks to improved fiscal discipline and the authorities' commitment to prioritizing concessional borrowing. The PC on *new external arrears of the government*, however, was not met, partly due to shortcomings in cash management, but these external arrears totaling US\$1.4 million that emerged in end-2019 were cleared shortly after the due dates. Two indicative targets (ITs) on *total revenue collection* and *social and other priority spending* were met but the IT on *on-budget capital spending* was not met due to tight fiscal conditions throughout the year.
- **The monetary program went off track by a large margin:** The PC on *NIR* was missed by US\$17.8 million due to (i) higher foreign exchange interventions than programmed (US\$10 million); (ii) the need of U.S. dollar liquidity assistance to the banking sector (US\$7 million); and (iii) CBL budget overrun (US\$0.8 million). The PC on *the CBL's operational and capital spending* was not met due to unanticipated severance payments; and the IT on *net domestic assets (NDA) of the CBL* was met.

8. Program performance at end-June 2020 was negatively affected by the impact of COVID-19 despite diligent and continuous efforts.

- **The fiscal program performance was affected by the pandemic:** two PCs on *primary fiscal balance excluding grants* and *the CBL's gross direct credit to the government* were not met as the impact of the pandemic made the targets no longer feasible nor appropriate; but the PC on *the contracted new non-concessional debt of the public sector* was met; the IT on *total revenue collection* was also met despite the pandemic thanks to the authorities' revenue mobilization efforts, including the introduction of petroleum excise taxes; the IT on

social and other priority spending was met, and the IT on *on-budget capital spending* was not met. The elimination of ghost workers and new retirees in the social sector and the decision to reallocate US\$25 million of non-essential spending on goods and services for the COHFSP (not part of IT) are worth noting.

- **The monetary program performance was also affected by the pandemic:** The PC on *the CBL's operational and capital spending* was met; the PC on *NIR* was not met and missed by US\$26.1 million due to the impact of the RCF on-lending to the government (US\$50 million), which was partially offset by the CCRT (US\$16.1 million) and higher-than-expected accumulation from the CBL's operations (US\$7.8 million); and the IT on *NDA of the CBL* was not met due to on-lending of the RCF disbursement.

9. Liberia maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. The surrender requirement on remittances also remains suspended.

10. Significant progress has been made on the structural reform agenda, though some measures were not met, in part due to capacity constraints, which were exacerbated by the pandemic (MEFP ¶19).

- **The SBs to improve public financial management (PFM) and governance** show progress on all fronts, but not all SBs were met. The SB to improve the civil service payroll registry was not met, partly due to interruptions during the lockdown, but 80 percent of government workers on the payroll have verified biometric identification cards (prior action). The SB to improve controls of compensation of employees was not met, but was implemented with delay, centralizing hiring and payment of most workers. The provision of quarterly financial performance reports for FY2019 and FY2020Q1-Q2 of State-Owned Enterprises (SOEs) was met. The SB on the inventory and rationalization of bank accounts in preparation for the Treasury Single Account was not met, but most Ministries, Agencies, and Commissions (MACs) are currently in compliance with the requirement to have only one account in U.S. dollar and one in Liberian dollar at the CBL.
- **The SBs to improve governance at the CBL** show progress with respect to operational independence and governance arrangements at the CBL, including the submission to the Legislature of Amendments and Restatements of the CBL Act 1999 consistent with IMF understandings in January 2020 and its passage in October 2020. Significant progress on the priority items of the CBL Action Plan has been made, with delays mostly due to capacity constraints. The CBL also started reviewing the new Financial Institutions Act of 1999 with technical assistance from the IMF.
- **The SB set out to strengthen anti-corruption measures** was not met. Early progress led to the submission of proposed amendments to upgrade the anti-corruption framework in line with the United Nations Convention against Corruption (UNCAC) to the Legislature. However, the passage of the Liberia Anti-Corruption Commission (LACC) Bill has been

delayed as it became clear that some processes require actions not only by the Legislative Branch, but also by the Judiciary Branch, mainly the Supreme Court. Among other reforms, the LACC Bill amends the 2008 LACC Act by providing the Commission with (i) prosecutorial powers over corruption and related economic and financial offenses and (ii) new functions as the agency responsible for the recovery of assets that are the proceeds of corruption and the agency responsible for setting up and operating the asset declaration regime.

POLICY DISCUSSIONS

A. Safeguarding Fiscal Discipline

11. Overall, the FY2020 fiscal stance was tight mostly thanks to fiscal discipline in the first three quarters of the year despite a relaxation in the last quarter in response to the pandemic.

Expenditure stayed within available resources despite a revenue shortfall and significant spending pressures, including on wage arrears in the first half of FY2020. The on-budget primary deficit excluding grants declined from 1.0 percent of GDP in FY2019 to 0.9 percent of GDP in FY2020 (Text Table 1 and Table 3d). The primary deficit (including off-budget project spending) declined from 5.1 percent of GDP to 2.8 percent of GDP (Table 3b)—broadly equal to the medium-term debt-stabilizing primary deficit. Budget support of US\$108 million—including US\$50 million from RCF disbursed in the last quarter of FY2020—allowed the authorities to fully execute the recast budget, provide adequate COVID-19 response, and secure some carryover (i.e., accumulation of deposits) for FY2021.

12. Domestic revenue improved towards end-FY2020 thanks to the excise tax on fuel, collection of one-off revenue, and overall improvements in tax collection. In June, the authorities introduced a surcharge of 30 cent per gallon on fuel—expected to yield 1.2 percent of GDP—and they formalized it into an excise tax in the FY2021 budget law. Moreover, end-year collection of budgeted one-off measures partly offset the revenue shortfall projected at the time of the RCF request. Consequently, the domestic revenue outturn for FY2020 was US\$435 million (13.9 percent of GDP), lower than the US\$465 million originally budgeted but higher than the US\$395 million projected in the recast budget (Text Table 1). The positive revenue momentum continued in the first quarter of FY2021. Moreover, the Legislature approved changes to relevant laws to mandate the Liberia Revenue Authority (LRA) to start collecting all revenues from the Liberia Maritime Authority (LMA) and the Liberia Telecommunication Authority (LTA) from January 2021 onward.

13. Cash management and expenditure control continue to improve. Regular fiscal reports and cash plans are informing allotment and financial budget decisions, and summary fiscal reports are being published in the Ministry of Finance and Development planning (MFDP)'s website since June 2020 (MEFP ¶12). Debt service payments, both domestic and external, were however delayed (domestic debt service was significantly delayed) partly due to tight fiscal conditions but also to poor integration of direct debits into cash management decisions and a lengthy reconciliation

process.² To avoid a recurrence, the authorities have created a special debt service bank account at the CBL, where 10 percent of daily revenue is being transferred, and introduced a quarterly debt service allotment (Annex I). The authorities have also: (i) resumed the monthly Liquidity Management and weekly Treasury Management Committee meetings since July 2020; (ii) moved to quarterly expenditure reconciliation; (iii) began recording all direct debits into the Integrated Financial Management Information System (IFMIS) at the beginning of the month; and (iv) eliminated advances to autonomous agencies.

Text Table 1. Liberia: Fiscal Budget – FY2020-21

(Million U.S. dollars)

	FY2020			FY2021			
	ECF Approval	RCF	Current	ECF Approval	RCF	GOL Budget	Current
Available funds	526	519	543	537	520	570	586
Domestic revenue	465	395	435	495	402	428	438
Budget support grants and loans	61	124	108	42	118	132	132
GOL deposits drawdown ¹	0	0	0	0	0	10	16
Use of funds	526	519	543	537	520	570	586
Primary expenditure	467	449	464	471	439	477	471
Interest payments	31	31	25	31	29	27	27
Principal repayments	29	31	23	29	25	25	25
Change in account payable	0	8	16	5	10	10	12
Financial reform plan	0	0	0	0	17	31	31
Carryover ¹	0	0	16	0	0	0	0
GOL deposits accumulation ¹	0	0	0	0	0	0	20
Primary balance excl. grants (Table 3c)	-2	-54	-28	23	-37	-49	-33
GDP (million USD)	3,127	3,006	3,121	3115	2,941	3,087	3,087
Primary balance excl. grants (% of GDP)	-0.1	-1.8	-0.9	0.8	-1.3	-1.6	-1.1
Domestic revenue (% of GDP)	14.9	13.1	13.9	15.9	13.7	13.9	14.2

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

¹ GOL deposits (drawdown and accumulation) and Carryover are all shown as Financing items in Tables 3a-d.

14. The authorities made significant progress on the civil service payroll reform (MEFP ¶113). The payroll regulation to centralize all wage payments was issued in March 2020 and a circular to suspend wage payments of those without biometric identification cards was issued in November 2020, enforcing validation of employment based on a biometric identification card and verification of skills. The number of public employees has been reduced from around 74,000 at the beginning of FY2020 to 67,100 by November 20 through elimination of duplicates, ghost workers, and retirement. Of these, at least 80 percent of government workers on the payroll have verified biometric identification cards (prior action), with the original target of 100 percent not yet achieved due to constraints arising from COVID-19. Consequently, the authorities delayed the suspension of salaries

²Direct debits are budgeted for payments made directly from the consolidated fund by the CBL based on service level agreements with public institutions.

from the originally planned target date of end-June 2020 to end-March 2021 (new SB). The Payroll Cleaning Taskforce has improved payroll efficiency through: (i) better record keeping and controls, with hiring for all agencies now centralized and managed through the Civil Service Agency (CSA) (except for integrity and transparency institutions); (ii) integrating of the presidential appointees with the general payroll; and (iii) centralizing of hiring of consultants.

15. The Legislature’s approval of a budget of US\$570 million for FY2021, a slight loosening of the fiscal policy stance relative to FY2020, is consistent with program parameters (prior action). The budget proposes a wage bill of US\$292 million, contributions to the National Road Fund (NRF) of US\$24 million, arrears clearance of US\$10 million, and US\$31 million to prevent re-emergence of U.S. dollar liquidity needs in the banking sector (MEFP ¶111). Given current revenue momentum, revenue is projected to overperform the FY2021 budget by US\$20 million, which will be saved until a supplementary budget in early 2021. The on-budget primary deficit excluding grants is therefore projected at 1.1 percent of GDP in FY2021 (Text Table 1 and Table 3d), a relaxation of 0.2 percentage points of GDP compared to FY2020, with higher revenue due to reforms (e.g., petroleum excise) more than offset by the adverse effect of the pandemic, which affects all of FY2021 compared to just the last third of FY2020. This slight fiscal easing aims to help support recovery from the pandemic.

B. Achieving Price Stability

16. Monetary policy has appropriately remained tight, with the CBL exercising caution considering the uncertainties about the economic impact from COVID-19. In May, the CBL reduced the policy rate by 500-basis points to 25 percent but kept reserve requirements unchanged (MEFP ¶119). With annual inflation down to 14 percent at end-September, this amounts to an increase in the real rate by 8 percentage points since December 2019. The attractive real interest rate is helping restore the value of the Liberian dollar, as evidenced by increased placements on CBL bills up to end-September 2020 (largely held by banks). In line with TA advice, the CBL shortened the tenor for CBL bills from one year³ to two weeks; this change also made CBL bills more attractive to hold given banks’ uncertainty about the liquidity impact from the COVID pandemic. While some banks have increased term deposit rates to align with the policy rate, further unlocking interest rate transmission channels require complementary policies. In this regard, staff endorses the CBL’s the plans to reduce the Liberian dollar Reserve Requirement (RR) to 15 percent from 25 percent, and increase the U.S. dollar RR to 15 percent from 10 percent would remove banks’ aversion to take on Liberian dollar deposits.

17. Coordination with the government is continuing to help the CBL regulate the supply of money appropriately. The CBL is closely monitoring the demand for currency in circulation (CIC), which could come from multiple sources including the government’s drawdowns on its Liberian dollar deposits and the government’s sales of foreign exchange (budget support) to the central

³The CBL has retained the option to conduct longer tenor issues of up to one year to signal declining inflation expectations (MEFP ¶124).

bank to make payments in Liberian dollar. As the government gradually increases its expenditure in Liberian dollar, the coordination becomes more important. The CBL and MFDP are far advanced in finalizing a Memorandum of Understanding that will formalize existing arrangements for data sharing in the Liquidity Management Committee (LMC), and strengthen the activities of the Liquidity Working Group (comprised of MFDP, LRA, and CBL) to coordinate liquidity management in the economy (MEFP ¶21). These arrangements are helping the CBL develop liquidity forecasting capacity and adopt a proactive liquidity management strategy to offset excess Liberian dollars that would emanate from the expected increase in Liberian dollar payments.

18. The exchange rate market faces several anomalies and the CBL plans to request technical assistance to review the regulations (MEFP ¶26). For example, retail depositors (who receive a portion of wages in Liberian dollar) currently do not sell their Liberian dollar balance to purchase U.S. dollar balance at commercial banks, partly due to commercial banks' persistent aversion to buy Liberian dollars despite investment opportunities created by the introduction of CBL bills. Consequently, depositors continue to withdraw Liberian dollars to purchase foreign exchange at foreign exchange bureaus, despite the favorable exchange rate to sell at the commercial banks over the rate at the bureaus. To address anomalies such as this one, the authorities intend to work towards: (i) retaining CBL's foreign exchange auction guidelines designed to achieve transparent price determination and avoid discriminatory provision of foreign exchange; and (ii) strengthening the current auction mechanism by conducting a comprehensive review of the CBL's foreign exchange auction guidelines and reviewing the framework for the regulation and supervision of banks and bureaus. Moreover, the authorities have suspended the reintroduction of the surrender requirement and are committed to refraining from introducing any additional Capital Flow Management (CFM) measures.⁴

19. Despite some emerging pressures, the CBL's operational budget has been prepared following IMF Technical Assistance (TA) recommendations. In 2021, the CBL aims to further reduce its deficit and eliminate the drawdown on reserves to finance its budget. To that effect, operational expenses excluding interest on monetary policy instruments and the cost of printing additional currency in 2021 is expected to remain within levels comparable to 2020 (MEFP ¶22). This has been achieved by reducing wages and salaries, rationalizing goods and services, and appropriate phasing of Information Technology contracts. To reduce the drawdown from reserves, the CBL Board has approved an increase in the local currency component of the wage bill to 50 percent from 35 percent and directed management to negotiate local contracts in local currency. These measures will realize savings in reserves sufficient to meet currency printing costs for FY2021, assuming the CBL's sterilization operations remain effective.

20. The approval of the Amendments and Restatement of CBL Act 1999 will improve the CBL's independence and enhance transparency and accountability. The changes, legislated in October 2020, include: (i) provisions that grant the CBL the power to seek general approvals for

⁴A surrender requirement on inward remittances has been in place since December 2016, but it was suspended in November 2019 in light of acute shortages of Liberian dollar banknotes.

currency printing from the Legislature for a three-year period; and (ii) creation of the monetary policy committee as a separate decision-making body from the Board to help the Bank effectively operationalize its price stability mandate (MEFP ¶23). To improve transparency and accountability, the CBL has published the Audited Annual Financial Statements for 2019 on its website.

C. Building Confidence in the Financial System

21. The financial sector remains challenged, partly from the negative economic fallout created by the COVID-19 pandemic. Financial sector risks were elevated prior to the pandemic, with some financial institutions not meeting minimum prudential requirements. A preliminary assessment suggests that loans to the service and hospitality sectors have largely contributed to the marginal rise in nonperforming loans (NPLs) for some institutions, but reported income remains strong and total capital adequacy is above the minimum ratio. Nonetheless, continuing to strengthen micro prudential oversight amidst the challenging macroeconomic conditions is important. The pre-crisis fragility in some institutions and the impact from the asset classification and provisioning allowances will emerge with a lag, creating the possibility that reported financial strength could be negatively affected by additional loan loss provisioning. The moratorium on asset classification and provisioning extended to September 2020 was lifted in early November (MEFP ¶28).

22. Over the near-term, the authorities are addressing identified risks from financial institutions with notable breaches of regulatory requirements. The CBL Board will adopt a reform plan (prior action) and the government is seeking funding sources. With the further support of technical assistance from the U.S. Treasury Department, financial viability of the plan will be ascertained (MEFP ¶30). The authorities are also working with financial institutions not meeting minimum prudential requirements to ensure full compliance by June 2021. Addressing corporate governance issues and eliminating operational inefficiencies in financial institutions are needed. To strengthen the CBL's supervisory and regulatory capacity, the CBL has begun revisions to the New Financial Institution Act (1999) (MEFP ¶29). The CBL has also committed to issue the new Risk-Based Supervision (RBS) Guideline by end-June 2021 (SB).

23. The CBL Board's adoption of a three-year currency management plan will be an important step forward in securing a steady supply and improving the quality of currency in circulation. With financial and technical support from USAID, the CBL successfully conducted the secure delivery and verification of the banknotes in July (MEFP ¶20). However, the quality of banknotes in circulation continues to be poor. The CBL is planning to adopt a proposal before end-December to print enough banknotes needed for transactions in 2021 and over the medium term, and to replace unfit banknotes in circulation with due consideration given to saving time and minimizing cost (MEFP ¶25). The CBL has presented to the Legislature their estimates of demand for banknotes for the next three years and, once approved, plans to secure the first batch to meet demand for 2021 (MEFP 25).

D. Creating the Foundation for Sustainable and Inclusive Growth

24. The Debt Sustainability Analysis (DSA) continues to assess Liberia at moderate risk of external debt distress and high risk of overall public debt distress. The downward revision to economic growth and higher near-term borrowing needs have reduced Liberia’s ability to borrow in the medium term. This DSA points to short- and medium-term debt service pressure, even if some of this pressure was alleviated as debt relief from the CCRT became available.

25. The authorities’ exit strategy from fragility by upgrading the national road network is underfunded. Upgrading the national road network (only 5 percent of roads are paved) has been one of the top priorities of the PAPD (the 2018 Article IV Consultation, IMF Country Report 18/172). The implementation of the Southeastern Corridor Road Asset Management Project (SECRAMP) is however lagging and underfunded. Out of about US\$260 million⁵ needed to connect the country with paved roads, however, only US\$100 million has been identified in grants, concessional loans, and annual contributions of the Liberian government to the NRF.

26. Moreover, most of the population is enduring poor living conditions and human capital formation remains extremely inadequate. Food insecurity is rising, social safety nets are rudimentary, and the healthcare system is underdeveloped (The 2019 Article IV Consultation, IMF Country Report 19/169). Moreover, the COVID-19 response—estimated at US\$84.8 million, of which US\$32.8 million is on-budget and US\$52 million is off-budget—aims to support the most vulnerable cohorts, by redirecting and scaling-up existing social programs. Capacity constraints and the absence of social registry however stand in the way of reaching the most vulnerable (¶1).

27. Working with development partners, contributing to the NRF, and prioritizing limited resources are critical in delivering on the PAPD. The authorities are facing limited concessional resources for road construction and limited non-concessional borrowing space in the DSA (¶24). They are also facing competing demands for public resources from past obligations (debt service and arrears clearances), public resources needed to secure financial stability (¶15), and social sector spending needs such as the COHFSP (¶19, ¶26). Working with donors and development partners to secure grants and concessional borrowing is therefore important. In this regard, the government’s commitment to meet its contribution to the NRF is critical in mobilizing more resources and hence completing the SECRAMP. Finally, given the scarcity of resources and competing demands, the authorities need to carefully assess and prioritize the use of public resources.

ADDRESSING WEAKNESSES IN GOVERNANCE

28. The authorities are taking steps to address weaknesses in governance, but more remains to be done. Fiscal governance has improved along with the efforts to improve cash management and budget controls. The publication of regular fiscal reports (¶13) provides additional

⁵To complete roads from Ganta to Tapeta (144 km, Phase 1) and roads from Tapeta to Zwerdu (114 km, Phase 2), the total cost of US\$260 million is estimated at US\$1 million per kilometer.

assurances and increases accountability. However, the audits of budget execution (FY2018 and FY2019) are behind, delaying the quantification of arrears (MEFP ¶133). The authorities are targeting completion of FY2018 and 2019 audits by end-December 2020 (SB) and of FY2020 audits by end-February 2021 (SB).

29. The authorities are also taking steps to increase transparency in procurement. Since March 2020, the authorities are publishing information on procurement contract awards for FY2019 and FY2020 in the Public Procurement and Concessions Commission (PPCC) website, as well as information on the legal ownership of contract awardees. They have also changed their data collection template from MACs to include beneficial ownership of contract awardees for publication on the PPCC's website (MEFP ¶138). They are now working on publishing this beneficial ownership information, validating the delivery of goods and services, and posting contracts on the PPCC's website and are committed to publish at least 75 percent of FY2020 contracts awarded by end-January 2021. A first round of compliance audit has been conducted to ensure that MACs are following the current procurement procedures.

30. The authorities are taking steps to expedite the resubmission of the necessary amendments to upgrade the anti-corruption legal framework. They have adopted a resolution at the anti-corruption conference held during September 16-17, 2020 to guide their medium-term, anti-corruption efforts. According to the streamlined process, they will prioritize: (i) submitting to the Legislature amendments to the LACC Act to give the LACC first tier prosecutorial power and the function to operate the asset declaration and verification regime of the Government by end-March 2021 (SB); and (ii) submitting to the Legislature draft Whistle Blower and Witness Protection bill by end-June 2021 (SB).

31. However, Liberia's business climate faces multiple barriers for the private sector to serve as an engine of growth. The July 2020 business climate conference identified high fees and difficulties in obtaining business registries as the key obstacles to doing business (MEFP ¶140). The Ministry of Commerce is working with various stakeholders on an implementation plan to improve the business environment.

STATISTICAL ISSUES AND CAPACITY DEVELOPMENT

32. Capacity development in the context of the COVID crisis has focused on areas critical to safeguarding domestic revenue and financial sector stability. In the recovery period, the Capacity Development Strategy prioritizes domestic revenue mobilization; strengthening bank supervision; cash management; and monetary policy operations.

PROGRAM ISSUES, MONITORING AND RISKS

33. Staff support the following requests for waivers for nonobservance of program conditionality:

- *Waivers for the nonobservance of the floor on the fiscal primary balance and the CBL's gross direct credit to the central government for end-June 2020.* COVID-19 adversely affected revenue and increased spending needs, making the end-June fiscal targets no longer feasible nor appropriate. Staff supports this based on corrective action: adopting a FY2021 budget to reset fiscal policy in line with program objectives (¶15).
- *Waivers for nonobservance of the ceiling on the change in NIR for end-December 2019 and end-June 2020.* Staff support this based on corrective actions: in consultation with staff, the CBL Board adopting a reform plan to prevent re-emergence of U.S. dollar liquidity needs in the banking sector; and a viable plan to make up for lost reserves (Text Table 2).
- *Waiver for missing the ceiling on the CBL's operational and capital expenses for end-December 2019.* Staff support this based on corrective action: adopting (by the CBL Board) a 2021-23 CBL budget in line with program parameters.
- *Waiver for missing the ceiling on new external arrears of the central government (continuous).* Staff support this based on corrective action: the MFDP is streamlining debt service payments (¶13).

Text Table 2. Liberia: Revised NIR Targets, 2020-21
(Million U.S. dollars)

	2018M12	2019M12	2020M12	2021M12
Targets at ECF Approval				
NIR stock	69.4	43.7	53.7	63.7
NIR flow (QPC target)		-25.7	10	10
CBL operations / forex purchases			10	10
New targets (proposed)				
NIR stock		26.8	13.3	69.7
NIR flow (QPC target)			-13.5	56.4
CBL operations / forex purchases ¹			24.7	25.3
Budget support			-88.0	
CCRT			31.5	31.1
Unfit banknote operations (net)			18.3	0.0

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

¹The pace of accumulation raised to recover the missed target at end-2019.

34. Staff support the authorities request of the following changes to the Technical Memorandum of Understanding (TMU):

- Adding an adjuster to the definition of NIR to recognize GOL deposits to the CBL on test dates on the day of the deposit, even if the CBL's accounting records do not recognize the deposit.
- Adding an adjuster to the definition of NIR for: (i) the receipt of US\$ mutes in transit; and (ii) regular deposits of mutes. Data on mutes shows a cyclical pattern: worsening NIR during the period of accumulation and bumping up NIR when the settlement for mutilated notes is received. On average, US\$6.5 million of unfit notes are deposited to the CBL annually.
- To prevent accumulation of arrears, clarifying that the CBL's operational spending is on a commitment basis while capital spending is on cash basis to facilitate long-term investment plan.

- Adding adjusters to the definitions of NIR, NDA of the CBL, and the CBL's gross direct credit to the government to adjust the targets for on-lending of IMF disbursements, as well as debt relief under the CCRT.
- Revising the definition of domestic arrears to distinguish arrears to domestic suppliers of goods and services and domestic debt service. In accordance with the PFM law, definition of arrears to suppliers will remain the same, while debt service arrears will be recognized as soon as payment is not made on the due date.
- Adding an adjuster to the definition of primary fiscal balance to allow for capital injection to the banking sector to ensure financial stability.

35. Staff propose disbursement of SDR34 million (about US\$48.8 million) of which SDR 26.9 million (about US\$38 million) to be on-lent to the government to fill the fiscal financing gap arising from the impact of COVID-19. The financing gap is mostly due to additional spending needs of US\$150 million for 2020 (IMF Country Report 20/202), part of which was already financed by the RCF (US\$50 million) and the rest is being financed by donor support from development partners (US\$56 million) and bilateral donors (US\$6 million). The program is fully financed for the next twelve months with good prospects thereafter.

36. Downside risks to the program are high, but the program's inherent features and the authorities' swift action and commitment provide adequate mitigation. The main risks are: (i) a worse and longer than anticipated impact of COVID-19; (ii) slippages from fiscal spending pressures; (iii) re-emergence of U.S. dollar liquidity needs in the banking sector; and (iv) re-emergence of Liberian dollar banknotes shortages.

Capacity to Repay

37. Considering Liberia's sustainable debt position, staff considers that Liberia has adequate capacity to repay the Fund (Table 8). This assessment is based on Liberia's track record in meeting its obligations to the Fund, the strength of the program, and its catalytic role, the favorable medium-term outlook, and a sustainable debt position.

Safeguards Assessments

38. Progress is being made in reversing the significant deterioration of safeguards at the CBL identified by the 2020 safeguards assessment, but more work is needed. Deteriorations were found in the areas of governance, autonomy, compliance, internal audit and the internal control environment. Prior actions, PCs, and SBs are built in to this program to address these vulnerabilities: these include filling Board vacancies, strengthening the CBL Law, appointing a firm to co-source internal audit activity, updating the CBL's Action Plan in line with staff's recommendations, and revising the CBL budget to limit the drawdown of foreign reserves. While these measures were partially met, delays are being observed in the following areas: improving independent oversight, establishing a compliance function, formalizing month-end closing procedures, and conducting

semi-annual external audits on the foreign reserves (the last audit was conducted at end-December 2019). In addition, the pandemic has impacted the co-sourcing arrangement and internal audits on budget execution, procurement, and government banking operations have been delayed. New structural benchmarks to ensure completion of key measures have been established (MEFP, Table 3b).

STAFF APPRAISAL

39. Faced with multiple challenges the authorities have taken necessary actions to stabilize the economy. With growth expected to contract by 3 percent in 2020, the authorities understand the urgent need to restore macroeconomic stability, see it as a precondition for the successful implementation of their PAPD, and remain committed to bringing the ECF program back on track. However, despite recent improvements, Liberia remains fragile and vulnerable to shocks as both fiscal and external buffers remain low and downside risks to the outlook are high.

40. Program performance has been mixed, but the authorities have taken corrective actions to address weaknesses in the program and continue to make progress in structural reforms. At end-December, three out of six PCs were not met, and the PC on NIR was missed by a large margin. The CBL has taken actions to prevent re-emergence of U.S. dollar liquidity needs in the banking sector; and re-emergence of Liberian dollar banknote shortages. Three out of six PCs were not met either at end-June, as the impact of the pandemic made the PC targets no longer feasible nor appropriate. The SBs to improve PFM and governance show mixed performance, but with progress on all fronts. Progress in the public payroll reform is welcome. The passage of the amendments and restatement of the CBL Act 1999 constituted a milestone in improving governance at the CBL. The SB set out to strengthen anti-corruption measures was not met but the adoption of the resolution of anti-corruption is an important first step.

41. A slight loosening of the fiscal stance for FY2021 is appropriate, but improving cash management, enhancing transparency and accountability, and mobilizing domestic revenue continue to be critical. Given the macro-criticality of these issues, the Fund will be channeling its capacity development activities to these areas. The MFDP's diligent work to improve cash management has allowed the authorities to stay within available resources by cutting expenditure when resources fall short and more proactively allocate scarce resources and achieve a more adequate expenditure composition, including the wage bill. However, to gain full control of the budget, faster reconciliation and better management of direct debits and debt service payments are needed. Expediting domestic revenue mobilization efforts remains paramount to fill spending needs and support economic growth. In this regard, staff welcomes the introduction of the excise tax on fuel and urges the authorities to follow through with amendments to LMA and LTA Acts to allow LRA to collect all the revenue from these institutions. In addition, cleaning up tax expenditure and streamlining the process can limit tax exemptions only to necessary ones.

42. The monetary policy stance is appropriately aligned with the authorities' inflation objective, but instruments need further finetuning. Staff welcome the CBL's commitment to

strengthen the monetary implementation framework by further finetuning the open market instruments, particularly as the government gradually increases its expenditure in Liberian dollar. Achieving this commitment hinges on improving coordination between the MFDP and CBL. In the medium term, the CBL needs to review the required reserve framework to incentivize greater usage of Liberian dollar. Continuing to rein in the CBL's operational expenses is key to an effective monetary policy. In the medium term, the CBL needs to resume non-discriminatory foreign exchange auctions in a form fully consistent with Liberia's obligations under Article VIII of the Fund's Articles of Agreement.

43. The authorities need to quickly address weakness in the financial sector to safeguard financial sector stability. Hence, they should promptly take appropriate measures to prevent re-emergence of heightened U.S dollar liquidity needs, and, if needed, request the Legislature to appropriate additional resources through a supplementary budget. Making steady progress on addressing breaches in minimum prudential standards and conducting further assessments of the financial sector's performance should also be priorities, given the pandemic's likely adverse effects on NPLs and liquidity. Addressing corporate governance issues and eliminating operational inefficiencies in weak financial institutions represent a cornerstone for maintaining financial stability going forward. Moreover, the CBL should ensure that currency stocks remain adequate to meet expected seasonal and transactional demand for currency within the next 6 months which is only possible with timely procurement of banknotes.

44. Further improvements in governance are necessary for efficient delivery of public services. To this end, the authorities should clear the audit backlog for FY2018 and FY2019 by end-December 2020, and FY2020 by end February 2021. In addition, the authorities should build on the recent momentum to publish all procurements above the threshold awarded by MACs to include beneficial owners of these contracts. Furthermore, the authorities should speed up the preparation of the bills for the whistleblower and witness protection and illicit enrichment laws and ensure that all relevant stakeholders are consulted.

45. Liberia continues to be assessed as having a sustainable debt burden and adequate capacity to repay the Fund, but borrowing space is insufficient to support sustainable growth. The DSA shows Liberia at moderate risk of external debt distress and high risk of public debt distress. Limited concessional loans for roads, the absence of non-concessional borrowing space, and competing demands for public resources are curbing the authorities' ability to finance vast development needs. Therefore, the authorities should continue to work with donors and development partners to secure grants and concessional borrowing. In this regard, the government's commitments for its contributions to the NRF is critical in mobilizing more resources and hence completing the SECRAMP. Finally, given the scarcity of resources and competing demands for public resources, the authorities need to carefully assess and prioritize the use of public resources.

46. Based on the strength of the authorities' policy commitments and corrective measures, staff supports the completion of the first and second reviews. Staff also supports the authorities' requests for waivers of non-observance of performance criteria: i) for end-December

2019 on the ceiling on the CBL's operational and capital expenses, and the floor on the change in the CBL's net international reserves; ii) for end-June 2020 on the floor on fiscal primary balance, the floor on the change in the CBL's net international reserves, and the ceiling on CBL's gross direct credit to central government; and iii) for the continuous PC on the ceiling on new external arrears of the central government. Finally, staff supports the authorities' request for modification of end-December 2020 performance criteria on: i) the floor on fiscal primary balance; ii) the ceiling on contracted new non-concessional external debt; iii) the ceiling on the CBL's gross direct credit to government; iv) the floor on the change in NIR; and v) the ceiling on the CBL's gross direct credit to central government. Staff also supports the authorities' request for modification of end-December 2020 Indicative Targets on: i) the floor on total revenue collection of the central government; ii) the ceiling on new domestic arrears/payables of the central government; iii) the floor on social and other priority spending; iv) the floor on on-budget capital spending; and v) the ceiling on net domestic assets (NDA) of the CBL. Staff also supports the following clarification modifications in the TMU:

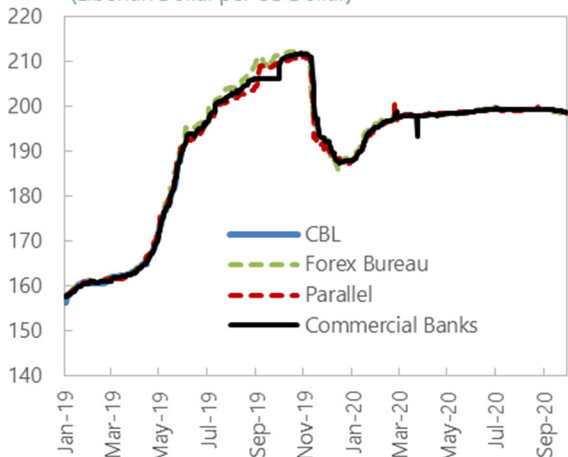
- Clarifying the accounting rule of CBL operational and capital expenses; and clarifying that the CBL's operational expenses are on a commitment basis, while capital expenses are on a cash basis;
- Clarifying the definition of NIR to recognize GOL deposits to the CBL on the day of the deposit, even if the CBL's accounting records do not recognize it on the same day; adding an adjuster to the definition of NIR for the receipt of U.S. dollar mutilated banknotes in transit and regular deposits of mutilated banknotes at the CBL to avoid these transitory transactions affecting NIR; and adding an adjuster to the definition of NIR to allow for on-lending of IMF disbursements and debt relief under the CCRT;
- Adding adjusters to the definitions of NDA of the CBL and the CBL's gross direct credit to the government to allow for on-lending of IMF disbursements and debt relief under the CCRT;
- Adding an adjuster to the definition of primary fiscal balance to allow for capital injection to the banking sector to ensure financial stability; and
- Adding domestic debt service payment arrears to the definition of domestic arrears.

Figure 1. Liberia: Foreign Exchange Developments, 2016–20

The exchange rate appreciated rapidly in November 2019 and has remained stable since ...

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

Liberia: Daily Exchange Rates, 2019-20
(Liberian Dollar per US Dollar)

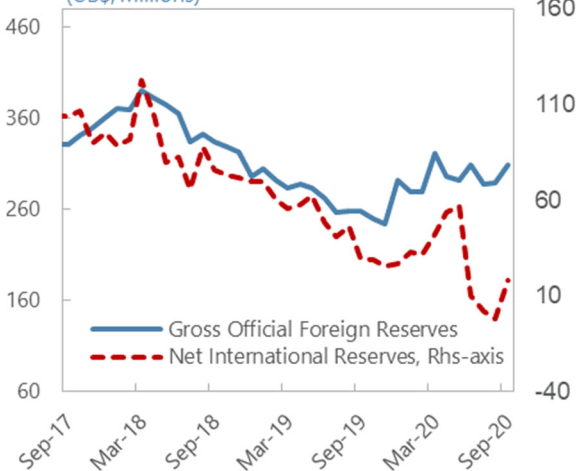


Liberia Daily Exchange Rates, 2019-20
(12-month percent change)

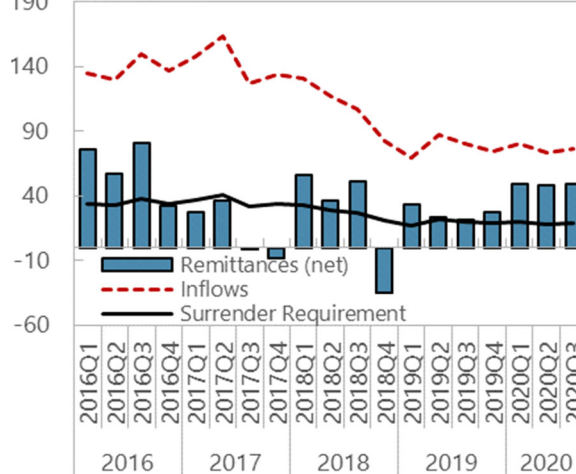


Gross international reserves reversed its declining trend in the first half of 2020 due to increased donor support, partial repayment of the ELA and containment of CBL spending.

Liberia: Gross Reserves, 2017-20
(US\$, Millions)



Liberia: Quarterly Remittances, 2016-20
(US\$ Millions)

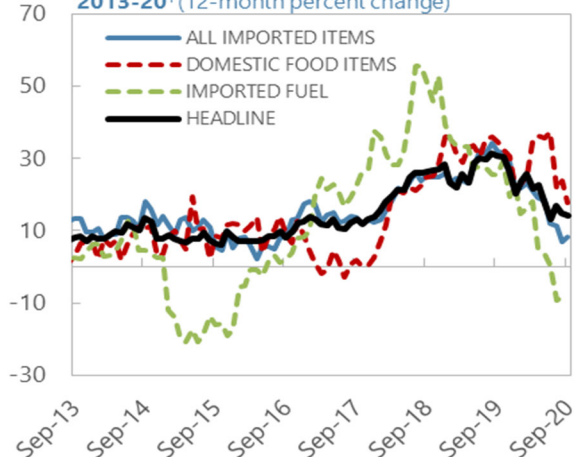


Sources: Central Bank of Liberia; and IMF staff calculations.

Figure 2. Liberia: Monetary Developments, 2013–20

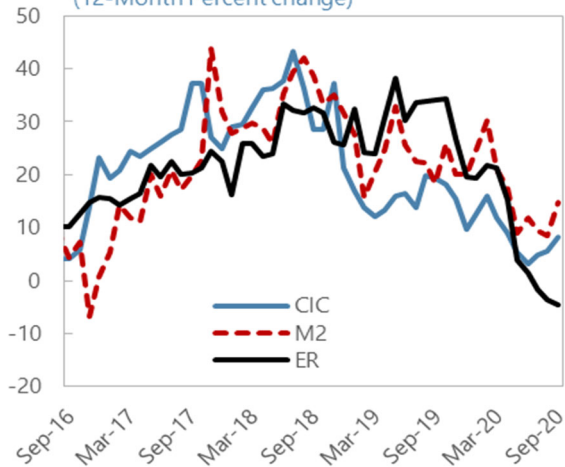
In September 2020, inflation at 14 percent remained low relative to recent years.

Liberia: Developments in Prices of Imports, 2013-20¹ (12-month percent change)



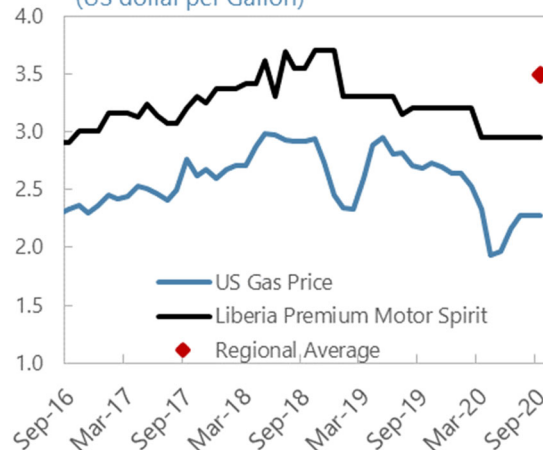
Growth of monetary aggregates sharply slowed because of the shortage of LRD banknotes and the tight monetary policy stance.

Liberia: Cash in circulation Growth, 2016-20 (12-Month Percent change)



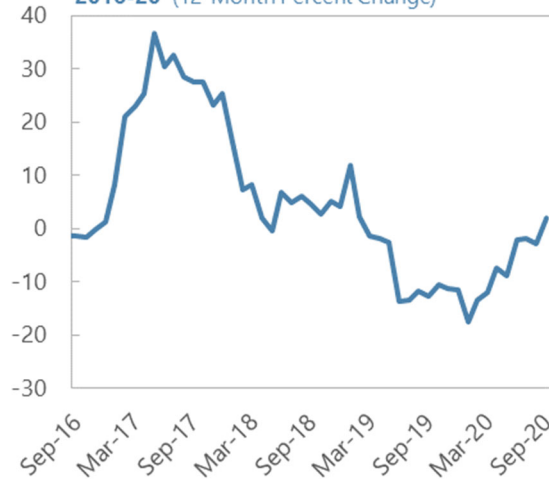
Fuel prices in Liberia fell only slightly in response to drop in international prices with the timely introduction of excise tax.

Liberia: Imported Fuel Price, 2016-20² (US dollar per Gallon)



After falling sharply in the past three years, credit to the private sector bottomed out in the first half of 2020.

Liberia: Claims on Private Sector Growth, 2016-20³ (12-Month Percent Change)



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

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

² Regional average based on prices in Cote D'Ivoire, Guinea, Liberia and Sierra Leone as of October 23, 2020.

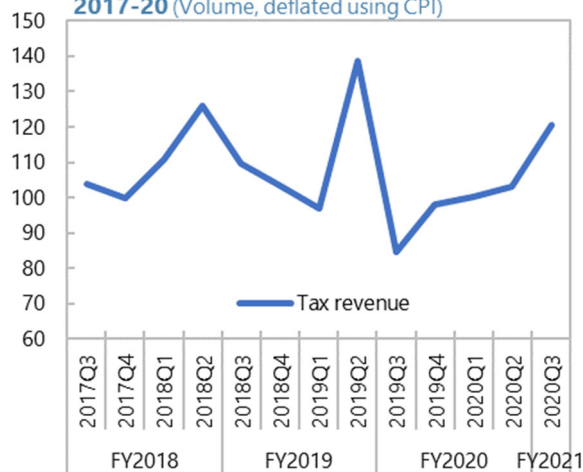
³ A significant portion of Liberian credit is expressed in US Dollars, as such, private sector credit growth has been plotted using US dollar values.

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

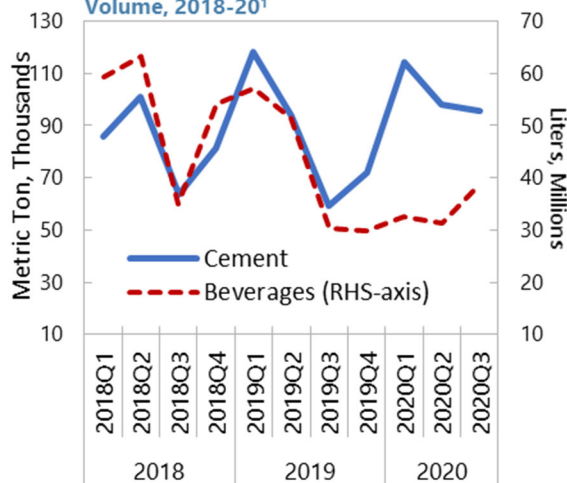
Data to capture recent economic activity are limited in Liberia, but there are a few leading indicators. The tax base on international trade in 2019 came in lower than previous years...

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

Liberia: Tax Revenue Performance, 2017-20 (Volume, deflated using CPI)



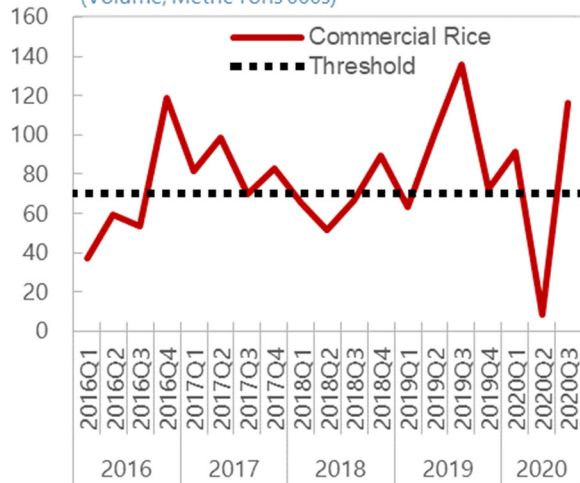
Liberia: Quarterly Production Import Volume, 2018-20¹



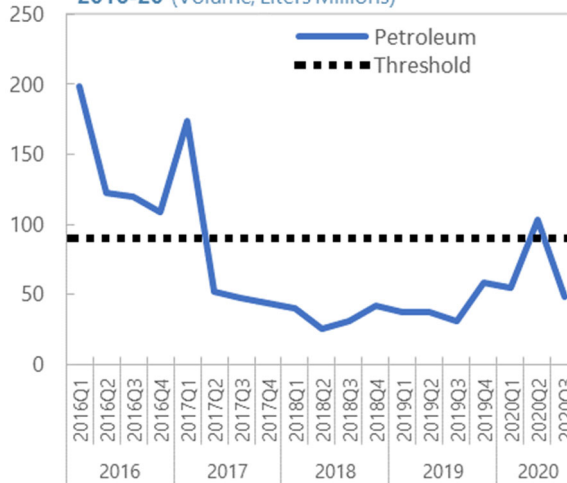
... imports of staple goods declined sharply the first half of 2020 but rapidly reversed course in 2020Q3

... though fuel imports declined following an increase in historically low international petroleum prices.

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



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



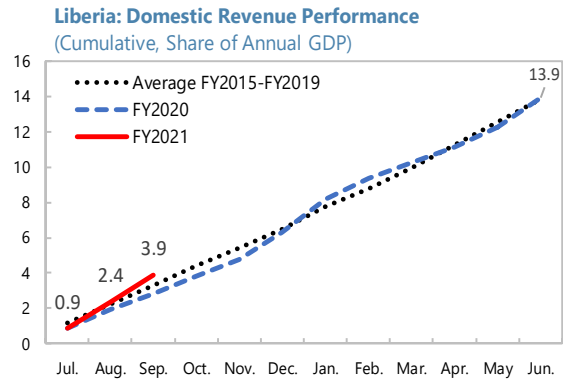
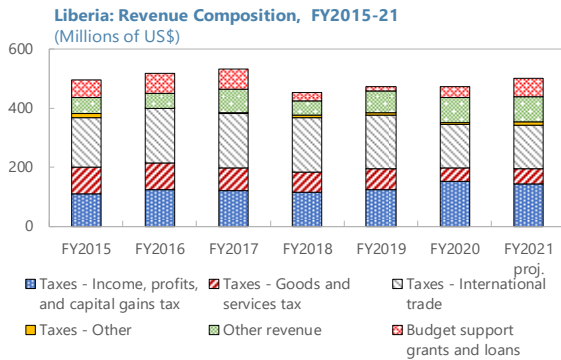
Sources: Central Bank of Liberia; and IMF staff calculations.

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

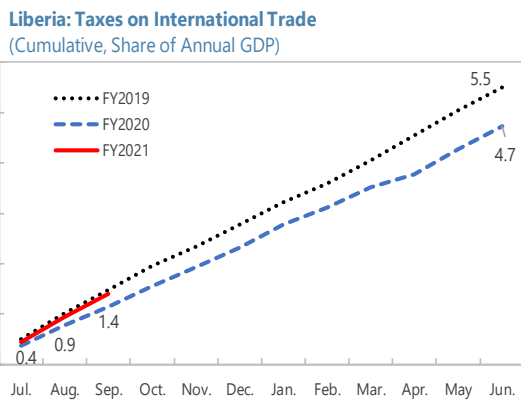
² Quarterly average fuel imports considered adequate by Liberia Petroleum Refining Company (LPRC).

Figure 4. Liberia: Fiscal Performance, FY2014–20

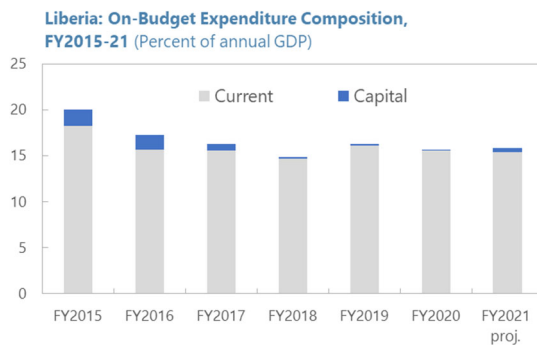
Revenue collection in FY2019 showed improvements supported by the collection of one-off measures and the resumption of the collection of the fuel surcharge. However, revenue in the first half of FY2020 underperformed significantly, and picked up in December-January primarily after collections of one-off measures, PIT, and introduction of excise on petroleum products.



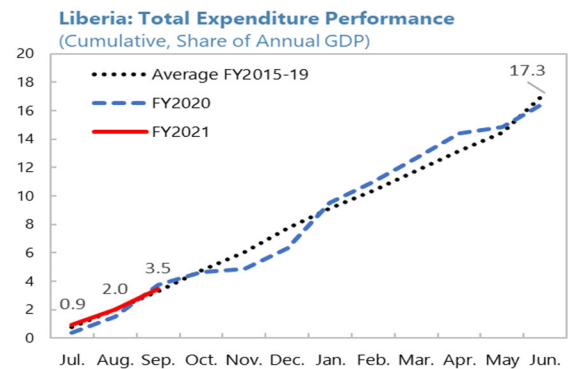
...but international trade continues to underperform.



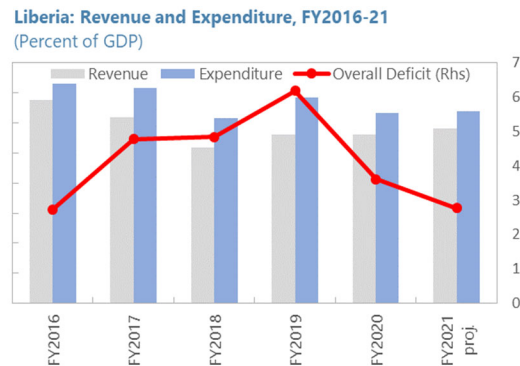
...but the size of the capital expenditure is inadequate to support economic growth...



Expenditure in FY2020 has remained within available resources...



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



Sources: Liberian authorities; and IMF staff calculations.

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

	2018	2019	2020			2021			2022	2023	2024	2025
	Act.	Est.	ECF Approval	RCF	Proj.	ECF Approval	RCF	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percentage change)												
Real sector												
Real GDP	1.2	-2.5	1.4	-2.5	-3.0	3.4	4.0	3.2	4.1	4.9	5.3	5.4
<i>of which</i> , Mining & panning	24.3	13.2	9.7	8.6	1.7	6.8	6.8	1.9	4.2	5.2	5.3	5.3
<i>of which</i> , Non-mining	-1.3	-4.7	0.0	-3.5	-3.8	2.7	3.5	3.5	4.1	4.8	5.3	5.4
Nominal non-mining per capita GDP (U.S. dollars)	620	574	621	553	535	527	542	527	537	549	564	613
Nominal GDP (millions of U.S. dollars)	3264	3176	3099	2928	3067	3131	2954	3107	3247	3411	3601	3828
Inflation												
Consumer prices (annual average)	23.5	27.0	21.3	17.6	16.2 ⁵	13.5	13.5	9.8	7.0	5.5	5.0	5.0
Consumer prices (end of period)	28.5	20.3	15.0	15.0	11.6 ⁵	12.0	12.0	8.0	6.0	5.0	5.0	5.0
Population (millions)	4.5	4.6	4.7	4.7	4.7	4.8	4.8	4.8	4.9	5.1	5.2	5.3
(Percent of GDP, fiscal year)												
Central government operations ¹												
Total revenue and grants	25.9	28.0	29.9	27.6	28.1	29.8	27.7	29.1	28.9	28.7	28.2	27.3
Total revenue	12.9	14.3	14.9	13.1	13.9	15.9	13.7	14.2	16.2	17.0	17.5	17.8
Grants	13.0	13.8	15.1	14.5	14.1	13.9	14.0	14.9	12.7	11.7	10.7	9.5
Total expenditure	30.8	34.2	34.6	33.6	31.7	33.5	33.2	32.3	31.7	30.6	29.9	29.5
Current expenditure	21.3	23.3	22.7	22.6	21.7	22.0	22.0	21.6	20.4	19.3	19.1	18.7
Capital expenditure	9.5	11.0	11.9	11.0	9.9	11.5	11.2	10.7	11.3	11.3	10.7	10.8
Overall fiscal balance, including grants	-4.9	-6.2	-4.7	-6.0	-3.6	-3.7	-5.6	-3.2	-2.8	-1.9	-1.7	-2.2
Overall fiscal balance, excluding grants	-17.9	-20.0	-19.7	-20.5	-17.7	-17.6	-19.5	-18.1	-15.5	-13.6	-12.3	-11.7
Public external debt ²	25.9	31.5	38.0	39.2	37.2	42.7	45.4	43.1	46.2	46.9	46.5	46.1
Public domestic debt ³	8.1	9.9	19.1	20.3	19.4	18.4	20.2	19.3	18.8	17.5	16.3	14.7
(Percent, unless otherwise indicated)												
M2/GDP	19.6	20.3	16.7	22.0	21.6	16.3	22.3	22.3	22.6	22.6	22.6	22.6
Credit to private sector (percent of GDP)	16.3	14.8	17.3	15.9	15.7	17.8	16.5	16.1	16.2	16.4	16.6	16.7
Credit to private sector (annual percent change)	4.1	-11.3	1.3	-1.1	2.1	3.7	4.6	4.0	5.1	6.2	6.7	6.9
(Percent of GDP, unless otherwise indicated)												
External sector												
Current account balance												
including grants	-23.1	-22.5	-21.4	-22.8	-21.4	-21.9	-20.2	-22.2	-22.6	-22.9	-21.8	-20.7
excluding grants	-37.8	-36.4	-35.9	-37.3	-36.1	-35.5	-33.8	-36.1	-34.8	-34.0	-31.9	-30.3
Trade balance	-22.2	-19.2	-13.4	-18.5	-17.9	-12.3	-16.4	-18.9	-18.3	-17.6	-16.5	-15.6
Exports	12.8	13.4	20.3	15.6	13.4	21.9	15.7	14.9	14.9	14.8	14.8	14.7
Imports	-35.0	-32.5	-33.7	-34.0	-31.4	-34.2	-32.1	-33.8	-33.2	-32.3	-31.3	-30.2
Grants (donor transfers, net)	14.7	13.9	14.6	14.4	14.7	13.5	13.6	13.9	12.2	11.2	10.1	9.6
Gross official reserves (millions of U.S. dollars) ⁴	297	292	308	336	331	333	401	403	429	448	438	443
<i>Months of next years imports</i>	2.2	2.3	2.3	2.7	2.5	2.4	3.2	2.9	3.0	3.1	2.9	2.8
CBL's net int'l reserves (millions of U.S. dollars) ⁴	70	27	54	-16	13	63	28	70	75	82	105	135

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

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

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

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

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

⁵ 2020 CPI inflation is measured excluding health and education sub-index due to measurement issues.

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

	2018	2019	2020			2021			2022	2023	2024	2025
	Act.	Est.	ECF Approval	RCF	Proj.	ECF Approva	RCF	Proj.	Proj.	Proj.	Proj.	Proj.
Trade balance ¹	-726	-609	-414	-541	-550	-385	-486	-588	-593	-599	-595	-595
Exports, f.o.b.	417	424	630	456	412	685	463	462	485	503	534	561
of which: Iron ore	74	142	162	134	162	177	125	154	161	169	178	187
of which: Gold	201	155	303	198	202	326	211	227	233	242	226	242
Imports, c.i.f.	-1,144	-1,033	-1,044	-997	-962	-1,070	-949	-1,050	-1,078	-1,102	-1,129	-1,157
Services (net)	-336	-318	-309	-271	-378	-321	-286	-302	-312	-325	-335	-359
Income (net)	-298	-354	-564	-369	-360	-587	-362	-359	-358	-375	-363	-357
of which: Compensation of employees	-23	-22	-35	-21	-16	-41	-24	-24	-32	-40	-37	-39
of which: Public interest payments due	-7	-11	-15	-15	-12	-16	-15	-8	-9	-10	-10	-11
Current transfers	606	567	626	512	632	605	536	560	530	519	508	519
Current account balance	-754	-714	-662	-669	-656	-687	-598	-689	-734	-780	-786	-793
Current account balance, excluding grants	-1,233	-1,156	-1,114	-1,091	-1,108	-1,110	-999	-1,121	-1,130	-1,161	-1,148	-1,161
Capital and financial account (net)	693	700	672	588	606	697	648	714	738	787	809	798
Capital account	62	63	51	61	60	42	56	55	57	58	59	60
Financial account	631	637	621	527	546	655	592	659	682	729	750	738
Foreign direct investment (net)	304	269	282	228	244	313	237	251	276	298	318	347
Portfolio investment (net)	0	0	0	0	0	0	0	0	0	0	0	0
Other investment (net)	326	369	340	299	302	342	355	407	406	431	432	390
Official financing: medium and long term (net)	66	131	141	148	94	133	110	152	141	119	109	97
Private financing (net) ²	261	238	198	151	208	208	245	255	265	311	324	294
Overall balance	-61	-14	10	-80	-51	10	50	25	5	7	23	5
Financing	61	14	-56	-56	4	-56	-97	-72	-52	-57	-24	-5
Change in gross official reserves (increase -) ³	64	5	-29	-43	-39	-25	-65	-72	-26	-19	10	-5
Net use of IMF credit and loans	-3	9	-27	-13	42	-31	-32	0	-25	-38	-34	0
of which: Exceptional financing (CCRT) ⁴	0	0	0	21	31	0	31	31	0	0	0	0
Financing gap (- deficit / + surplus)	0	0	-47	-136	-47	-47	-47	-47	-47	-50	0	0
RCF	0	0	0	49	0	0	0	0	0	0	0	0
ECF	0	0	47	24	47	47	47	47	47	50	0	0
Other donors	0	0	0	63	0	0	0	0	0	0	0	0
<i>Memorandum items:</i>												
Current account balance (percent of GDP)												
Including grants	-23.1	-22.5	-21.4	-22.8	-21.4	-21.9	-20.2	-22.2	-22.6	-22.9	-21.8	-20.7
Excluding grants	-37.8	-36.4	-35.9	-37.3	-36.1	-35.5	-33.8	-36.1	-34.8	-34.0	-31.9	-30.3
Trade balance (percent of GDP)	-22.2	-19.2	-13.4	-18.5	-17.9	-12.3	-16.4	-18.9	-18.3	-17.6	-16.5	-15.6
Donor transfers (net, percent of GDP)	14.7	13.9	14.6	14.4	14.7	13.5	13.6	13.9	12.2	11.2	10.1	9.6
Foreign direct investment (net, percent of GDP)	9.3	8.5	9.1	7.8	7.9	10.0	8.0	8.1	8.5	8.7	8.8	9.1
Public sector external debt (medium and long term, percent of GDP) ⁵	25.9	31.5	38.0	39.2	37.2	42.7	45.4	43.1	46.2	46.9	46.5	46.1
Gross official reserves ⁶	297	292	308	336	331	333	401	403	429	448	438	443
Gross official reserves (months of next year's imports)	2.2	2.3	2.3	2.7	2.5	2.4	3.2	2.9	3.0	3.1	2.9	2.8

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

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

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

³ Includes SDR holdings.

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

⁵ Recorded in fiscal years.

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

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

	FY2018	FY2019	FY2020 ²			FY2021			FY2022	FY2023	FY2024	FY2025
	Act.	Est.	ECF Approval ³	RCF	Proj.	ECF Approval ³	RCF	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	849	902	936	830	877	907	813	899	917	955	988	1,014
<i>of which</i> : Revenue, excl. grants	423	459	465	395	435	495	402	438	514	567	615	662
Taxes	376	386	391	315	352	416	316	352	405	445	482	521
Income, profits, and capital gains tax	115	125	127	136	130	135	129	123	135	145	157	171
Goods and services tax	69	70	69	40	65	79	46	68	86	98	109	118
International trade tax	185	182	185	133	148	190	130	149	171	189	201	217
Other taxes ⁴	8	9	10	6	9	11	11	12	13	13	15	15
Other revenue	47	73	74	80	84	79	87	86	109	122	133	141
Grants	425	443	471	434	441	412	411	461	403	388	373	352
Expense	697	749	711	680	678	684	646	666	648	643	670	696
Compensation of employees	306	325	297	297	297	296	292	292	287	285	290	290
Use of goods and services	322	344	332	323	303	306	284	296	286	275	288	304
Interest	20	35	31	31	25	31	29	27	25	25	25	26
Subsidies and grants	48	44	50	30	52	50	40	50	50	57	66	75
Social benefits	1	0	1	1	1	1	1	1	1	1	1	1
Net operating balance	152	153	225	149	199	222	167	233	269	312	317	318
Gross investment in nonfinancial assets	311	354	371	330	310	358	331	331	358	376	377	400
Overall balance = Net lending/borrowing	-159	-201	-146	-180	-111	-136	-164	-98	-89	-64	-59	-82
excl. Grants	-585	-644	-617	-615	-553	-548	-575	-560	-492	-453	-433	-434
Primary balance	-140	-165	-115	-150	-86	-104	-135	-72	-64	-39	-34	-56
excl. Grants	-565	-608	-586	-584	-528	-517	-546	-533	-468	-427	-408	-408
Financing	-85	-201	-146	-108	-111	-136	-86	-60	-89	-64	-59	-82
Transactions in financial assets	-24	-89	0	0	16	0	0	4	0	0	0	0
Deposits	-24	-89	0	0	16	0	0	4	0	0	0	0
Loans (policy lending)	0	0	0	0	0	0	0	0	0	0	0	0
Transaction in liabilities	126	161	146	116	143	141	96	76	104	79	74	97
Loans	130	145	158	129	152	150	124	118	113	106	107	120
External (net)	112	137	164	136	151	142	109	122	115	88	89	107
Disbursements	124	145	175	147	166	170	138	133	131	131	140	156
Amortization (-)	-13	-8	-11	-11	-15	-28	-29	-11	-16	-42	-51	-49
Domestic (net)	19	8	-6	-8	1	8	15	-3	-2	18	18	13
o/w CBL	-22	8	-2	-2	4	12	18	0	2	22	22	17
Disbursements	-22	8	4	4	4	18	18	0	2	22	22	17
Amortization (-)	-22	0	-6	-6	0	-6	0	0	0	0	0	0
Debt Securities ⁵	-4	16	-12	-12	-9	-9	-28	-42	-9	-27	-33	-23
Bank	-4	16	-12	-12	-9	-9	-28	-42	-9	-27	-33	-23
Nonbank	0	0	0	0	0	0	0	0	0	0	0	0
Change in accounts payable (+ increase/-decrease in arrears)	65	48	0	-8	-16	-5	-10	-12	-15	-15	-15	-15
Financing gap / unidentified financing	0	0	0	-72	0	0	-78	-38	0	0	0	0
RCF	0	0	0	49	0	0	38	0	0	0	0	0
Prospective IMF	0	0	0	0	0	0	0	38	0	0	0	0
Other donors	0	0	0	23	0	0	40	0	0	0	0	0
Unidentified	0	0	0	0	0	0	0	0	0	0	0	0
<i>Memorandum items</i> :												
Total public debts	1,115	1,333	1,787	1,788	1,766	1,902	1,930	1,928	2,062	2,146	2,201	2,260
External	849	1,014	1,188	1,179	1,161	1,330	1,335	1,330	1,466	1,563	1,629	1,712
Domestic ⁶	266	320	598	609	604	572	595	597	596	583	572	548
Fiscal year GDP	3,274	3,220	3,127	3,006	3,121	3,115	2,941	3,087	3,177	3,329	3,506	3,714

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

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

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

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

⁴ Including property tax and social contribution by foreign concessions.

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

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

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

	FY2018	FY2019	FY2020 ²			FY2021			FY2022	FY2023	FY2024	FY2025
	Est.	Est.	ECF Approval ³	RCF	Proj.	ECF Approval ³	RCF	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	25.9	28.0	29.9	27.6	28.1	29.1	27.7	29.1	28.9	28.7	28.2	27.3
of which: Revenue, excl. grants	12.9	14.3	14.9	13.1	13.9	15.9	13.7	14.2	16.2	17.0	17.5	17.8
Taxes	11.5	12.0	12.5	10.5	11.3	13.3	10.7	11.4	12.7	13.4	13.7	14.0
Income, profits, and capital gains tax	3.5	3.9	4.1	4.5	4.1	4.3	4.4	4.0	4.3	4.3	4.5	4.6
Goods and services tax	2.1	2.2	2.2	1.3	2.1	2.5	1.6	2.2	2.7	2.9	3.1	3.2
International trade tax	5.6	5.7	5.9	4.4	4.7	6.1	4.4	4.8	5.4	5.7	5.7	5.8
Other taxes ⁴	0.2	0.3	0.3	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Other revenue	1.4	2.3	2.4	2.7	2.7	2.5	2.9	2.8	3.4	3.7	3.8	3.8
Grants	13.0	13.8	15.1	14.5	14.1	13.2	14.0	14.9	12.7	11.7	10.7	9.5
Expense	21.3	23.3	22.7	22.6	21.7	22.0	22.0	21.6	20.4	19.3	19.1	18.7
Compensation of employees	9.4	10.1	9.5	9.9	9.5	9.5	9.9	9.5	9.0	8.6	8.3	7.8
Use of goods and services	9.8	10.7	10.6	10.7	9.7	9.8	9.7	9.6	9.0	8.2	8.2	8.2
Interest	0.6	1.1	1.0	1.0	0.8	1.0	1.0	0.9	0.8	0.8	0.7	0.7
Subsidies and grants	1.5	1.4	1.6	1.0	1.7	1.6	1.3	1.6	1.6	1.7	1.9	2.0
Social benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net operating balance	4.6	4.7	7.2	5.0	6.4	7.1	5.7	7.6	8.5	9.4	9.1	8.6
Gross investment in nonfinancial assets	9.5	11.0	11.9	11.0	9.9	11.5	11.2	10.7	11.3	11.3	10.7	10.8
Overall balance = Net lending/borrowing	-4.9	-6.2	-4.7	-6.0	-3.6	-4.4	-5.6	-3.2	-2.8	-1.9	-1.7	-2.2
excl. Grants	-17.9	-20.0	-19.7	-20.5	-17.7	-17.6	-19.5	-18.1	-15.5	-13.6	-12.3	-11.7
Primary balance	-4.3	-5.1	-3.7	-5.0	-2.8	-3.4	-4.6	-2.3	-2.0	-1.2	-1.0	-1.5
excl. Grants	-17.3	-18.9	-18.8	-19.4	-16.9	-16.6	-18.6	-17.3	-14.7	-12.8	-11.6	-11.0
Financing	-2.6	-6.2	-4.7	-3.6	-3.6	-4.4	-2.9	-2.0	-2.8	-1.9	-1.7	-2.2
Transactions in financial assets	-0.7	-2.7	0.0	0.0	0.5	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Deposits	-0.7	-2.7	0.0	0.0	0.5	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Loans (policy lending)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transaction in liabilities	3.8	5.0	4.7	3.9	4.6	4.5	3.2	2.5	3.3	2.4	2.1	2.6
Loans	4.0	4.5	5.1	4.3	4.9	4.8	4.2	3.8	3.6	3.2	3.1	3.2
External (net)	3.4	4.3	5.2	4.5	4.8	4.6	3.7	3.9	3.6	2.7	2.5	2.9
Disbursements	3.8	4.5	5.6	4.9	5.3	5.5	4.7	4.3	4.1	3.9	4.0	4.2
Amortization (-)	-0.4	-0.2	-0.3	-0.4	-0.5	-0.9	-1.0	-0.4	-0.5	-1.3	-1.4	-1.3
Domestic (net)	0.6	0.2	-0.2	-0.2	0.0	0.2	0.5	-0.1	-0.1	0.5	0.5	0.4
o/w CBL	-0.7	0.2	-0.1	-0.1	0.1	0.4	0.6	0.0	0.1	0.6	0.6	0.5
Disbursements	-0.7	0.2	0.1	0.1	0.1	0.6	0.6	0.0	0.1	0.6	0.6	0.5
Amortization (-)	-0.7	0.0	-0.2	-0.2	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Debt Securities ⁵	-0.1	0.5	-0.4	-0.4	-0.3	-0.3	-1.0	-1.4	-0.3	-0.8	-0.9	-0.6
Bank	-0.1	0.5	-0.4	-0.4	-0.3	-0.3	-1.0	-1.4	-0.3	-0.8	-0.9	-0.6
Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in accounts payable (+ increase/-decrease in arrears)	2.0	1.5	0.0	-0.3	-0.5	-0.2	-0.3	-0.4	-0.5	-0.5	-0.4	-0.4
Financing gap / unidentified financing	0.0	0.0	0.0	-2.4	0.0	0.0	-2.7	-1.2	0.0	0.0	0.0	0.0
RCF	0.0	0.0	0.0	1.6	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0
Prospective IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0
Other donors	0.0	0.0	0.0	0.8	0.0	0.0	1.4	0.0	0.0	0.0	0.0	0.0
Unidentified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>												
Total public debts	34.1	41.4	54.1	59.5	56.6	61.1	65.6	62.4	64.9	64.5	62.8	60.8
External	25.9	31.5	38.0	39.2	37.2	42.7	45.4	43.1	46.2	46.9	46.5	46.1
Domestic ⁶	8.1	9.9	19.1	20.3	19.4	18.4	20.2	19.3	18.8	17.5	16.3	14.7
Fiscal year GDP	3,274	3,220	3,127	3,006	3,121	3,115	2,941	3,087	3,177	3,329	3,506	3,714

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

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

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

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

⁴ Including property tax and social contribution by foreign concessions.

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

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

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

	FY2018	FY2019	FY2020 ²			FY2021			FY2022	FY2023	FY2024	FY2025
	Act.	Est.	ECF Approval ³	RCF	Proj.	ECF Approval ³	RCF	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	454	471	506	426	473	517	422	500	534	587	635	682
<i>of which</i> : Revenue, excl. grants	423	459	465	395	435	495	402	438	514	567	615	662
Taxes	376	386	391	315	352	416	316	352	405	445	482	521
Income, profits, and capital gains tax	115	125	127	136	130	135	129	123	135	145	157	171
Goods and services tax	69	70	69	40	65	79	46	68	86	98	109	118
International trade tax	185	182	185	133	148	190	130	149	171	189	201	217
Other taxes ⁴	8	9	10	6	9	11	11	12	13	13	15	15
Other revenue	47	73	74	80	84	79	87	86	109	122	133	141
Grants	30	13	41	31	38	22	20	62	20	20	20	20
Expense	481	518	489	479	488	490	463	486	475	495	523	551
Compensation of employees	306	325	297	297	297	296	292	292	287	285	290	290
Use of goods and services	106	113	110	121	113	112	101	116	113	126	141	158
Interest	20	35	31	31	25	31	29	27	25	25	25	26
Subsidies and grants	48	44	50	30	52	50	40	50	50	57	66	75
Social benefits	1	0	1	1	1	1	1	1	1	1	1	1
Net operating balance	-27	-46	17	-52	-15	27	-41	14	58	92	111	132
Gross investment in nonfinancial assets	7	8	9	1	0	13	5	12	26	36	40	68
Overall balance = Net lending/borrowing	-35	-54	9	-53	-15	14	-46	2	32	56	71	64
excl. Grants	-65	-67	-32	-84	-53	-8	-66	-60	12	36	51	44
Primary balance	-15	-19	40	-23	10	45	-17	28	57	81	96	90
excl. Grants	-45	-31	-2	-54	-28	23	-37	-33	37	61	76	70
Financing	39	-55	9	19	-15	14	32	40	32	56	71	64
Transactions in financial assets	-24	-89	0	0	16	0	0	4	0	0	0	0
Deposits	-24	-89	0	0	16	0	0	4	0	0	0	0
Loans (policy lending)	0	0	0	0	0	0	0	0	0	0	0	0
Transaction in liabilities	2	14	-9	-11	47	-9	-22	-24	-17	-41	-56	-49
Loans	6	-1	3	2	56	0	6	18	-8	-15	-23	-26
External (net)	-13	-8	9	9	55	-8	-9	22	-6	-32	-41	-39
Disbursements	0	0	20	20	70	20	20	33	10	10	10	10
Amortization (-)	-13	-8	-11	-11	-15	-28	-29	-11	-16	-42	-51	-49
Domestic (net)	19	7	-6	-8	1	8	15	-3	-2	18	18	13
o/w CBL	20	8	-2	-2	4	12	18	0	2	22	22	17
Disbursements	20	8	4	4	4	18	18	0	2	22	22	17
Amortization (-)	0	0	-6	-6	0	-6	0	0	0	0	0	0
Debt Securities ⁵	-4	16	-12	-12	-9	-9	-28	-42	-9	-27	-33	-23
Bank	-4	16	-12	-12	-9	-9	-28	-42	-9	-27	-33	-23
Nonbank	0	0	0	0	0	0	0	0	0	0	0	0
Change in accounts payable (+ increase/-decrease in arrears)	65	48	0	-8	-16	-5	-10	-12	-15	-15	-15	-15
Financing gap / unidentified financing	-74	0	0	-72	0	0	-78	-38	0	0	0	0
RCF	0	0	0	49	0	0	0	0	0	0	0	0
Prospective IMF	0	0	0	0	0	0	38	38	0	0	0	0
Other donors	0	0	0	23	0	0	40	0	0	0	0	0
Unidentified	0	0	0	0	0	0	0	0	0	0	0	0
<i>Memorandum items</i> :												
Total public debts	1,115	1,333	1,787	1,788	1,766	1,902	1,930	1,928	2,062	2,146	2,201	2,260
External	849	1,014	1,188	1,179	1,161	1,330	1,335	1,330	1,466	1,563	1,629	1,712
Domestic ⁶	266	320	598	609	604	572	595	597	596	583	572	548
Fiscal year GDP	3,274	3,220	3,127	3,006	3,121	3,115	2,941	3,087	3,177	3,329	3,506	3,714

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

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

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

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

⁴ Including property tax and social contribution by foreign concessions.

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

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

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

	FY2018	FY2019	FY2020 ²			FY2021			FY2022	FY2023	FY2024	FY2025
	Act.	Est.	ECF Approval ³	RCF	Proj.	ECF Approval ³	RCF	Proj.	Proj.	Proj.	Proj.	
Revenue	13.9	14.6	16.2	14.2	15.2	16.6	14.3	16.2	16.8	17.6	18.1	18.4
<i>of which</i> : Revenue, excl. grants	12.9	14.3	14.9	13.1	13.9	15.9	13.7	14.2	16.2	17.0	17.5	17.8
Taxes	11.5	12.0	12.5	10.5	11.3	13.3	10.7	11.4	12.7	13.4	13.7	14.0
Income, profits, and capital gains tax	3.5	3.9	4.1	4.5	4.1	4.3	4.4	4.0	4.3	4.3	4.5	4.6
Goods and services tax	2.1	2.2	2.2	1.3	2.1	2.5	1.6	2.2	2.7	2.9	3.1	3.2
International trade tax	5.6	5.7	5.9	4.4	4.7	6.1	4.4	4.8	5.4	5.7	5.7	5.8
Other taxes ⁴	0.2	0.3	0.3	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Other revenue	1.4	2.3	2.4	2.7	2.7	2.5	2.9	2.8	3.4	3.7	3.8	3.8
Grants	0.9	0.4	1.3	1.0	1.2	0.7	0.7	2.0	0.6	0.6	0.6	0.5
Expense	14.7	16.1	15.6	15.9	15.6	15.7	15.7	15.8	15.0	14.9	14.9	14.8
Compensation of employees	9.4	10.1	9.5	9.9	9.5	9.5	9.9	9.5	9.0	8.6	8.3	7.8
Use of goods and services	3.3	3.5	3.5	4.0	3.6	3.6	3.4	3.8	3.6	3.8	4.0	4.3
Interest	0.6	1.1	1.0	1.0	0.8	1.0	1.0	0.9	0.8	0.8	0.7	0.7
Subsidies and grants	1.5	1.4	1.6	1.0	1.7	1.6	1.3	1.6	1.6	1.7	1.9	2.0
Social benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net operating balance	-0.8	-1.4	0.6	-1.7	-0.5	0.9	-1.4	0.4	1.8	2.8	3.2	3.5
Gross investment in nonfinancial assets	0.2	0.2	0.3	0.0	0.0	0.4	0.2	0.4	0.8	1.1	1.2	1.8
Overall balance = Net lending/borrowing	-1.1	-1.7	0.3	-1.8	-0.5	0.5	-1.6	0.1	1.0	1.7	2.0	1.7
excl. Grants	-2.0	-2.1	-1.0	-2.8	-1.7	-0.3	-2.2	-1.9	0.4	1.1	1.4	1.2
Primary balance	-0.5	-0.6	1.3	-0.8	0.3	1.5	-0.6	0.9	1.8	2.4	2.7	2.4
excl. Grants	-1.4	-1.0	-0.1	-1.8	-0.9	0.8	-1.3	-1.1	1.2	1.8	2.2	1.9
Financing	1.2	-1.7	0.3	0.6	-0.5	0.5	1.1	1.3	1.0	1.7	2.0	1.7
Transactions in financial assets	-0.7	-2.7	0.0	0.0	0.5	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Deposits	-0.7	-2.7	0.0	0.0	0.5	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Loans (policy lending)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transaction in liabilities	0.1	0.4	-0.3	-0.4	1.5	-0.3	-0.8	-0.8	-0.5	-1.2	-1.6	-1.3
Loans	0.2	0.0	0.1	0.1	1.8	0.0	0.2	0.6	-0.2	-0.4	-0.7	-0.7
External (net)	-0.4	-0.2	0.3	0.3	1.8	-0.2	-0.3	0.7	-0.2	-1.0	-1.2	-1.1
Disbursements	0.0	0.0	0.6	0.7	2.2	0.6	0.7	1.1	0.3	0.3	0.3	0.3
Amortization (-)	-0.4	-0.2	-0.3	-0.4	-0.5	-0.9	-1.0	-0.4	-0.5	-1.3	-1.4	-1.3
Domestic (net)	0.6	0.2	-0.2	-0.2	0.0	0.2	0.5	-0.1	-0.1	0.5	0.5	0.4
o/w CBL	0.6	0.2	-0.1	-0.1	0.1	0.4	0.6	0.0	0.1	0.6	0.6	0.5
Disbursements	0.6	0.2	0.1	0.1	0.1	0.6	0.6	0.0	0.1	0.6	0.6	0.5
Amortization (-)	0.0	0.0	-0.2	-0.2	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Debt Securities ⁵	-0.1	0.5	-0.4	-0.4	-0.3	-0.3	-1.0	-1.4	-0.3	-0.8	-0.9	-0.6
Bank	-0.1	0.5	-0.4	-0.4	-0.3	-0.3	-1.0	-1.4	-0.3	-0.8	-0.9	-0.6
Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in accounts payable (+ increase/-decrease in arrears)	2.0	1.5	0.0	-0.3	-0.5	-0.2	-0.3	-0.4	-0.5	-0.5	-0.4	-0.4
Financing gap / unidentified financing	-2.2	0.0	0.0	-2.4	0.0	0.0	-2.7	-1.2	0.0	0.0	0.0	0.0
RCF	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prospective IMF	0.0	0.0	0.0	0.0	0.0	0.0	1.3	1.2	0.0	0.0	0.0	0.0
Other donors	0.0	0.0	0.0	0.8	0.0	0.0	1.4	0.0	0.0	0.0	0.0	0.0
Unidentified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>												
Total public debts	34.1	41.4	54.1	59.5	56.6	61.1	65.6	62.4	64.9	64.5	62.8	60.8
External	25.9	31.5	38.0	39.2	37.2	42.7	45.4	43.1	46.2	46.9	46.5	46.1
Domestic ⁶	8.1	9.9	19.1	20.3	19.4	18.4	20.2	19.3	18.8	17.5	16.3	14.7
Fiscal year GDP	3,274	3,220	3,127	3,006	3,121	3,115	2,941	3,087	3,177	3,329	3,506	3,506

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

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

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

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

⁴ Including property tax and social contribution by foreign concessions.

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

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

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

	2018	2019	2020			2021			2022	2023	2024	2025
	Act.	Est.	ECF Approv	RCF	Proj.	ECF Approv	RCF	Proj.	Proj.	Proj.	Proj.	Proj.
<i>(Central Bank Survey)</i>												
Net foreign assets	-21	-38	-68	-122	-65	-62	-72	-9	-4	3	27	60
Foreign Assets	382	369	354	412	410	375	477	482	508	527	517	522
o/w Gross reserves	365	349	354	392	402	375	458	474	500	519	509	514
Foreign Liabilities	403	407	422	515	467	437	530	483	504	516	483	455
o/w ST Foreign Liabilities	220	225	242	333	282	257	348	298	319	331	298	270
Net domestic assets	256	254	237	340	268	229	298	222	230	234	224	207
Net domestic credit	425	481	551	558	541	559	533	504	520	531	529	517
Net claims on government	378	424	461	511	501	461	511	501	501	501	501	501
Claims on other public sector	0	0	0	0	0	0	0	0	0	0	0	0
Claims on private sector	7	7	8	7	8	8	7	8	8	8	8	8
Claims on commercial banks (net)	41	50	82	40	32	90	14	-4	12	23	20	8
Capital account	-110	-121	-156	-122	-159	-156	-122	-159	-159	-159	-159	-159
Other items (net)	-59	-107	-157	-97	-114	-174	-113	-123	-132	-139	-146	-151
consistency check	0	0	0	0	0	0	0	0	0	0	0	0
Monetary base (M0)	235	216	169	217	203	166	226	213	226	237	250	266
Monetary base (L\$ component, billions of L\$)	26	28	35	31	29	40	35	32	36	40	44	49
<i>(Depository Corporation Survey)</i>												
Net foreign assets	76	67	29	-25	45	35	25	102	106	114	137	170
Net domestic assets	517	572	488	670	617	475	635	591	626	656	675	694
Net claims on government	362	465	497	552	511	497	552	511	511	511	511	511
Claims on public enterprises	0	0	0	0	0	0	0	0	0	0	0	0
Claims on private sector	531	471	536	466	481	556	487	501	526	559	596	637
Claims on nonbank financial institutions	1	27	0	0	0	0	0	0	0	0	0	0
Other Items (Net)	-101	-110	-244	-121	-90	-278	-152	-98	-104	-119	-134	-144
Broad money (M2)	641	644	517	645	662	509	659	693	733	770	812	864
L\$ component	206	206	166	207	213	163	212	223	235	247	261	278
L\$ Currency in circulation	115	109	93	116	119	92	119	125	132	138	146	155
L\$ denominated deposits	91	97	73	91	94	72	93	98	104	109	115	122
US\$ component (deposits only)	435	438	351	438	449	346	448	471	497	523	552	587
<i>Memorandum items:</i>												
Gross official reserves ¹	297	292	308	336	331	333	401	403	429	448	438	443
Net International Reserves ²	70	27	54	-16	13	63	28	70	75	82	105	135
Broad money (annual change) in USD	4.9	0.5	-4.2	0.2	2.8	-1.4	2.2	4.7	5.7	5.1	5.6	6.4
Broad money (annual change) in LD	31.6	20.1	12.5	14.9	14.9	11.9	14.6	12.2	12.1	10.3	10.8	9.7
L\$ contribution to broad money growth (in LD)	7.4	6.3	4.0	4.9	4.9	3.8	4.7	3.9	3.9	3.3	3.5	3.1
US\$ contribution to broad money growth (in LD)	24.2	13.8	8.5	10.0	10.0	8.1	9.9	8.3	8.2	7.0	7.4	6.6
Monetary base (LD component, annual change)	18.1	9.1	15.6	9.6	2.2	11.9	14.6	12.2	12.1	10.3	10.8	9.7
Net credit to government (annual change)	9.9	28.5	0.0	18.7	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to private sector (annual change)	4.1	-11.3	1.3	-1.1	2.1	3.7	4.6	4.0	5.1	6.2	6.7	6.9
Velocity (GDP-to-M2)	5.1	5.1	6.0	4.5	4.6	6.2	4.5	4.5	4.4	4.4	4.4	4.4
Money multiplier (M2/M0)	2.7	3.0	3.1	3.0	3.3	3.1	2.9	3.2	3.2	3.2	3.2	3.2

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

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

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

Table 5. Liberia: Financial Soundness Indicators, 2018–20¹
(Percent)

	Dec-18	Dec-19	Jun-20	Sep-20
Core FSIs for Deposit Takers				
Regulatory Capital to Risk-Weighted Assets	26.1	24.8	29.4	27.5
Regulatory Tier 1 Capital to Risk-Weighted Assets	24.6	23.3	21.1	23.9
Non-performing Loans Net of Provisions to Capital	15.1	16.0	13.3	19.4
Non-performing Loans to Total Gross Loans	14.0	17.5	19.9	24.4
<i>Sectoral Distribution of Loans to Total Loans</i>				
Residents	100.0	100.0	100.0	100.0
Deposit-takers	0.1	0.1	0.1	0.1
Central bank	0.0	0.0	0.0	0.0
Other financial corporations	0.0	4.6	4.9	4.1
General government	1.1	2.0	2.2	2.1
Nonfinancial corporations	58.1	77.6	75.6	76.4
Other domestic sectors	40.7	15.8	17.3	17.4
Nonresidents	0.0	0.0	0.0	0.0
Return on Assets	1.2	2.4	0.7	1.0
Return on Equity	6.7	13.8	3.9	5.9
Interest Margin to Gross Income	48.9	52.8	53.7	52.6
Non-interest Expenses to Gross Income	73.0	74.2	77.4	76.0
Liquid Assets to Total Assets (Liquid Asset Ratio)	28.5	27.3	25.3	31.1
Liquid Assets to Short Term Liabilities	42.2	42.3	45.5	45.5
Net Open Position in Foreign Exchange to Capital	26.8	58.6	50.7	49.3

Sources: Liberian authorities; and IMF staff estimates.

¹The reported Financial Soundness Indicators have been validated by IMF staff using source data from the CBL as given. Staff notes that CBL should revise its risk-weights and risk-weighted asset calculation to reflect the credit risk of the underlying instruments appropriately. Additionally, discrepancies in measuring revaluation of paid-in capital may lead to inaccurate measures for capital for some banks.

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

(Millions of U.S. dollars)

	Est.			Projections					
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Financing Requirement	-1,364	-1,169	-1,152	-1,146	-1,193	-1,156	-1,180	-1,138	-1,167
Current account (excluding donor grants)	-1,430	-1,233	-1,156	-1,108	-1,121	-1,130	-1,161	-1,148	-1,161
Gross Reserves Accumulation (- increase)	67	64	5	-39	-72	-26	-19	10	-5
Total Sources	1,364	1,169	1,152	1,099	1,146	1,109	1,130	1,138	1,167
Expected Disbursements (official)	745	545	573	546	585	537	500	471	465
Grants	664	479	442	451	432	396	381	363	369
Official financing: medium and long term (net)	81	66	131	94	152	141	119	109	97
Capital transfer	61	62	63	60	55	57	58	59	60
Foreign direct investment	257	304	269	244	251	276	298	318	347
Private financing (net)	301	261	238	208	255	265	311	324	294
IMF (net, existing credit)	0	-3	9	42	0	-25	-38	-34	0
Financing gap	0	0	0	-47	-47	-47	-50	0	0
Provisional IMF	0	0	0	47	47	47	50	0	0
Gross official reserves	361	297	292	331	403	429	448	438	443
Months of imports	2.5	2.2	2.3	2.5	2.9	3.0	3.1	2.9	2.8

Sources: Liberian authorities and IMF staff estimates and projections.

Table 7. Liberia: Schedule of Disbursements Under ECF Arrangement, 2019–23
(Millions of SDR)

Availability Date	Amount	% of Quota	Conditions Necessary for Disbursement ¹
December 11, 2019	17.0	6.58	Executive Board Approval of Four Year ECF arrangement.
June 1, 2020	17.0	6.58	Observance of performance criteria for December 31, 2019, and completion of first review.
December 1, 2020	17.0	6.58	Observance of performance criteria for June 30, 2020, and completion of second review.
June 1, 2021	17.0	6.58	Observance of performance criteria for December 31, 2020, and completion of third review.
December 1, 2021	17.0	6.58	Observance of performance criteria for June 30, 2021, and completion of fourth review.
June 1, 2022	17.0	6.58	Observance of performance criteria for December 31, 2021, and completion of fifth review.
December 1, 2022	17.0	6.58	Observance of performance criteria for June 30, 2022, and completion of six review.
June 1, 2023	18.0	6.97	Observance of performance criteria for December 31, 2022, and completion of seventh review.
November 15, 2023	18.0	6.97	Observance of performance criteria for June 30, 2023, and completion of eight review.
Total for the ECF arrangement	155.0	60.0	

Source: IMF staff estimates.

¹ Disbursement is also subject to continuous performance criteria.

Table 8. Liberia: Indicators of Capacity to Repay the IMF, 2019–30

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

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Projections											
Fund obligations based on existing credit												
(in millions of SDRs)												
Repayment of principal	10.5	5.6	0.0	18.4	27.3	24.4	20.2	19.1	13.6	10.6	10.6	3.6
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit												
(in millions of SDRs)												
Repayment of principal	10.5	5.6	0.0	18.4	27.3	24.4	20.2	27.6	28.9	32.8	38.2	31.2
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit												
In millions of SDRs	10.5	5.6	0.0	18.4	27.3	24.4	20.2	27.6	28.9	32.8	38.2	31.2
In millions of US\$	14.5	7.8	0.0	25.5	38.0	33.9	28.1	38.4	40.2	45.7	53.2	43.4
In percent of exports of goods and services	2.0	1.3	0.0	3.4	4.9	4.1	3.3	4.1	4.0	3.8	4.1	3.1
In percent of debt service 1/	66.9	27.4	0.0	77.2	54.5	47.3	47.6	68.5	60.1	62.4	64.3	49.6
In percent of GDP	0.5	0.3	0.0	0.8	1.1	0.9	0.7	0.9	0.9	1.0	1.0	0.8
In percent of Gross International Reserves	5.0	2.3	0.0	6.0	8.5	7.7	6.3	8.9	9.7	11.5	14.4	12.4
In percent of quota	4.0	2.2	0.0	7.1	10.6	9.4	7.8	10.7	11.2	12.7	14.8	12.1
Outstanding Fund credit												
In millions of SDRs	162.6	204.4	215.9	231.5	240.2	215.8	195.6	168.0	139.1	106.3	68.0	36.8
In millions of US\$	226.2	284.2	300.2	322.0	334.0	300.2	272.0	233.6	193.4	147.8	94.6	51.2
In percent of exports of goods and services	31.2	46.5	42.4	42.7	43.0	36.7	31.6	24.9	19.4	12.4	7.3	3.7
In percent of external public debt service 1/	1,039.3	1,002.4	1,434.6	973.2	478.6	418.8	460.7	416.4	289.4	202.0	114.3	58.5
In percent of GDP	7.1	9.3	9.7	9.9	9.8	8.3	7.1	5.7	4.4	3.1	1.8	0.9
In percent of Gross International Reserves	77.4	85.9	74.5	75.0	74.5	68.5	61.4	54.3	46.5	37.3	25.6	14.7
In percent of quota	62.9	79.1	83.5	89.6	92.9	83.5	75.7	65.0	53.8	41.1	26.3	14.2
Net use of Fund credit (in millions of SDRs)												
Disbursements	6.5	64.6	34.0	15.6	8.7	-24.4	-20.2	-27.6	-28.9	-32.8	-38.2	-31.2
Repayments	17.0	70.2	34.0	34.0	36.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	10.5	5.6	0.0	18.4	27.3	24.4	20.2	27.6	28.9	32.8	38.2	31.2
Memorandum items:												
Exports of goods and services (in millions of US\$)	724.7	610.7	708.8	754.2	777.3	817.6	860.1	939.0	997.4	1,189.2	1,304.2	1,393.8
Debt service (in millions of US\$)	21.8	28.4	20.9	33.1	69.8	71.7	59.0	56.1	66.8	73.1	82.7	87.5
Nominal GDP (in millions of US\$)	3,176.1	3,066.8	3,106.7	3,246.9	3,411.4	3,601.0	3,827.5	4,115.3	4,428.8	4,767.8	5,133.1	5,526.8
Gross International Reserves (in millions of US\$)	292.3	330.9	402.8	429.1	448.1	438.0	443.2	430.5	416.1	396.4	369.2	349.0
Quota (millions of SDRs)	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4






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

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

Annex I. Improving the Debt Service Workflow

Streamlining debt service is critical to prevent the emergence of debt-related arrears. Despite major improvements to cash managements and recording of debt stocks and flows throughout FY2020, some domestic and external debt service were paid past their due date. Delays were not only due to tight fiscal conditions and the poor integration of direct debit payments into cash management decisions, but also due to a cumbersome loan repayment process. Until recently, the authorities waited to receive payment invoices (typically one month before the due date) to start the process of allotment, financial budget, voucher, and payment; all of which involved 34 steps and multiple departments at the Ministry of Finance, Development and Planning (MFDP). This burdensome process under a tight timeline meant that there was no room to accommodate delays including those related to liquidity constraints. To avoid recurrence, the authorities have made the following changes to the debt service flow process: (i) created a special debt service bank account at the CBL, where 10 percent of daily revenue is being transferred with the aim of smoothing cash availability for debt obligations; (ii) introduced quarterly allotment based on a debt service plan; (iii) introduced monthly financial budget, to be approved at the beginning of the month based on cash availability. Since near-term debt service projections are accurate, by doing the allotment and financial budget before receiving invoices allows the authorities to better incorporate upcoming debt service into cash plans and smooth loan repayment.

Table A1. Liberia: Debt Service Workflow

 <p>Allotment</p>	<ul style="list-style-type: none"> • Send allotment recommendations to Budget Department - Director, Debt Management Unit (DMU) • Authorize allotment analysis - Assistant Minister and Deputy Minister, Budget and Planning • Prepare recommendation for allotment - Budget Analyst • Receive and forward recommendation for allotment - Assistant Director, Public Administration Services Sector 	<p>Beginning of each quarter</p>
 <p>Financial budget</p>	<ul style="list-style-type: none"> • Receive allotment recommendation - Department, Fiscal Affairs • Authorize financial budget - Director, Fiscal Affairs 	<p>Beginning of each month</p>
 <p>Receive and process invoice</p>	<ul style="list-style-type: none"> • Receive creditor's bill - Director, DMU • Compare bill to forecast and prepare payment request - Debt analyst DMU • Sign payment request - Director, DMU • Counter-sign payment request - Assistant Minister, External Resources and Debt Management • Counter-sign payment request - Deputy Minister, Economic Management • Counter-sign payment request - Minister of Finance 	<p>One month before due date</p>
 <p>Raise voucher</p>	<ul style="list-style-type: none"> • Receive and attach allotment to payment request, and forward - Debt Analyst, DMU • Receive and prepare request to raise voucher - Assistant Minister Expenditure / Fiscal Affairs Analyst • Receive and sign request to raise voucher - Comptroller Accountant General (CAG) • Raise voucher and forward to CAG - Treasury Services Unit • Receive voucher and forward - CAG • Receive voucher and forward to Accounting Services Unit (ASU) - Assistant Minister Expenditure / Fiscal Affairs Analyst 	<p>Three weeks before due date</p>
 <p>Process payment</p>	<ul style="list-style-type: none"> • Process payment and forward to Cheque Writing Unit - ASU • Print cheque and forward - Cheque Writing Unit • Receive cheque and forward - Treasury Services Unit • Receive cheque and issue release - Financial Regulations Unit • Receive and sign release - CAG • Receive and sign release and forward to Central Bank of Liberia (CBL) and a copy to DMU - Deputy Minister Fiscal Affairs • Receive copy of signed release and cheque - Debt Analyst DMU • Receive signed release and cheque - CBL • Execute transaction and send confirmation to CAG - CBL • Receive confirmation of payment and forward to DMU - CAG • Receive confirmation of payment and update CS-DRMS and excel database - Debt Analyst DMU 	<p>Two weeks before due date</p>

Appendix I. Letter of Intent

Monrovia, December 7, 2020

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C., USA

Dear Madam Managing Director:

On behalf of the government of Liberia, we would like to provide you with an update on the progress we have achieved under our economic program anchored by our development plan Pro-Poor Agenda for Prosperity and Development (PAPD) and supported by the IMF's Extended Credit Facility (ECF). Since the IMF Board approved the program in December 2019, tight fiscal and monetary policies, as well as lower fuel prices and weak economic activity have helped us to reduce inflation and stabilize the exchange rate, albeit with declining economic activity. Increased on- and off-budget support and the IMF's debt relief under the Catastrophe Containment and Relief Trust (CCRT) are helping us to weather the economic impact of the pandemic. Although the incidence of COVID-19 in Liberia remains below our expectation with only 1,528 reported cases as of November 19, the outlook for 2020 and 2021 remains uncertain.

In as much as program performance for the first review of the program was mixed in light of addressing a major shock that affected performance, the second review continues to show improvement despite the impact of COVID-19. For the end-December 2019 fiscal targets, all were met except the ceiling on new external arrears of the government partly due to significant pressure to become current on wages before the holiday season. These have since been cleared. However, on the monetary side, only the indicative target on the ceiling on net domestic assets of the Central Bank of Liberia (CBL) was met as improvements in cash management helped the government to contain expenditure within the resource envelope. Program performance for end-June 2020 should have been strong if it were not for the COVID-19 pandemic. As a result, all the quantitative performance criteria (QPC) for end-June were missed except the ceilings on the contract non-concessional debt of the public sector and the ceiling on the CBL's operational and capital spending, and the indicative target on the floor on total revenue collection of the government. The target on the floor on the change in Net International Reserve (NIR) and the ceilings on Net Domestic Asset (NDA) of the CBL and the CBL's gross direct credit to the government were missed because of the net impact of the on-lending of the Rapid Credit Facility (RCF) disbursement and the CCRT. We have made substantial progress with most of the structural benchmarks. For those that have not been met, we are asking that they should be rephased for the third and fourth reviews.

The attached first Supplement to the Memorandum of Economic and Financial Policies (MEFP) sets out the government's objectives and policies for the rest of 2020 and 2021. Our fiscal program is in line with program objectives. To this end, the Legislature approved a credible budget for FY2021 that is underpinned by a conservative resource envelope. It builds on the gains we achieved in FY2020 to further rationalize spending to create space for more social and capital spending. In addition, to safeguard financial stability, a provision of US\$31 million was appropriated by the Legislature in the FY2021 budget. Our monetary program is designed to facilitate the achievement of price stability, reserve accumulation and to rebuild external foreign currency buffers.

Based on the strength of our corrective actions and policy response moving forward, we request the following waivers for nonobservance of the program's quantitative performance criteria:

- Waivers for the nonobservance of the floor on the fiscal primary balance and the CBL's gross direct credit to the central government for end-June 2020.
- Waivers for nonobservance of the ceiling on the change in NIR for end-December 2019 and end-June 2020.
- Waiver for missing the ceiling on the CBL's operational and capital expenses for end-December 2019.
- Waiver for missing the continuous ceiling on new external arrears of the central government based on the corrective action we have taken.

We request modification of the end-December 2020 Performance Criteria on the floor on fiscal primary balance; the ceiling on contracted new non-concessional external debt; the ceiling on the CBL's gross direct credit to government to reflect recent developments, as well as prospective on-lending to the government in USD of ECF disbursements related to the first and second reviews and debt relief from the IMF; the floor on the change in NIR; and the ceiling on CBL's gross direct credit to central government. We also request modification of end-December 2020 Indicative Targets on the floor on total revenue collection of the central government; the ceiling on new domestic arrears/payables of the central government; the floor on social and other priority spending; the floor on on-budget capital spending; and the ceiling on net domestic assets (NDA) of the CBL.

We request clarification modifications in the Technical Memorandum of Understanding (TMU). Modifications are:

- Clarifying the accounting rule of CBL operational and capital expenses; and clarifying that the CBL's operational expenses are on a commitment basis, while capital expenses are on a cash basis;

- Clarifying the definition of NIR to recognize GOL deposits to the CBL on the day of the deposit, even if the CBL's accounting records do not recognize it on the same day; adding an adjuster to the definition of NIR for the receipt of U.S. dollar mutilated banknotes in transit and regular deposits of mutilated banknotes at the CBL to avoid these transitory transactions affecting NIR; and adding an adjuster to the definition of NIR to allow for on-lending of IMF disbursements and debt relief under the CCRT;
- Adding adjusters to the definitions of NDA of the CBL and the CBL's gross direct credit to the government to allow for on-lending of IMF disbursements and debt relief under the CCRT;
- Adding an adjuster to the definition of primary fiscal balance to allow for capital injection to the banking sector to ensure financial stability; and
- Adding domestic debt service payment arrears to the definition of domestic arrears.

In view of the policies and measures contained in the attached MEFP, we are requesting completion of the first and second reviews of the ECF-supported program and a disbursement of SDR 34.0044 million (13.18 percent of quota). We further request that US\$38 million out of this disbursement should be on-lent to the government to finance the gap created by the impact of COVID-19.

We authorize the IMF to publish the staff report, including this letter, the attached supplement to the MEFP and the TMU, the informational annex, and the update to the debt sustainability analysis carried out by IMF and World Bank staff on its website and other media once the IMF Executive Board approves the first and second reviews of the ECF-supported program.

Sincerely,

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

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

Attachments:

- Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

This first supplement to the November 25, 2019 Memorandum of Economic and Financial Policies (MEFP) summarizes implementation of the program supported by the IMF's Extended Credit Facility (ECF) since approval in December 2019. It also sets forth the key program policies and measures for 2020 and 2021.

INTRODUCTION

1. Since the approval of the ECF supported economic program, the administration of President George Manneh Weah has made progress to stabilize the economy despite the COVID-19 pandemic. Tight monetary and fiscal policies have supported the administration's efforts to achieve price and exchange rate stability. This has helped to preserve the purchasing power of the poor who were the most affected by the high inflation environment.

2. The pandemic side-tracked our efforts to aggressively implement the Pro-poor Agenda for Prosperity and Development (PAPD) covering the period 2018–23. The pandemic hit us at a time when consensus for broad based reform had finally emerged and the economy was bottoming out. In this regard, we view bringing the program back on track as critical to sustaining the progress we have already achieved in stabilizing the economy and attain the other objectives of the program, namely putting Liberia on a fiscally sustainable growth path and addressing weakness in governance and institutions of the public sector. These are necessary to achieve broad based growth under the PAPD.

RECENT ECONOMIC DEVELOPMENTS

3. The economic situation in the first half of 2020 remained challenging although economic stability improved.

- With the impact of COVID-19, growth is now projected at -3.0 percent for 2020, 0.5 percentage points below the RCF baseline, largely due to prolonged lockdowns at home and abroad and second wave of pandemic seen in several countries. While mining sector and manufacturing sector might avoid contraction, service sectors, especially hospitality sector, have been hit hard due to the lack of international travelers.
- Liberian Dollar inflation¹ excluding education and health categories where measurement issues have occurred due to infrequent survey declined sharply partly in response to the tight monetary policy and the stable exchange rate. End-2020 inflation estimates has been

¹Headline inflation is currently suffering from measurement errors in education and health categories due to infrequent surveys. The recent survey results which were included in the inflation numbers for July 2020 without splicing for the last two years when health and education surveys were not conducted unjustifiably increased inflation by 5 percentage points.

revised down to 12 percent from 15 percent as monetary policy stance remains tight and Liberia continues to benefit from low oil prices.

4. In addition, our external buffers have improved relative to end-December 2019. To end-June 2020, gross official reserves of the Central Bank of Liberia (CBL) increased by US\$16.1 million due to increased donor support during the pandemic, and partial payment of the Emergency Liquidity Assistance (ELA). However, end-June 2020 NIR declined by US\$21.1 million compared to end-December 2019 mostly because the RCF disbursement of US\$50 million was on-lent to the government.

OUTLOOK AND RISKS

5. The prolonged period of lockdown which has already dampened growth this year is expected to slow down economic recovery in 2021. Consequently, we are projecting GDP growth for 2021 at 3.2 percent compared to a RCF projection of 4 percent. While recovery in the mining and manufacturing sectors are expected to continue, they face headwinds emanating from the global environment. Inflation is expected to decline further in 2021 as oil prices remain low.

PROGRAM PERFORMANCE

6. Program performance for end-December 2019 was mixed on account of a large miss of the monetary program although the fiscal program was on track. Three out of six end-2019 performance criteria (PC) were met.

- The target on the **primary balance excluding grants** for end-December 2019 was met, as the revenue shortfall in the first half of FY2020 was addressed by tight cash control.
- The **ceiling on the CBL's gross direct credit to the government** by end-December 2019 was met. There was, however, a two-week period in January where ECF disbursements were inadvertently transferred to the government account but were reversed after staff observed an unexplained jump in government deposits.
- **The ceiling on new external non-concessional debt of the public sector** was met as the authorities did not contract any non-concessional debt.
- The indicative targets on the **floor on social and other priority spending** and the **floor on-budget capital spending** were also met.
- However, the **ceiling on new external arrears of the government** was not met. External arrears totaling about \$1.4 million emerged in December 2019 partly due to significant pressure to become current on wages before the holiday season. These have since been cleared.

- On the monetary front, we missed the **floor on the change in NIR** for end-December 2019 by US\$17.8 million on account of extending Emergency Liquidity Assistance (ELA) in foreign currency and foreign exchange intervention that helped us to mop-up excess liquidity during the festive season—the peak demand period for Liberian dollars—and mitigate the impact of the shortage of Liberian dollars.
- On the indicative targets (ITs), three out of four ITs were met. We missed the cumulative target for the **ceiling on the CBL's operational and capital spending** due to compensation for laid-off staff, upfront payments to auditors which were not budgeted for, and over-expenditure on general goods and services. All commitments carried forward to 2020 have been paid within the 2020 budget for the first half. However, we met the indicative target on the **floor on total revenue collection** of the central government; we also met the IT on the **ceiling on net domestic assets of the CBL** by US\$15 million due to large inflows of non-tax revenue towards end-December which outweighed the ELA; and we met the IT on the floor on social and other priority spending.

7. End-June 2020 ECF performance could have been stronger had it not been negatively affected by the impact of COVID-19. Three out of six end-June 2020 PCs were met and three out of five ITs were met.

- On the fiscal front, the target on **primary fiscal balance excluding grants** was not met because of COVID-19 related expenditure increases. In addition, despite the steps made in effective cash management, the government missed the **ceiling on the CBL's gross direct credit to the government** due to on-lending of the RCF disbursement. However, the continuous **ceilings on the contracted new non-concessional debt of the public sector** was met. The indicative target on the **floor on total revenue collection** was also met despite the pandemic thanks to the authorities' revenue mobilization efforts, including a substantial increase in petroleum excises towards the end of the fiscal year.
- On the monetary front, the target on the **ceiling on the CBL's operational and capital spending** was met by US\$1.9 million despite clearing commitments brought forward from 2019; the target **floor on the change in NIR** was missed by US\$26.1 million due to the net impact of RCF on-lending to the GOL and CCRT, and higher than expected accumulation by US\$7.8 million from the CBL's operations. However, making up for the large miss in NIR in December 2019 was unattainable due to COVID-19 impact on general foreign exchange flows. The indicative target on the **ceiling on net domestic assets of the CBL** was missed due to on-lending of the RCF disbursement to the government.

8. We have maintained an exchange system free of restrictions on the making of payments and transfers for current international transactions. Although the surrender requirement on remittances was an important source for building our foreign reserve buffers, it

remains suspended. Interest income on the consolidated GOL debt has since become the main source of foreign exchange for the CBL.

9. The implementation of the structural reform agenda under the program is largely on track, though some monetary related measures were not met due to capacity constraints.

- The Structural Benchmarks (SBs) set out to improve Public Financial Management (PFM) and Governance show mixed performance, but significant progress has been made on all fronts. The measures to improve the civil service payroll registry were not met, but at least 80 percent of public employees on the payroll have been verified with biometric identification cards. Effective November 2020, we suspended pay for civil servants whose national identification registry has not been verified but are resident in Monrovia until they are verified. The SB to improve controls of compensation of employees was not met but implemented with delay and hiring and payment of most workers have been centralized. The provision of quarterly financial performance reports for FY2019 and FY2020Q1-Q2 reports of the largest SOEs was submitted to the IMF before the target date of end-May 2020, and we are working on finalizing the quarterly reports for the rest of FY2020 and FY2021Q1. The SB on the inventory and rationalization of bank accounts in preparation for the Treasury Single Account was not met. Significant progress has been made and most Ministries, Agencies, and Commissions (MACs) are in compliance with the requirement to have only one account in USD and one in LD at the CBL.
- We made progress implementing the SBs set out to improve operational independence and governance arrangements at the CBL. Amendments to the CBL Act were submitted to the Legislature in January 2020 and passed in October 2020 (met). Significant progress on the CBL Priority Action plan has been made on most items, although some items due by end-December 2019 or end-June 2020 have been delayed mostly due to capacity constraints. We have also commenced the review of the new Financial Institutions Act of 1999 with technical assistance from IMF.
- SB set out to strengthen anti-corruption measures were not met. Despite making early progress leading to the submission of proposed amendments to upgrade the anti-corruption framework in line with the United Nations Convention against Corruption (UNCAC) to the Legislature, we have had to revisit the amendments to establish a special corruption court—now the consensus among key stakeholders—and enlist the support of the Judiciary on some of the changes.
- SBs that were not met have been rephased to the third and fourth reviews to create more time for us to implement the reforms.

ECONOMIC AND FINANCIAL POLICIES FOR THE PROGRAM

A. Fiscal Policy

10. Despite the impact of COVID-19 on our FY2020 budget, the fiscal stance did not deteriorate as expected during the RCF discussions due to increased revenue mobilization efforts. Domestic revenue overperformed RCF projections by 0.8 percent of GDP owing to better than expected compliance and the introduction of excise tax on fuel in May2020 while expenditure was kept in line with the FY2020 recast budget after a lengthy reconciliation between July and September. The change to allow the LRA to retain 4 percent of revenue collected to fund its operations (as opposed to a budget allocation) has also helped to improve operational efficiency. As a result, we estimate that the primary balance excluding grants for FY2020 is 1.3 percent of GDP better compared to the RCF estimate of a deficit of 1.8 percent of GDP and remains consistent with the medium-term debt stabilizing deficit of 2.5 percent. The cash surplus has been transferred to FY2021 to finance economic recovery, in particular, road construction and other capital expenditure, which is the administration's key electoral promise.² However, the delivery of food aid to those whose livelihoods has been negatively affected by COVID-19 has been slower than expected due to enumeration challenges, but has now picked up pace.

11. As a prior action, the Legislature approved a budget of US\$570 million for FY2021 that is fully financed, further rationalizes wages and salaries, and set aside funds to support a financial sector reform plan. Although we submitted a budget of US\$535 million (17 percent of GDP) in June, additional revenue from FY2020 budget surplus, an increase in the revenue forecast for FY2021 based on the current momentum, and additional budget support that was originally expected in FY2020 but was disbursed in FY2021, made it possible to increase the budget to the current level of US\$570 million. The approved budget set the wage bill at US\$292 million, contributions to National Road Fund (NRF) at US\$24 million, clearance of FY2019 arrears at US\$10 million, and US\$31 million for the financial sector reform plan. The current trend in domestic revenue indicates that an additional US\$20 million could be generated. We will set this amount aside to use for the reform plan in case the full amount required is more than the amount approved by the Legislature and will be approved through a recast or supplementary budget in early 2021.

12. We have made significant progress to strengthen budget execution, including setting up modalities to speed up the process of expenditure reconciliation and better management of direct debits.³ Notable achievements include: budget execution in FY2020 staying within the total available resources; fiscal report and cash plans being produced regularly and used to inform

²GOL's annual contribution to the National Road Fund (commitment) is about \$24 million; 40 percent of which goes to new constructions of (i) road from Ganta to Tapeta (144 km) and (ii) road from Tapeta to Zwerdu (114 km). Both (i) and (ii) still have a financing gap of about US\$60 million each even if the GOL delivers its commitments in full.

³Budgeted for payments made directly from the consolidated fund by the CBL based on service level agreements with public institutions. These include fees to the CBL and monthly transfers to LRA.

decisions on allotment and financial budget; and summary fiscal report being published since early June 2020 on the MFDP's website. To consolidate the cash management gains we have made during FY2020, the Liquidity Management and Technical Management Committees resumed monthly and weekly meetings respectively since early July and policy discussions are being more proactive. Furthermore, we have moved to quarterly reconciliation of expenditure to avoid the long delays experienced this year as reconciliation was done only at the end of the financial year. In addition, we have also begun entering all direct debits, including transfers to the Road Fund, in IFMIS at the beginning of the month to facilitate cash planning.; and we have also eliminated advances to autonomous agencies, which are now required to process all their expenditure in IFMIS.

13. We have also made significant progress to streamline the wage bill.

- We issued the payroll regulation in March 2020 with the goal to enforce two layers of validation: biometric identification card, and verification of skills. The number of public employees listed in the initial employees' database at the beginning of FY2020 have been reduced from around 74,000 to about 67,100 through the elimination of duplicates, ghost workers, retiring employees past mandated age, and further cleaning up of the database. Out of 67,100 public employees, 53,700 (80 percent of total) have had both national identification registry (NIR) card and skills verified by November 20. Of the 13,400 with outstanding IDs to be validated, 5,000 have had their skills verified. The remaining 8,400 are mostly in remote areas in Internal Affairs and Social Sectors, and their verification was interrupted by COVID. We issued a Circular in November 10, 2020 announcing the suspension of salary beginning with the November pay for those who fail to submit their valid biometric NIR. We expect to have all civil servants verified by end-January.
- We have improved payroll efficiency through better record keeping and controls. This was made possible through the creation of the Payroll Cleaning Taskforce comprising MFDP (chair), Internal Audit Agency (co-chair), Civil Service Agency (CSA) (member), and National Identification Registry (member) by the President. Hiring for all agencies is now centralized and being managed through the CSA, except institutions that are supposed to be independent from the executive branch. The taskforce is, however, monitoring their payroll. In addition, all Ministries, Agencies, and Commissions (MACs) have migrated to the new payroll system, except for the General Auditing Commission to ensure operational independence. The taskforce has also integrated the payroll of the presidential appointees with the general payroll as part of the efforts to improve payroll efficiency and controls. Furthermore, the taskforce is working to centralize hiring of consultants at the CSA (except for security and integrity agencies) to ensure greater control.

14. Payment of debt service will be better prioritized along with payroll payment. To avoid the recent delays in debt service, we have created a special debt service bank account at the CBL where 10 percent of daily revenue collection is already being transferred. We believe that this

amount will smooth our ability to service our debt obligations; and in the event the balance is insufficient, the amount needed will be transferred from the revenue account. Since debt service is predictable based on contracts and disbursed amounts, we started making debt service allotment on a quarterly basis (instead of waiting to receive the invoice), and financial budget based on availability of cash, smoothing the payment's operational process once the invoice is received. We have improved near-term projection of debt service to make the data sufficiently reliable to make the allotment ahead of the invoice, and discrepancies have been minimized primarily to changes in exchange rates. We have also improved collaboration between the DMU and the cash management team to ensure timely payment of debt service. Furthermore, we have streamlined the process for debt payments by frontloading some of the stages so that they are done before we receive the invoice. We estimate that the streamlined process will save 2-3 weeks in the process of debt payment.

15. The government cleared overdue payments on debt, including to domestic financial institutions (prior action). The government redeemed the local currency Treasury bond maturities for July 2020 and the US\$9 million redemption on the US\$65 million bond for arrears on September 30, 2020. However, the impact on the liquidity of the banking sector has been limited as the GOL payment merely off-set with previously undisclosed overdue tax liabilities owed by some banks.

16. The Debt Sustainability Analysis continues to assess Liberia at moderate risk of external debt distress and high risk of overall public debt distress. The assessment of overall public debt arises from the recognition of old GOL debt to the CBL which had not been recognized under the previous DSA framework prior to 2018. The downward revision to the growth and higher near-term borrowing need to fight the pandemic have reduced Liberia's ability to borrow in the medium-term. The total public and publicly guaranteed debt and total public external debt reached 56.6 and 37.2 percent of GDP at end-FY2020, respectively. This DSA points to the short- and medium-term debt service pressure. Some of this pressure was alleviated as the debt relief became available from the Catastrophe Containment and Relief Trust (CCRT). Therefore, we will continue to prioritize borrowing on concessional terms.

17. To support reserve accumulation at the CBL and to contribute to de-dollarization, we have increased the share of the wage bill paid in local currency from 20 percent to 35 percent. This switch has increased our Liberian dollar expenses beyond our local currency denominated revenue. As such, we have set our program to purchase Liberian dollar from the CBL using our excess US dollar inflows. Even with the switch to 35 percent and selling part of the GOL's FX to the CBL, the Government will still save before end-December sufficient U.S. dollars at the CBL for the financial sector reform plan. The government will progressively increase the share of local currency in the wage bill in subsequent years until it reaches 50 percent.

18. We are making efforts to improve debt and aid management in Liberia. We recently developed a comprehensive Debt Management Manual as well as National Aid and NGO Policy of

Liberia to guide our efforts to improve debt and aid management. We have also cleaned underlying debt data in collaboration with creditors and donor partners, and improved the Debt Management Unit (DMU)'s capacity to monitor debt and create short term debt service projections. However, more capacity is still needed to run the newly upgraded CSDRM-S system to version 2.3 smoothly and to produce long term debt service projections. Staff in the DMU is working with counterparts from the Government of Ghana to build capacity to run the system and produce a variety of reports.

B. Monetary Policy

19. Since the inception of the program in December 2019, monetary policy has remained tight, albeit with some caution regarding the uncertainties about the economic impact from COVID-19. In May, the CBL effected a 500-basis points reduction in the policy rate to 25 percent. With annual inflation down to 14 percent at end-October, this amounts to an increase in the real rate by 8 percentage points since November 2019. The relatively attractive real interest rate is helping to restore the value of the LRD, which is manifested in increased placements on CBL bills up to mid-August 2020. In line with the monetary program, the average stock of CBL bills for June–September was LD4.7 billion increasing from the average of LD2.4 billion for January–March 2020. We shortened the tenor to two weeks, moving closer to IMF recommendations; though we also retained the option to conduct longer tenor issues of up to one year to signal our expectation of declining inflation.

20. The delivery of LD banknotes in July 2020 is boosting confidence in the banking sector. With financial support from USAID, Kroll helped oversee the procurement, secure delivery and verification of the banknotes to the CBL. We are proactively monitoring the injection of LD banknotes to ensure consistency with the end-year inflation target.

21. The MFDP and the CBL will continue to improve coordination. In this regard, the CBL has enhanced coordination with the MFDP for data sharing—through an MOU—which will formalize the CBL's participation in the Liquidity Management Committee of MFDP. In addition, we have strengthened the activities of the Liquidity Working Group which provides the forum for MFDP, Liberia Revenue Authority (LRA) and the CBL to coordinate liquidity management in the economy.

22. The CBL budget in the first half of 2020 is under-executed due to expenditure control measures and savings arising from COVID-19 related lockdown. Operating costs of the CBL are expected to be contained within QPC target of US\$24.2 million to end-December despite the need to pay-off former staff acquitted in the LRD banknote case and to strengthen IT security imply that these savings may not be sustained in the second half of 2020. We are negotiating with vendors to phase payments for IT upgrade contracts of US\$2 million for upgrading core banking software which was expected to come on-stream in the last quarter of 2020.

23. The Legislature approved amendments to the CBL Act that strengthen the independence of the central bank while enhancing transparency and accountability. Among the changes incorporated in the Amendment and Restatement of the Act Establishing the Central Bank of Liberia 1999 (Amended CBL Act hereafter) are the provisions that grant the CBL the power to seek approvals for currency printing from the Legislature for a three-year period with flexibility on how that amount is printed within the approved period. Additionally, the Amended CBL Act provides for the creation of the monetary policy committee as a separate decision-making body from the Board. With the passage of the Amended CBL Act, the CBL will quickly establish the monetary policy committee to ensure that the Bank will remain focused on effectively operationalizing its price stability mandate.

24. The CBL's monetary policy stance will remain consistent with the objectives of reducing inflation to single digit while restoring the store of value function for the Liberian dollar. To this end, maintaining an effective reserve money targeting monetary framework remains the CBL's focus to consolidate these gains. The CBL will continue to strengthen the monetary implementation framework by further finetuning the open market instruments over the near-term, particularly as government gradually increases its expenditure in LRD. We will keep the 14-day tenor to conduct ongoing liquidity management and retain longer tenor CBL bills—28-days to 90-days—to proactively manage structural liquidity and to ensure monetary conditions remain consistent with the continuing inflation decline. These refinements will ultimately assist the CBL to communicate its monetary policy stance more effectively. All these will support the development of the financial markets, which is strategic to our goal of deepening the financial markets. In addition, we will align the reserve requirement ratios for both currencies with our objective to create the appropriate incentives for saving in LRD and to restore the store of value function for the Liberian dollar.

25. The CBL commits to printing banknotes in 2021 and over the medium-term to meet growing transaction demand and replace unfit banknotes on an on-going basis. The CBL Board is planning to adopt the banknote printing plan for the next three years, as provided in the recently Amended CBL Act, and to submit to the Legislature for approval before end-December. Once approved, the CBL will move ahead with the procurement of banknotes to meet transaction demand. Moreover, to support financial stability, our commitment is to replace unfit banknotes in circulation with due consideration to saving time and minimizing cost.

26. In the medium-term, the CBL commits to resuming non-discriminatory foreign exchange auctions in a form fully consistent with Liberia's obligations under Article VIII of the Fund's Articles of Agreement by:

- Retaining CBL's FX auction guidelines that are designed to achieve transparent price determination and incorporate full acceptance of the need to avoid discriminatory provision

of foreign exchange—such as could arise through rationing and prioritizing provision—and which could lead to multiple currency practices (MCPs) and exchange restrictions (ERs). The publication of the auction outcomes supports our goal to ensure their transparency.

- Strengthening the current auction mechanism that uses a single price auction system, in which access is available to all licensed intermediaries (authorized dealers) in good licensing standing, does not impose constraints on the price that bidders can submit and allotment of FX to bidders is determined solely on the price submitted. We acknowledge that further refinements to our auction guidelines may be necessary to enable the central bank to rebuild FX buffers. Accordingly, we will request technical assistance on FX the operational framework and arrangements to include: (i) a comprehensive review of the CBL’s FX auctions guidelines to make them robust and (ii) a review of the framework for the regulation and supervision of banks and bureaus to ensure that the FX market remains transparent and competitive.
- Accepting that Capital Flow Management (CFM) measures should not substitute for warranted macroeconomic adjustments. We concur with staff that the monetary and fiscal programs put in place under the program, and the improved auction mechanism that allows for a more flexible exchange rate, will have a positive impact on the availability of foreign exchange and reduce the incentives to sequester foreign currency outside of established markets. In light of this, while we remain concerned about the possibility that the volume of foreign exchange transactions could shift further from the formal foreign exchange system to the parallel market, we have decided to maintain the suspension of the surrender requirement and will also refrain from introducing any additional CFMs, except in severe deterioration in Liberia’s balance of payments as provided in section 29, subsection 4(b), of the Amended CBL Act.

27. We will keep containing the drawdown of reserves arising from the growing gap between the CBL’s revenue and its expenditure on operations and capital development. Since program inception, the CBL has been paying 35 percent of the wage bill in Liberian dollar and reduced overall personnel costs, albeit, the reduction is smaller than hoped. In this regard, CBL is committed not only to further cut personnel costs and increase the share of Liberian Dollar payment in wages to 50 percent beginning January 2021 but also to further rationalize benefits and goods and services while increasing Liberian dollar component of new contracts. The CBL Board has approved the 2021-2023 budget with a commitment to pay at least 50 percent of all goods and services in Liberian dollars. For 2021-23, currency printing costs estimated at US\$7.1 million per year will be needed to meet the increase in demand for currency as well as replacement needs. Hence, our policy is to consolidate the CBL’s operational and capital expenses excluding interest expense on monetary policy instruments and currency printing further, but a higher ceiling than this year is needed to accommodate this increase.

C. Financial Sector Policies

28. The financial sector remains challenged by the negative economic fallout created by the COVID-19 pandemic, and addressing the sector’s vulnerabilities remain the focus of the CBL. Non-performing loans for the banking sector has increased by 5 percentage points since March 2020 with the increase most pronounced for some banks and the service sectors. Further assessments of the sector’s performance in light of the COVID-19 pandemic will be conducted over the next months, particularly in relation to NPLs and the impact on banks’ liquidity arising from the moratorium on asset classification and provisioning rules that was extended to September 2020. The moratorium has since been discontinued, and banks have been advised to fully comply with provisioning and prudential standards. Maintaining an effective regulatory and supervisory framework to support stability is a key component of the ECF supported program. With the Fund assistance, the CBL will shortly update the financial soundness indicators to September 2020, with the regularization of semi-annual updates thereafter.

29. Strengthening prudential regulatory requirements, including revisiting the framework for monitoring banks’ foreign currency exposures, is important to underpin financial sector resilience. The refinements in the reserve requirements framework to incentivize intermediation in local currency will be examined once clarity on the impacts from the COVID-19 pandemic emerges. Reducing banks’ liquidity risks from the high intermediation in foreign currency will also help to underpin financial system stability. Moreover, with the help of the Fund, we will advance work to revise the New FIA (1999) for submission to the Legislature by June 2021 (revised SB), which will strengthen the CBL’s capacity to discharge its expanded mandate to cover financial stability under the Amended CBL Act, including the introduction of a Comprehensive Resolution Regime (CRR).

30. We are addressing the identified weaknesses in the financial sector by adopting a reform plan for financial institutions with notable breaches of regulatory requirements. Through intensified surveillance of the entity, the CBL has made progress in identifying prudential weaknesses. We are also seeking funding sources for the reform plan. However, we are still working with the staff and through harnessing technical assistance support from the U.S. Treasury Department to assess the financial viability of the plan. We recognize that additional actions are needed to address the weaknesses in corporate governance. In addition, we intend to enhance microprudential supervision to address any remaining weaknesses that may be identified in financial institutions by end-June 2021.

STRUCTURAL REFORMS

Public Financial Management

31. We have made significant progress in the civil service payroll reform (¶13). We now have 80 percent of public sector employees verified with both national identification registry (NIR) card and skills as of November 20. The payroll cleaning taskforce is integrated and comprise all

institutions related to payroll. The committee was tasked with automating and digitizing all the tracking of civil service employees, keeping the database streamlined, and eliminating and preventing ghost workers.

32. We have completed the interfacing of the payroll system and IFMIS which has improved efficiency and accuracy in payroll management. Updates and payments to the payroll are now being reflected in IFMIS real time allowing to track payroll members at the individual level and allowing for better cash management and monitoring of the overall fiscal budget.

33. The administration will collaborate with the General Audit Commission to ensure that the audit for FY2018 and FY2019 budget execution are concluded as soon as possible but no later than end-December 2020, and audit for FY2020 budget execution is conducted timely and reported to the Legislature by end-February 2021. FY2020 expenditure numbers were reconciled and submitted to the GAC by end-October as required by the law (SB). The GAC is expected to conclude the audit by end-February 2021 and submit to the Legislature by -end-March 2021. This will help us to ensure that COVID-19 related spending in FY2020 was used for the intended purpose and any financial malfeasances are appropriately sanctioned. To signal our commitment, we have set completion of FY2018 and 2019 audits as a structural benchmark for the third review. We commit to departing from previous tradition by completing these audits without disclaimer.

34. We are preparing the groundwork to rapidly adopt a treasury single account (TSA). The concept note has been drafted in consultation with the IMF. We are working to complete the inventory and rationalize bank accounts with the CBL and commercial banks before end-January 2021. Moreover, MACs have been instructed to maintain only one operational account in USD and one in LD at the CBL, and to close all accounts in commercial banks (excluding those for donor funded projects). Currently most MACS are in compliance with this instruction.

Domestic Revenue Mobilization

35. In order to gather all domestic revenue for the budget, by end-November 2020, we submitted the amendments to the Liberia Maritime Authority (LMA) and Liberia Telecommunication Authority (LTA) Acts to the Legislature for adoption in January 2021 as specified in the budget law. Meanwhile, we will continue to collect in line with the existing revenue sharing formula until the formula is approved.

36. Given the need to boost domestic revenue further, we are going to prioritize the following tax administration measures:

- Modernize the customs code with support from the World Bank by reviewing at least 22 regulations before December.

- On customs administration, we will build on our recent work to proactively curb smuggling through enhanced post clearance audits and adoption of four-level customs' inspection at the Nimba port.
- Improving transparency in customs administration by posting all procedures and fact sheets on the recently revamped website of the LRA.
- Reviewing tax exemptions to streamline the process by (i) improving coordination between MFDP and LRA to analyze the impact of exemptions, and (ii) requiring cost-benefit analysis before exemptions are granted.

Governance

37. We will expedite the resubmission of the necessary amendments to upgrade our anti-corruption framework. We adopted the resolution of the anti-corruption conference held September 16-17, 2020 to guide our anti-corruption efforts in the medium-term. To ensure efficiency, we have broken down our goal to improve the legal framework to enhance the fight against corruption into different pieces. We would like to prioritize as structural benchmarks for 2021 the following:

- Enact the revised LACC Act that provides (i) the LACC first tier prosecutorial power over corruption and related economic and financial offenses; (ii) for scope and requirements of an effective system of asset declarations for senior public officials in line with international best practices, including by providing the LACC with the power to receive and verify the declarations, ensure public access to the declarations and sanction public officials who fail to declare or provide false information.; and
- Enact the Whistle Blower and Witness Protection Act to provide effective protection from potential retaliation for reporting persons, witnesses and victims in accordance with the UNCAC and best international practices.

Procurement

38. To enable greater disclosure and transparency of procurement information, we started publishing on the PPCC website all information on procurement contract awards in March 2020. We have set up a team of audit experts and conducted the first round of compliance audits to ensure MACs are following the correct procurement procedures. We have also changed our data collection template from MACS to include beneficial ownership of contract awardees for publication on the PPCC website. We will revise the PPCC regulations to require MACs to publish on the PPCC's website all relevant information on their procurement activities (from planning to awards). We will setup a reliable and comprehensive procurement database, which will be the first step of an e-procurement system and which will allow the PPCC to systematically collect, maintain, and publish

information on public procurement for monitoring the performance of procuring entities in terms of efficiency and compliance with the legal framework. In line with these efforts, we are working to publish on the PPCC's website procurement contracts paid from the budget above a value of US\$200,000 for goods, above US\$400,000 for works, and above US\$100,000 for services, along with the names of the companies awarded the contract and their beneficial owners. We expect to have published this information for 75 percent of the FY20 contracts by end-January 2021. Finally, we will ensure that the PCCC has adequate funding to implement the reforms described in this paragraph.

Business Climate

39. The COVID-19 pandemic has negatively affected Liberia's business climate. While the number of confirmed cases remains below earlier expectations, the implementation of containment measures and the associated disruptions to cross-border travel have imposed a large toll on the economy. The service sector (mainly, hotels and restaurants) is particularly suffering from a lack of foreign arrivals due to the suspension of major international flights to Liberia. To dampen the negative impact of the pandemic on the business climate:

- We have allocated US\$2 million to provide support to market women and petty traders.
- The CBL has permitted financial institutions some additional flexibility to solvent borrowers in hard-hit sectors experiencing temporary liquidity shortfalls, but will maintain loan reporting, classification, and provisioning standards to avoid compromising information on loan quality.
- The CBL has improved access and affordability of electronic payment services for retail customers. To ease the use of electronic payments and mobile-money options, the CBL has temporarily suspended fees and charges for transfers; suspended processing fees at point-of-sale outlets used by merchants; and increased allowable limits for transfers.

40. From the medium- and long-term perspective, improving the business climate combined with other needed structural reforms allow the private sector to serve as the engine of economic growth. The business climate reforms are expected to lower the cost of doing business; remove administrative barriers and delays; and expand import-competing and export-oriented activities. To this end:

- We held a business climate conference that included a Judicial forum on 07/22/2019 to identify key impediments to doing business in Liberia. We identified that high fees, transportation costs, and customs duties, and as well as difficulties in obtaining business registries, as the key obstacles faced by business owners in Liberia. The Ministry of Commerce is working with various stakeholders on an implementation plan to deliver a conducive business environment.

- We are planning a major investment and business climate conference as part of an annual judicial conference under the auspices of the Chief Justice. The annual Judicial conference was a mainstay of the justice sector but has been discontinued because of lack of funding. The conference surveys overarching legal issues, opportunities and challenges in the justice sector. The inclusion of business climate agenda into a judicial conference is critical to addressing several business-climate issues that have legal implications. Placing judicial actors like judges at the center of business climate reforms holds a stronger promise. The conference is planned for first half of 2021.
- We are reducing the bottlenecks on road transportations (e.g., checkpoints) to improve trade and the efficiency of movement of goods.
- Minister of Finance and Minister of Commerce and Industry have held a few meetings with the Liberia Chamber of Commerce, and we plan to enhance and maintain close communication with the business community to discuss ways and means of improving the investment and business climate.

IMPROVING STATISTICS FOR PROGRAM MONITORING

41. On the fiscal front we continue to make progress to improve statistics for program monitoring. We remain committed to reconcile cash and commitment expenditure and share monthly fiscal report within 3 weeks from the end of each month in line with the ECF program requirement to ease program monitoring. We are also producing quasi-weekly summary fiscal reports and publishing a short report in the MFDP website, enhancing monitoring of the budget and transparency. Moreover, we have made progress to improve our debt statistics production and monitoring and towards ensuring timely debt service payments. Our estimates and composition of debt outstanding, as well short-term projections of debt service has significantly improved, and we continue to work towards building our capacity to produce long-term debt service projections with ease.

PROGRAM MONITORING

42. The program will be monitored by quantitative performance criteria, structural benchmarks, indicative targets, and semi-annual reviews, as set out in Tables 1, 2, and 3 of this memorandum and the attached technical memorandum of understanding, which also defines the scope and frequency of data to be reported for program monitoring purposes. The third review to be completed on or after June 1, 2021 will be based on end-December 2020 targets and other relevant performance criteria; and the fourth review to be completed on or after December 1, 2021 based on the end-June 2021 targets and other relevant performance criteria.

**Table 1. Liberia: Quantitative Performance Criteria (QPC) and Indicative Targets (IT)
for the Program Under the ECF Arrangement, December 2019–December 2021**
(Millions of U.S. dollars; unless otherwise indicated)

	Dec. 2019			Mar. 2020			Jun. 2020			Sep. 2020			Dec. 2020	Mar. 2021	Jun. 2021	Sep. 2021	Dec. 2021
	PC	Est.	Status	IT	Est.	Status	PC	Prel.	Status	IT	Prel.	Status	PC	IT	PC	IT	IT
	Proposed																
Performance Criteria¹																	
Floor on primary fiscal balance ²	-0.7	18.0	Met	-1.2	26.0	Met	-1.6	-28.4	Not met	5.2	0.0	Not met	-15.0	-25.0	-33.4	8.4	18.2
Ceiling on contracted new non-concessional external debt of the public sector (continuous basis)	100.0	0.0	Met	125.0	0.0	Met	125.0	0.0	Met	125.0	0.0	Met	0.0	0.0	0.0	0.0	0.0
Ceiling on new external arrears of the central government (continuous basis)	0.0	0.7	Not met	0.0	0.0	Met	0.0	0.0	Met	0.0	3.5	Not met	0.0	0.0	0.0	0.0	0.0
Ceiling on the CBL's operational and capital expenses ³	32.9	32.9	Not met	9.3	6.4	Met	14.1	12.2	Met	19.4	19.3	Met	24.2	12.8	20.6	26.3	30.1
Floor on the change in the CBL's net international reserves ³	-25.7	-43.3	Not met	2.5	13.9	Met	5.0	-21.1	Not met	7.4	-4.4	Not met	-13.5	4.8	29.4	34.1	56.4
Ceiling on CBL's gross direct credit to central government	487.5	487.5	Met	487.5	487.5	Met	487.5	528.6	Not met	487.5	528.6	Not met	557.7	557.7	548.8	548.8	539.9
Indicative Targets																	
Floor on total revenue collection of the central government ²	184.0	196.0	Met	293.0	312.0	Met	414.0	435.1	Met	108.5	107.3	Not met	197.1	328.5	438.0	118.2	255.1
Ceiling on new domestic arrears/payables of the central government (continuous basis)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0	0.0	Met	n.a.	n.a.	n.a.	0.0	0.0	0.0	0.0	0.0
Floor on social and other priority spending ²	29.3	36.3	Met	44.0	53.3	Met	58.7	69.9	Met	14.7	16.4	Met	32.8	49.2	65.6	16.0	31.9
Floor on on-budget capital spending ²	4.3	0.0	Not met	6.5	0.2	Not met	8.7	0.5	Not met	3.1	0.7	Not met	6.1	9.0	11.8	6.6	13.2
Ceiling on net domestic assets of the CBL	250.3	253.9	Met	242.6	189.0	Met	223.6	231.6	Not met	220.7	243.9	Not met	267.9	263.7	239.7	235.7	222.2
Memorandum Item																	
Ceiling on disbursement of concessional external debt	65.0	58.1	Met	100.0	98.2	Met	130.0	116.0	Met	175.0	145.2	Met	310.0	338.0	365.0	405.0	440.0
Floor on wage bill of school teachers ²	16.7	20.3	Met	25.0	29.0	Met	33.4	37.5	Met	8.3	8.3	Met	16.6	24.9	33.2	8.0	16.0
Floor on wage bill of core and non-core clinical health workers ²	12.4	16.0	Met	18.6	24.3	Met	24.8	32.4	Met	6.2	8.1	Met	16.2	24.3	32.4	7.8	15.7
Floor on spending on home-grown school feeding program ²	0.25	0.0	Not met	0.38	0.00	Not met	0.50	0.00	Not met	0.03	0.00	Not met	0.01	0.01	0.01	0.13	0.25

Sources: Liberian authorities and IMF staff estimates and projections.

¹ The Standard Continuous Performance Criteria will also apply: (i) Not to impose new or intensify existing restrictions on the making of payments and transfers for current international transactions; (ii) Not to introduce new or intensify existing multiple currency practices; (iii) Not to conclude bilateral payments agreement that are inconsistent with the IMF's Articles of Agreement (Article VIII); and (iv) Not to impose new or intensify existing import restrictions for balance of payments

² These numbers are cumulative from the beginning of the fiscal year.

³ These numbers are cumulative from the beginning of the calendar year.

Table 2. Liberia: Prior Actions for First and Second Reviews of ECF, 2020		
Prior Actions	Rationale	Status
FY2021 Fiscal Budget		
Adopt (by the Legislature) a FY2021 budget in line with program parameters for the deficit, revenue, and wage bill.	Budget credibility.	Met
Public Financial Management and Governance		
Clear all debt service arrears, including to domestic financial institutions.	Boost confidence in the government and financial sector stability.	Met
At least 80 percent of government workers on the payroll have verified biometric identification cards.	Improve payroll efficiency, record keeping, means of controls, and yield savings.	Met
Safeguard Central Bank Foreign Exchange Reserves		
In consultation with Fund staff, the CBL Board to adopt a financial sector reform plan.	Financial sector stability and safeguarding external buffers.	
Sources: IMF staff; and Liberian authorities.		

Table 3a. Liberia: Structural Benchmarks for the Program Under the ECF Arrangement, First and Second Reviews

Structural Benchmark	Target Date	Rationale	Status
Public Financial Management and Governance			
Improve and clean the civil service payroll registry by: (i) Issuing a regulation by end-December 2019 establishing an end-June 2020 deadline for all public employees to have obtained a national biometric identification; (ii) no government worker will be paid without biometric ID from end-June 2020; and (iii) the MFDP to provide a detailed report to IMF staff—with format and content outlined in the TMU—on the scope and impact of the salary suspension by August 15, 2020.	August 15, 2020	Necessary to eliminate ghost workers.	Not Met —significant progress has been made: more than 80 percent of the public sector employees verified by end-November 2020.
Improve controls of compensation of employees by issuing (or amending) the regulation on hiring of public servants to establish that employment and HR management will be jointly controlled by the CSA and MFDP and that all MACs (except for security sector and integrity agencies) will not be able to complete the hiring process without registering the new hire at the CSA, which will verify and enter the new hire into the automated payroll system only if allotments are available.	End-January 2020	Improve payroll efficiency, record keeping, means of controls, and yield savings.	Not Met, implemented with a delay
The 8 largest State-Owned Enterprises (SOEs) to provide quarterly reports—with content as defined in the TMU—of their financial performance for FY2019Q1-Q4 and FY2020Q1 to the SOE Unit at the Ministry of Finance by end-March 2020 and these be shared with IMF staff by end-April 2020; and (ii) the SOE Unit to prepare and share with IMF staff by end-May 2020 a comprehensive report based on this data in a format defined in the TMU.	End-May 2020	Enhance transparency of major revenue source.	Met

Table 3a. Liberia: Structural Benchmarks for the Program Under the ECF Arrangement, First and Second Reviews (concluded)

Structural Benchmark	Target Date	Rationale	Status
Complete the inventory and rationalize bank accounts with the CBL and commercial banks, which will entail: i) review and refine the policy restricting the number of bank accounts held by MACs; ii) complete the stock-taking exercise of bank accounts; iii) instruct MACs to close their bank accounts at commercial banks and transfer balances to the CBL (excluding donor funded projects, salaries funding accounts and revenue collection accounts); iv) the CBL to set up bank accounts following the closure of MACs bank accounts and transfer of cash balances to the CBL by commercial banks; and v) supply a list of bank accounts that remain at commercial banks to IMF staff along with a rationale for their continued existence.	End-June 2020	A preparatory measure to prepare for eventual adoption of a treasury single account.	Not Met —significant progress has been made: the concept note was developed with IMF TA support; rationalization of bank accounts will be completed in January; and issued a guideline to maintain one account for each currency.
Improve Governance at the Central Bank of Liberia			
Submit the amendments to the CBL Act consistent with Fund staff advice to the National Legislature to strengthen the CBL's mandates, autonomy, decision-making structures, and transparency and accountability, in line with IMF staff recommendations.	End-March 2020	Promotion of greater CBL independence	Met -Approved by the Legislature in October 20, 2020.
Fully implement the priority actions of the updated CBL Action Plan in line with revised due dates.	Quarterly updates starting with End-March 2020	Strengthen the CBL's operations and governance	See Table 4.
Strengthen Anti-Corruption Measures			
Submit to the National Legislature amendments to the anti-corruption and penal laws to upgrade the anti-corruption framework in line with the UNCAC, including by criminalizing illicit enrichment and the bribery of foreign officials and to establish a special fast-track process for prosecuting corruption.	End-September 2020	Improve governance and reduce corruption vulnerabilities.	Not Met. Rephased in line with the anti-corruption resolution.
Sources: IMF staff; and Liberian Authorities.			

Table 3b. Liberia: Structural Benchmarks for the Program Under the ECF Arrangement, Third Review				
	Structural Benchmark	Target Date	Rationale	Status
Tax Administration				
1	Develop an inventory of tax exemptions by type and industry; and specify whether it is discretionary or provided for in the tax law and the timeframe for which it applies.	End-December 2020	Assess, amount of revenue foregone	TA was provided in April on customs-related exemptions.
Public Financial Management and Governance				
2	Improve fiscal transparency and accountability by: <ul style="list-style-type: none"> i. Submitting audit reports for FY2018 and FY2019 budget to the Legislature, and ii. Submitting the audit report for FY2020 budget to the Legislature. 	End-December 2020 End-February 2021	Improve fiscal transparency and accountability.	In progress. FY2018 is near completion; while FY2019 and 2020 were submitted to the GAC.
3	Improve and clean the civil service payroll registry by: (i) no government worker will be paid without biometric ID; and (ii) the MFDP to provide a detailed report to IMF staff—with format and content outlined in the TMU—on the scope and impact of the salary suspension.	End-March 2021	Necessary to eliminate ghost workers.	In progress.
4	Complete the inventory and rationalize bank accounts with the CBL and commercial banks, which will entail: i) review and refine the policy restricting the number of bank accounts held by MACs; and ii) complete the stock-taking exercise of bank accounts.	End-March 2021	A preparatory measure to prepare for eventual adoption of a treasury single account.	In progress.

Table 3b. Liberia: Structural Benchmarks for the Program Under the ECF Arrangement, Third Review (continued)

Improve Governance at the Central Bank of Liberia				
5	In line with the Enterprise Risk Management Policy, submit quarterly compliance reports to BOG with details of deviations from CBL's policies and procedures, as well as stated regulatory requirements.	30 days after each quarter beginning for 2020 Q4	Improve compliance with policies and regulations.	
Internal Controls of the CBL				
6	Enhance reporting practices on foreign exchange withdrawals through compilation of reports on foreign exchange withdrawals from the CBL and timely submission of these reports to the BOG monthly;	Starting with the report for November 2020.	Enhance internal controls.	Monthly FX reports have been produced but not been submitted to the Board.
7	Enhance reporting practices on foreign exchange withdrawals through semi-annual external audits on the foreign exchange reserves of the CBL.	Within six weeks after every six months		
Cash currency management				
8	Improve vault security by: (i) limiting access to vault area to the currency unit only; (ii) limit to currency unit use the additional vault for currency unit only; (iii) cleaning up the area of the currency destruction machine by removing stationary to a different room.	Rephased to end-December 2020.	Improve cash currency management	In progress.
9	Set up a dual control security strategy. One example may be by implementing two door lock-system.	End-December 2020.	Improve cash currency management	In progress.

Table 3b. Liberia: Structural Benchmarks for the Program Under the ECF Arrangement, Third Review (concluded)

Strengthen Anti-Corruption Measures				
10	Enact the revised LACC Act that provides (i) the LACC first tier prosecutorial power over corruption and related economic and financial offenses; (ii) for scope and requirements of an effective system of asset declarations for senior public officials in line with international best practices, including by providing the LACC with the power to receive and verify the declarations, ensure public access to the declarations and sanction public officials who fail to declare or provide false information.	End-March 2021	Improve governance and reduce corruption vulnerabilities.	In progress.
Sources: IMF staff; and Liberian Authorities.				

Table 3c. Liberia: Structural Benchmarks for the Program Under the ECF Arrangement, Fourth Review				
	Structural Benchmark	Target Date	Rationale	Status
Public Financial Management and Governance				
1	Complete the inventory and rationalize bank accounts with the CBL and commercial banks, which will entail: i) instruct MACs to close their bank accounts at commercial banks and transfer balances to the CBL (excluding donor funded projects, salaries funding accounts and revenue collection accounts); ii) the CBL to set up bank accounts following the closure of MACs bank accounts and transfer of cash balances to the CBL by commercial banks; and iii) supply a list of bank accounts that remain at commercial banks to IMF staff along with a rationale for their continued existence.	End-June 2021	A preparatory measure to prepare for eventual adoption of a treasury single account.	In progress.
Improve Governance at the Central Bank of Liberia				
2	In line with the Enterprise Risk Management Policy, submit quarterly compliance reports to BOG with details of deviations from CBL's policies and procedures, as well as stated regulatory requirements.	30 days after the end of the quarter beginning with a report for 2020 Q4	Improve compliance with policies and regulations.	
Internal Controls of the CBL				
3	Enhance reporting practices on foreign exchange withdrawals through compilation of reports on foreign exchange withdrawals from the CBL and timely submission of these reports to the BOG monthly;	Starting with the report for November 2020.	Enhance internal controls.	
4	Enhance reporting practices on foreign exchange withdrawals through semi-annual external audits on the foreign exchange reserves of the CBL.	Within six weeks after every six months		

Table 3c. Liberia: Structural Benchmarks for the Program Under the ECF Arrangement, Fourth Review (continued)

Bank Supervision				
5	Issue the Risk-Based Supervision (RBS) Guideline in accordance with IMF TA recommendations.	End-June 2021	Improve financial sector stability.	Draft already developed with IMF TA support.
6	<p>Introduce a Comprehensive Resolution Regime (CRR) that enables the resolution of banks that are considered nonviable, or likely to become nonviable in the near future, without systemic disruption and without exposing taxpayers to loss. In particular:</p> <p>(i) Submit to the Legislature amendments to the Financial Institutions Act of 1999 that seek to anchor the CRR in legislation and provide the CBL with a broad range of powers for dealing with distressed banks. In addition, the revised FIA will include legal provisions to enable the CBL to impose additional liquidity buffers set at the level of the individual banks;</p> <p>(ii) Approve operational guidelines, policies and manuals needed for the effective functioning of the CRR; and</p> <p>(iii) Establish an organizational unit that is tasked with the development and execution of effective resolution strategies for financial institutions under the CRR. This unit will ensure that emergency liquidity assistance (ELA) and CRR operating frameworks remain effective in providing a backstop for any emergent weaknesses in the financial sector.</p>	<p>End-June 2021</p> <p>End-September 2021</p> <p>End-December 2021</p>	Improve financial sector stability.	The IMF's Legal department completed a desk review of the draft Financial Institutions Act in October 2020 and shared with the CBL. A drafting mission is expected in early 2021 to finalize the draft FIA.
Cash currency management				
7	Develop a methodology for forecasting future demand for bank notes by denomination, including by setting benchmark stocks against which to measure the risk of currency shortage.	End-June 2021	Improve cash currency management	In progress.
8	Destroy unfit notes to create space in the operational vaults, mitigate risks, and better and more accurately reflect circulation figures.	End-June 2021	Improve cash currency management	In progress.

Table 3c. Liberia: Structural Benchmarks for the Program Under the ECF Arrangement, Fourth Review (concluded)

Strengthen Anti-Corruption Measures				
9	Enact the Whistle Blower and Witness Protection Act to provide effective protection from potential retaliation for reporting persons, witnesses and victims in accordance with the UNCAC and best international practices;	End-June 2021	Improve governance and reduce corruption vulnerabilities.	In progress.
Sources: IMF staff; and Liberian Authorities.				

Table 4. Central Bank of Liberia (CBL) Action Plan: Priority Items

August 31, 2020

	Action	Responsible Party	Due Date	Status / Comment
Governance of the CBL				
1	<p>Amendments to the CBL Act to be submitted to the Legislature. The proposed amendments will take into consideration recommendations in Annex II of the 2015 IMF Safeguards Assessment report and forthcoming technical assistance from the IMF Legal Department.</p> <p>Amendments to include changes to the legal framework for the CBL's Internal and External Audits (which are to be revised to bring the relevant section in the CBL Act (Section 46) into line with international good practice).</p>	BOG	Revised CBL Act to be submitted to Legislature by end-March 2020	Met. Subsequently, approved by the Legislature in October 20, 2020.
2	<p>The annual and interim financial statement disclosures of the CBL to be enhanced to:</p> <p>(i) explain the movements and composition of balances, including information on the terms and conditions of key financial instruments, and maintain internal consistency of notes; and</p> <p>(ii) establish month-end closing procedures. This should include formalization of closing procedures, prompt clearance and review of suspense accounts, and analytical reviews of significant positions.</p>	Finance Department (FD)	Starting with 2019 Financial Statement	Met. The 2019 Financial Statements are consistent and adequate disclosures.
			End-December 2019	Not met, implemented with a delay. The revised year-end closing procedures are being reviewed by management of the CBL. The new system was activated on June 13, 2020.

Table 4. Central Bank of Liberia (CBL) Action Plan: Priority Items (continued)

August 31, 2020

	Action	Responsible Party	Due Date	Status / Comment
3	In line with the Enterprise Risk Management Policy, submit quarterly compliance reports to BOG with details of deviations from CBL's policies and procedures, as well as stated regulatory requirements.	BOG / ERMD	30 days after the end of the quarter beginning with a report for 2019 Q4	Not met. Compliance reports detailing deviations from the CBL's policies and procedures, and as well as stated regulatory requirements have not been submitted to and discussed by the BOG.
Internal Controls of the CBL				
4	Enhance reporting practices on foreign exchange withdrawals through (i) compilation of reports on foreign exchange withdrawals from the CBL and timely submission of these reports to the BOG monthly; and (ii) semi-annual external audits on the foreign exchange reserves of the CBL	FD	Starting with the report for November 2019. Within six weeks after every six months	Not Met. Monthly FX reports have not been submitted to the Board but semi-annual audit report for December 2019 submitted to the Board.
5	The IAD to work with the co-sourcing internal firm to strengthen the capacity of its staff to conduct full risk-based auditing.	BAC	Quarterly, beginning with 2019 Q4 report.	Met. PricewaterhouseCoopers was recruited as a co-sourcing firm and is working with the CBL's IAD.
Bank Supervision				
6	Complete an on-site examination of financial institutions that have overdrawn balances at the CBL as of end-September 2019. Appoint a reputable external auditor to review findings of on-site examinations.	RSD	End-November 2019 End-December 2019	Met. Not met, implemented with a delay. The CBL issued request for proposals in April 2020 to 4 investment banks but none responded. Therefore, the CBL requested technical assistance from the U.S. Treasury. The findings of the U.S. Treasury TA will inform the reform plan.

Table 4. Central Bank of Liberia (CBL) Action Plan: Priority Items (continued)

August 31, 2020

	Action	Responsible Party	Due Date	Status / Comment
7	<p>Conduct a detailed assessment of credit underwriting standards across banks and provide an assessment of credit quality and adequacy of provisioning based on banks' internal data.</p> <p>If the picture is unclear after this assessment, conduct an Asset Quality Review (AQR).</p>	RSD	<p>End-June 2020</p> <p>End-December 2020</p>	Not met.
8	<p>Introduce a Special Resolution Regime (SRR) that enables the resolution of banks that are considered nonviable, or likely to become nonviable in the near future, without systemic disruption and without exposing taxpayers to loss. In particular:</p> <p>(i) Submit to the Legislature amendments to the Financial Institutions Act of 1999 that seek to anchor the SRR in legislation and provide the CBL with a broad range of powers for dealing with distressed banks. In addition, the revised FIA will include legal provisions to enable the CBL to impose additional liquidity buffers set at the level of the individual banks;</p> <p>(ii) Approve operational guidelines, policies and manuals needed for the effective functioning of the SRR; and</p>	<p>Legal Counselor</p> <p>BOG</p>	<p>End-September 2020</p> <p>End-December 2020</p>	<p>In progress. The RSD developed a draft Crisis Management Framework and shared a copy with AFRITAC West II desk review and for assistance. The RSD has received their comments/inputs and has incorporated those comments and is also conducting further research based on their advice. However, the finalization of the framework is dependent on the amendment of the New FIA, as the supporting legal framework.</p> <p>Not met. The IMF's Legal department completed a desk review of the draft Financial Institutions Act in October 2020 and shared with the CBL. A drafting mission is expected in [November] 2020 to finalize the draft FIA.</p> <p>Not started. Awaiting approval of the amended FIA.</p>

Table 4. Central Bank of Liberia (CBL) Action Plan: Priority Items (continued)

August 31, 2020

	Action	Responsible Party	Due Date	Status / Comment
	(iii) Establish the necessary institutional capacity (including via the establishment of an organizational unit that is tasked with the development and execution of effective resolution strategies), including ensuring that the emergency liquidity assistance (ELA) and resolution frameworks remain effective in providing a backstop for any emergent weaknesses in the financial sector.	RSD	End-March 2021	Not started. Awaiting approval of the amended FIA.
9	Strengthen the current compliance-based regime for imposing supervisory corrective measures in response to legal violations, breaches of CBL directives, unsafe and unsound practices or other actions, or inaction, from banks that may jeopardize the interests of depositors. The process will achieve compliance with Basel Core Principles #11 and include the following key elements: (i) capacity to be proactive in addressing unsafe and unsound practices at supervised entities; (ii) A system to monitor and evaluate whether the measures are sufficiently effective to induce compliance and ensure effective enforcement of the legal and regulatory framework; and (iii) a system to escalate corrective actions based on the severity of the unsafe and unsound practices and willingness of the regulated entity to comply in a timely manner.	RSD	End-March 2020	Not Met. A Regulation on Supervisory Intervention which reinforces zero tolerance for regulatory breaches has been developed, approved by the CBL Board and issued to banks. The CBL's actions in recent times to impose fines on banks demonstrates its resolve to do this. Although an adequate and comprehensive sanctions regime is in place, it is not being proactively enforced. This SB will be subsumed under the deliverables under the Risk-Based Supervision (RBS) Guideline in SB for third and fourth reviews.

Table 4. Central Bank of Liberia (CBL) Action Plan: Priority Items (continued)

August 31, 2020

	Action	Responsible Party	Due Date	Status / Comment
Cash Currency Management				
10	Improve inventory management of cash by ensuring that: (i) all vault stock movements are recorded by the vault coordinator, and (ii) all vault stocks are recorded in the system immediately on receipt.	Banking Department (BD)	End-November 2019	Met. The department has improved its inventory management of cash by ensuring that all vault stock movements are recorded by the vault registrar or coordinator in a journal and in the system immediately on receipt. This process is in place and ongoing.
11	Improve data collection and reporting by: (i) keeping records on daily basis, both in numbers of notes and value; and (ii) recording by denomination and level of fitness (new, fit, unfit).	BD	End-December 2019	Met. The process of keeping daily records on cash, in terms of number of notes, values, denominations and level of fitness is now operationalized.
12	Develop a methodology for forecasting future demand for bank notes by denomination, including by setting benchmark stocks against which to measure the risk of currency shortage.	BD	End-June 2020. Rephased to end-June 2021.	Not met. The CBL is able forecast banknote demand based on a template developed in collaboration with staff. However, the template is yet to be updated with appropriate denomination structure; and the CBL has not yet set thresholds that signal risk of banknote shortage.
13	Destroy unfit notes to create space in the operational vaults, mitigate risks, and better and more accurately reflect circulation figures.	BD	On-going starting with end-December 2019. Rephased to end-June 2021.	Not met. The CBL destroyed unfit banknotes in March but has not destroyed any since its Board was concerned with improper disposal of waste that would have been environmentally damaging. It has engaged a waste management firm to properly dispose the waste once banknotes have been destroyed.
14	Transfer currency held at waterside reserve vault to the reserve vault at the CBL where security and the environment are better and discontinue the use of Waterside reserve vault.	BD	End-December 2019	Met. The CBL transferred cash from the Waterside reserve vault to the CBL in December 2019.

Table 4. Central Bank of Liberia (CBL) Action Plan: Priority Items (concluded)

August 31, 2020

15	Enhance control of access to restricted areas by: (i) always enforcing swiping device on the door linking banking hall teller unit and vault; and (ii) install swiping devices on entrance to each teller unit.	BD	End-June 2020	Met. The department has put in place control measures by enforcing swiping device on the doors linking banking hall, teller unit and vault.
16	Set up a dual control security strategy. One example may be by implementing two door lock-system.	BD	End-December 2020	In progress. The CBL has managed to improve the security condition of the cash section in addition to the close circuit TV and security personnel.
17	Improve vault security by: (i) limiting access to vault area to the currency unit only; (ii) limit to currency unit use the additional vault for currency unit only; (iii) cleaning up the area of the currency destruction machine by removing stationary to a different room.	BD	End-December 2019. Rephased to end-December 2020.	Not met. The CBL has put in place the necessary restrictions by activating the biometric access and removed some unwanted items in secluded areas. The Assistant Director for the Cash Unit within the Cash Section accompanies the team daily and the Vault Clerk analyzes the data daily and reports to the banking director and management. However, the CBL is preparing to transfer the remaining items that do not belong to the currency unit from the vault area to the DR Site by first quarter of 2021.
18	Submit the emergency procurement request to the Legislature to ensure printing of sufficient Liberian dollar banknotes.	OG / Ministry of State	End-January 2020	Met. The legislature approved the printing of LD4 billion, and banknotes were delivered in July 2020.
	Ensure an open tender process for the design and/or printing and supply of any Liberian dollar banknotes that occurs after the emergency procurement request, based on a tender template with clearly defined timelines and technical and other requirements and allowing for multiple bidders to participate.		Continuous	Met. Based on IMF TA currency denomination structure the CBL Board adopted a currency printing strategy for 2021-2023, and the Legislature adopted the plan November [], 2020. The CBL is already preparing to issue request for procurement for 2021.
Sources: IMF staff; and Liberian Authorities.				

Attachment II. Technical Memorandum of Understanding

A. Introduction

1. This memorandum sets out the understandings between the Liberian authorities and the International Monetary Fund (IMF) regarding the definitions of the quantitative performance criteria (QPCs) and indicative targets (ITs) for the program supported by the Extended Credit Facility (ECF) arrangement, as well as the related reporting requirements. It also describes the methods to be used to assess the program performance and the information requirements to ensure adequate monitoring of the targets. The authorities will consult with the Fund before modifying measures contained in this letter, or adopting new measures that would deviate from the goals of the program, and provide the Fund with the necessary information for program monitoring. Unless otherwise specified, all QPCs and indicative targets (ITs) will be evaluated in terms of cumulative flows from the beginning of the period.

B. Program Exchange Rates

2. For the purpose of the program, foreign currency denominated values for 2019 will be converted into Liberian currency (Liberian Dollar) using a program exchange rate of LD 211.50/US\$ and cross rates as reported in the IMF's International Financial Statistics as of October 31st, 2019 and reproduced below in Table 1.

Currency	Currency Units Per SDR	Liberian Dollars Per Currency Unit	US dollars Per Currency Unit
US dollars	1.38	211.50	1.00
British Pound Sterling	1.06	274.09	1.30
Japanese Yen	150.12	1.94	0.01
Euro	1.24	235.90	1.12
SDR	1.00	291.74	1.38

C. Definitions

Quantitative Performance Criteria (QPC)

3. For the purpose of the program, the **Government** is defined as the **budgetary central government of Liberia (GoL)**. It excludes extrabudgetary units of the central government, public nonfinancial corporations, public financial corporations, social security funds, and local government. The operations of the budgetary central government will be presented in U.S. dollars with all revenues and expenditures that are denominated in Liberian dollars converted at the period average exchange rate.

4. The *budgetary central government* is defined as central government entities with budgets covered by the main budget controlled by the Ministry of Finance and Development Planning. The coverage includes on-budget operations and off-budget transactions managed by these entities.

5. The revenue collection of the budgetary central government includes all tax and non-tax receipts transferred into the GoL revenue accounts at the CBL for the relevant fiscal year, including income and transfers from state-owned enterprises and public institutions, as well as budget support loans and grants. Tax revenue includes taxes on income, profits, capital gains, goods and services, international trade, and other taxes (including property tax and social contribution by foreign concessions). Non-tax revenue includes property income (dividends and interest income, royalty and rent, and assets sales), administrative fees, fines, penalties and forfeits, as well as other non-tax revenue (voluntary transfers and other grants, sales of other goods and services, withholding on other payments by government (non-resident), and taxes on financial and capital transactions. External loans and grants for off-budget projects managed by the budgetary central government are excluded unless otherwise stated. For the purposes of the program, revenue is measured in U.S. dollars, with GoL revenue account receipts in Liberian dollars converted to U.S. dollars using the period average exchange rate.

6. The public sector is defined as the general government (which includes the central government, local government and social security funds), public nonfinancial corporations and public financial corporations. Public corporations are defined as resident institutional units controlled by government, or another public corporation, that are principally engaged in the production of market goods or services. Control of a corporation is defined as the ability to determine general corporate policy of a corporation. General corporate policy is understood in a broad sense to mean the key financial and operating policies relating to the corporation's strategic objectives as a market producer. A market producer is an institutional unit that provides all or most of its output to others at prices that are economically significant.

7. The definition of *public external debt* (both concessional and non-concessional), for the purposes of the program, refers to the debt of the central Government (as defined in paragraph 3) owed to non-residents, and it applies not only to the meaning set forth in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014 (Annex I), but also to commitments contracted or guaranteed for which value has not been received. External debt is considered as contracted for program monitoring purposes once all conditions for its entrance into effect have been met, including ratification, if required. External debt is considered guaranteed when all the conditions for entry into effect, including ratification, have been met for both external debt and the guarantee.

8. Quantitative performance criteria are proposed for December 31, 2020, and June 30, 2021 with respect to:

- Primary fiscal balance (**floor**),
- New arrears on public external debt (ceiling),
- New non-concessional public external debt contracted or guaranteed (ceiling),
- CBL's operational and capital expenditure (ceiling),
- CBL's net international reserves (floor), and
- CBL's gross direct credit to government (ceiling).

Primary Fiscal Balance

9. A floor applies to the cumulative flow of the primary fiscal balance since the beginning of the fiscal year, which runs from July 1 to June 30. The primary fiscal balance relates to revenue and expenditure of the budgetary central government (as defined in paragraph 4). For the purpose of monitoring the program and QPCs, the focus is on on-budget operations only, and the primary balance used is defined as being equal to the difference between revenue excluding budget-support grants and loans and expenditure net of interest payments (including on-budget gross investment in nonfinancial assets). Revenue is defined as all revenue collected by the LRA. Expenditure is measured on a commitment basis. For non-payroll expenditures, commitment happens when a payment voucher has been issued following receipt of goods or services. A future obligation to pay is subject to fulfillment of a contract or service delivery and thus is distinguished from commitment. For payroll expenditure, commitment is when the payment is approved. The primary fiscal balance used for the debt sustainability analysis is calculated using revenue and expenditure of the budgetary central government including off-budget transactions.

10. Adjuster: If the sum of cumulative budget support grants and concessional budget support loans received up to the relevant quarter in FY2019/20 exceeds the amounts stated in Table 2 below, the floor for the primary fiscal balance excluding grants in that quarter will be adjusted downward by the amount of the excess. The criteria in paragraph 12 will be used to determine whether a loan is concessional or non-concessional. If part of expenditure were for capital injection that are consistent with the financial sector reform plan adopted by the CBL Board in consultation with Fund staff, the floor for the primary fiscal balance excluding grants in that quarter will be adjusted downward by that amount.

Table 2. Liberia: Adjustor to the Primary Balance Excluding Grants, FY2020 (Millions of U.S. dollars, Cumulative)								
	FY2020 Q1	FY2020 Q2	FY2020 Q3	FY2020 Q4*	FY2021 Q1	FY2021 Q2	FY2021 Q3	FY2021 Q4
Budget support	0.0	6.0	46.0	61.0	14.0	72.0	0.0	46.0
Primary fiscal balance excluding grants	28.9	21.9	-2.3	0.0	-3.9	-5.0	8.9	-23.4
*As reported at end-September after full reconciliation of the fiscal year.								

New Arrears on Public External Debt

11. A zero ceiling applies on payment arrears on public external debt. Public external debt is defined in paragraph 7. For the purpose of the ceiling on the accumulation of external payment arrears, external payment arrears will accrue when undisputed payments such as interest or amortization on debts of the Government (as defined in paragraph 3) to non-residents are not made within the terms of the contract (taking into account any contractual grace periods). This criterion excludes arrears arising from external payments obligations being renegotiated with creditors and arrears on debts in dispute. The source of the data is primarily the Debt Management Unit of the Ministry of Finance and Development Planning, but where information gaps arise, other fiscal and monetary sources will be used to reconcile the data. This performance criterion will be monitored on a continuous basis.

New Non-Concessional Public External Debt Contracted or Guaranteed

12. A continuous ceiling applies to the contracting and guaranteeing by the public sector of new non-concessional external debt. Public external debt is defined in paragraph 7.

13. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the net present value (NPV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The NPV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. The discount rate used for this purpose is 5 percent. Loans provided by a private entity will not be considered concessional unless accompanied by a grant or grant element provided by a foreign official entity, such as both components constitute an integrated financing package with a combined grant element equal to at least 35 percent.

14. Non-concessional public external debt is external debt (as defined in paragraph 7) that does not meet the definition of concessional defined in paragraph 12. External debt and its

concessionality will be reported by the Debt Management Unit of the Ministry of Finance and Development Planning and will be measured in U.S. dollars at current exchange rates.

CBL's Operational and Capital Expenditure

15. A ceiling applies on the operational and capital expenditure of the CBL. For the purposes of the program, the CBL's operational and capital expenditure budget is defined as the sum of total accrual based operating expenses and cash based capital expenditure excluding the interest paid on CBL instruments and facilities. The budget is measured in U.S. dollars, with all Liberian dollar expenditure converted at the monthly period-average exchange rate.

CBL's Net International Reserves

16. Net international reserves of the CBL are defined as the difference between gross official reserve assets and gross reserve liabilities. The net foreign exchange position of the CBL is presented in U.S. dollars. Assets and liabilities denominated in SDRs are valued at a fixed rate of the U.S. dollar against SDR at the program exchange rate (Table 1). Other currencies are valued at cross rates against the U.S. dollar using the program exchange rates (Table 1).

17. Gross official reserve assets of the CBL include the following: (i) monetary gold holdings; (ii) holdings of SDRs; (iii) the reserve position in the IMF; (iv) foreign convertible currency holdings; (v) foreign currency denominated deposits held in central banks and other investment-grade banks and institutions abroad; (vi) loans to foreign banks of investment-grade redeemable upon demand; (vii) investment-grade foreign securities; and (viii) other unpledged convertible liquid claims on non-residents. It excludes the following: (i) any foreign currency claims on residents; (ii) Resident banks' foreign currency assets held at the CBL; (iii) capital subscriptions in international institutions; (iv) foreign assets in nonconvertible currencies; (v) unfit foreign currency bank notes in vault and in transit; (vi) gross reserves that are in any way encumbered or pledged, including, but not limited to (a) assets blocked when used as collateral for third-party loans and third party payments or pledged to investors as a condition for investing in domestic securities; (b) assets lent by CBL to third parties that are not available before maturity and are not marketable; (c) assets blocked for letters of credit; (d) assets ring-fenced in accordance with guarantees.

18. Gross reserve liabilities of the CBL are defined as sum of the following (i) outstanding liabilities of the CBL to the IMF; (ii) all short-term foreign currency liabilities of the CBL to non-residents with an original maturity of up to, and including, one year, and (iii) all foreign currency deposits of the government with the CBL. SDR allocations are excluded from gross reserve liabilities of the CBL.

19. For the purpose of calculating the QPC on NIR, end-of-the-month foreign exchange numbers audited by the Internal Audit Department of the CBL will be used, except for IMF accounts numbers (i.e., Reserve tranche position, SDR holdings, and Use of Fund resources will be taken from IMF records).

20. Adjusters to QPC on the floor on the change in NIR. The QPC floor on the change in NIR shall be adjusted down by the difference between the value credited to the CBL's account and the value of unfit U.S. dollar banknotes shipped to the Federal Reserve. The QPC on NIR shall also be adjusted up by the amount of the debt relief provided under the CCRT and down by the amount of any foreign currency on-lending to the GOL of IMF disbursements above the projections specified in table 3, converted to U.S. dollar at the program exchange rate.

Table 3. Liberia: Adjustor to the Floor on NIR, 2020-21 (Millions of U.S. dollars)			
	End-December 2020	End-June 2021	End-December 2021
CCRT*	31.5	15.6	31.1
On-lending of IMF disbursements	38	0.0	0.0
*Cumulative from beginning of year.			

21. Recognition of GOL deposits on test dates. GOL deposits credited to the CBL's accounts before or on the test date but whose liability is recognized by the CBL after the test date shall, for program purposes, be recognized a GOL deposit occurring on the test date.

CBL's Gross Direct Credit to Government

22. A ceiling applies on the CBL's gross direct credit to the Central Government (as defined in paragraph 3). CBL gross direct credit to the Government is the sum of all claims on the government in local and foreign currency. It includes loans to the Government in local currency including all suspense accounts, loans to the Government in foreign currency including all suspense accounts, securities in local currency (other than shares), securities in foreign currency (other than shares), negative balances (overdrafts) on deposits of the central government in local currency including "other deposits", negative balances (overdrafts) on deposits of the central government in foreign currency including "other deposits", and all other claims on the government in local currency.

23. Adjustment to the QPC on the ceiling on the CBL's gross direct credit to government. The ceiling will be adjusted up by the amount of on-lending to the GOL of IMF disbursements converted to U.S. dollar at the program exchange rate.

Indicative Targets

24. The program sets indicative targets for December 31, 2020, and June 30, 2021 with respect to:

- Total revenue collection of the budgetary central government (**floor**),
- New domestic arrears/payables of the budgetary central government (**ceiling**),
- Social and other priority spending (floor),
- On-budget capital spending (floor), and
- Net domestic assets of the CBL (ceiling).

Total Revenue Collection of the Budgetary Central Government

25. For the purpose of the indicative target on revenue collection, total revenue is the revenue collection of the budgetary central government (as defined in paragraph 5) including budget support loans and grants.

New Domestic Arrears/Payables of the Budgetary Central Government

26. A ceiling applies on new domestic arrears of two types of government expenditure. The precise point at which a government liability falls into arrears typically varies according to the type of expenditure. For the purposes of this indicative target, the following two types of government expenditure will be considered to be in arrears under the circumstances set forth below:

- *Payment to commercial contractors for provision of goods and services or fixed assets:* expenditure is considered to be in arrears when “cash expenditure” is lower than “IFMIS expenditure” in expenditure code 22 (goods and services), code 23 (consumption of fixed capital) and code 31 (capital expenditures) reported in the final reconciled ECF report of the corresponding fiscal year. A processing period cannot be more than 90 days from the end of the fiscal year.
- *Payment of interest or principal on government debt:* expenditure falls into arrears as soon as the scheduled date for payment has passed (subject to any applicable grace period).

Social and Other Priority Spending

27. For end-December 2019 and end-June 2020, social spending is defined as education, health, and social development services. Education, health, and social spending consist of the payments from the FY2019/20 budget of the units listed in Table 3 (payment vouchers approved by the Ministry of Finance and Development Planning).

Table 3. Liberia: Social and Other Priority Spending

Sector	Payment voucher items
Education	Total wage bill and workforce of teachers by subsector (early childhood, primary, junior high, and senior higher).
	Spending on home-grown school feeding program.
Health	Total wage bill and workforce of core clinical health workers (physician, physician assistant, midwife, registered nurses) and noncore clinical health workers (clinical support, EHT, dentist, lab technician and pharmacist).

On-Budget Capital Spending

28. On-budget capital spending is defined as gross investment in nonfinancial assets as stated in the budgetary central government statement of operations table. It excludes off-budget projects. The indicative target is based on the annual gross investment and will be tested in June 2020 based on gross investment over FY 2019/2020.

Net Domestic Assets of the CBL

29. The net domestic assets of the CBL are defined as monetary base expressed in U.S. dollars minus the net foreign assets of the CBL (converted into U.S. dollars at program exchange rates). The following definitions apply:

- *Monetary base* expressed in U.S. dollars is defined as monetary base expressed in Liberian dollars divided by the Liberian dollar/USD exchange rate published by the CBL for the relevant test date.
- *Monetary base* expressed in Liberian dollars is defined as the stock of Liberian dollars in circulation (including vault cash of ODCs in Liberian dollars) plus reserve deposits of ODCs at the CBL in both Liberian dollars and U.S. dollars.
- The *net foreign assets* of the CBL are expressed in U.S. dollars and are defined as foreign assets of the CBL minus foreign liabilities of the CBL.
- *Foreign assets* of the CBL are defined as the sum of *gross reserves* (defined in paragraph 16) and *other foreign assets*. Other foreign assets include but not limited to foreign currency trade credit/ advances of non-resident.

- *Foreign liabilities* of the CBL are defined as the sum of *short-term foreign liabilities* and *other foreign liabilities*. Short-term foreign liabilities include but not limited to the use of Fund credit and loans. Other foreign liabilities include but not limited to other foreign currency loans to nonresidents and SDR allocation.

30. Adjustment to the indicative target on the ceiling on the net domestic assets of the CBL. The ceiling will be adjusted up by the amount of on-lending to the GOL of IMF disbursements converted to U.S. dollar at the program exchange rate.

D. Data Reporting

31. To allow monitoring of developments under the program, the Ministry of Finance and Development Planning and the CBL will coordinate and regularly report the information requested in Tables 4-6, below, to the staff of the IMF.

Table 4. Data Reporting Requirements for Program Monitoring

Reporting Agency	Table/Report	Frequency	Timing
MFDP	The report on the status of implementation of the performance criteria and structural benchmarks specified in [Tables 1, 3, and 4] of the MEFP	Monthly	Within three weeks after the end of the month
Fiscal			
MFDP	Monthly fiscal reconciliation reports, where cash revenue and expenditure with spending commitments are reconciled	Monthly	Within three weeks after the end of the month
LRA	Daily LRA unreconciled revenue performance report	Daily	Within three days
MFDP	Detailed reports on monthly revenue and expenditure on both a cash and a commitment basis by budget line and a completed summary table on central government operations	Monthly	Within three weeks after the end of the month
MFDP	A detailed report on disbursements of budget support, grants and budgeted and off-budget loans, by donor and by project	Monthly	Within three weeks after the end of the month
MFDP	A detailed report on monthly social spending lines monitored for the program purpose on commitment and cash basis	Monthly	Within three weeks after the end of the month
MFDP	A table providing the end-of-period stock of domestic arrears accumulated and payments made on arrears during the program period, by budget category (wages, goods and services, etc.), including payment and stock of existing arrears from the previous ECF Arrangement	Monthly	Within three weeks after the end of the month
MFDP	Outstanding appropriations, allotments and commitments, and disbursements for line ministries and agencies	Monthly	Within three weeks after the end of the month
MFDP	Weekly cash plan report detailing: i) weekly revenue and expenditure cash flows, including opening balance of revenue account, cash inflows, cash outflows, sources of financing, surplus/deficit, outstanding checks, and net of closing bank balance and outstanding checks; ii) monthly cash plan for the remaining of the fiscal year	Weekly	Within five days after the end of the week
MFDP	Weekly fiscal report detailing: i) summary of budget expenditure on allotment, commitment, cash basis, and liabilities by economic code; ii) detailed budget execution; iii) cumulative revenue and expenditure by currency; iv) expenditure by Ministries and Agencies	Weekly	Within five days after the end of the week

Table 4. Data Reporting Requirements for Program Monitoring (continued)			
Reporting Agency	Table/Report	Frequency	Timing
CBL	Monthly sweeping reports showing the end of the month balances of the GoL accounts at the CBL and of all operations and other accounts at the CBL of the M&As	Monthly	Within three weeks after the end of the month
CBL	The CBL's claims on and liabilities to Central Government by account: i.e., end-of-month balances of all operating and other accounts at the CBL of the line ministries and agencies receiving budgetary appropriations	Monthly	Within three weeks after the end of the month
CBL	The CBL's claims on and liabilities to Public Nonfinancial Corporations by account: i.e., end-of-month balances of all operating and other accounts at the CBL of all public nonfinancial corporations	Monthly	Within three weeks after the end of the month
MFDP	Quarterly reports of state-owned enterprise financial operations submitted to the Ministry of Finance and Development Planning	Quarterly	Within 45 days after the end of the quarter
Balance of Payments and Public External Debt			
CBL	Export volumes and values by major commodity, import values by standard international trade classification (SITC), import volumes of rice (by commercial and noncommercial use) and petroleum products	Monthly	Within three weeks after the end of the month
CBL	Remittance flows for money transfer operators (MTOs) and commercial bank wire. Data to be reported as gross inflows and gross outflows for each component.	Monthly	Within three weeks after the end of the month
MFDP	The amount of new external debt contracted or guaranteed by the Government, as well as projects in the pipeline or cancelled	Monthly	Within three weeks after the end of the month
MFDP	The amount of new domestic debt contracted or guaranteed by the Government	Monthly	Within three weeks after the end of the month
MFDP	A detailed report on monthly disbursement of external debt by loan, category and creditors; and distinguishing between loan and grant components in cases of projects with mixed funding modalities	Monthly	Within three weeks after the end of the month
MFDP	A detailed report on monthly payments of interest and principle on external debt by loan instrument, category and creditors and the stock of external debt.	Monthly	Within three weeks after the end of the month

Table 4. Data Reporting Requirements for Program Monitoring (continued)

Reporting Agency	Table/Report	Frequency	Timing
MFDP	Detailed report of debt service due date and actual payment date throughout the corresponding fiscal year by loan instrument and creditor.	Monthly	Within three weeks after the end of the month
MFDP	A detailed report on monthly payments on domestic debt by category and the domestic debt stock	Monthly	Within three weeks after the end of the month
Monetary and Exchange Rate			
CBL	The end-of-month balance sheet of the CBL (1SR) and the Central Bank Survey (1SG)	Monthly	Within three weeks after the end of the month
CBL	The end-of-month balance sheet of the other depository corporations (ODCs) (2SR) and the Other Depository Corporations Survey (2SG)	Monthly	Within three weeks after the end of the month
CBL	The Depository Corporations Survey (3SG)	Monthly	Within three weeks after the end of the month
CBL	CBL cash and budget weekly outturn relative to forecast following the template provided below (Table 5)	Weekly	Within five days after the end of the week
CBL	CBL commitment-based budget monthly outturn relative to forecast following the template provided below (Tables 6)	Monthly	Within three weeks after the end of the month
CBL	A full set of monthly Financial Soundness Indicators (FSIs) regularly calculated by the CBL, including capital adequacy, profitability and liquidity ratio.	Monthly	Within three weeks after the end of the month
CBL	The income statements of ODCs as reported to the CBL	Monthly	Within three weeks after the end of the month
CBL	The detailed table of commercial banks' loans and advances by sector	Monthly	Within three weeks after the end of the month
Foreign Exchange and Reserve Assets			
CBL	Daily reporting of net international reserves and components: gross foreign assets (vault cash, balances with overseas correspondent banks), ODCs' current account in foreign currency, the Government's FX deposits, mutes in vault and transit, operational tellers accounts,	Weekly	Within five days after the end of the week

Reporting Agency	Table/Report	Frequency	Timing
CBL	Daily reporting of gross foreign exchange inflows and outflows and their components: inflows to GOL accounts (revenue accounts, off-budget revenue accounts, clearing accounts); inflows to ODC accounts by types of transactions (final, interbank, clearing / settlement and others); inflows to CBL accounts (interest income, surrender purchases, FX interventions, other inflows); outflows from GOL accounts (on-budget expenditure, off-budget expenditure, clearing accounts); outflows from ODC accounts (withdrawals, clearing, and others); and outflows from CBL accounts (recurrent payments, other payments, FX interventions). Daily reporting of other memo items: total inbound remittances through MTOs, the exchange rate for surrender purchases, published indicative buying and selling rates.	Weekly	Within five days after the end of the week
CBL	Daily foreign exchange transactional level data	Weekly	Within five days after the end of the week
CBL	Internal Audit Department (IAD)'s verification report on foreign exchange (random check on the accuracy of the daily data at least five times a month, plus on the last day of each month)	Monthly	Within five days after the end of the month
CBL	Daily reporting for monetary operations and accounts of the ODCs at the CBL: Standing Deposit Facility (SDF) (outstanding, requested, recalls, SDF interest rate); Standing Credit Facility (SCF) (outstanding, SCF interest rate); CBL bills (outstanding, maturing, and the amount, tenor and average interest rate of new CBL bill issuances); ODC accounts at the CBL (the average reserve maintenance period (RMP), reserve requirement for RMP, and excess reserves in foreign currency and those in local currency); and currency in circulation (CIC) (currency issuance, currency redemption, USD withdrawal, USD deposit).	Weekly	Within five days after the end of the week
CBL	CBL FX auctions summary of bids and bidders, including data on: number of participants (commercial banks and clients); maximum bid rate and volume; minimum bid rate and volume; average bid rate; largest transaction size (client and commercial bank); smallest transaction size (client and commercial bank)	Weekly	Within five days after the end of the week

Table 4. Data Reporting Requirements for Program Monitoring (concluded)			
Reporting Agency	Table/Report	Frequency	Timing
CBL	Amounts offered, demanded and placed in Government of Liberia Treasury bill/ Treasury bond auctions; including minimum bid rate and amount, maximum bid rate and amount, and weighted average bid rates.	Monthly	Within one week after the end of month
CBL	Interest rates: average monthly interest rates on loans and deposits	Monthly	Within three weeks after the end of month
CBL	A detailed report on liquidity forecasting up to 6 months ahead, including: (i) projected government's cash flows (revenue, expenditure, repayments and disbursements of loans including T-bills) by currency; (ii) projected flows to the CBL's net exchange position, including but not limited to planned U.S. dollar sales in the foreign exchange auction, and planned foreign exchange transactions with the Government; and (iii) projected flows of Liberian dollar liquidity, including but not limited to planned CBL Notes issuance	Monthly	Within three weeks after the end of month
Real			
CBL	Production data in value and volume	Quarterly	Within six weeks after the end of the quarter

32. The above data and reports will be provided electronically to the IMF Resident Representative to Liberia, with copies to the local IMF economist, Mr. Deline (adeline@imf.org) for further transfer to the African Department of the IMF in Washington, D.C.

33. Moreover, we will provide the Fund with such information as the Fund requests in connection with the progress in implementing the policies and reaching the objectives of the program.

34. In addition to this summarized table, the CBL will also provide detailed balance sheet data to IMF staff when requested.

Table 5. Reporting Requirements for the CBL's Cash Budget (Template)					
	Week 1		Week 2		...
	Budget	Actual	Budget	Actual	...
Income					
Interest income					
o/w from GOL					
Other income					
Expenditure					
Current expenditure					
Personnel costs					
o/w in Liberian dollar					
Other expenses					
o/w in Liberian dollar					
interest payments					
Capital expenditure					
o/w currency printing					
In Liberian dollar					

Table 6. Reporting Requirements for the CBL's Cash Budget (Template)							
	Month 1			Month 2			...
	Budget	Committed	Actual	Budget	Committed	Actual	...
Income							
Interest income							
o/w from GOL							
Other income							
Expenditure							
Current expenditure							
Personnel costs							
o/w in Liberian dollar							
Other expenses							
o/w in Liberian dollar							
interest payments							
Capital expenditure							
o/w currency printing							
In Liberian dollar							



LIBERIA

December 8, 2020

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERIA— INFORMATIONAL ANNEX

Prepared By

The African Department
(In consultation with other departments)

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RELATIONS WITH THE FUND

(As of October 31, 2020)

Membership Status: Joined: March 28, 1962. Article XIV

General Resources Account:	SDR Million	%Quota
Quota	258.40	100.00
Fund holdings of currency	226.08	87.49
Reserve Tranche Position	32.33	12.51

SDR Department:	SDR Million	%Allocation
Net cumulative allocation	123.98	100.00
Holdings	136.88	110.41

Outstanding Purchases and Loans:	SDR Million	%Quota
RCF loans	65.25	25.25
ECF arrangements	116.31	45.01

Latest Financial Arrangements:

	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Dec 11, 2019	Dec 10, 2023	155.00	17.00
ECF	Nov. 19, 2012	Nov. 17, 2017	111.66	111.66
ECF ¹	Mar. 14, 2008	May 17, 2012	247.90	247.90

¹Formerly PRGF.

Projected Payments to Fund

(SDR Million; based on existing use of resources and present holdings of SDRs):

	2020	2021	2022	2023	2024
Principal	2.81	22.97	26.28	27.32	24.36
Charges/Interest	0.00	0.00	0.00	0.00	0.00
Total	2.81	22.97	26.29	27.32	24.36

Implementation of HIPC Initiative: Enhanced Framework

Commitment of HIPC assistance	
Decision point date	March 2008
Assistance committed by all creditors (US\$ Million) ¹	2,739.20

<i>Of which:</i> IMF assistance (US\$ Million)	721.10
(SDR equivalent in millions)	440.90
Completion point date	June 2010
<hr/>	
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

Delivery of Debt Relief at the Completion Point:

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

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

Implementation of Catastrophe Containment and Relief (CCR):

<u>Date of Catastrophe</u>	<u>Board Decision Date</u>	<u>Amount Committed (SDR million)</u>	<u>Amount Disbursed (SDR million)</u>
N/A	Feb 23, 2015	25.84	25.84
N/A	Apr 13, 2020	11.63	11.63
N/A	Oct 2, 2020	11.19	11.19

¹Assistance 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.

²Under 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.

Safeguards Assessment

The 2019 safeguards assessment noted a significant deterioration in the governance and control frameworks of the CBL. The lack of a permanent Board for almost two years and changes to the Governor, both Deputy Governors, and senior management impacted the CBL's governance and accountability. In addition, the financial position of the CBL had deteriorated following the extension of credit to government in excess of legal limits and new risks have emerged in domestic currency operations as highlighted in the recent external investigation reports. Fundamental steps were needed to address these vulnerabilities. To this end, many of the priority recommendations included as structural measures under the new arrangement were largely met.

Exchange Rate Arrangement

The currency of Liberia is the Liberian dollar. The U.S. dollar is also legal tender. The de jure exchange rate regime classification is 'managed floating'. The Central Bank of Liberia (CBL) intervenes in the foreign exchange market to smooth volatility. Since February 2020, the exchange rate has stabilized within a 2 percent band against the U.S. dollar. Accordingly, the de facto exchange rate arrangement was reclassified to "stabilized" from "other managed", effective February 20, 2020. Liberia maintains an exchange rate system that is free of restrictions on payments for current transfers.

Technical Assistance 2014–20

Topic	Date
Fiscal Affairs Department	
Revenue Administration	February–March and April–May 2014, November 2014–April 2015 (Remote), July–August, September–October, and November–December 2015, February, June, October, and December 2016, Long-term residential advisor has been deployed in the LRA since January 2016. February–April, July, November, and December 2017, January 2018, March–April 2018, May 2018, June 2018, July 2018, August–September 2018, October 2018, November 2018, February 2019, March 2019, October 2020
Public Financial Management Reform	January, February, November 2016, May–June, July–August, September, October, November, December 2017, April 2018, June 2019
Natural Resource Revenue	January and March, and December 2016, February, and April 2017, April 2018, February 2019
Fiscal Decentralization	December 2015
Capacity Building and Sector Audit Training, including Computer assisted Audit Techniques in Telecommunications.	April 2014
Fiscal Framework for a New Model Petroleum Production Sharing Contract and Revenue Modeling	June 2014, August 2018, October 2020
Budget Formulation and Public Sector Investment Plan	June 2015, June 2019
Public Investment Management Assessment	July 2016, July, September 2017, January 2018
Tax Policy	February 2017, May 2019
Cash Management	September 2017, April 2018, September 2018, October 2019
Statistics Department	
Balance of Payments	July 2014 and January–February, June–July 2016, January, July 2017, Feb 2018, September 2018, April 2019, February 2020
Government Financial Statistics	September 2016, October 2017, March 2019, November 2020

Topic	Date
National Accounts and Consumer Price Index	May 2014, April–September (Remote), June–July, November 2015, March, July, August, September, December, December 2016, February, July–August, November 2017, December 2017, January 2018, February 2018, April 2018, June 2018, August–September 2018, October– November 2018, January 2019, March–April 2019, July 2019, November 2020
Monetary and Financial Statistics	January 2019
Financial Soundness Indicators	April 2019, January 2020, February 2020
Monetary and Capital Markets Department	
Central Bank Governance	November 2017, May 2020
Banking Supervision	January, April, July 2014. February, April–May, August, November 2016, January 2019, June 2019, September 2019, December 2019, June–July 2020, August 2020
Monetary Policy	July 2018, October 2018, February–March 2019, April–May 2019, August 2019
Central Bank Accounting	August 2016, March 2017
Monetary Analysis and Payment System	November 2016, November–December 2017
Basel II/III Training Workshop	November 2016, July 2017
Liquidity Forecasting	May 2014, August 2015, and January–February 2016
Crisis Preparedness and Management Framework	October–November 2015, January 2017, March 2017, August–September 2018
Central Bank Internal Operational Cost Structure and Annual Budget	August 2019
Currency management and control	November 2019
Finance Department	
Safeguards and Fiscal Investment	September 2017, September 2019
Legal Department	
AML/CFT framework	November 2017, March 2018, August 2018, February–March 2019, July 2019, December 2019
CBL Act	January 2018
Tax Law	October 2017

Resident Representative

A resident representative has been posted in Monrovia since April 2, 2006. Currently, Mr. Abdychev is in this role since August 1, 2020.

RELATIONS WITH OTHER IFI'S

- World Bank Group

http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode_exact=LR

- African Development Bank

<https://www.afdb.org/en/countries/west-africa/liberia/>

- AFRITAC West 2

<http://www.afritacwest2.org/home>

STATISTICAL ISSUES

(As of November 4, 2020)

I. Assessment of Data Adequacy for Surveillance
<p>General: Data provision has serious shortcomings that significantly hamper surveillance. Most affected areas are: national accounts, government finance, and balance of payments statistics.</p>
<p>National Accounts: Comprehensive national accounts data are not available and Fund staff use their own estimates of GDP for surveillance.</p> <p>The Liberia Institute of Statistics and Geo-Information Services (LISGIS) is progressing on the rebasing of the national accounts, with base year 2016. The National Accounts Annual Survey (NAAS) for 2016 was carried out and the survey results are available. Regarding the areas of the economy not covered by the NAAS, administrative data sources were identified and provided to LISGIS to cover those sectors in the course of the GDP rebasing. The 2016 data of the Household Income and Expenditure Survey (HIES) are being analyzed and used for measuring informal activities and estimating GDP by the expenditure approach. The results of the rebased GDP are expected to be published in 2021.</p>
<p>Price Statistics: Assisted by the EDDI 2 project,¹ the LISGIS introduced an updated CPI for the January 2019 publication by using expenditure weights and an updated market basket based on the Household Income and Expenditure Survey conducted during 2016. Currently prices are collected only in Monrovia but the LISGIS plans to introduce national collection once recently introduced enhancements are sustained. The price of Education and Health services had breaks in the series in July and September 2020, which led to an upward jump in CPI.</p> <p>The LISGIS does not currently compile a PPI for Liberia because this requires that an Economic Census be conducted.</p>
<p>Government Finance Statistics: While currently compiled GFS largely aligns to the guidelines of the GFSM 2001/14, gaps remain on the comprehensiveness of transactions in the statement of operations and the institutional coverage of data. Not all external flows, on grants and loans, and associated expenditure are comprehensively captured in the statement of operations. Data coverage remains limited to the budgetary central government. Expenditure transactions are currently recorded on commitment basis, while all other transactions in the statement of operations are recorded on cash basis to a large extent. No adjustment is made to bridge the timing difference of transactions on commitment and cash basis in the statement of operations. IMF technical assistance will continue to support the authorities to improve data quality, but efforts will be required to improve coordination and data sharing mechanisms between various data producing and data using units.</p>
<p>¹Enhanced Data Dissemination Initiative (EDDI) phase 2 funded by the UK Department for International Development.</p>

Monetary and Financial Statistics (MFS): The CBL has completed the compilation of monetary data based on STA Standardized Report Forms (SRFs). The implementation of the remaining recommendations of the January 2019 TA mission and regular compilation of monetary data based on the SRFs are critical for surveillance.

CBL reports some data and indicators to the Financial Access Survey (FAS), including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

Financial sector surveillance: The CBL submits some supervisory ratios to the country team for surveillance purposes. A TA mission in April 2019 established an FSI workbook, but the CBL needs to follow up with banks on reporting issues before the FSIs can be published.

External sector statistics: The quality of the ESS has been improving gradually, although for surveillance purpose more efforts are required. Balance of payments statistics are compiled quarterly since August 2016 on a *BPM6* basis and have been submitted to the Fund since 2017. In addition, the CBL has started compiling preliminary annual International Investment Position data. With a view to further improve data quality, new administratively sourced cross-border flows and positions data have been tapped and the CBL has implemented in 2018 an International Transactions Reporting System (ITRS) and a Direct Investment survey. Moving forward, improvements are needed in the collaboration with other data-producing institutions to ensure consistency in the methodological standards used and comprehensiveness of the current account components. Establishing formal institutional collaboration between the Liberia Revenue Authorities (LRA) and the CBL is crucial for developing Direct Investment statistics. The coverage of the ITRS needs to be extended to include all banks as well as the CBL's cross-border transactions.

II. Data Standards and Quality

Participant in the enhanced General Data Dissemination System (e-GDDS) since October 2005, but without a National Summary Data Page. Metadata for most data categories were updated in November 2013.

No Data ROSC mission has been conducted.

III. Reporting to STA

The authorities report quarterly balance of payments and annual IIP data to STA. Liberia does not submit FSIs to STA and annual government finance statistics submissions for the GFSY have lapsed. The CBL is expected to begin reporting monetary data based on SRFs in coming months.

Liberia: Table of Common Indicators Required for Surveillance					
	Date of Latest Observation	Date Received	Frequency of Data⁶	Frequency of Reporting⁶	Frequency of Publication⁶
Exchange Rates	10/2020	11/2020	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	9/2020	11/2020	D	M	Q
Reserve/Base Money	9/2020	11/2020	M	M	Q
Broad Money	9/2020	11/2020	M	M	Q
Central Bank Balance Sheet	9/2020	11/2020	M	M	Q
Consolidated Balance Sheet of the Banking System	9/2020	11/2020	M	M	Q
Interest Rates ²	9/2020	11/2020	M	M	Q
Consumer Price Index	9/2020	11/2020	M	M	Q
Revenue, Expenditure, Balance and Composition of Financing ³ – Budgetary Central Government	9/2020	11/2020	WM	WM	Q
Stocks of Central Government and Central Government-Guaranteed Debt ⁴	9/2020	9/2020	M	M	Q
External Current Account Balance	9/2020	9/2020	Q	Q	Q
Exports and Imports of Goods and Services	9/2020	9/2020	MQ	MQ	Q
GDP/GNP	2017	11/2018	A	A	I
Gross External Debt	9/2020	11/2020	M	M	Q
International Investment Position ⁵	Q1/2019	9/2019	Q	Q	Q

¹Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means, as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

²Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁴Including currency and maturity composition.

⁵Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁶Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).



LIBERIA

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERIA—DEBT SUSTAINABILITY ANALYSIS

December 8, 2020

Approved By
**Celine Allard (IMF) and
Marcello Estevão (IDA)**

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

Liberia: Joint Bank-Fund Debt Sustainability Analysis²	
Risk of external debt distress	<i>Moderate</i>
Overall risk of debt distress	<i>High</i>
Granularity in the risk rating	<i>Limited space to absorb shocks</i>
Application of judgment	<i>No</i>

The Debt Sustainability Analysis (DSA) continues to assess Liberia at moderate risk of external debt distress and high risk of overall public debt distress, with very limited space to accommodate shocks and an extended breach of the Present Value (PV) of public debt-to-GDP ratio. However, public debt is assessed to be sustainable as (i) both the PV of public debt-to-GDP and PV of debt-to-revenue ratios are projected to be on a downward trend and (ii) the high PV of public debt ratios largely reflect debt to the central bank, for which the interest rate is relatively low but is not discounted in the PV calculations. The rollover risk of domestic debt is low as most of the domestic debt is the government's consolidated debt to the CBL. To keep debt distress vulnerabilities contained, it will be important to maintain fiscal discipline and rely on concessional financing.

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

²Liberia's debt-carrying capacity based on the Composite Indicator (CI), which is based on the October 2020 WEO and the 2019 CPIA, is assessed as weak. The CI score is 2.502.

PUBLIC DEBT COVERAGE

1. The DSA covers central government debt, central government guaranteed debt, and central bank debt contracted on behalf of the government (Text Table 1).³ The bulk of State-Owned Enterprise (SOE) debt is guaranteed by the central government and is included in DSA, as Liberian SOEs are unable to secure external funding without such a guarantee. Government borrowing from the Central Bank of Liberia (CBL), a US\$487 million restructured and consolidated debt at the inception of the ECF arrangement, is included in this current DSA analysis. Nearly, half of this amount is in legacy debt from the war time denominated in U.S. dollars, and the other half is in the form of bridge loans, suspense account, and on-lending of IMF budget support. This debt has the interest rate at 4 percent with repayments starting in 2029. In addition, the DSA includes \$65 million sovereign bonds issued to banks in May 2019; about \$10 million of direct liabilities with commercial banks, \$45 million of contractors' liabilities representing contractors' defaulted payments with commercial banks for government contracts in the past, and \$10 million for the rubber plant association representing debt assumption by the government with expectation of repayment of the assumed liability. The largest debt to SOEs is a World Bank loan to the Liberia Electricity Corporation (LEC) for the rehabilitation of Mt. Coffee hydropower station.⁴ Local governments' operations are small and unable to secure external funding without a central government guarantee. Other elements of the public sector debt are not included in the analysis because of data constraints.⁵

Text Table 1. Liberia: Coverage of Public Sector Debt

Subsectors of the public sector	Check box		
1 Central government	X		
2 State and local government			
3 Other elements in the general government			
4 o/w: Social security fund			
5 o/w: Extra budgetary funds (EBFs)			
6 Guarantees (to other entities in the public and private sector, including to SOEs)	X		
7 Central bank (borrowed on behalf of the government)	X		
8 Non-guaranteed SOE debt			

Public debt coverage and the magnitude of the contingent liability tailored stress test			
1 The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
	Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0.5 percent of GDP	0.5	
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2	
4 PPP	35 percent of PPP stock	12.70	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
Total (2+3+4+5) (in percent of GDP)		20.2	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

³The definition of external and domestic debt uses a residency criterion.

⁴This loan is direct lending to the government, but the implementation agency is the LEC.

⁵The contingent liabilities shock from the SOE debt is kept at the default value of 2 percent to reflect risks associated with non-guaranteed SOE debt, currently excluded from the analysis due to data availability constraints. Currently, the SOE Reporting and Coordination Unit (SOERCU) of the MFDP monitors and reports on the performance of 15 out of 39 registered SOEs in Liberia, but the reports do not provide any specific information about non-guaranteed SOE debt. The amended PFM Act strengthens requirements for reporting and monitoring of SOE debt, including non-guaranteed debt. Going forward, the external debt coverage will be expanded as the government plans to include SOE's non-guaranteed debt into public sector debt.

BACKGROUND

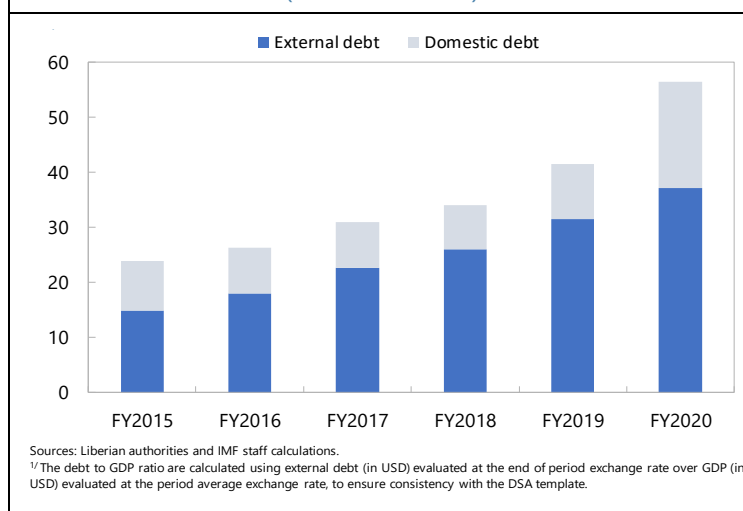
2. This DSA is being conducted in the context of the combined first and second reviews of a four-year arrangement under the Extended Credit Facility (ECF). The last Low-Income Country DSA (LIC-DSF) was considered by the Executive Board in June 2020 as part of the request for disbursement under the Rapid Credit Facility (RCF).⁶ Liberia continues to be subject to the IDA Non-Concessional Borrowing Policy (NCBP) regardless of the risk of debt distress.⁷

3. Under the ECF-supported program, the authorities are committed to keep debt sustainable. The main objectives of the ECF-supported program are to restore macroeconomic stability, provide a foundation for sustainable growth, and to address weaknesses in governance. To ensure debt sustainability under the ECF arrangement, the authorities expressed commitment to closely monitor the debt path; refrain from additional central bank financing and buildup of arrears; remain below the ceiling on non-concessional borrowing; refrain from

nontransparent collateralized agreements; ensure that new debt is contracted transparently; and give due consideration to the country's absorption capacity, which remains low.

4. The COVID-19 pandemic has resulted in an adverse impact on growth and revenue, additional spending needs, and larger BOP needs than at the time of program approval. The spread of the pandemic in Liberia has resulted in loss of output (and hence revenue) due to demand and supply shocks, specifically, a near-cessation of hotel and transportation services, resulting in a sharp decline in service exports. While the full extent of the impact of the COVID-19 pandemic is not known, the economic activity has slowed down; high frequency indicators (revenue, imports, credit growth) show that economic activity is down from the previous year by 3 percent. In particular, imports in the first half of 2020 are down by about 7 percent.

Text Figure 1. Liberia: Stock of Public and Publicly Guaranteed Debt, FY2015–20^{1/}
(Percent of GDP)



⁶This DSA is prepared jointly by the staff of the IMF and World Bank, in collaboration with the authorities of Liberia. The current DSA follows the revised Debt Sustainability Framework (DSF) for LICs and Guidance Note (2017) in effect as of July 1, 2018. The last joint DSA can be found in IMF Country Report No. 20/202, June 2020.

⁷The NCBP requires a minimum grant element of 35 percent or higher, should a higher minimum be required under a Fund-supported program.

5. As a result, it has triggered recourse to emergency assistance, reducing Liberia’s external borrowing space compared to the DSA at the time of program approval (the December 2019 DSA hereafter).

The total public and publicly guaranteed (PPG) external debt stock reached \$1,161 million (37.2 percent of GDP) at end-FY2020 (June 2020), comprising

mostly of multilateral loans (Text Table 2). The downward revision to growth outlook and the disbursement under the RCF, equivalent to 1.6 percent of GDP, have reduced Liberia’s external borrowing space and increased external debt service pressure in the medium term though some of this pressure was alleviated as the debt relief became available from the Catastrophe Containment and Relief Trust (CCRT).^{8,9}

6. Public debt has increased by a large margin in FY2020, not only by the rise in external debt, but also by the recognition of government debt to the CBL at the program inception; public debt has increased from 41.4 percent of GDP in FY2019 to 56.6 percent of GDP in FY2020. The restructured and consolidated government debt to the central bank in U.S. dollar has the interest rate at 4 percent with repayments starting in 2029. Public debt of Liberia (both external and domestic) is only medium- and long-term borrowing and it is projected to reach 64.9 percent of GDP in FY2022 before declining to 47.8 percent of GDP in FY2031.

Text Table 2. Liberia: Structure of External Public Debt as of end-FY2020^{1/}

	USD millions	Percent of Total	Percent of GDP ^{2/}
Multilateral	1049	90.3	33.6
IMF	251	21.6	8.0
World Bank	512	44.1	16.4
AfDB	161	13.9	5.2
EIB	54	4.7	1.7
Other Multilateral	70	6.1	2.3
Bilateral	113	9.7	3.6
China	54	4.7	1.7
Kuwait	20	1.7	0.6
Saudi Arabia	37	3.2	1.2
Other Bilateral	1	0.1	0.0
Total	1161	100.0	37.2

Sources: Liberian authorities and IMF staff calculations.

¹ Debt stock on disbursement basis.

² The debt to GDP ratio are calculated using external debt (in USD) evaluated at the end of period exchange rate over GDP (in USD) evaluated at the period average exchange rate, to ensure consistency with the DSA template.

UNDERLYING ASSUMPTIONS

7. The key macroeconomic assumptions have been revised since the December 2019 DSA, but are broadly in line with the DSA accompanying the RCF request (the June 2020 DSA hereafter).¹⁰ It is assumed that the authorities’ fiscal and monetary policy adjustments will remain on track under the ECF-supported program, while accommodating near-term measures to mitigate the negative impact of COVID-19 predominantly felt in 2020. The fiscal policy adjustment path towards the end of the program period is anchored by the debt-stabilizing primary deficit of 2.5 percent. The monetary policy adjustment is frontloaded to bring the inflation rate down to a single digit by end-2020. Changes to the underlying assumptions are as follows (Text Table 3):

⁸The DSA and macro-framework assume CCRT debt service relief through April 2022. The last 18 months of debt service relief is subject to the availability of CCRT resources.

⁹Authorities have decided not to participate in DSSI due to insignificant amounts involved.

¹⁰See IMF Country Report No. 20/202, June 2020.

Text Table 3. Liberia: Underlying DSA Assumptions

	FY2020	FY2020-24	FY2025-40
Nominal GDP	(In million US dollar)	Average growth (In percent)	Average growth (In percent)
2019 ECF Request	3127	3.2	5.2
Current	3121	2.1	5.6
Exports of Goods and Service			
2019 ECF Request	857	5.9	6.6
Current	611	3.0	8.1

Sources: Liberian authorities; and IMF staff projections.

- The **real GDP growth path** has been revised down but remains in line with the forecasts of the RCF. Growth for 2019 was revised down from -1.4 percent in the 2019 December DSA to -2.5 percent, reflecting the larger-than-anticipated fiscal contraction and weak demand. Growth for 2020 was revised down from 1.4 percent in the 2019 December DSA to -3.0 percent, reflecting several months of general lockdown affecting the business travel, service exports. Growth is subsequently expected to recover to 3.2 percent in 2021 and is projected to reach an average of 4.5 percent in the medium term, due to a recovery in consumption, improved business confidence, and higher spending on capital.
- Pressure on **inflation** eased. Inflation fell from 30 percent at program inception to 14 percent in September due to tight monetary policy stance, weak economic activity, lower fuel prices, and exchange rate appreciation.
- The **fiscal deficit** of the budgetary central government was projected to decline from 6.1 percent of GDP in FY2019 to 4.7 percent of GDP in FY2020 in the December 2019 DSA. In the current DSA, it was revised to go down from 6.2 percent of GDP in FY2019 to 3.6 percent. Overall FY2020 fiscal stance became tighter than the December 2019 DSA, mostly thanks to fiscal discipline in the first three quarters of the year despite a relaxation in the last quarter to response to the pandemic. The fiscal deficit for FY2021 was also revised down from 4.4 percent of GDP in the December 2019 DSA to 3.2 percent of GDP in the current DSA. The fiscal deficit is projected to decline to 1.7 percent of GDP by FY2024, which is consistent with the medium-term fiscal anchor. The fiscal balance projections in the medium term rely on the recent improvements in domestic revenue (excise tax on fuel and improvement in tax collection), better cash management and expenditure control, and the significant progress made on the civil service payroll reform.
- The **current account deficit** was projected to increase from 21.4 percent of GDP in 2020 to 21.9 percent of GDP in 2021 in the December 2019 DSA; this is revised to increase from 21.4 percent of GDP in 2020 to 22.2 percent in 2021. The terms of trade shock associated with the COVID-19 is so far positive as fuel prices declined much more than those of Liberia's main export commodities (iron ore, rubber, gold). Staff projects a deterioration in service receipts (especially in hotel and transportation services). Over the medium term, the current account deficit is expected to remain high as stronger economic policies facilitate Foreign Direct Investment (FDI) and associated imports. Further, the net primary income remains large and negative mainly due to investment income repatriation abroad. The

external sector assessment shows that Liberia's external sector position is substantially weaker than implied by fundamentals and desirable policies (IMF Country Report 19/169).

- **Gross official reserves** were projected to go up from US\$308 million (2.3 months of next year's imports) in 2020 to US\$333 million (2.4 months of next year's imports) in 2021 in the December 2019 DSA. In this DSA, it is revised up to go up from US\$331 million (2.5 months of imports) in 2020 to US\$403 million (2.9 months of imports) in 2021. The upward revisions are due to diligent efforts to rebuild fiscal and external buffers both by the government and the central bank. Gross official reserves are expected to increase modestly thereafter to 3.1 months of imports in 2023.

8. **The assumptions for the financing mix and borrowing terms are as follows:**

- **External borrowing.** The DSA assumes new external borrowing of \$774 million in the medium term (FY2021-FY2025) which is lower than the December 2019 DSA (\$919 million). To reflect Liberia's more limited borrowing space, a couple of changes are made: the average grant element of new borrowing is projected to increase to average 47.3 percent over the program period (versus 44.3 percent at the time of program approval); and the baseline assumes no non-concessional borrowing before FY2024 and non-concessional loans totaling \$6.6 million in FY2024 and \$20 million in FY2025, compared to a total of \$215 million between FY2021 to FY2025 envisaged at the time of the program approval. SECREMP I currently has a financing gap of \$60 million as a participation of private investment did not materialize but no external borrowing is assumed to fill this gap in this DSA. No external borrowing is also assumed for SECREMP II. The assumption is that this gap will be filled by reallocations of concessional resources and an increase in contributions to the National Road Fund from the budget but not an increase in external borrowing.
- **Domestic borrowing.** The baseline assumes that the central government no longer relies on central bank financing to fill budgetary needs but still borrows to repay past ECF and RCF budget support amounting US\$107.8 million. The baseline also assumes repayment of US\$65 million of bonds issued of the banking sector between the period of FY2020-24. The average real interest rate is projected to remain positive in the medium term in line with current nominal rates and inflation developments. The rollover risk of domestic debt is low as most of the domestic debt is the government's consolidated debt to the CBL.

REALISM OF THE BASELINE ASSUMPTIONS

9. **The realism tools suggest that the baseline scenario is credible compared to Liberia's historical experience and cross-country experiences** (Figure 3).

- Figure 3 shows the evolution of projections of external and public debt to GDP ratios for the current DSA, the previous DSA (the 2020 request for RCF disbursement DSA), and the DSA from 5 years ago. The current DSA reflects the latest revisions to the medium-term outlook and policy direction of the authorities in presence of COVID-19 shock and the recent economic developments. The difference between the current DSA and the previous DSA is

small. The downward revisions to real GDP growth compared to the 2015 DSA, in the context of the Ebola epidemic and the commodity price shock, explain most of the increase in the ratios of public and external debt-to-GDP in the previous and current DSA.

- A high contribution of unexpected current account deficits to past debt accumulation and an equally large unexpected residual to the past debt accumulation in the opposite direction are observed (Figure 3). These debt dynamics are plausible since residual financing (i.e., net private financing under other investment flows in the Balance of Payments, Table 2), which is enabling the large current account deficit, includes current transfers (remittances) that are not captured by the official statistics.
- The unexpected increases in PPG external debt and public debt are about 10.8 and 21.2 percent of GDP, respectively, (due to Ebola epidemic and the commodity price shock), which are both above the median of the countries producing LIC DSF. The drivers of the unexpected public debt accumulation are unexpected decline in growth and unexpected depreciation of the real exchange rate. The change in the public debt is mainly due to recognition of restructured and consolidated government debt to the central bank (¶6).

10. The improvement in the primary balance in the next three years is in line with historical data on LIC adjustment programs. The second DSF realism tool assesses the realism of the fiscal projection. Figure 5a highlights that the anticipated adjustment in the primary balance of 1.5 percentage points of GDP is in line with other LIC programs. The growth projection for 2021 and 2022 are optimistic relative to what is suggested by the fiscal multiplier realism tool. This is because of the economic rebound that is expected after the attenuation of the negative impact of COVID-19 shock.

COUNTRY CLASSIFICATION AND MODEL SIGNAL

11. Liberia's debt-carrying capacity based on the Composite Indicator (CI) is assessed as weak (Text Table 4).¹¹ The CI rating was downgraded to weak in the DSA at the time of ECF approval and the CI score is 2.502. In addition, Liberia was recently downgraded to "weak quality of debt monitoring" in line with the country's debt-recording capacity.

12. Standard scenarios stress test and a contingent liability test are conducted and discussed below.

¹¹The CI captures the impact of the different factors through a weighted average of the World Bank's 2019 Country Policy and Institutional Assessment (CPIA) score, the country's real GDP growth, remittances, international reserves, and world growth. A country's debt-carrying capacity would be assessed as weak if its CI value is below 2.69, medium if it lies between 2.69 and 3.05, and strong if it is above 3.05. Liberia's debt-carrying capacity based on the CI, which is based on the October 2020 WEO and the 2019 CPIA, is assessed as weak. The CI score is 2.502.

Text Table 4. Liberia: Composite Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.988	1.15	46%
Real growth rate (in percent)	2.719	1.409	0.04	2%
Import coverage of reserves (in percent)	4.052	20.864	0.85	34%
Import coverage of reserves ² (in percent)	-3.990	4.353	-0.17	-7%
Remittances (in percent)	2.022	12.149	0.25	10%
World economic growth (in percent)	13.520	2.928	0.40	16%
CI Score			2.50	100%
CI rating			Weak	

Text Table 5. Liberia: Debt Carrying Capacity and Thresholds

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23

EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	140
GDP	30
Debt service in % of	
Exports	10
Revenue	14

TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

EXTERNAL DSA

13. Liberia remains at moderate risk of external debt distress with limited space to absorb shocks. Under the baseline scenario, the PV of debt-to-GDP and the PV of debt-to-export ratios remain below the thresholds of 30 and 140 percent in the medium- to long-term (Figure 1). The debt-service to export and debt-service to revenue ratios remain below their corresponding thresholds as well. Table 1 indicates that residuals remain large and negative in the medium term mainly due to large identified net debt creating flows. These flows, in turn, are due to large current account deficits that are financed by net FDI and net private financing which includes unrecorded remittances.

14. Standard stress tests show that a further deterioration of the macroeconomic outlook might lead to breaches of the policy dependent thresholds (Table 3). Some of the standard stress tests, namely, a shock of one-standard deviation in the real GDP growth, primary balance, exports, other non-debt creating flows, depreciation, or a combination of all shocks will all result in breaching the thresholds of the PV of debt-to-GDP ratio. A shock to the primary balance, exports, other debt creating flows, or a combination of all shocks will lead to a breaching of the threshold on the PV of debt-to-exports ratio. A shock of one-standard deviation in the primary balance, exports, other non-debt creating flows, or a combination of all shocks will all result in breaching the thresholds of the debt service-to-exports ratio. Finally, a shock to the real GDP growth, other non-debt creating flows, depreciation, or a combination of all shocks leads to a breach of the debt service-to-revenue ratio threshold. Thus, the mechanical signal suggests Liberia is at moderate risk of external debt distress.

PUBLIC DSA

15. Public debt indicators show limited borrowing space, with the PV of public debt-to GDP ratio showing an extended breach. The indicator increases from an estimate of 44.8 percent in FY2021 to 46.4 percent in FY2022 and declines to 31.8 percent in FY2031 (Table 2 and Figure 2). The PV of debt-to-revenue ratio increases from 153.9 percent in FY2021 to 160.7 percent in FY2022 and to 115 percent by FY2031, while the debt-service-to-revenue ratio increases to 11.5 percent in FY2024 and gets to 12.9 percent by FY2031.

16. Under standard sensitivity analysis, the PV of debt-to-GDP breaches the relevant benchmark. Among the bound tests, a deterioration of other flows results in the largest breach of the benchmark on the PV of debt-to-GDP ratio, followed by a shock to the primary balance, the real GDP growth, combination of shocks, exports, and a one-time depreciation (Table 4). Additionally, the contingent liability stress test is estimated to lead to a one-off increase in the debt-to-GDP ratio to 58 percent in FY2022 (around 13 percentage points increase), capturing the combined shock of SOE's external debt default, PPPs' distress, and financial market vulnerabilities that are not included in the covered data. Given these risks and the extended breach of the PV of debt-to-GDP threshold, Liberia is assessed to have a high risk of overall public debt distress.

RISK RATING AND VULNERABILITIES

17. The sharp decline in GDP growth impairs Liberia's debt sustainability and the recent borrowing to dampen the impact of COVID-19 shock has resulted in higher debt service pressure in the medium-term. Two consecutive years of negative growth will reduce Liberia's borrowing space, while financing needs will be rising. However, implementing the appropriate set of policies (such as domestic revenue mobilization, rebuilding confidence in the banking sector, and preventing further drains on the NIR) is expected to ensure higher GDP growth and expand the borrowing space thereafter. Moreover, the availability of CCRT means that more budgetary resources can be allocated to public health needs and it will also help contain the exceptional balance of payments need resulting from the pandemic.

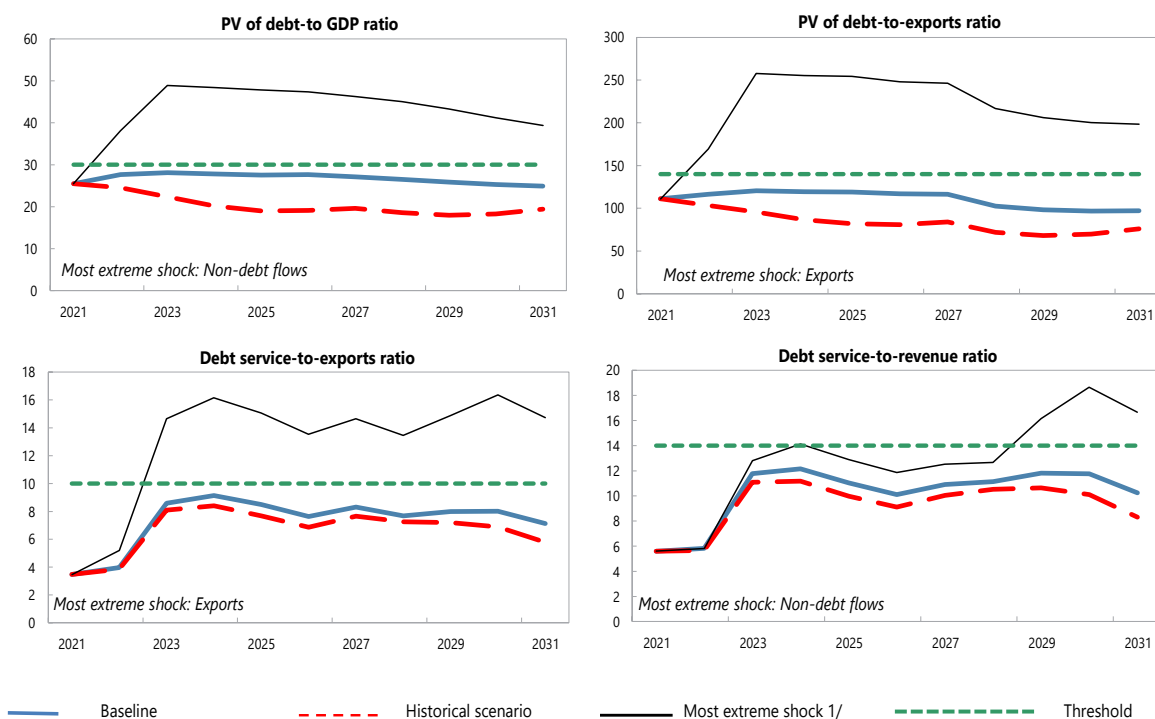
18. Risks to the outlook are tilted to the downside. A second wave of cases (domestic or overseas) would slow economic activity further; slippages from fiscal spending pressures could result in larger drawdowns on government deposits than programmed, putting pressure on the exchange rate and inflation; re-emergence of heightened U.S. dollar liquidity needs in the banking sector and that of Liberian dollar banknotes shortages would undermine confidence in the banking sector and the business climate more broadly. Policy slippages could also lessen access to concessional financing, which is critical for meeting development needs while keeping debt sustainable.

AUTHORITIES' VIEWS

19. The authorities agreed with the importance of maintaining debt sustainability in the medium term. The authorities expressed commitment to refrain from central bank financing and buildup of arrears. Moreover, the authorities reiterated that they will monitor the debt path closely and will seek concessional financing to meet their financing needs as they recognize that borrowing space is limited. In this regard, the authorities expressed commitment to remain below the ceiling on non-concessional borrowing¹² and refrain from nontransparent collateralized agreements, while ensuring that new debt is contracted transparently.

¹²The non-concessional borrowing assumptions of the medium-term debt management strategy of the authorities are in line with staff assumptions.

Figure 1. Liberia: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, FY2021–31



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

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

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	6	6

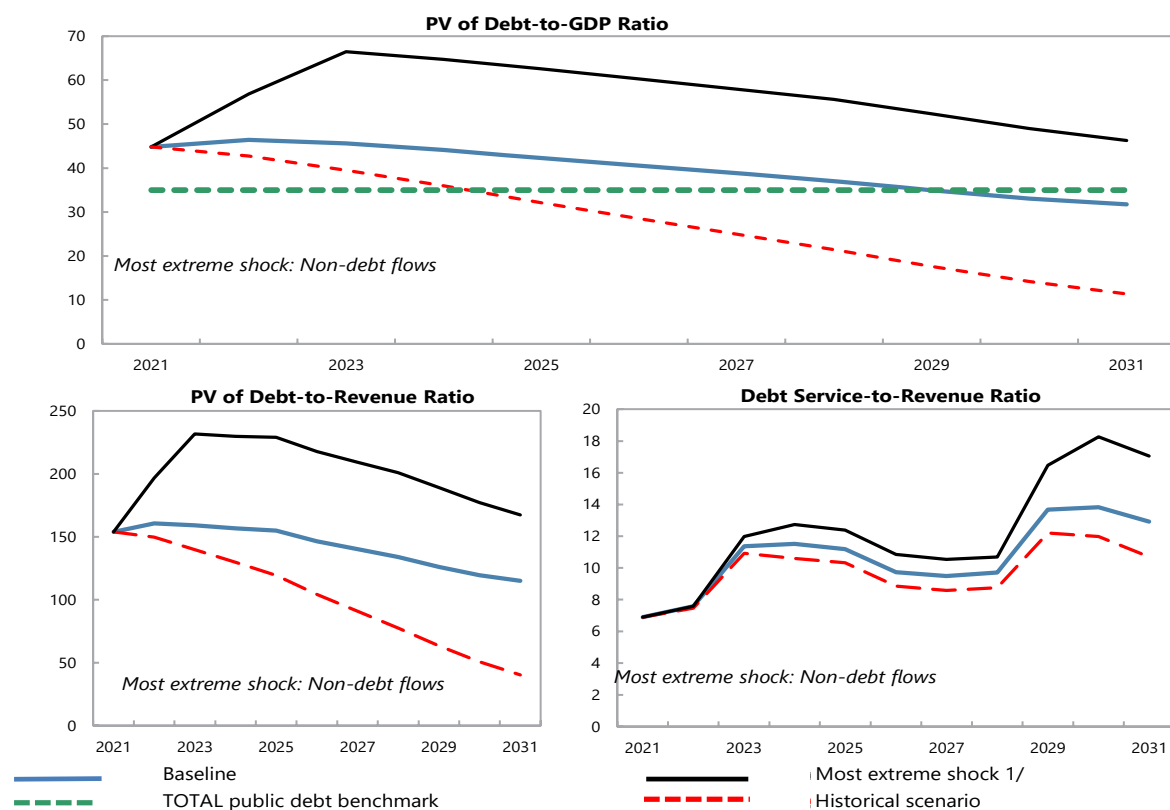
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Liberia: Indicators of Public Debt Under Alternative Scenarios, FY2021–31



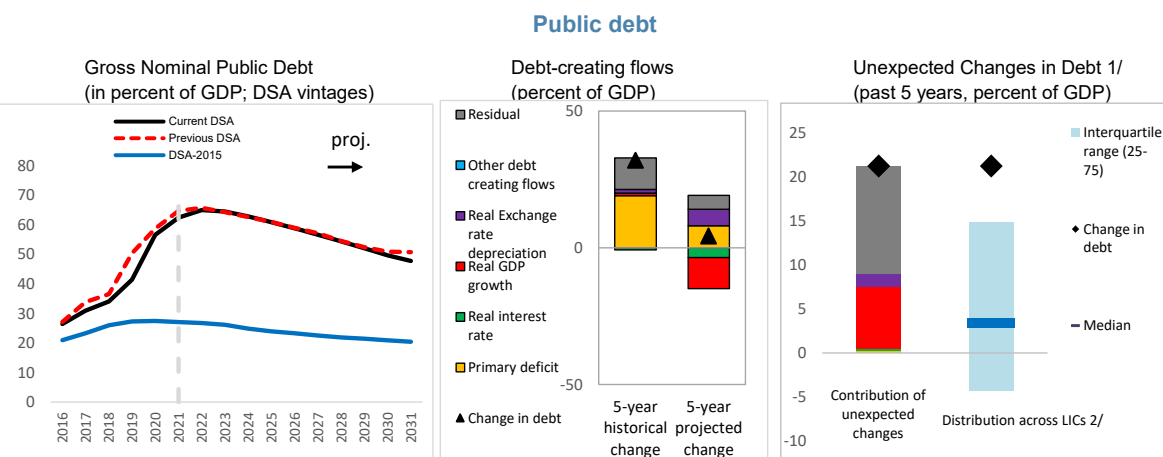
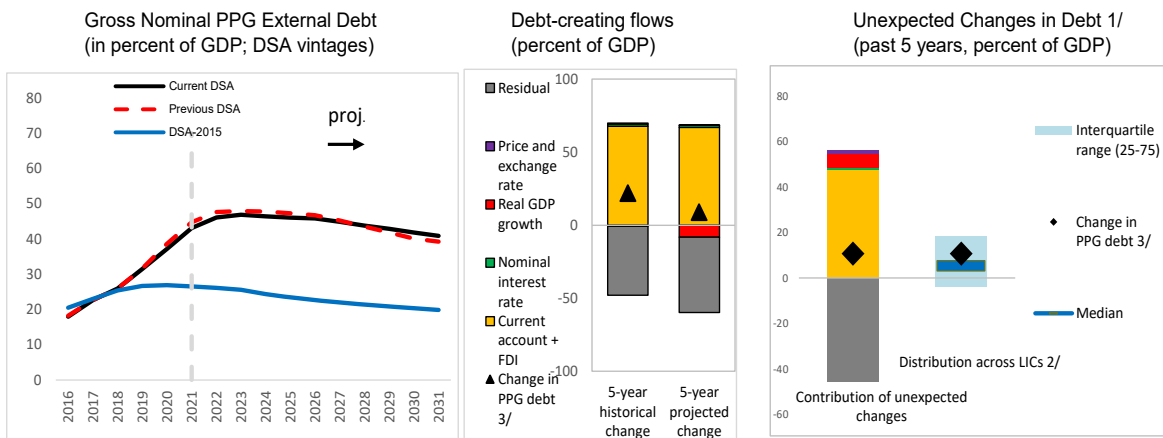
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	96%	96%
Domestic medium and long-term	3%	3%
Domestic short-term	1%	1%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.1%	5.1%
Avg. maturity (incl. grace period)	10	10
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	10.9%	10.9%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

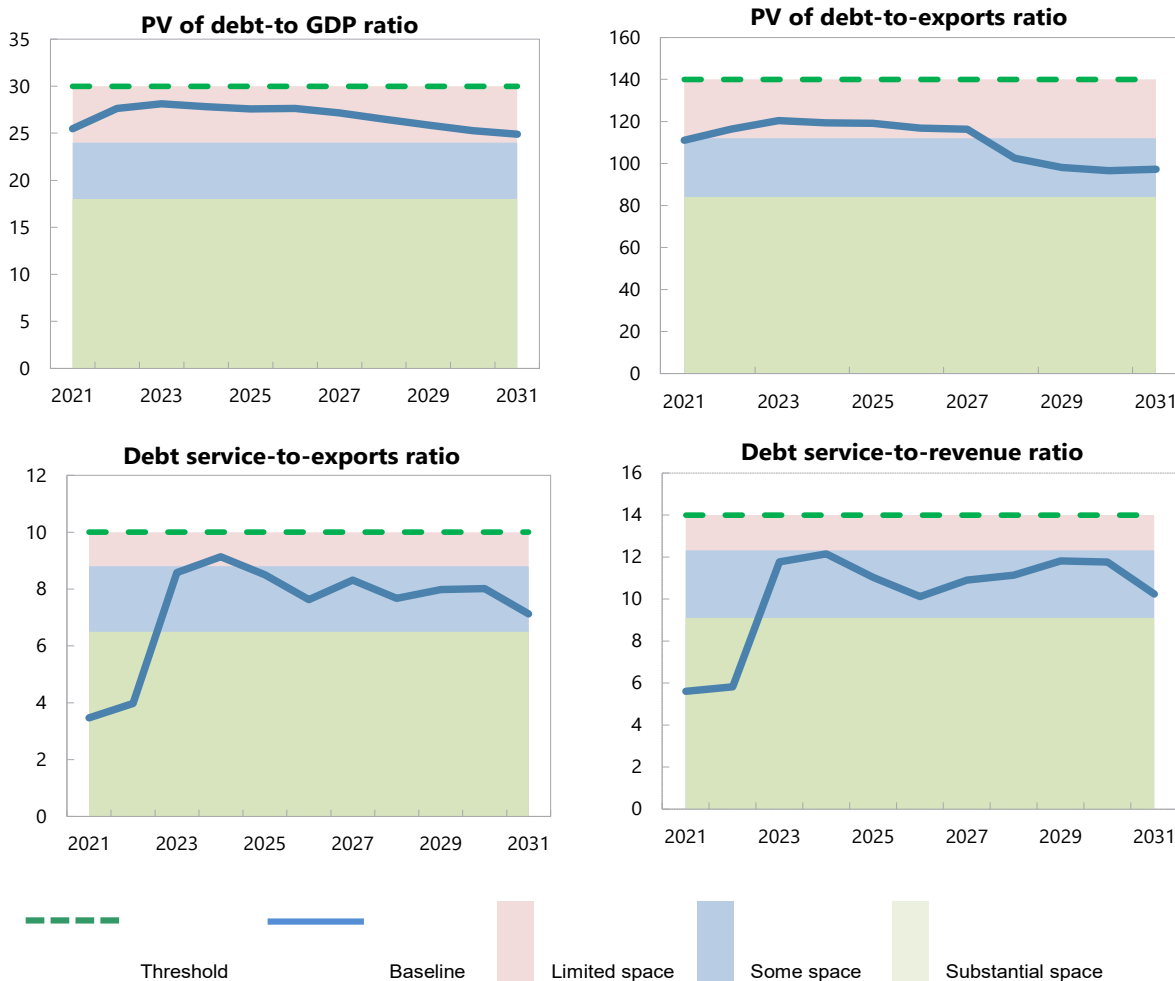


1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Liberia: Qualification of the Moderate Category, FY2021–31^{1/}

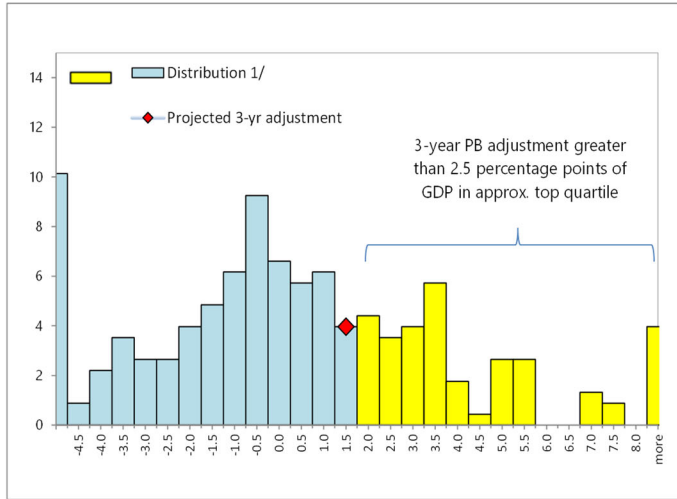


Sources: Country authorities; and staff estimates and projections.

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

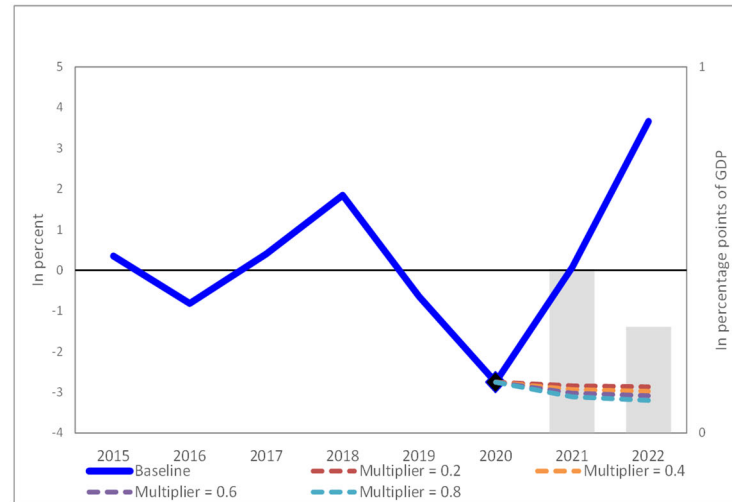
Figure 5. Liberia: Realism Tools

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



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

Fiscal Adjustment and Possible Growth Paths 1/



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

Table 1. Liberia: External Debt Sustainability Framework, Baseline Scenario, FY2018–41
(Percent of GDP, unless otherwise indicated)

	Actual			Projections							Average 8/		
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	25.9	31.5	37.2	43.1	46.2	46.9	46.5	46.1	45.9	40.9	31.2	19.0	44.5
of which: public and publicly guaranteed (PPG)	25.9	31.5	37.2	43.1	46.2	46.9	46.5	46.1	45.9	40.9	31.2	19.0	44.5
Change in external debt	3.3	5.5	5.7	5.9	3.1	0.8	-0.5	-0.4	-0.2	-0.9	-1.4	9.4	9.8
Identified net debt-creating flows	13.5	14.3	14.2	14.1	12.9	12.5	11.1	9.6	8.2	6.5	-1.1	20.5	20.3
Non-interest current account deficit	22.7	21.9	20.5	22.1	22.8	23.1	22.1	21.1	19.5	16.7	7.6	47.4	25.5
Deficit in balance of goods and services	32.4	28.8	29.7	28.8	28.5	27.8	26.5	25.7	24.4	22.7	10.7		
Exports	22.2	22.5	19.6	23.0	23.7	23.3	23.3	23.2	23.6	25.6	25.3		
Imports	54.6	51.3	49.3	51.8	52.2	51.1	49.9	48.9	48.1	48.3	36.0		
Net current transfers (negative = inflow)	-18.5	-17.6	-20.2	-18.2	-16.7	-15.6	-14.5	-14.0	-13.5	-11.1	-7.3	-35.1	-13.9
of which: official	-14.6	-13.7	-14.5	-14.0	-12.5	-11.4	-10.3	-9.9	-9.6	-7.7	-4.9		
Other current account flows (negative = net inflow)	8.8	10.7	11.1	11.4	11.0	11.0	10.1	9.3	8.6	5.1	4.2	8.2	8.6
Net FDI (negative = inflow)	-9.3	-8.3	-7.8	-8.1	-8.7	-9.0	-9.1	-9.4	-9.2	-8.4	-6.5	-10.8	-8.8
Endogenous debt dynamics 2/	0.1	0.7	1.5	0.2	-1.3	-1.7	-2.0	-2.1	-2.1	-1.8	-2.2		
Contribution from nominal interest rate	0.3	0.3	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4		
Contribution from real GDP growth	-0.4	0.2	0.9	0.0	-1.5	-2.0	-2.3	-2.4	-2.4	-2.2	-2.6		
Contribution from price and exchange rate changes	0.2	0.3	0.1	...	...	...	...	...	...	...	...
Residual 3/	-10.2	-8.7	-8.5	-8.2	-9.8	-11.7	-11.5	-10.0	-8.4	-7.5	-0.3	-6.3	-9.4
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	21.7	25.5	27.7	28.1	27.8	27.6	27.6	24.9	21.9		
PV of PPG external debt-to-exports ratio	...	...	110.9	111.0	116.5	120.5	119.4	119.1	116.9	97.2	86.5		
PPG debt service-to-exports ratio	3.0	3.9	7.4	3.5	4.0	8.6	9.1	8.5	7.6	7.1	7.2		
PPG debt service-to-revenue ratio	5.1	6.2	10.4	5.6	5.8	11.8	12.2	11.0	10.1	10.2	10.3		
Gross external financing need (Million of U.S. dollars)	461.5	465.0	442.7	454.0	479.8	539.0	532.6	507.9	479.9	584.6	353.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	1.8	-0.6	-2.7	0.1	3.7	4.5	5.1	5.4	5.5	5.7	8.7	2.4	4.8
GDP deflator in US dollar terms (change in percent)	-0.9	-1.0	-0.3	-1.2	-0.7	0.3	0.2	0.5	1.4	1.9	-0.9	3.5	0.9
Effective interest rate (percent) 4/	1.3	1.0	1.5	0.7	0.6	0.6	0.6	0.6	0.7	0.9	1.3	1.1	0.7
Growth of exports of G&S (US dollar terms, in percent)	9.8	-0.2	-15.7	16.1	6.4	3.1	5.2	5.2	9.2	5.4	8.2	1.2	8.4
Growth of imports of G&S (US dollar terms, in percent)	-8.4	-7.6	-6.9	4.0	3.8	2.5	2.7	3.8	5.2	4.7	3.1	0.5	5.6
Grant element of new public sector borrowing (in percent)	...	...	...	45.9	47.7	47.4	48.9	50.2	45.0	40.8	32.2	...	46.2
Government revenues (excluding grants, in percent of GDP)	12.9	14.3	13.9	14.2	16.2	17.0	17.5	17.8	17.8	17.8	17.8	15.6	17.2
Aid flows (in Million of US dollars) 5/	549.7	588.0	607.5	576.5	513.7	493.4	473.7	477.7	502.8	703.3	1323.7		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	17.7	15.1	13.8	12.5	11.5	11.8	11.2	10.4	...	12.7
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	84.5	85.3	85.1	86.7	85.5	83.4	84.4	86.4	...	84.9
Nominal GDP (Million of US dollars)	3,274	3,220	3,121	3,087	3,177	3,329	3,506	3,714	3,971	5,738	12,034		
Nominal dollar GDP growth	0.9	-1.6	-3.1	-1.1	2.9	4.8	5.3	5.9	6.9	7.7	7.8	6.0	5.7
Memorandum items:													
PV of external debt 7/	...	...	21.7	25.5	27.7	28.1	27.8	27.6	27.6	24.9	21.9		
In percent of exports	...	...	110.9	111.0	116.5	120.5	119.4	119.1	116.9	97.2	86.5		
Total external debt service-to-exports ratio	3.0	3.9	7.4	3.5	4.0	8.6	9.1	8.5	7.6	7.1	7.2		
PV of PPG external debt (in Million of US dollars)	...	...	677.0	786.7	878.4	936.5	975.9	1024.0	1097.4	1429.0	2633.1		
(Pvt-Pvt-1)/GDPT-1 (in percent)	...	...	...	3.5	3.0	1.8	1.2	1.4	2.0	1.5	0.9		
Non-interest current account deficit that stabilizes debt ratio	19.4	16.4	14.8	16.2	19.8	22.4	22.6	21.4	19.7	17.7	9.0		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

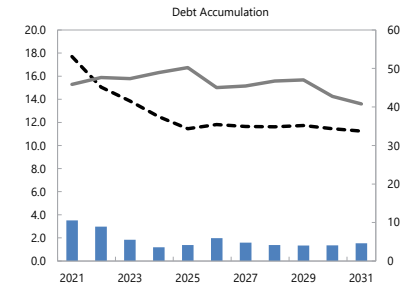
5/ Defined as grants, concessional loans, and debt relief.

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

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

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

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



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

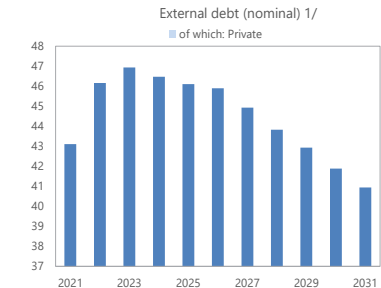


Table 2. Liberia: Public Sector Debt Sustainability Framework, Baseline Scenario, FY2018–41
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/ of which: external debt	34.1	41.4	56.6	62.4	64.9	64.5	62.8	60.8	58.8	47.8	43.2	30.2	57.7
	25.9	31.5	37.2	43.1	46.2	46.9	46.5	46.1	45.9	40.9	31.2	19.0	44.5
Change in public sector debt	3.2	7.3	15.2	5.9	2.5	-0.5	-1.7	-1.9	-2.0	-1.9	0.0		
Identified debt-creating flows	4.4	6.1	4.7	1.6	-1.0	-2.3	-2.9	-2.4	-2.1	-1.6	-0.4	-4.3	-1.6
Primary deficit	4.3	5.1	2.8	2.3	2.0	1.2	1.0	1.5	1.8	1.6	1.8	-3.5	1.7
Revenue and grants	25.9	28.0	28.1	29.1	28.9	28.7	28.2	27.3	27.7	27.6	27.4	27.0	28.0
of which: grants	13.0	13.8	14.1	14.9	12.7	11.7	10.7	9.5	9.9	9.8	9.6		
Primary (noninterest) expenditure	30.2	33.1	30.9	31.5	30.9	29.9	29.2	28.8	29.5	29.2	29.2	23.5	29.7
Automatic debt dynamics	0.1	0.9	2.0	-0.7	-3.0	-3.5	-3.8	-3.9	-3.9	-3.1	-2.2		
Contribution from interest rate/growth differential	-0.8	-0.1	1.1	-0.7	-3.0	-3.5	-3.8	-3.9	-3.9	-3.1	-2.2		
of which: contribution from average real interest rate	-0.2	-0.4	0.0	-0.6	-0.8	-0.7	-0.7	-0.7	-0.7	-0.5	1.3		
of which: contribution from real GDP growth	-0.6	0.2	1.2	0.0	-2.2	-2.8	-3.1	-3.2	-3.2	-2.7	-3.5		
Contribution from real exchange rate depreciation	0.9	1.1	0.8	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	-1.2	1.3	10.4	4.2	3.4	1.8	1.2	0.5	0.1	-0.3	0.4	7.7	0.8
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	41.1	44.8	46.4	45.6	44.1	42.3	40.6	31.8	33.9		
PV of public debt-to-revenue and grants ratio	...	...	146.2	153.9	160.7	159.1	156.7	154.9	146.5	115.0	123.5		
Debt service-to-revenue and grants ratio 3/	2.6	3.3	9.6	6.9	7.6	11.4	11.5	11.2	9.7	12.9	17.8		
Gross financing need 4/	4.9	6.1	5.5	4.3	4.2	4.5	4.2	4.6	4.5	5.1	6.7		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	1.8	-0.6	-2.7	0.1	3.7	4.5	5.1	5.4	5.5	5.7	8.7	2.4	4.8
Average nominal interest rate on external debt (in percent)	1.3	1.0	1.5	0.7	0.6	0.6	0.6	0.6	0.7	0.9	1.3	1.1	0.7
Average real interest rate on domestic debt (in percent)	0.9	1.0	6.5	4.8	4.5	3.5	3.6	3.4	2.5	3.8	10.0	-2.3	3.2
Real exchange rate depreciation (in percent, + indicates depreciation)	3.1	3.1	1.9	...	...	...	...	...	...	...	...	-1.5	...
Inflation rate (GDP deflator, in percent)	-0.9	-1.0	-0.3	-1.2	-0.7	0.3	0.2	0.5	1.4	1.9	-0.9	3.5	0.9
Growth of real primary spending (deflated by GDP deflator, in percent)	-13.4	9.1	-9.5	2.0	1.9	1.0	2.6	4.1	7.9	5.5	8.4	-0.1	4.2
Primary deficit that stabilizes the debt-to-GDP ratio 5/	1.1	-2.2	-12.4	-3.6	-0.4	1.7	2.7	3.5	3.8	3.4	1.8	-4.5	2.5
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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

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

Public sector debt 1/

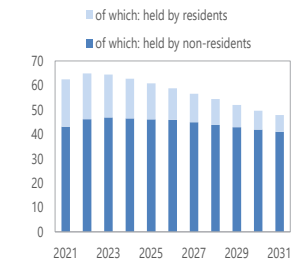
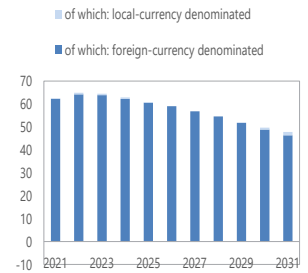


Table 3. Liberia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, FY2021–31
(Percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of debt-to-GDP ratio											
Baseline	25	28	28	28	28	28	27	27	26	25	25
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	25	25	22	20	19	19	20	19	18	18	19
B. Bound Tests											
B1. Real GDP growth	25	30	34	33	33	33	32	32	31	30	30
B2. Primary balance	25	34	40	40	40	39	39	38	37	35	35
B3. Exports	25	32	38	38	38	37	37	36	35	33	32
B4. Other flows 3/	25	38	49	48	48	47	46	45	43	41	39
B5. Depreciation	25	35	30	30	29	30	29	28	28	27	27
B6. Combination of B1-B5	25	39	46	45	45	45	44	43	41	39	38
C. Tailored Tests											
C1. Combined contingent liabilities	25	38	39	38	38	38	37	36	35	34	34
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	111	116	120	119	119	117	116	102	98	97	97
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	111	103	96	87	82	81	84	72	68	70	76
B. Bound Tests											
B1. Real GDP growth	111	116	120	119	119	117	116	102	98	97	97
B2. Primary balance	111	142	173	172	171	167	166	146	139	135	135
B3. Exports	111	169	258	255	254	248	246	217	206	200	198
B4. Other flows 3/	111	160	210	208	206	200	198	174	164	157	154
B5. Depreciation	111	116	101	100	100	98	98	87	83	83	84
B6. Combination of B1-B5	111	174	167	219	218	212	210	185	175	169	167
C. Tailored Tests											
C1. Combined contingent liabilities	111	160	165	164	164	160	158	139	133	131	131
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	3	4	9	9	8	8	8	8	8	8	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	3	4	8	8	8	7	8	7	7	7	6
B. Bound Tests											
B1. Real GDP growth	3	4	9	9	8	8	8	8	8	8	7
B2. Primary balance	3	4	9	10	9	8	9	8	10	11	10
B3. Exports	3	5	15	16	15	14	15	13	15	16	15
B4. Other flows 3/	3	4	9	11	10	9	10	9	11	13	12
B5. Depreciation	3	4	9	9	8	7	8	7	8	7	6
B6. Combination of B1-B5	3	5	12	13	12	11	12	11	13	14	12
C. Tailored Tests											
C1. Combined contingent liabilities	3	4	9	10	9	8	9	8	8	8	8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	6	6	12	12	11	10	11	11	12	12	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	6	6	11	11	10	9	10	11	11	10	8
B. Bound Tests											
B1. Real GDP growth	6	6	14	14	13	12	13	13	14	14	12
B2. Primary balance	6	6	12	13	12	11	12	12	14	16	14
B3. Exports	6	6	13	14	12	11	12	12	14	15	14
B4. Other flows 3/	6	6	13	14	13	12	13	13	16	19	17
B5. Depreciation	6	7	15	15	13	12	13	14	15	13	11
B6. Combination of B1-B5	6	6	15	15	14	13	14	14	17	18	16
C. Tailored Tests											
C1. Combined contingent liabilities	6	6	13	13	12	11	12	12	13	12	11
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

Table 4. Liberia: Sensitivity Analysis for Key Indicators of Public Debt, FY2021–31
(Percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of Debt-to-GDP Ratio											
Baseline	45	46	46	44	42	41	39	37	35	33	32
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	45	43	39	36	32	29	25	21	18	14	11
B. Bound Tests											
B1. Real GDP growth	45	52	58	59	59	59	59	59	58	57	57
B2. Primary balance	45	54	60	59	57	55	53	51	49	46	45
B3. Exports	45	49	54	52	50	48	46	44	42	39	37
B4. Other flows 3/	45	57	66	65	63	60	58	56	52	49	46
B5. Depreciation	45	52	50	47	44	41	39	36	33	30	28
B6. Combination of B1-B5	45	52	54	47	46	44	43	41	39	38	36
C. Tailored Tests											
C1. Combined contingent liabilities	45	58	58	57	55	53	51	50	47	45	44
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	154	161	159	157	155	146	140	134	126	120	115
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	154	150	140	130	119	104	91	78	63	51	40
B. Bound Tests											
B1. Real GDP growth	154	173	189	195	203	200	199	198	195	193	193
B2. Primary balance	154	185	208	208	208	199	192	185	176	168	161
B3. Exports	154	171	187	185	184	174	167	160	151	142	135
B4. Other flows 3/	154	197	232	230	229	218	209	201	189	177	167
B5. Depreciation	154	186	180	173	167	154	144	133	121	111	104
B6. Combination of B1-B5	154	182	186	166	167	159	154	148	141	134	130
C. Tailored Tests											
C1. Combined contingent liabilities	154	202	202	201	201	192	186	179	171	163	158
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	7	8	11	12	11	10	9	10	14	14	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	7	7	11	11	10	9	9	9	12	12	11
B. Bound Tests											
B1. Real GDP growth	7	8	13	13	13	11	11	12	16	17	16
B2. Primary balance	7	8	12	13	12	11	11	11	16	17	16
B3. Exports	7	8	12	12	12	10	10	10	15	16	15
B4. Other flows 3/	7	8	12	13	12	11	11	11	16	18	17
B5. Depreciation	7	8	14	14	13	12	12	12	16	16	14
B6. Combination of B1-B5	7	8	12	12	11	10	10	10	14	14	13
C. Tailored Tests											
C1. Combined contingent liabilities	7	8	13	12	12	11	10	10	14	14	14
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

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

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Statement by the Staff Representative on Liberia
December 21, 2020

- 1. This staff statement does not alter the thrust of the staff appraisal in the staff report but is intended to update on recent developments and provide confirmation on selected issues.**

- 2. The authorities completed the remaining prior action on the financial sector reform plan.** In consultation with Staff, the Central Bank of Liberia (CBL) Board adopted a financial sector reform plan on December 15, 2020. The authorities continue to seek remaining funding for the plan and will continue to work closely with experts from the U.S. Treasury to ascertain the financial viability of the plan. Risks to the plan, including fiscal risks, thus remain.¹ However, the plan discusses contingency measures and shows the authorities' commitment to mitigate a re-emergence of U.S. dollar liquidity needs in the banking sector.

- 3. The CBL has adopted a currency management plan.** The next step is to seek an approval from the National Legislature to secure the first batch to meet demand for 2021.

- 4. The authorities continue to make progress on the structural reform agenda.** The Payroll Cleaning Taskforce continues to work diligently to complete the verification of biometric identification; as of December 11, 2020, the Taskforce has verified 87 percent of public sector employees.

¹ The program budgets for fiscal costs related to the plan (LOI, ¶11), but there is uncertainty around these estimates.

**Statement by Ms. Ita Mannathoko, Executive Director for Liberia,
and Mr. Bernard Wleh Jappah, Senior Advisor to the Executive Director**

December 21, 2020

I. Introduction

1. Our Liberian authorities thank the Mission Team for the valuable engagement and constructive dialogue during the first and second reviews of the Extended Credit Facility (ECF) arrangement. They continue to cherish Fund support which has been critical in helping to address the impact of the COVID-19 shock, catalyze additional support from development partners and jump start the recovery process.
2. In response to the macroeconomic challenges inherited in 2018, the current administration focused on macroeconomic stabilization and launched the Pro-poor Agenda for Prosperity and Development (PAPD, 2018-2023). The implementation of reforms under the ECF arrangement supporting the key objectives of the PAPD, has seen progress made in stabilizing the exchange rate and curtailing inflation. Tight monetary policy alongside improvements in public financial management, zero central bank financing, and enhanced domestic revenue mobilization, enabled this outcome. The COVID-19 pandemic, however, continues to exert further strains on the economy while threatening to derail poverty reduction efforts, as well as reverse gains from policy reforms made thus far. Notwithstanding these setbacks, our authorities remain strongly committed to the program which they view as important to restore macroeconomic stability, bridge governance gaps, and help ensure sustainable and inclusive growth.

II. Recent Economic Developments and Outlook

3. Real GDP is projected to contract by 3.0 percent in 2020 due to subdued performance in the secondary and tertiary sectors. The COVID-19 shock also amplified pre-existing vulnerabilities, impacting growth in the first half of 2020. Looking ahead, growth is expected to rebound to 3.2 percent in 2021, and average 4.5 percent in the medium term, driven by higher capital spending and improved business confidence. This notwithstanding, the outlook remains subject to significant downside risks, including a second wave of COVID-19 cases, which would further dampen economic activity, with a larger impact if vaccine access and rollout are delayed.
4. Inflation at end-September 2020 decelerated to 14 percent, from 30 percent a year earlier. The decline in inflation largely reflects a contractionary monetary policy stance, alongside exchange rate stability, a decline in imports, and lower international oil prices. Reflecting

the decline in the import bill, the current account registered a slight improvement over 2019. Central Bank of Liberia reporting suggests, however, that the improvement masks a slowdown in remittance inflows, probably on account of recessions experienced in major source markets. Gross international reserves have however improved, projected at 2.5 months of import cover at end 2020 compared to 2.3 months in 2019.

III. Program Performance

5. On the fiscal front, all but one end December 2019 performance criteria (PC) were met. The targets on primary fiscal balance excluding grants and new external non-concessional debt of the public sector were also met. The end-December 2019 ceiling on the CBL's gross direct credit to the government was met. In addition, the end-December indicative targets on the floor on the total revenue collection; the floor on social and other priority spending; ceiling on net domestic assets of the CBL; and the floor on on-budget capital spending were also met. For end-June 2020 test dates, the ceilings on the contracted new non-concessional debt of the public sector, ceiling on the CBL's operational and capital spending, and indicative target on the floor on total revenue collection were all attained.
6. The end-December 2019 target on the ceiling on new external arrears of the central government was met with a delay; with outstanding obligations settled just after the test dates. In addition, a special debt service account has been established, leading to quarterly debt service allotment, while direct debits are being recorded in the Integrated Financial Management Information System (IFMIS) to ensure timely settlement of debt service obligations and avoid re-accumulation of arrears. Additionally, the debt management business process has been streamlined. The PC on the ceiling on the central bank's operational and capital spending was addressed after some months delay due to an upfront unbudgeted payment to external auditors and compensation for laid-off personnel. Going forward, and as articulated in the CBL's Board approved 2021-23 budget, the central bank is committed to further curtail operational expenses and scale back IT projects. The floor on the change in NIR for end-December 2019 was missed due to additional US dollar emergency liquidity assistance (ELA) to the banking sector by the CBL, while foreign exchange interventions to mop up excess liquidity and contain inflation, limited foreign exchange reserve buffers. As part of efforts to bolster reserves, the central bank has approved an increase in the Liberian dollar composition of spending on wages and salaries. Furthermore, the CBL Board is working on a reform plan to help deter US dollar liquidity pressures in the banking sector.
7. Due to the COVID-19 crisis, emergency expenditures led to missed end-June 2020 targets on the primary fiscal balance excluding grants, the ceiling on the CBL's gross direct credit to

government, and the ceiling on net domestic assets of the CBL. This reflected on-lending of RCF and CCRT resources to the government by the central bank.

8. Despite COVID-19, the authorities have made significant progress on structural benchmarks, most notably on civil service reforms. State-owned enterprises' (SOEs) quarterly reporting has also improved, while steps have been taken to institutionalize the Treasury Single Account (TSA). While steadfast implementation of the CBL's Action Plan was impeded by the COVID-19 crisis, the authorities are now scaling up efforts to expedite progress towards completing key actions, particularly those related to bank regulation and supervision.
9. Considering their strong commitment to the program, including remedial actions to correct slippages, the authorities are requesting waivers of the missed performance criteria and modification of the end-June 2020 indicative targets.

IV. Policy Objectives

Fiscal Policy and Debt Management

10. While fiscal policy was temporarily loosened to accommodate interventions to stem the effects of COVID-19 on households and firms, the authorities remain committed to medium-term fiscal sustainability. Consistent with this objective, the FY 2021 budget is fully financed and in line with the program, following additional rationalization of wages and salaries, and the streamlining of other cost centers. The budget has also been adjusted for the revenue effects of COVID-19. Further, revenue collection has improved relative to the ECF program target, with the introduction of excise tax on fuel and the strengthening of the compliance regime. Revenue from these measures has been allocated to priority expenditure areas including financing the bank resolution plan and arrears clearance. Additional budget support from development partners also helped to improve the fiscal position.
11. As noted by staff, our authorities have improved public financial management (PFM) significantly. Concurrently, cash management continues to improve following the requirement that all budget entities process payments through the IFMIS, and the introduction of more regular fiscal reconciliation and reporting. Allotments are now only issued based on available resources. Policy decisions made by the Liquidity Management and Technical Management Committees continue to buttress these efforts.
12. To ensure debt sustainability, our authorities will continue to prioritize borrowing on concessional terms. Moreover, they are reviewing several options to determine the best path to finance development projects and will remain engaged with the Fund. Meanwhile, significant progress has been made in debt management, including the development and implementation of a comprehensive Debt Management Manual which has helped facilitate

overdue debt payments including to domestic financial institutions. At the same time, the debt database has been cleaned with the support of development partners. Internal capacity for near-term debt service projections has also improved.

13. The authorities are making determined efforts to intensify revenue collection and operational efficiency in relevant revenue collection entities. In this regard, they have submitted to the Legislature, amendments to the acts of two key revenue collection intermediaries, the Liberia Maritime Authority and the Liberia Telecommunications Authority. When enacted in January 2021, the Liberia Revenue Authority (LRA) would collect all revenues from both agencies, directly, rather than relying on the agencies to apportion their collections between themselves and the LRA. In the near to medium term, the authorities also plan to streamline tax exemptions and enhance customs administration.

Monetary and Financial Sector Policies

14. Consistent with the ECF arrangement, the monetary stance remains anchored on reducing inflation and stemming the decline in the value of the Liberian dollar. Consequently, inflation continues to wane, and the exchange rate has stabilized. The authorities continue to refine the monetary policy framework and work to develop financial markets through active open market operations. The authorities have adopted a currency management plan to ensure adequate Liberian dollar banknotes are always available to meet growing demand. Similarly, the CBL is also committed to resume non-discriminatory foreign exchange auctions. The central bank has prioritized Fund CD in monetary policy operations to bolster ongoing efforts in these areas.
15. The financial sector faces significant challenges occasioned by the COVID-19 pandemic, necessitating measures by the authorities to ensure liquidity in the banking sector. The authorities have requested technical assistance from the US Treasury to provide inputs into a financial sector reform plan, as a matter of urgency. Relatedly, the CBL has drafted a Crisis Management Framework, which has benefitted from inputs of AFRITAC West II. The framework is envisaged to provide critical inputs to the current work to amend the Financial Institutions Act (1999), which aims to address weaknesses in the supervisory framework, including the resolution regime. In the meantime, measures such as the moratorium on asset classification and provisioning rules in response to COVID-19 have been reversed, as the CBL continues to strengthen its regulatory and oversight framework to foster financial sector stability.
16. The National Legislature approved amendments to the CBL Act in October 2020 which will strengthen the operational independence of the CBL and keep the bank focused on its price stability mandate. The amendments, which benefitted from technical assistance from the

Fund, include provisions granting CBL the right to seek approval to print bank notes for 3-year periods, and the creation of a monetary policy committee.

Governance and Structural Policies

17. Governance and institutional reforms remain central to the authorities' development agenda and efforts to ensure inclusive and durable growth. To this end, the government has adopted resolutions from a major anti-corruption conference convened in September 2020, which brought together key state and non-state actors. As a result, the Act governing the Liberian Anti-Corruption Commission (LACC) is being revised, *inter alia*, to give the institution first tier prosecutorial jurisdiction on corruption, economic and financial crimes. In addition, the authorities are taking steps to legislate a Whistle Blower and Witness Protection Act to protect witnesses and victims consistent with relevant UN charter and best practice. In line with the RCF commitments, the authorities have also initiated major efforts to improve procurement transparency and accountability. Key information such as legal ownership of contracts is currently published on the Public Procurement and Concession Commission's (PPCC) website. These efforts are in advance of planned revisions to the procurement regulations to further advance accountability and transparency objectives.
18. The enforcement of payroll regulation in March 2020 has yielded tangible results. The authorities' cleaning of payroll databases has led to the elimination of duplications and ghost workers, and the tracking of employees who are within statutory pension ages. Information on 87 percent of public sector workers has been biometrically captured in the payroll database and corresponding identification cards issued to these employees. As an integral part of payroll reforms, the completion of the national identification card drive is being prioritized. Meanwhile, hiring has been centralized and payrolls including those of Presidential appointees, have been integrated within the payroll management system under the purview of the Civil Service Agency. The inter-ministerial National Payroll Cleaning Taskforce continues to monitor movements in the payroll.

V. Conclusion

19. The Liberian authorities consider Fund support crucial in building institutional and human capital, as the country strives to implement far-reaching and growth-enhancing reforms. They regard support from the Fund and key partners as essential to the realization of the key objectives of PAPD. The authorities, for their part, reiterate their commitment to the steadfast implementation of reforms under the ECF arrangement and look forward to Directors' support in completing the current reviews.