

Liberia—Seventh Review Under the Extended Credit Facility Arrangement

In the context of the **Seventh Review Under the Extended Credit Facility Arrangement**, the following documents have been released and are included in this package:

- The staff report for the Seventh Review Under the Extended Credit Facility, prepared by a staff team of the IMF, following discussions that ended on September 16, 2011, with the officials of Liberia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 16, 2011. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A Press Release summarizing the decisions taken by the Executive Board under its lapse of time procedures.

The documents listed below have been separately released.

Letter of Intent sent to the IMF by the authorities of Liberia
Memorandum of Economic and Financial Policies by the authorities of Côte d'Ivoire
Technical Memorandum of Understanding

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

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INTERNATIONAL MONETARY FUND

LIBERIA

Seventh Review Under the Extended Credit Facility Arrangement

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

Approved by Seán Nolan and Jan Kees Martijn

November 16, 2011

Overview: GDP growth is brisk, boosted by rubber production and a restart of iron-ore exports. Inflation has risen due to a pass-through of international food and fuel prices and tighter supply of domestic food products. Monetization is ongoing, with a rapid expansion in deposits and private sector credit, but banking system soundness and profitability has been undercut by elevated non-performing loans. Revenue mobilization has been strong, while expenditure has remained under control in the run-up to elections in October and November, which returned President Johnson Sirleaf for a second six-year term.

The discussions for the seventh review of the ECF arrangement took place in Monrovia during September 8–16, 2011. The mission comprised of Messrs. Lane (head), Oestreicher, Ismail (all AFR), Mr. Cipollone (SPR), and Mr. Sobolev (Resident Representative). Mr. Graham (World Bank) participated in some of the policy discussions.

The mission met with Minister of Finance Ngafuan, other senior government officials, Central Bank Executive Governor Mills Jones, representatives of the private sector, development partners, and civil society. The mission also participated in a High Level National Economic Forum on Liberia's future development strategy.

Program performance. All performance criteria and indicative targets under the program through June 2011 were observed. Administrative reforms are broadly on track, albeit with delays in establishing effective financial oversight of state-owned enterprises. The revised Liberia Revenue Code (LRC) was published as a prior action for completion of the review.

Appendix I comprises the authorities' Letter of Intent, Supplementary Memorandum of Economic and Financial Policies, and the Technical Memorandum of Understanding.

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Abbreviations and Acronyms

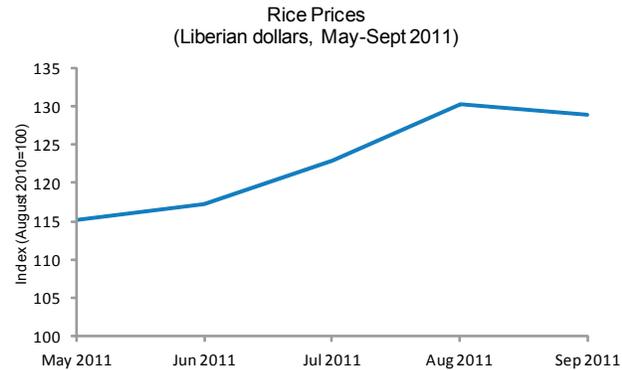
BADEA	Arab Bank for Economic Development in Africa
CAR	Capital to risk-weighted Asset Ratio
CBL	Central Bank of Liberia
CPI	Consumer Price Index
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
FDI	Foreign Direct Investment
FY	Fiscal Year
GAC	General Auditing Commission
GDP	Gross Domestic Product
GSM	Global System for Mobile Communications
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IT	Information Technology
LISGIS	Liberia Institute of Statistics & Geo-Information Services
LTU	Large Taxpayer Unit
MDG	Millennium Development Goals
MEFP	Memorandum of Economic and Financial Policies
MOF	Ministry of Finance Liberia
MOU	Memorandum of Understanding
NPL	Non-performing Loans
PFM	Public Financial Management
PPCC	Public Procurement and Concessions Commission
PRS	Poverty Reduction Strategy
SB	Structural Benchmark
SDR	Special Drawing Rights
SME	Small and Medium-sized Enterprise
SOE	State-owned Enterprises
SUT	Supply and Use Tables
TMU	Technical Memorandum of Understanding
WAMZ	West African Monetary Zone

I. RECENT DEVELOPMENTS

1. **Social and political situation.** Presidential and legislative elections on October 11, 2011 and second-round presidential elections on November 8 resulted in the election of President Johnson Sirleaf to a second six-year term while her political party remained short of an overall majority in the legislature. Due to continuing poor security conditions in western Côte d'Ivoire a significant number of refugees (138,000) remain in Liberia.

2. **GDP growth was robust, led by increased rubber production and the first post-war iron-ore exports** (Figure 1, Table 1). Timber shipments have picked up; however infrastructure bottlenecks remain a limiting factor. Off-shore oil drilling by three international companies has begun. The terms of trade have improved and gross official reserves remain stable at about 2¾ months of import cover (Table 2).

3. **Consumer price inflation temporarily rose above 10 percent in mid-year before dropping back in September.** Inflation was boosted by the pass-through of international fuel prices while market prices for imported rice have also risen markedly. Vulnerability to high food prices particularly falls on the urban poor, who are targeted to benefit from donor-funded school feeding and food-for-work initiatives.



Sources: World Food Programme; and IMF staff estimates.

4. **Broad money and official reserves increased in line with program projections through end-June.** Private credit and deposits have both grown rapidly (Table 3). But a substantial portion of the loan portfolio is rated non-performing, and bank profitability is low. Notwithstanding these operating challenges, the banking system is now well-capitalized and highly liquid.

5. **Budget implementation in the financial year ending in June 2011 (FY2011) demonstrated improved revenue mobilization and better execution of capital spending relative to FY2010.** The tax revenue to GDP share improved by 2¾ percentage points over FY2010 due to buoyant corporate income taxes and receipt of a one-off withholding payment associated with the transfer of an oil concession. The revenue increase was directed mainly towards social and priority expenditure and project execution (MEFP ¶3). Domestically financed capital spending increased substantially to more than 6 percent of GDP—largely due to significant efforts by the authorities to improve coordination between institutions and relieve project execution bottlenecks. Following attainment of the HIPC completion point in 2010, the authorities commenced highly concessional external borrowing in FY2011 with disbursements amounting to just below 1 percent of GDP.

6. **Performance against the quantitative and structural reform program was satisfactory** (Appendix I, Tables 1-2). All performance criteria were observed through end-June 2011; end-September indicative monetary targets were observed; and preliminary data suggests fiscal policies remained on track at end-September. One structural benchmark for the seventh review, the extension of the ASYCUDA system to the Monrovia oil terminal and international airport, was met (MEFP ¶4) while two others are in progress. The delay in establishing regular financial reporting by state-owned enterprises (SOE) is being addressed, with resolution expected by March 2012 (MEFP ¶10).

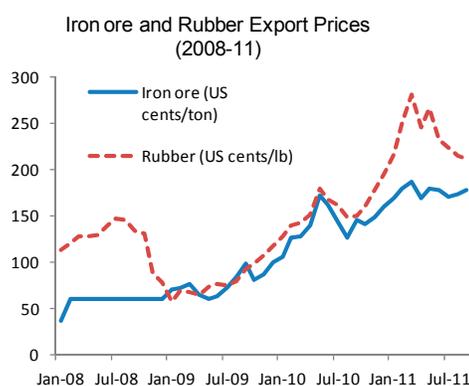
II. PROGRAM AND POLICY DISCUSSIONS

A. Macroeconomic Outlook

Discussions focused on risks to the generally bright outlook and policy responses.

7. **The near- to medium-term economic outlook remains promising.** GDP growth is expected to be in the 7–10 percent range in 2011–12, buttressed by the restart of iron-ore production (Table 4). Forestry activity is expected to rise following the opening in FY2012–13 of an additional port that would lift an export bottleneck. The authorities remain bullish on foreign investment prospects, particularly for iron-ore mining—where a fifth concession agreement was recently ratified on the standard fiscal terms in the revenue code (Appendix II)—though staff stressed possible downside risks. Modest gross foreign reserve accumulation, excluding government deposits, is expected to continue, though increased FDI-financed imports will reduce import cover. Staff and authorities anticipate that inflation will decelerate from around 7½ percent in 2011 to 3 percent in 2012 based on a moderation of international food and fuel prices. Looking further ahead, iron ore and logging are expected to sustain high rates of growth over the medium term.

8. **The outlook is vulnerable to heightened downside risks from a global economic slowdown and commodity price weakness.** The principal risks center on: a downturn in commodity export prices and related foreign direct investment; and a reduction of aid resulting from budgetary austerity in donor countries. Looking forward, staff advised the authorities to consider means to mitigate volatility from commodity price fluctuations and stressed the advantages of transitioning from a cash-based budget to a medium-term expenditure framework that incorporated mechanisms for expenditure smoothing, including through a stabilization fund.



Source: International Financial Statistics.

B. Poverty Reduction Strategy

9. **The authorities have begun consultations for a successor medium-term growth and development strategy (see Appendix III).** This exercise is being undertaken in the context of a broader national visioning exercise *Liberia Rising–2030* whose prime objective is “to become a middle-income country by 2030 characterized by sustainable and inclusive economic growth with improved quality of life for each citizen”. It will be informed by the report on implementation of PRS1 that is currently in preparation.

C. Fiscal Policies

Discussions centered on FY2012 budget policies, with a view to ensuring that budgetary resources are allocated efficiently to core expenditure priorities.

10. **A major issue in formulating the FY2012 budget was how to deal with uncertainty in revenue and grant projections.** The authorities considered potential revenue and grants amounting to 4½ percent of GDP to be contingent on specific actions or decisions.¹ They chose to manage this uncertainty by dividing the FY2012 budget into core and contingent components. The core budget consisted only of expenditure funded by secure revenue and financing. The revenue in the contingent budget will be mapped to specific, mainly non-recurrent, quick disbursing expenditure items to be released on receipt of the corresponding revenue (MEFP ¶9).

11. **The authorities viewed the large contingent budget as a pragmatic response to an uncertain situation.** They considered that it significantly reduced budget execution risks that would otherwise arise from overestimating resources, while at the same time accommodated high expenditure demands from ministries and agencies. Staff saw a case for this approach, but noted that the size of the contingent budget risked creating unrealistic expenditure expectations and administratively complex spending plans—and suggested that revenue over-performance be allocated instead through supplementary budgets or saved.

12. **The FY2012 fiscal program incorporates realistic revenue projections while appropriately balancing macroeconomic and development objectives** (Figure 2, Table 5). The fiscal program is defined as the core budget plus expenditure financed through World Bank lending.² The program remains anchored by the authorities’ debt management strategy: with external borrowing substantially below the maximum level consistent with long-run debt

¹ Contingent items include: withholding tax on capital gains from sale of oil exploration rights; agriculture concession payments; a commodity grant; dividend payments from state enterprises where payment would depend on availability of funds; and receipt of back taxes.

² Staff noted that four post-HIPC World Bank credits ratified by the legislature have not been included in the FY2012 budget. Staff will press the authorities to rectify this omission with a budget amendment prior to the eighth program review to bring the budget into line with the fiscal program.

sustainability (3 percent of GDP in net present value terms). Financing is currently limited to highly concessional World Bank lending, with revenues and grants remaining broadly unchanged from FY2011.

13. **Tax policy changes and one-off factors will reduce tax revenue significantly in FY2012, with offsetting increases mostly in non-tax revenue and grants.** Tax revenues are likely to be reduced by the full-year effect of cuts in income tax rates and by a fall in one-time withholding tax receipts. Trade taxes will also decline with the adoption of the GATT valuation of goods, tariff reductions towards the ECOWAS common external tariff—with increases put off to the following year—and the waiver of fuel import duties for health and education institutions in response to rising prices. These tax reductions are fully offset by iron-ore payments including royalties, increased excises, higher sales tax on cell-phone usage, and additional commodity grants.

Liberia: Outturn FY2011 and Budget FY2012

(Percent of GDP)

	2010/11 Actual	2011/12 Program ^{1/}
Total revenue and grants	35.0	35.1
Total revenue	31.2	30.4
Tax revenue	25.1	21.3
Trade	9.8	8.1
Income	10.4	8.0
Withholding on equity sales	1.4	1.1
Other	4.9	5.2
Non-tax revenue	6.1	9.1
Grants	3.8	4.7
Total Expenditure	35.7	36.5
Current expenditure	28.9	27.2
Capital expenditure	6.9	5.2
Unallocated expenditure	0.0	4.1
Overall balance	-0.7	-1.4
Financing	0.7	1.4
Foreign financing (net)	0.4	1.0
Gross borrowing	0.9	1.4
Domestic Financing (net)	0.4	0.4

Sources: Liberian authorities; and IMF staff estimates.

^{1/}Includes core budget plus World Bank lending and associated expenditure.

14. **In line with the authorities' policy priorities, expenditure will be concentrated in health, education, and infrastructure.** Health and education are budgeted to amount to 25 percent of core spending (actual health and education spending is an indicative target under the ECF). Budget-funded project spending will be concentrated on a few large priority projects—mainly in the port, electricity, and road sectors. The central government wage bill is set to increase by 16 percent due to a rise in the minimum wage and adoption of a new salary structure reducing the number of grades from 15 to 10. Going forward, wage growth will need to be addressed, while recognizing that many civil service salaries are very low and that tackling excess staffing will be challenging.

Liberia: Health and Education Spending, FY2010-12

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

Source: Liberian authorities.

¹Excluding project expenditure financed by external borrowing.

15. **Extensive amendments to the Liberia Revenue Code**, as discussed previously in program reviews, were published—and entered into force—in November 2011 (prior action for the seventh review). The amendments cover most major taxes and are an important measure in supporting medium-term fiscal sustainability.

D. Monetary and Financial Policies

Policy discussions focused on maintaining the momentum of financial sector growth while addressing credit risks and continuing to expand financial services to under-served segments of the market.

16. **Monetization is steadily increasing** (Figure 3). In parallel with broad money growth, commercial bank deposits have increased at annual rate of over 30 percent while credit to the private sector is also growing rapidly. Foreign exchange reserve accumulation has been in line with program objectives, with the Central Bank of Liberia (CBL) using foreign exchange auctions to limit excess volatility in the exchange rate. The authorities are now considering the issuance of CBL notes to enhance the central bank policy toolkit as the FY2012 budget does not envisage the issuance of treasury bills (MEFP ¶12).

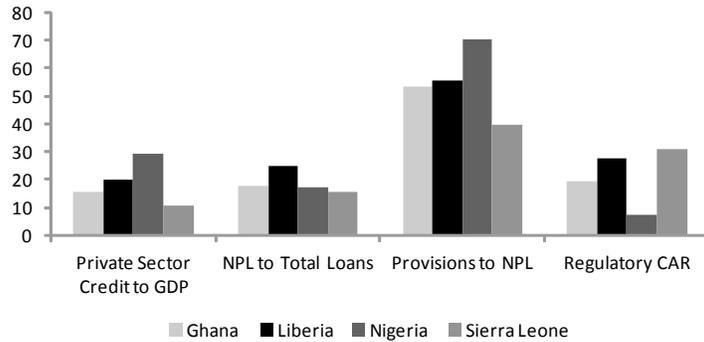
17. **Credit risks remain high and require close monitoring.** While non-performing loans (NPLs) to total gross loans have declined, they remain high, including when viewed in a regional context (Box 1). Some of the credit risk is mitigated by the high liquidity in the banking system and the limited channels for contagion given the absence of interbank lending. One of the largest banks brought in new capital from a parent bank to meet capital requirements and write off its bad loans. The authorities consider that adequate measures have been taken: the CBL is advising banks on risk management, all banks are compliant with capital and provisioning requirements at end-August 2011, and on-site risk-based

supervision is advancing (MEFP ¶14–16). Nevertheless, staff noted that, should the economic situation deteriorate leading to an increase of bad debt, higher provisioning, and the erosion of banks’ capital, confidence in the banking sector could weaken and some further bank recapitalization may be needed.

Box 1. Banking System Indicators in a Regional Perspective

Most banks in Liberia are foreign-owned branches or subsidiaries of transnational African banks. Liberia is similar to other countries in the region in terms of a weak credit environment with elevated non-performing loans, limited financial intermediation relative to GDP, and comfortable regulatory capital to risk-weighted asset ratio (CAR).

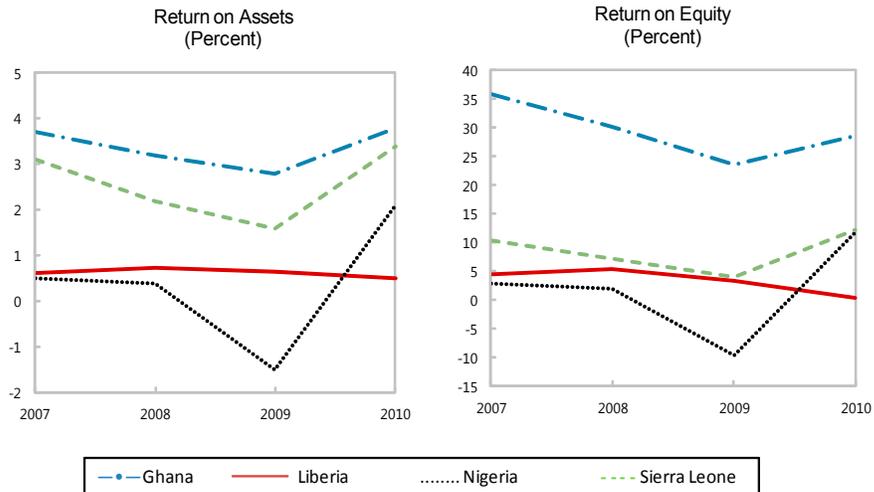
Financial Indicators (2010)
(Percent)



Sources: IMF staff estimates; World Bank; and national authorities

However, the returns on assets and equity are particularly low in Liberia. More than half of banks’ revenue is from non-interest income.

Returns on Banking in the Region



Sources: IMF staff estimates; and national authorities.

18. **Staff noted that commercial bank profits are being squeezed by relatively narrow lending margins—in part because of moral suasion by the authorities—the lack of profitable investment instruments, and a difficult credit environment.** The authorities emphasized the importance of keeping interest rates low for the under-served small and medium-sized enterprises (SME) and continue to explore means to help them access credit.

19. **Banks' lending practices, risk management, and loan collection need strengthening.** The CBL is implementing risk-based supervision, with more frequent surveillance and on-site credit examinations (MEFP ¶12), and is requiring banks to tighten their risk management practices. A new Commercial Code is in force and a fast-track commercial court is set to begin operations that should help improve loan collection and asset recovery.

20. **Financial intermediation is set to benefit from the launch of mobile banking, and growing interest in microfinance, lending to SMEs, and agriculture.** In September 2011, mobile banking services in local currency were launched by a large commercial bank in partnership with a cell-phone operator. The CBL is developing a regulatory framework for non-bank financial institutions, and is in the process of designing a roadmap for capital market development, set to be completed by early 2012 (MEFP ¶17). The CBL-backed collateralized lending scheme to SMEs (at below-market rates) has lent more than half of the US\$5 million allocated to the initiative as of end-August.

21. **A safeguard assessment update conducted in mid-2011 noted that the safeguards framework has been strengthened.** It also noted that the rights and obligations relating to Liberia's transactions with the IMF, including the obligation for servicing repayments under the ECF, should be clarified and formalized in a memorandum of understanding between the CBL and the Ministry of Finance (see Safeguards Assessment in the Informational Annex). The authorities took note and agreed that action was needed.

E. Administrative and Other Reforms

Discussions considered actions needed to successfully complete the program's administrative reform objectives.

22. **Fiscal reforms have generally advanced, though staff and authorities concurred that enhanced efforts are needed to improve the oversight of SOEs.**

- Considerable groundwork has been carried out to improve the overall SOE governance regime (Appendix IV). While the authorities favor comprehensive reform of the sector, they see this as a medium-term objective. The near-term concern is that financial reporting by SOEs (structural benchmark) has important gaps in coverage. The authorities have instructed SOEs to file annual reports by end-December 2011 and quarterly reports by end-March 2012—and have made establishing a track record of reporting a precondition for approval of SOE borrowing requests.

- The treasury management system (IFMIS) will be connected with the central bank and other users by end-January 2012, completing a structural benchmark for the seventh review with a short delay. The ASYCUDA system in customs will be extended to the
- remaining 14 major customs ports by December 2013, while the integrated Tax Information System (ITAS) will be in use in the large taxpayer unit by June 2012 (MEFP ¶11).
- Staff supports the authorities' capacity building initiatives to monitor foreign investment agreements with a view to maximizing their economic impact. The creation of the National Bureau of Concessions and a unit in the Large Taxpayer Department (LTD, structural benchmark for the eighth review) should both help to create additional technical capacity in this area.
- The authorities have requested Fund assistance to review the system of investment incentives in the Liberia Revenue Code, with a view to ensuring that the system is sufficiently rules-based, transparent, and conducive to economic development (MEFP ¶11).

23. **Work on modernizing the national payments system is progressing.** The CBL has drafted payments system legislation and established a payments system unit with Fund support.

24. **Preparation of national accounts statistics.** The authorities have decided not to publish national accounts data for 2008, a decision that staff support due to weaknesses and gaps in the source data. The authorities are now working on strengthening the source data through enterprise and household income expenditure surveys with donor assistance, with publication of data expected in 2013–14 (see Informational Annex).

F. External Policies

25. **Further progress has been made to strengthen the debt strategy framework and concessional credits have been ratified.** Guidelines for SOE borrowing, government guarantees, and borrowing procedures have been prepared. The legislature approved four World Bank credits aimed at enhancing power distribution and improving access to communication and information technology services; however, the authorities need to monitor and report disbursements under these credits on a timely basis. The authorities have also made progress in identifying concessional financing and grants for rehabilitation of the Mount Coffee hydropower plant. Given the size of the project, the authorities requested that staff review financing terms and project viability closely in collaboration with the World Bank. HPIC-related negotiations with the remaining creditors on securing debt relief are progressing, except in the case of Taiwan, Province of China.

26. **The phased adoption of the ECOWAS common external tariff has begun and the process of WTO accession has advanced.** Tariff adjustments in FY2012 comprise of only rate reductions, including on machinery, with rate increases scheduled to begin in subsequent years. In July, the authorities finalized the WTO memorandum on Liberia's foreign trade regime.

III. STAFF APPRAISAL

27. **While macroeconomic developments in 2011 have been largely in line with expectations, there are concerns regarding the mounting downside risks arising from adverse developments in advanced economies.** Looking ahead, with resource revenues expected to rise substantially over the medium term, staff advised the authorities to mitigate the impact of commodity price volatility through an early transition to medium-term budgeting and adoption of stabilization mechanisms.

28. **Staff commends the Liberian authorities for maintaining fiscal and monetary stability against the backdrop of important legislative and presidential elections.** The authorities have followed a cautious approach to budget execution and debt accumulation in 2011. No domestic borrowing was authorized and, in line with past Fund advice, external financing has been limited to highly concessional multilateral credits. However, the current rate of increase in the wage bill is not sustainable, and will need to be slowed over time. The FY2012 budget has pragmatically addressed revenue uncertainty by means of a large contingent budget, although this carries some implementation risks. The coverage of the budget needs to be expanded to include all projects financed by external borrowing.

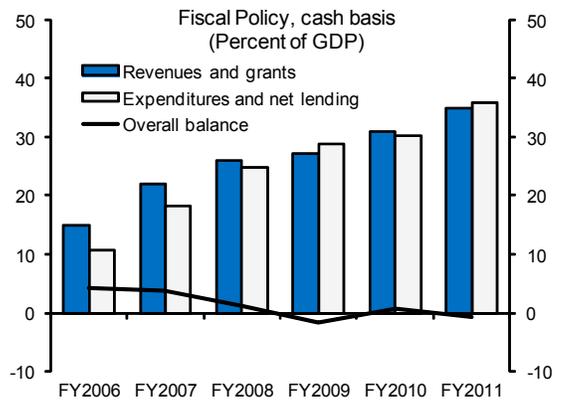
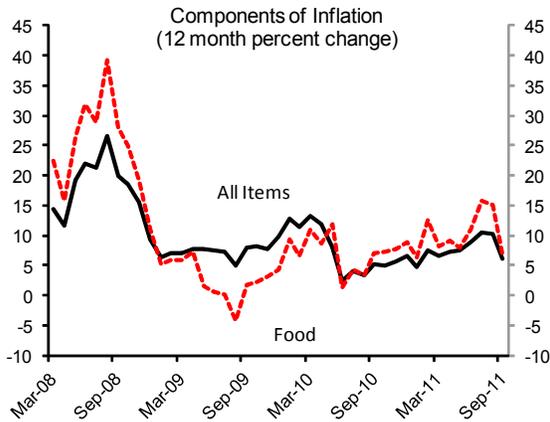
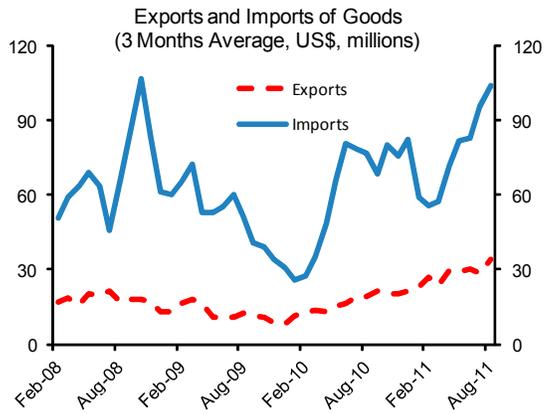
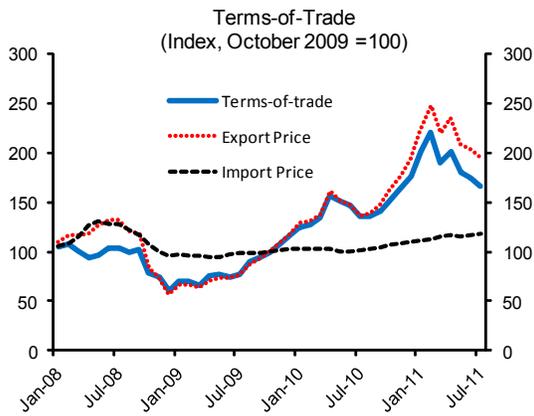
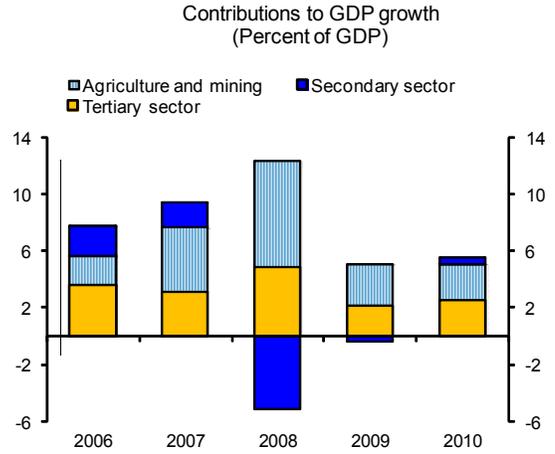
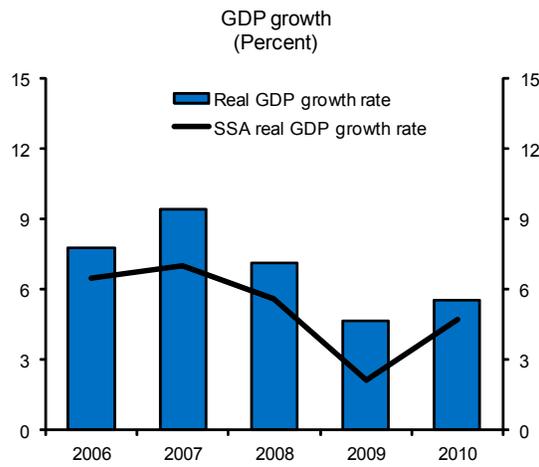
29. **The authorities have made strong efforts to improve the execution of capital spending.** Capital expenditure was higher than staff expected in FY2011. The self-financed investment program in the FY2012 budget appropriately focuses on ports and roads to relieve critical bottlenecks to growth. Progress on identifying financing for rehabilitating the Mount Coffee hydro-electric plant is also welcome—staff would support this well-targeted investment, provided the terms are sufficiently concessional, and consistent with debt sustainability. Staff will consult with World Bank colleagues on project evaluation and governance arrangements.

30. **Administrative reforms have advanced, though coordination issues have caused some delays.** Staff welcomes the launch of treasury and tax administration IT systems and the expansion of customs automation. State enterprises have not reported their financial results and plans in accordance with the Public Financial Management Act; staff views the efforts of the Ministry of Finance to improve compliance in coming months as essential to address potential fiscal risks. While several state enterprises have expressed an interest in borrowing, staff supports the authorities' position that a track record of prudent financial management by SOEs is a prerequisite for borrowing.

31. **Staff and authorities had constructive discussions on financial sector stability, where some risks remain.** The Central Bank has strengthened its supervisory oversight, and taken several significant steps to help commercial banks address elevated levels of non-performing loans. Nonetheless, while some financial stability indicators have improved, low banking sector profitability creates vulnerability, particularly should downside risks materialize. In this context, the policy of moral suasion exercised by the Central Bank to keep lending rates low may need to be reconsidered. At the same time, the introduction of mobile banking promises a future new source of income for banks while expanding public access to banking services; staff will monitor its uptake.

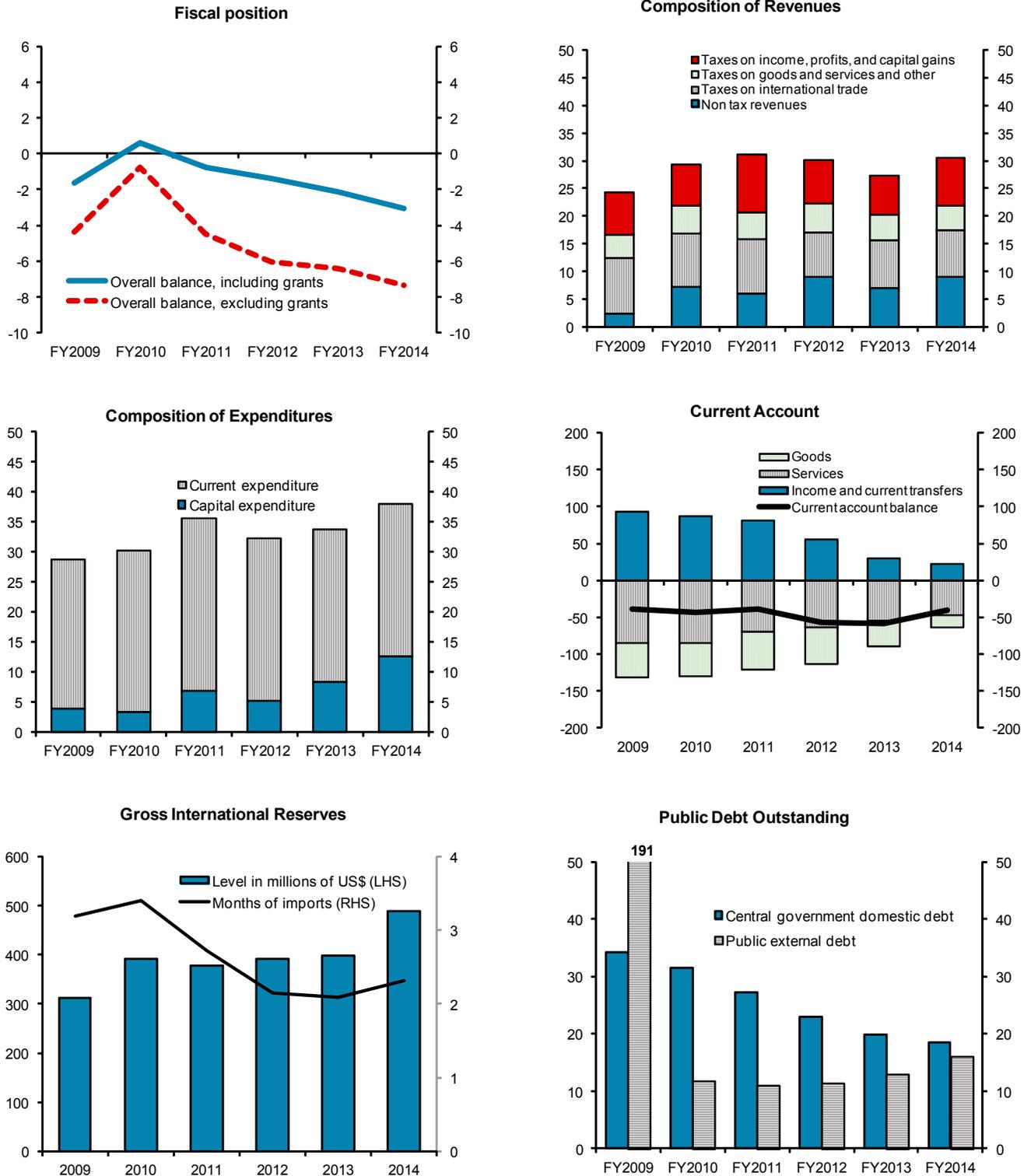
32. **Staff supports the completion of the seventh program review,** taking into account the authorities' record of good progress in economic management in a volatile external environment alongside significant efforts at capacity building.

Figure 1. Liberia: Recent Economic Developments



Sources: Liberian authorities; and IMF staff estimates.

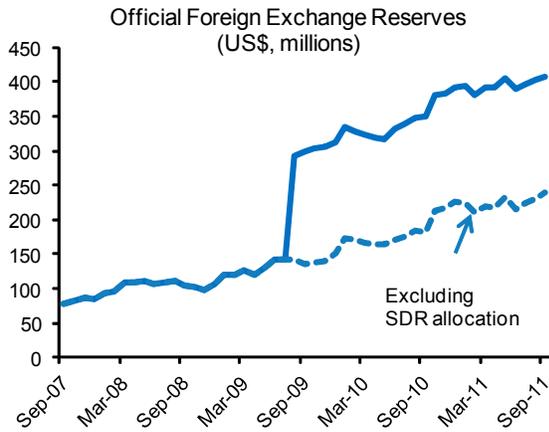
Figure 2. Liberia: Medium-term Fiscal and Balance of Payments Outlook, FY2009–14
(Percent of GDP, unless otherwise indicated)



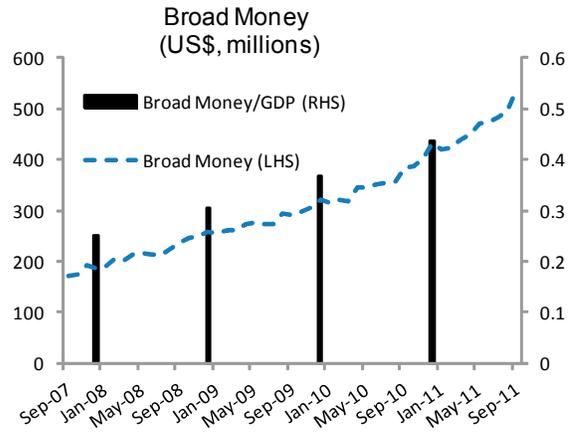
Sources: Liberian authorities; and IMF staff estimates and projections.

Figure 3. Liberia: Monetary and Financial Developments

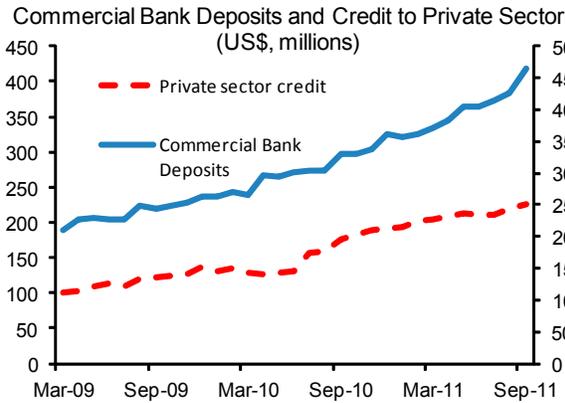
Reserves accumulation has been gradual..



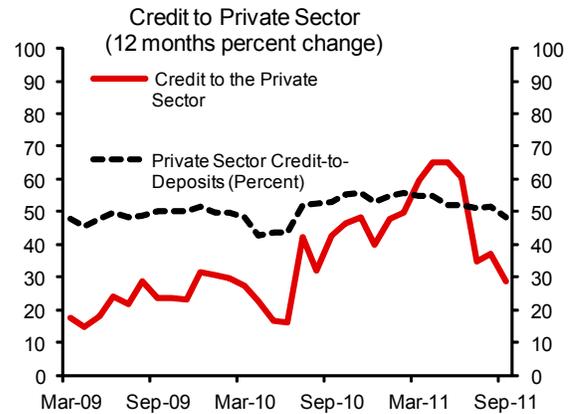
..and broad money growth has been steady ..



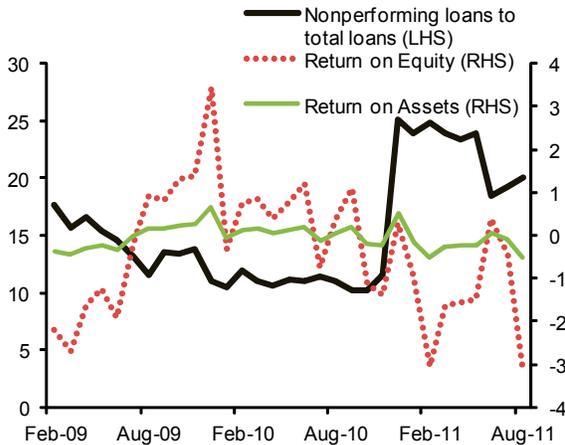
..with bank deposits rising rapidly ..



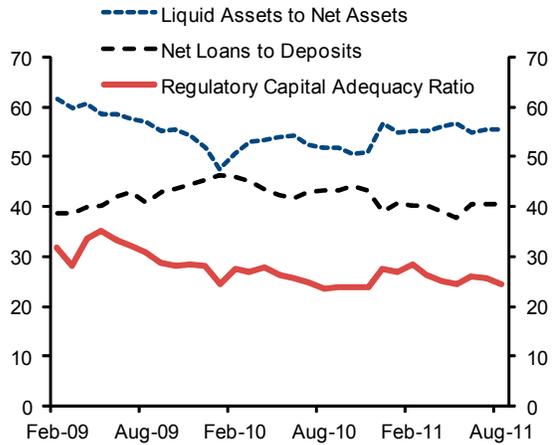
.. leading to brisk growth in private sector credit.



Nonperforming loans declined, but remain high with bank profitability low



.. however banks remain well-capitalized and highly liquid.



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

Table 1. Liberia: Selected Economic and Financial Indicators, 2009–13

	2009	2010	2011		2012		2013
		Prel.	6 th Rev ^{1/}	Proj.	6 th Rev ^{1/}	Proj.	Proj.
(Annual percentage change, unless otherwise indicated)							
National account and prices							
GDP at constant prices	4.6	5.5	6.8	6.9	9.6	9.5	7.2
GDP deflator (US dollars)	-1.2	6.4	9.2	9.5	7.0	8.5	3.7
Nominal GDP (millions of US dollars)	879.3	987.3	1,153.9	1,155.3	1,353.0	1,373.0	1,527.1
Consumer prices (average)	7.4	7.3	8.1	7.4	5.8	3.1	4.2
Consumer prices (end of period)	9.7	6.6	6.1	6.1	5.4	1.6	4.7
Consumer prices (US dollar denominated, year-on-year)	2.4	1.3	3.6	3.6	3.0	1.3	2.9
External sector							
Exports, f.o.b.	-39.7	40.3	41.3	56.6	86.2	83.9	38.2
Imports, f.o.b.	-19.0	17.4	38.5	37.8	41.9	41.9	5.1
Terms of trade (deterioration -)	-9.3	77.0	9.7	20.7	0.2	0.4	0.3
Average exchange rate (local currency per U.S. dollar)	68.3	71.4	...	...	...	...	...
Average nominal effective exchange rate change (depreciation -)	-1.7	-4.2	...	...	...	...	...
Average real effective exchange rate (depreciation -)	4.4	1.0	...	...	...	...	...
Import coverage of reserves excluding UNMIL imports (months)	3.2	3.4	2.7	2.7	2.1	2.1	2.1
Gross official reserves (millions of US dollars) ^{2/}	312.2	391.4	375.0	377.3	390.4	389.6	397.7
Money and credit							
Net foreign assets	1.4	149.8	-7.9	-7.8	-3.9	3.4	-3.0
Net domestic assets	5.7	-89.9	91.4	92.4	49.0	40.6	28.0
Net claims on central government	-0.2	-84.4	9.5	10.3	1.7	3.8	2.2
Claims on nongovernment	42.2	27.0	35.6	35.5	31.6	24.7	19.9
Other items (net)	1.9	-10.0	0.8	13.2	-0.8	-15.2	0.0
Broad money (M2)	24.1	33.5	15.2	15.5	16.5	17.8	11.3
Reserve money	2.1	32.0	7.2	7.2	13.4	13.4	11.8
Velocity (GDP-to-M2)	2.7	2.3	2.3	2.3	2.3	2.3	2.3
Money multiplier (M2/M0)	4.8	5.4	5.8	5.8	6.0	6.0	6.0
(Percent of GDP)							
External sector							
Current account balance							
(including official grants)	-38.3	-43.6	-37.8	-39.4	-62.9	-58.1	-58.7
(excluding official grants)	-142.9	-142.6	-121.6	-123.1	-127.8	-122.0	-110.2
Trade balance	-47.9	-46.5	-54.6	-51.2	-56.0	-50.8	-34.6
Exports, f.o.b.	17.4	21.8	26.4	29.2	41.9	45.2	56.1
Imports, f.o.b.	-65.3	-68.3	-80.9	-80.4	-97.9	-96.0	-90.7
Central government budget ^{3/}							
Total revenue and grants	27.2	30.9	34.5	35.0	29.0	35.1	31.7
Of which: total revenue	24.4	29.5	31.0	31.2	25.9	30.4	27.4
Total expenditure and net lending	28.8	30.2	33.2	35.7	30.1	36.5	33.8
Of which: current expenditure	24.9	26.8	28.1	28.9	24.6	27.2	25.5
capital expenditure	3.9	3.4	5.1	6.9	5.4	5.2	8.3
Overall fiscal balance (including grants)	-1.6	0.6	1.3	-0.7	-1.1	-1.4	-2.1
Overall fiscal balance (excluding grants)	-4.4	-0.8	-2.2	-4.5	-4.2	-6.1	-6.4
Public external debt	191.0	11.7	10.9	11.1	11.7	11.4	12.9
Central government domestic debt	34.3	31.5	27.3	27.2	24.3	23.0	20.0

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

1/ IMF Country Report No. 11/74, July 2011.

2/ Data for 2011 6th Review corrected from US\$425 to US\$375 million and for 2012 6th Review corrected from US\$452 to US\$390 million.

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

Table 2. Liberia: Balance of Payments, 2009–13
(Millions of US dollars, unless otherwise indicated)

	2009	2010	2011		2012		2013
		Prel.	6 th Rev	Proj.	6 th Rev	Proj.	Proj.
Trade balance	-421	-459	-630	-592	-758	-698	-528
Exports, f.o.b.	153	215	304	337	566	620	856
Of which: rubber	93	156	202	258	204	258	271
Imports, f.o.b.	-574	-674	-934	-929	-1,324	-1,318	-1,385
Services (net)	-741	-830	-760	-809	-875	-873	-842
Of which: UNMIL services ^{1/}	-455	-455	-418	-418	-342	-342	-266
Income (net)	-145	-182	-99	-106	-183	-191	-402
Of which: public interest payments due ^{2/}	-111	-109	-1	-1	-1	-1	-1
Of which: IMF	1	-1	-1	-1	0	0	0
Current transfers	970	1,041	1,052	1,053	965	964	876
Donor transfers (net)	920	978	967	967	878	876	787
Of which: UNMIL transfers	600	600	550	550	450	450	350
Private transfers (net)	50	63	85	85	87	87	89
Current account balance	-337	-430	-436	-455	-851	-798	-897
Current account balance, excluding grants	-1,257	-1,408	-1,404	-1,422	-1,730	-1,675	-1,684
Capital and financial account (net)	371	1,250	446	465	861	832	936
Capital account (HIPC debt relief) ^{3/}	1,524	1,586	0	0	0	0	0
Financial account	-1,154	-336	446	465	861	832	936
Foreign direct investment (net)	153	398	431	431	821	821	903
Portfolio investment (net)	0	0	0	0	0	0	0
Other investment (net)	-1,307	-733	16	35	40	11	33
Official financing: Medium and long-term (net)	-1,371	-819	2	2	22	22	40
SDR allocation	163	0	0	0	0	0	0
Disbursements	0	0	6	6	28	28	46
Amortization	-1,534	-819	-4	-4	-6	-6	-6
Private financing (net) ^{3/}	64	86	14	33	18	-11	-7
Errors and omissions	20	0	0	0	0	0	0
Overall balance	54	820	10	11	10	10	13
Financing	-54	-820	-10	-10	-10	-10	-10
Change in gross official reserves (increase -) ^{4/}	-183	-79	-24	-24	-17	-17	-10
Net use of Fund credit and loans	18	-849	14	14	7	7	0
Disbursements	18	14	14	14	7	7	0
Of which: ECF financing	18	14	14	14	7	7	0
Repayments	0	-863	0	0	0	0	0
Exceptional financing	111	108	0	0	0	0	0
Debt forgiveness	1,524	1,586	0	0	0	0	0
Change in arrears ^{5/}	-1,524	-1,586	0	0	0	0	0
Debt rescheduling plus HIPC interim debt relief ^{6/}	111	108	0	0	0	0	0
Memorandum items:							
Current account balance (percent of GDP)							
Including grants	-38.3	-43.6	-37.8	-39.4	-62.9	-58.1	-58.7
Excluding grants	-142.9	-142.6	-121.6	-123.1	-110.7	-122.0	-110.2
Trade Balance (percent of GDP)	-47.9	-46.5	-54.6	-51.2	-56.0	-50.8	-34.6
Donor transfers (net, percent of GDP)	104.6	99.0	83.8	83.7	64.9	63.8	51.5
Public sector external debt (medium and long-term)							
Debt outstanding, including arrears	1,680	115	126	128	159	157	197
(percent of GDP)	191.0	11.7	10.9	11.1	11.7	11.4	12.9
Debt service charges (after relief)	0.0	2.2	5.8	5.8	7.3	7.3	7.4
(percent of GDP)	0.0	0.2	0.5	0.5	0.5	0.5	0.5
Terms of trade (2000=100)	122	216	235	261	236	262	262
Gross official reserves	312	391	375	377	390	390	398
Gross official reserves (months of imports) ^{7/}	3.2	3.4	2.7	2.7	2.1	2.1	2.1

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

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

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

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

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

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

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

7/ Excludes UNMIL service imports.

Table 3. Liberia: Monetary Survey, 2009–13
(Millions of US dollars; unless otherwise indicated)

	2009	2010	2011		2012		2013
			6 th Rev	Proj.	6 th Rev	Proj.	
(Central Bank Balance Sheet)							
Net foreign assets	-749.1	191.4	165.5	165.8	158.9	176.2	171.3
Of which: Fund credit	-891.2	-44.4	-60.3	-60.2	-67.0	-67.0	-66.9
CBL's gross foreign reserves ^{1/}	372.5	467.0	465.0	464.8	496.0	493.6	513.4
Commercial banks' US\$-denominated deposits at CBL	60.2	75.5	90.0	87.5	105.6	104.0	115.7
CBL's gross official foreign reserves ^{1/ 2/}	312.2	391.4	375.0	377.3	390.4	389.6	397.7
Government US\$-denominated deposits at CBL	45.5	103.7	70.0	68.7	65.6	60.7	55.4
CBL's net foreign exchange position ^{1/ 3/}	266.5	287.5	305.0	308.6	324.8	328.9	342.4
CBL's net foreign exchange position excluding SDR holdings	65.1	77.0	72.2	76.2	86.2	90.2	104.2
Net domestic assets	823.0	-93.8	-61.0	-61.3	-40.4	-57.7	-38.8
Net claims on government	1,067.4	170.6	186.6	187.9	189.7	195.0	199.3
Claims on other public sector ^{4/}	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on private sector	1.8	4.9	4.7	4.7	5.5	5.6	6.2
Claims on commercial banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items (net) ^{5/}	-246.1	-269.3	-269.3	-269.3	-269.3	-269.3	-269.3
Base money	73.9	97.6	104.6	104.6	118.6	118.6	132.6
(Monetary Survey)							
Net foreign assets	-664.3	330.5	304.5	304.7	292.5	315.0	305.7
Net domestic assets	986.7	100.1	191.6	192.6	285.4	270.7	346.5
Net domestic credit	1,241.3	380.1	471.6	472.6	565.5	550.8	626.5
Net claims on government	1,074.3	168.0	184.0	185.3	187.1	192.4	196.7
Claims on nongovernment	154.5	199.6	239.5	240.2	378.4	282.1	311.3
Claims on private sector	136.5	191.3	222.1	222.8	260.4	264.7	294.5
Claims on public enterprises	17.9	7.0	16.1	16.1	15.5	16.1	15.6
Claims on nonbank financial institutions	0.0	1.3	1.3	1.3	1.2	1.3	1.2
Other Items (Net)	-254.6	-280.1	-277.9	-243.1	-280.1	-280.1	-280.1
Monetary aggregates							
Monetary Base (M0)	67.1	79.9	85.9	85.9	97.1	96.9	108.5
Currency in circulation	59.0	70.0	75.4	75.4	84.8	84.4	94.5
Required reserves	8.1	9.9	10.5	10.5	12.3	12.5	13.9
Commercial bank deposits	263.4	360.5	420.6	421.9	493.2	501.3	557.6
Total demand deposits	201.3	260.1	297.0	297.9	348.3	354.1	393.8
L\$-denominated deposits	12.3	16.4	19.2	19.2	22.5	22.9	25.4
US\$-denominated deposits	188.9	243.7	277.9	278.7	325.8	331.2	368.4
Time, savings and other deposits	62.1	100.4	123.6	123.9	144.9	147.3	163.8
L\$-denominated deposits	19.4	24.5	28.5	28.6	33.4	34.0	37.8
US\$-denominated deposits	42.7	76.0	95.0	95.3	111.4	113.3	126.0
Broad money (M2)	322.4	430.6	496.0	497.3	578.0	585.8	652.2
L\$ component	90.8	110.9	123.1	123.2	140.7	141.3	157.8
US\$ component	231.7	319.6	372.9	374.0	437.2	444.5	494.4
Memorandum items:							
Broad money (annual change)	24.1	33.5	15.2	15.5	16.5	17.8	11.3
L\$ component as percent of beginning period broad money	2.4	6.2	2.8	2.9	3.5	3.6	2.8
US\$ component as percent of beginning period broad money	21.7	27.3	12.4	12.6	13.0	14.2	8.5
Reserve money (annual change)	2.1	32.0	7.2	7.2	13.4	13.4	11.8
Base money (annual change)	6.0	19.1	7.5	7.5	13.0	12.9	11.9
Credit to government (annual change)	-0.2	-84.4	9.5	10.3	1.7	3.8	2.2
Credit to private sector (annual change)	31.5	40.1	16.1	16.5	17.3	18.8	11.2
Velocity (GDP-to-M2)	2.7	2.3	2.3	2.3	2.3	2.3	2.3

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

1/ SDR holdings are included from December 2009.

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

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

4/ Including public enterprises and the local government.

5/ Including valuation adjustment.

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

	2010	2011		2012		2013	2014	2015	2016
	Prel.	6 th Rev	Proj.	6 th Rev	Proj.		Projections		
(Annual percentage change)									
National income									
Real GDP	5.5	6.8	6.9	9.6	9.5	7.2	6.0	10.3	4.5
Agriculture & fisheries	3.8	3.5	4.6	3.0	2.8	3.9	5.0	5.3	4.7
Forestry	11.6	1.9	1.9	2.0	2.0	2.0	6.2	6.3	6.4
Mining & panning	8.6	164.7	134.7	142.6	169.9	38.7	10.9	44.5	1.3
Manufacturing	3.1	4.8	3.1	3.1	3.1	3.2	3.5	3.6	3.7
Services	5.7	5.8	6.6	5.9	4.7	5.5	6.0	5.6	5.5
Real GDP excluding mining sector ^{1/}	5.2	4.6	5.2	4.0	3.6	4.4	5.7	5.4	5.1
Nominal non-mining per capita GDP (US dollar)	260.6	282.8	287.9	287.3	292.4	302.4	315.0	324.4	332.8
Prices									
GDP deflator	6.4	9.2	9.5	7.0	8.5	3.7	-2.3	2.0	-0.3
Consumer prices (annual average)	7.3	8.1	7.4	5.8	3.1	4.2	5.0	5.0	5.0
Consumer prices (end of period)	6.6	6.1	6.1	5.4	1.6	4.0	5.0	5.0	5.0
Population (millions)	3.8	3.9	3.9	4.0	4.0	4.1	4.2	4.3	4.4
(Percent share)									
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture & fisheries	51.8	50.7	52.3	44.2	45.6	43.1	44.2	40.9	40.3
Forestry	11.6	10.9	11.1	9.6	9.6	9.0	9.3	9.0	9.3
Mining & panning	1.0	6.1	4.5	16.7	16.4	20.4	18.0	23.0	22.4
Manufacturing	5.3	5.1	4.9	4.5	4.3	4.1	4.2	3.9	4.0
Services	30.2	27.2	27.1	25.0	24.1	23.4	24.4	23.2	23.9
(Percent of GDP, fiscal year)									
Central government operations									
Total revenue and grants	30.9	34.5	35.0	29.0	35.1	31.7	35.0	34.7	35.1
Total revenue	29.5	31.0	31.2	25.9	30.4	27.4	30.7	30.5	30.8
Grants	1.4	3.6	3.8	3.1	4.7	4.3	4.3	4.3	4.3
Total expenditure and net lending	30.2	33.2	35.7	30.1	36.5	33.8	38.0	38.3	38.7
Current expenditure	26.8	28.1	28.9	24.6	27.2	25.5	25.5	25.5	25.5
Capital expenditure	3.4	5.1	6.9	5.4	5.2	8.3	12.6	12.8	13.2
Overall fiscal balance, including grants	0.6	1.3	-0.7	-1.1	-1.4	-2.1	-3.1	-3.6	-3.6
Overall fiscal balance, excluding grants	-0.8	-2.2	-4.5	-4.2	-6.1	-6.4	-7.3	-7.9	-7.9
Public external debt	11.7	10.9	11.1	11.7	11.4	12.9	15.9	17.6	20.0
Central government domestic debt	31.5	27.3	27.2	24.3	23.0	20.0	18.6	16.9	15.6
(Percent, unless otherwise indicated)									
M2/GDP	43.6	43.0	43.0	42.7	42.7	42.7	43.2	43.0	43.4
Private sector credit/GDP	19.4	19.2	19.3	19.2	19.3	19.3	19.3	19.3	19.3
Velocity (GDP-to-M2)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Money multiplier (M2/M0)	5.4	5.8	5.8	6.0	6.0	6.0	5.7	5.8	5.6
(Percent of GDP, unless otherwise indicated)									
External sector									
Current account balance, including grants	-43.6	-37.8	-39.4	-62.9	-58.1	-58.7	-40.3	-4.2	1.7
Current account balance, excluding grants	-142.6	-121.6	-123.1	-127.8	-122.0	-110.2	-84.5	-35.7	-26.5
Trade balance	-46.5	-54.6	-51.2	-56.0	-50.8	-34.6	-17.0	20.5	17.5
Exports	21.8	26.4	29.2	41.9	45.2	56.1	63.5	91.3	88.4
Imports	-68.3	-80.9	-80.4	-97.9	-96.0	-90.7	-80.5	-70.8	-70.8
Grants (donor transfers, net)	99.0	83.8	83.7	64.9	63.8	51.5	44.1	31.5	28.2
Gross official reserves (millions of US dollars)	391.4	375.0	377.3	390.4	389.6	397.7	408.0	415.7	419.9
Months of imports of goods and services ^{2/}	3.4	2.7	2.7	2.1	2.1	2.1	2.3	2.5	2.4

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

1/ Chained weighted sectoral average growth rate.

2/ Excludes UNMIL service imports.

Table 5a. Liberia: Fiscal Operations of the Central Government, FY2009–13 ^{1/}
(Millions of US dollars)

	FY2009	FY2010	FY2011		FY2012		FY2013
			6 th Rev	Actual	6 th Rev	Proj.	
Total revenue and grants	234.9	288.0	369.8	374.9	363.7	443.4	459.7
Revenue	211.3	275.0	331.7	334.6	324.7	384.3	397.8
Tax Revenue	190.0	207.8	254.3	269.2	252.8	269.0	294.3
Taxes on income, profits, and capital gains	65.8	70.2	96.3	111.2	81.6	100.8	102.4
Taxes on goods and services	33.7	39.2	51.2	48.4	61.2	61.2	62.2
Taxes on international trade ^{2/}	87.9	91.7	102.5	105.4	105.6	102.6	125.0
Other taxes	2.6	6.7	4.4	4.3	4.5	4.5	4.7
Non-tax	21.3	67.3	77.4	65.3	71.8	115.3	103.5
Grants	23.6	13.0	38.1	40.3	39.1	59.1	61.9
Expenditures and net lending	248.9	282.2	355.5	382.9	377.1	461.0	490.7
Current expenditures	215.1	250.5	300.6	309.4	308.9	343.2	369.9
Wages and salaries	91.4	113.9	140.3	138.6	163.0	163.0	182.2
Goods and services	75.3	76.7	104.3	86.3	81.2	115.6	113.1
Subsidies and transfers	40.9	55.7	51.9	80.5	60.6	60.6	69.5
Interest	7.5	4.2	4.1	4.0	4.1	4.1	5.1
Capital expenditure	33.8	31.7	54.9	73.5	68.2	66.2	120.8
Foreign loan financed ^{3/}	0.0	0.0	0.0	9.6	20.0	18.0	37.7
Domestically financed	33.8	31.7	54.9	63.9	48.2	48.2	83.1
Unallocated expenditure	0.0	0.0	0.0	0.0	0.0	51.6	0.0
Overall balance							
Including grants	-14.0	5.9	14.2	-8.0	-13.4	-17.6	-31.1
Excluding grants	-37.6	-7.1	-23.8	-48.3	-52.4	-76.7	-92.9
Identified financing	14.0	-5.9	-14.2	8.0	13.4	17.6	31.1
External financing (net)	-3.7	-3.3	-3.9	3.8	14.5	12.5	31.8
Loans	0.0	0.0	0.0	9.6	20.0	18.0	37.7
Amortization (-)	-3.7	-3.3	-3.9	-5.8	-5.5	-5.5	-5.9
Domestic financing (net)	17.7	-2.6	-10.3	4.3	-1.1	5.1	-0.7
Central Bank of Liberia	19.7	0.2	0.0	10.0	2.5	8.8	0.0
Use of deposits	19.7	3.8	0.0	10.0	2.5	8.8	0.0
Deposit money banks	-0.4	-0.9	-0.8	-3.0	-0.4	-0.4	-0.7
Treasury bill purchases (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other lending to government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (including repayment of arrears)	-1.6	-1.8	-9.5	-2.7	-3.3	-3.3	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:							
Iron ore-related revenues	0.0	29.9	38.6	32.0	36.8	44.8	51.4
Total public external debt ^{4/}	3,203.2	1,679.8	112.1	115.1	140.2	141.2	173.0
Central government domestic debt ^{5/}	296.4	293.8	292.2	291.8	304.0	290.7	289.7
o/w Foreign currency denominated	282.7	280.4	278.9	278.9	278.3	278.3	277.6
Basic balance ^{6/}	19.8	37.6	69.2	65.4	54.9	48.6	89.8
Current balance ^{7/}	-3.9	24.6	31.1	25.2	15.8	41.1	27.9
Primary balance, including grants	-6.5	10.1	18.4	-4.0	-9.2	-13.5	-25.9
Fiscal year nominal GDP	865.0	933.3	1,071.5	1,071.3	1,253.4	1,264.2	1,450.1

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

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

2/ Incorporates adoption of the GATT valuation of goods and movement towards the ECOWAS Common External Tariff (CET) in FY2012 and beyond. CET-related changes in FY2012 are limited to rate reductions, with required increases scheduled to begin in FY2013).

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

4/ Includes debt to IMF.

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

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

7/ Current revenue less current expenditure.

Table 5b. Liberia: Fiscal Operations of the Central Government, FY2009–13 ^{1/}
(Percent of GDP)

	FY2009	FY2010	FY2011		FY2012		FY2013
			6 th Rev	Actual	6 th Rev	Proj.	Proj.
Total revenue and grants	27.2	30.9	34.5	35.0	29.0	35.1	31.7
Revenue	24.4	29.5	31.0	31.2	25.9	30.4	27.4
Tax Revenue	22.0	22.3	23.7	25.1	20.2	21.3	20.3
Taxes on income, profits, and capital gains	7.6	7.5	9.0	10.4	6.5	8.0	7.1
Taxes on goods and services	3.9	4.2	4.8	4.5	4.9	4.8	4.3
Taxes on international trade ^{2/}	10.2	9.8	9.6	9.8	8.4	8.1	8.6
Other taxes	0.3	0.7	0.4	0.4	0.4	0.4	0.3
Non-tax	2.5	7.2	7.2	6.1	5.7	9.1	7.1
Grants	2.7	1.4	3.6	3.8	3.1	4.7	4.3
Expenditures and net lending	28.8	30.2	33.2	35.7	30.1	36.5	33.8
Current expenditures	24.9	26.8	28.1	28.9	24.6	27.2	25.5
Wages and salaries	10.6	12.2	13.1	12.9	13.0	12.9	12.6
Goods and services	8.7	8.2	9.7	8.1	6.5	9.1	7.8
Subsidies and transfers	4.7	6.0	4.8	7.5	4.8	4.8	4.8
Interest	0.9	0.4	0.4	0.4	0.3	0.3	0.4
Capital expenditure	3.9	3.4	5.1	6.9	5.4	5.2	8.3
Foreign loan financed ^{3/}	0.0	0.0	0.0	0.9	1.6	1.4	2.6
Domestic and grant financed	3.9	3.4	5.1	6.0	3.8	3.8	5.7
Unallocated expenditure	0.0	0.0	0.0	0.0	0.0	4.1	0.0
Overall balance							
Including grants	-1.6	0.6	1.3	-0.7	-1.1	-1.4	-2.1
Excluding grants	-4.4	-0.8	-2.2	-4.5	-4.2	-6.1	-6.4
Identified financing	1.6	-0.6	-1.3	0.7	1.1	1.4	2.1
External financing (net)	-0.4	-0.4	-0.4	0.4	1.2	1.0	2.2
Loans	0.0	0.0	0.0	0.9	1.6	1.4	2.6
Amortization (-)	-0.4	-0.4	-0.4	-0.5	-0.4	-0.4	-0.4
Domestic financing (net)	2.0	-0.3	-1.0	0.4	-0.1	0.4	-0.1
Central Bank of Liberia	2.3	0.0	0.0	0.9	0.2	0.7	0.0
Use of deposits	2.3	0.4	0.0	0.9	0.2	0.7	0.0
Deposit money banks	0.0	-0.1	-0.1	-0.3	0.0	0.0	-0.1
Treasury bill purchases (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (including repayment of arrears)	-0.2	-0.2	-0.9	-0.3	-0.3	-0.3	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:							
Iron ore-related revenues	0.0	3.2	3.6	3.0	2.9	3.5	3.5
Total public external debt ^{4/}	370.3	180.0	10.5	10.7	11.2	11.2	11.9
Central government domestic debt ^{5/}	34.3	31.5	27.3	27.2	24.3	23.0	20.0
o/w Foreign currency denominated	32.7	30.0	26.0	26.0	22.2	22.0	19.1
Basic balance ^{6/}	2.3	4.0	6.5	6.1	4.4	3.8	6.2
Current balance ^{7/}	-0.4	2.6	2.9	2.3	1.3	3.3	1.9
Primary balance, including grants	-0.7	1.1	1.7	-0.4	-0.7	-1.1	-1.8
Fiscal year nominal GDP (millions of US dollars)	865.0	933.3	1,071.5	1,071.3	1,253.4	1,264.2	1,450.1

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

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

2/ Incorporates adoption of the GATT valuation of goods and movement towards the ECOWAS Common External Tariff (CET) in FY2012 and beyond. CET-related changes in FY2012 are limited to rate reductions, with required increases scheduled to begin in FY2013).

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

4/ Includes debt to IMF.

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

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

7/ Current revenue less current expenditure.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Prospective drawings												
ECF	8.80	4.40	-	-	-	-	-	-	-	-	-	-
Projected debt service to the Fund ^{1/}	-	0.10	1.10	4.20	6.79	9.54	12.75	15.68	13.05	12.45	11.67	10.44
Repayments and repurchases	-	-	-	2.10	3.69	5.46	7.68	9.63	6.03	4.44	2.67	0.44
ECF-current	-	0.00	0.00	2.10	3.69	5.46	6.35	7.85	4.25	2.66	0.89	0.00
ECF-projected	-	0.00	0.00	0.00	0.00	0.00	1.33	1.78	1.78	1.78	1.78	0.44
Interests	-	0.10	1.10	2.10	3.10	4.08	5.07	6.05	7.02	8.01	9.00	10.00
ECF-current	-	0.08	0.08	0.08	0.08	0.06	0.05	0.03	0.01	0.00	0.00	0.00
ECF-projected	-	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.00	0.00
<i>In percent of</i>												
GDP	0.0	0.0	0.1	0.4	0.6	0.8	1.0	1.2	0.9	0.8	0.7	0.6
Gross Official Reserves	0.0	0.0	0.4	1.6	2.6	3.6	4.7	5.5	4.6	4.4	4.0	3.5
Exports of goods and services	0.0	0.0	0.1	0.5	0.6	0.8	1.0	1.2	1.0	0.9	0.8	0.7
Fiscal revenues (excluding grants)	0.0	0.0	0.4	1.2	1.8	2.4	3.1	3.5	2.8	2.5	2.2	1.9
Fund credit outstanding	37.6	42.0	42.0	39.9	36.2	30.8	23.1	13.5	7.4	3.0	0.3	0
<i>In percent of</i>												
GDP	5.2	4.9	4.4	4.0	3.2	2.6	1.8	1.0	0.5	0.2	0.0	0.0
Gross Official Reserves	15.8	17.2	16.8	15.5	13.8	11.6	8.5	4.8	2.6	1.0	0.1	0.0
Exports of goods and services	8.8	7.0	5.7	4.8	3.0	2.5	1.9	1.0	0.6	0.2	0.0	0.0
Fiscal revenues (excluding grants)	14.4	15.3	13.4	11.3	9.4	7.6	5.5	3.0	1.6	0.6	0.1	0.0
Quota	29.1	32.5	32.5	30.9	28.0	23.8	17.9	10.4	5.7	2.3	0.2	-0.1

Sources: Finance Department; and staff estimates.

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

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

Amount	Actual Disbursement Date/ Date of Availability	Conditions for Disbursement ¹
Total : SDR 550.03 million ECF: SDR 207.26 million EFF: SDR 342.77 million	March 14, 2008	Executive Board approval of the three-year ECF/EFF arrangements
ECF: SDR 7.00 million	December 29, 2008	Executive Board approval of the first review under the three-year ECF arrangements
ECF: SDR 7.00 million	May 14, 2009	Executive Board approval of the second review under the three-year ECF arrangement
ECF: SDR 4.44 million	December 21, 2009	Executive Board approval of the third review under the three-year ECF arrangement
ECF: SDR 4.44 million	July 2, 2010	Executive Board approval of the fourth review under the three-year ECF arrangement
ECF: SDR 4.44 million	December 22, 2010	Executive Board approval of the fifth review under the three-year ECF arrangement
ECF: SDR 4.44 million	June 27, 2011	Observance of the performance criteria for December 31, 2010; completion of the sixth review of the arrangement
ECF: SDR 4.44 million	November 11, 2011	Observance of the performance criteria for June 30, 2011; completion of the seventh review of the arrangement
ECF: SDR 4.44 million	March 15, 2012	Observance of the performance criteria for December 31, 2011, completion of the eighth review of the arrangement

Source: IMF staff estimates.

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

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

	Est.	Projections				
	2010	2011	2012	2013	2014	2015
I. Total financing requirement	-4,754	-1,450	-1,697	-1,700	-1,351	-649
Current account (excluding donor grants)	-1,408	-1,422	-1,675	-1,684	-1,337	-635
Debt amortization	-1,682	-4	-6	-6	-8	-10
NFA	-78	-24	-17	-10	-7	-4
<i>Of which:</i> gross reserves	-79	14	-19	-8	-10	-8
Reduction in arrears	-1,586	0	0	0	0	0
II. Total available financing	3,047	1,436	1,690	1,700	1,351	649
Donor transfers	978	967	876	787	698	561
Debt forgiveness	1,586	0	0	0	0	0
Foreign direct investment	398	431	821	903	670	211
Official medium- and long-term flows	0	6	28	46	63	70
Private Financing	86	32	-35	-36	-80	-193
III. Exceptional Financing	1,707	14	7	0	0	0
IMF	14	14	7	0	0	0
Debt Forgiveness	1,586	0	0	0	0	0
Debt Rescheduling	108	0	0	0	0	0
IV. Financing Gap	0	0	0	0	0	0

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

APPENDIX I— LIBERIA: SUPPLEMENTARY LETTER OF INTENT

Monrovia, November 15, 2011

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

Dear Madame Lagarde,

The attached Supplementary Memorandum of Economic and Financial Policies (MEFP) outlines the implementation of Liberia’s economic program supported by the Extended Credit Facility (ECF) and our policies going forward. Despite a challenging external environment from elevated food and fuel prices, Liberia has maintained macroeconomic and financial stability while progressing on our development agenda. Looking ahead, we are considering national priorities for the future transformation of the Liberian economy through economic diversification and broad-based, inclusive growth in a successor to the Poverty Reduction Strategy (PRS). Based on our performance and envisaged policy, we request the completion of the seventh review under the ECF arrangement and the approval of the eighth disbursement of SDR 4.44 million.

We believe that our policies are adequate to achieve the objectives of the program, but will take any further measures that may become appropriate for this purpose. We will continue to consult closely with Fund staff on the adoption of such measures, and in advance of any revisions of any policies contained in the MEFP. We will provide the Fund with all the information necessary to monitor implementation of the program supported by the ECF in a timely manner. We consent to the publication on the IMF website of this letter, the accompanying memorandum of policies, and the related staff report for the Seventh Review under the ECF arrangement.

Sincerely yours,

_____/s/_____
 Augustine Ngafuan
 Minister of Finance
 Ministry of Finance

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

**ATTACHMENT I— LIBERIA: SUPPLEMENTARY MEMORANDUM OF ECONOMIC AND
FINANCIAL POLICIES, 2011–12**

I. RECENT MACROECONOMIC DEVELOPMENTS AND PROGRAM PERFORMANCE

1. **Recent economic developments are broadly encouraging.** Growth in 2011 is accelerating, supported by the resumption of iron-ore production, and increased production in the rubber and forestry sectors; and exports are up sharply. Foreign investment commitments remain strong, the terms of trade are improving and gross official reserves have remained stable at about 2¾ months of import coverage. Inflation is above previous projections due primarily to higher-than-expected food prices.

2. **The financial sector continues to expand rapidly with improving financial soundness indicators.** Broad money and commercial bank deposits expanded by nearly one third over the 12 months to June 2011. Growth of credit to the private sector was also strong. A recent episode of deterioration of banking system credit quality has been successfully dealt with—capital infusions strengthened bank balance sheets, allowing nonperforming loans (NPLs) to be written off alongside other measures to improve the credit environment.

3. **The fiscal outturn in FY2011 demonstrated improved resource mobilization, expenditure, and spending composition from previous years.**

- The overall budgetary position at end-year was close to balance with debt service and domestic arrears repayments financed by the use of government deposits.
- Total revenue and grants exceeded estimates by about half a percentage point of GDP, and represented a 4 percentage point of GDP increase over FY2010. Tax revenue was particularly strong, rising nearly 3 percentage points of GDP above its FY2010 outturn.
- The related increase in expenditure was on social and other priority spending, and on capital spending which doubled relative to FY2010 (year ending June 2010). This considerable success—which included domestically executed infrastructure projects exceeding 2 percent of GDP—largely reflects efforts in the latter half of FY2011 to expand project implementation capacity.

4. **Performance under the program.** All quantitative performance criteria and indicative targets under the program through end-June 2011 were met. Progress is ongoing on all five remaining structural benchmarks for the seventh and eighth reviews of the Extended Credit Facility (ECF). Two out of three structural benchmarks for the seventh review were fully or largely met: the ASYCUDA system is now in place at Roberts International Airport, and the integrated financial management information system (IFMIS) has been launched. While some progress was registered in state owned enterprises' (SOE)

financial reporting most are not yet capable of reporting regular financial statements—we are taking measures to accelerate progress (see below).

5. Considerable progress has been achieved in finalizing administrative reforms, plans, and legislation.

- The amendments to the Liberia Revenue Code (LRC) were passed into law in advance of the seventh ECF review Board meeting. In addition to codifying the tax policy changes underlying the FY2012 budget, the amended LRC centralizes all revenue legislation, provides standard terms for mining taxation, enhances taxpayer protection, and reduces administrative discretion in the granting of tax incentives.
- A comprehensive public financial management (PFM) reform strategy and Medium-Term Action Plan has been submitted for cabinet approval.
- Our fiscal information systems are being upgraded: the integrated tax administration system (ITAS) has been launched. FY2011 fiscal accounts were prepared according to the international public sector accounting standards (IPSAS).
- Draft payment system legislation has been prepared and the Central Bank of Liberia (CBL) established a payment system department.
- The Commercial Code has been published and a fast-track commercial court is operational.
- The Central Bank of Liberia issued guidelines on mobile banking and services have begun.

II. ECONOMIC AND FINANCIAL POLICIES

A. Poverty Reduction Strategy (PRS)

6. PRS implementation advanced. Social and other priority spending exceeded the PRS target of 65 percent of total spending in FY2011. The 2010/11 PRS implementation report is close to finalization. Preparations have begun for a successor to the PRS, the Liberia Economic Growth Strategy, beginning 2012, which will support implementation of a long-term strategy aimed at achieving middle-income status by 2030. Stakeholder discussions in September 2011 focused on the challenge of fostering broad-based, labor-intensive economic growth in an environment historically dominated by enclave commodity production.

B. Macroeconomic Outlook and Risks

7. **The outlook for 2012 is broadly positive though vulnerable to adverse global economic developments.** We expect a boost to growth and exports from iron ore, rubber and timber. Inflation will moderate if international food and fuel prices decline as expected. Risks to the outlook center on the impact of a potential slowdown in global economic growth on commodity exports, particularly iron and rubber.

C. Fiscal Policies

8. **Our approved FY2012 budget carefully balances the need to expand priority expenditure with fiscal prudence and measures to safeguard efficient budget execution.** We anticipate an overall deficit of about 1½ percent of GDP, financed by a drawdown of government deposits and concessional donor financing.

- FY2012 fiscal program revenues and grants are expected to be broadly unchanged as a percent of GDP compared to the FY2011 outturn. The fiscal program is based on a core budget funded by secure revenue and grants, and matched by an equal amount of core expenditure. The fiscal program excludes 4½ percent of GDP of contingent revenue and grants (see below) and the corresponding contingent expenditures.
- Core spending priorities are focused on health, education, and infrastructure investment. The wage bill rises by 16 percent mainly due to an increase in the minimum wage and re-grading. The core project budget (of US\$21 million) is focused on the power, ports, and transportation sectors.
- Tax policy changes in the FY2012 budget remain as described in our June 2011 Memorandum of Economic and Financial Policies.

9. **As noted above, a contingent budget has been prepared to accommodate expenditures that are financed with potential additional revenues.** Items included comprise agriculture concession payments and oil sector-related payments on transactions not yet finalized, the monetization of commodity grants, and dividends from SOEs. We are in the process of mapping the contingent revenues to corresponding contingent expenditure, which will comprise mainly non-recurrent and quick disbursing items. Provided core revenue is on track, these will be released when a critical mass of contingent revenue is accumulated. The recipient spending units will be sufficiently prepared to utilize additional funds, including through the advance preparation of separate cash and procurement plans.

10. **We are committed to broad-based reforms in the state enterprise sector to improve effectiveness and accountability.** We have established an inter-ministerial SOE Reform Working Group that has reviewed relevant legislation, proposed a revised classification of enterprises according to their functions (commercial, regulatory, government agency) and investigated the governance framework. As a first step towards ensuring greater

accountability, we are insisting all SOEs begin reporting their financial statements to the Ministry of Finance as required under the PFM law. To date, eight SOE have supplied annual statements for 2010. Enterprise managing directors (or their functional equivalent) are responsible for filing annual financial reports by December 2011 and to begin reporting on a quarterly basis by March 2012. As stipulated in the borrowing guidelines approved by the Debt Management Committee (see below), compliance with reporting requirements under the PFM act would be a precondition for authorizing a SOE to contract foreign or domestic debt.

11. We are consolidating administrative and other reforms in the fiscal sector.

- The revisions to the LRC significantly reduce administrative discretion for granting investment tax incentives though further improvements could be achieved. We have therefore requested technical assistance from the Fund to review the investment incentive regime later this year, to maximize its contribution to employment growth while safeguarding tax revenues and minimizing administrative discretion.
- Financial and technical assistance has been identified to support establishing a small specialized resource tax division in the Large Taxpayer Directorate (structural benchmark, eighth review).
- We will continue to expand our IT systems. Preparations are underway to extend the ASYCUDA system to the remaining 14 major customs ports by December 2013. ITAS is expected to be fully functional in the large taxpayer unit by June 2012. Since July 2011, the IFMIS has been used by the Ministry of Finance to process transactions and produce financial and budget performance reports. We expect IFMIS to be connected to the central bank and other users by end-January 2012.
- External audits of the consolidated government accounts for FY2009 and FY2010 are expected to be submitted to the Legislature in early November 2011, while FY2011 accounts are prepared for submission to the General Auditing Commission by end-October 2011.

D. Monetary and Financial Policies

12. The CBL will maintain its strategic focus on price stability. The exchange rate has remained broadly stable, helped by foreign exchange interventions in the weekly auctions. The CBL's liquidity management toolkit will expand with the planned introduction of Treasury bills and CBL notes.

13. Monetary developments are on track and we see no need for significant changes to the monetary program. End-2011 projections for broad money and net domestic assets are broadly unchanged. The net foreign exchange position is expected to remain comfortable.

14. **The CBL is working on additional measures to strengthen the credit environment.** These include improving credit information collection and dissemination through enhancements to its credit reference system; requiring banks to strengthen their risk management capacity; establishing a collateral registry with technical assistance; and getting the Commercial Court properly functioning.

15. **Measures have been taken to address the rise in NPLs observed at end-2010.** NPLs have declined following a write off of bad loans and capital injections. Loan quality will be further buttressed by strengthened bank collection—through the newly established commercial court and enhanced loan collection programs—and improved credit risk management capacity. At end-August 2011 all commercial banks met the regulatory Capital Adequacy Ratio (CAR), and NPLs were fully provisioned.

16. **The CBL's supervisory capacity is being strengthened with the adoption of risk-based supervision.** Pilot on-site examinations are on track with five examinations completed and the remaining three banks on schedule to be completed by end-2011. Bank oversight is improving as supervisors are better able to focus on areas of high risk through CBL staff training programs. The understanding and assessment of cross-border linkages is also improving as a result of joint examinations with the Central Bank of Nigeria.

17. **The CBL is progressing on several fronts towards developing the financial sector.** This includes a road map towards capital market development (structural benchmark, eighth review), improvements to the non-bank financial institutions regulatory and supervisory framework, an insurance sector action plan, revised guidelines for foreign exchange operators, and establishment of a consumer protection unit.

18. **The CBL has strengthened its internal management and financial controls.** The 2011 Safeguards Assessment update of the CBL found strengthened safeguards in place, including IFRS, independent external audits, and effective oversight of audit and control matters by the Board and its audit committee. The CBL will continue to enhance the relevant safeguards for cash operations and reserve management.

E. Debt Management and External Policies

19. **Debt restructuring negotiations with remaining creditors have continued.** All Paris Club bilateral agreements have been signed. Following agreement with Kuwait, we are continuing efforts to reach agreements with BADEA, Saudi Arabia and ECOWAS. No progress has been registered with Taiwan, Province of China.

20. **We have strengthened debt management policies and procedures.** Debt Management Committee (DMC) guidelines for SOE borrowing and government guarantees will be published shortly. Procedures and requirements have been developed to promote effective selection of projects and related financing instruments. This framework will also strengthen the collaboration between the Ministry of Finance, the Ministry of Planning and Economic Affairs and the DMC as well as clarify their respective responsibilities.

21. **We are making progress towards WTO accession and adoption of the ECOWAS tariff system.** A memorandum on the foreign trade regime has been provided to the WTO working group on Liberia's accession. A dedicated unit responsible for WTO accession has been established in the Ministry of Commerce. We have approved changes to the Customs Code to adopt the harmonized coding system of the World Customs Organization, which will accelerate convergence towards the ECOWAS tariff system.

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

	Mar. 11				Jun. 11				Sep. 11				Dec. 11	Mar. 12	Jun. 12
	Program	Adjusted target	Actual	Outcome	Program	Adjusted target	Actual	Outcome	Program	Adjusted target	Actual	Outcome	Program	Projection	Projection
Performance criteria ^{1/, 2/}															
Floor on total revenue collection of the central government ^{3/}	210.6	197.6	248.1	Met	327.1	314.9	334.6	Met	61.6	n/a	n/a	n/a	170.6	252.9	377.4
Ceiling on new noncash tax/duty payment to the central government (continuous basis)	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	...	n/a	0.0	0.0	0.0
Ceiling on new domestic arrears/payables of the central government (continuous basis)	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	...	n/a	0.0	0.0	0.0
Ceiling on new external arrears of the central government (continuous basis)	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	...	n/a	0.0	0.0	0.0
Ceiling on non-concessional external borrowing of the public sector (continuous basis)	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	0.0	0.0
Ceiling on gross borrowing by the public sector in foreign currency	46.0	...	0.0	Met	46.0	...	9.6	Met	46.0	...	...	n/a	46.0	46.0	46.0
Ceiling on new domestic borrowing of the central government ^{4/}	7.5	...	0.0	Met	10.0	...	0.0	Met	12.5	...	0.0	Met	12.5	12.5	12.5
Floor on CBL's net foreign exchange position ^{4/, 5/}	267.0	257.1	299.6	Met	276.5	256.7	310.6	Met	279.0	279.0	320.5	Met	288.6	292.3	303.1
Ceiling on CBL's gross credit to central government ^{4/}	0.0	9.9	0.0	Met	0.0	19.8	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0
Indicative Targets															
Ceiling on net domestic assets of the CBL (indicative target) ^{4/}	-82.9	-73.0	-87.3	Met	-77.6	-57.8	-68.5	Met	-68.7	-68.7	-74.7	Met	-73.3	-53.8	-47.6
Floor on social and other priority spending (percent of total revenue and grants collected)	...	...	...	...	65.0	...	69.6	Met	...	...	...	...	...	...	...
Floor on education and healthcare spending (percent of total budgeted expenditure, excluding contingencies)	...	...	...	...	...	...	...	...	...	...	...	...	25.1	...	25.1
Memorandum items:															
Memorandum item: Programmed receipt of one-time signing bonuses and Social Development Fund contributions from new iron ore projects ^{2/}	37.4	...	24.4	...	42.5	...	30.3	...	0.0	...	n/a	...	22.7	26.0	53.8
Memorandum item: Programmed receipt of external budget support and ratified concession payments ^{2/}	54.4	...	44.5	...	92.6	...	72.8	...	0.0	...	0.0	...	51.1	72.3	100.1

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

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

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

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

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

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

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

ATTACHMENT II—LIBERIA: TECHNICAL MEMORANDUM OF UNDERSTANDING

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

I. DEFINITIONS

1. **For the purposes of the program, the Government is defined as the central Government of Liberia (GoL).** This definition excludes legally autonomous state-owned enterprises whose budgets are not included in the central government budget. The operations of the central government will be presented in U.S. dollars with all revenues and expenditures that are denominated in Liberian dollars converted at the end of period exchange rate. **The public sector** comprises the central government, the Central Bank of Liberia, public enterprises (enterprises and agencies in which the government holds a controlling stake—typically owns more than 50 percent of the shares, but which are not consolidated in the budget), and other official sector entities.
2. **Total revenue collection** includes all tax and nontax receipts transferred into the U.S. dollar GoL accounts at the CBL, including income and transfers from state-owned enterprises and public institutions (excluding external loans and grants). The GoL accounts at the CBL include the GoL General Account No. 2, the GoL Special Rice Fund, and the Liberian dollar account at the CBL comprising the GoL General Account. Any new accounts opened by the GoL at the CBL or at any other local financial agency shall be reported to the IMF as well. For the purposes of the program, the revenues of the GoL are measured on the basis of cash deposits in the four accounts specified above converted to U.S. dollars using the end of period exchange rate.
3. **The program floor on total revenue collection will be adjusted downward** to the extent that signing bonuses and payments into Social Development Funds from new iron-ore projects fall short of the program schedule, cumulative within the fiscal year.

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

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

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

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

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

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

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

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

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

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

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

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

Cumulative Program External Budget Support and
Ratified Concession Signature Payments

(In millions of U.S. dollars)

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

II. PROGRAM MONITORING

A. Program–Monitoring Committee

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

B. Data Reporting to the IMF

19. To allow monitoring of developments under the program, the Ministry of Finance will coordinate and regularly report the following information to the staff of the IMF:

- 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);
- Outstanding appropriations, allotments and commitments, and disbursements for line ministries and agencies (monthly, within three weeks after the end of the month);
- Disbursements of budget support grants and loans by donor (monthly, within three weeks after the end of the month);

- Daily balances in the GoL accounts at the CBL. These comprise the U.S. dollar: GoL General Account No. 2; the GoL Special Rice Fund; and Liberian dollar accounts: the GoL/CBL Civil Servant Payroll Account No.2, and the GoL General Account. Any new accounts opened by the GoL at the CBL or at any other local financial agency shall be reported to the IMF also (daily, within three days from the date of the statement);
- End-of-month balances of all operating and other accounts of the line ministries and agencies receiving budgetary appropriations (monthly within three weeks after the end of the month);
- 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.) (monthly, within three weeks after the end of the month);
- The amount of new domestic debt contracted or guaranteed by the public sector (monthly, within three weeks after the end of the month);
- A report on monthly payments on domestic debt by category and the domestic debt stock (monthly, within three weeks after the end of the month);
- A report on monthly payments on foreign currency debt by category and the domestic debt stock (monthly, within three weeks after the end of the month);
- The amount of new external debt contracted or guaranteed by the public sector (monthly, within three weeks after the end of the month);
- The balance sheet of the CBL in the monthly monetary survey (monthly, within three weeks after the end of the month);
- The full monthly monetary survey of the monetary sector (monthly, within three weeks after the end of the month);
- The detailed table of commercial banks loans and advances by sector (monthly, within three week of end of month);
- The core set of financial soundness indicators by individual financial institution, including the overall profitability of the banking sector (quarterly, within three weeks after the end of the quarter);
- CBL cash revenues and expenditures in U.S. dollar and Liberian dollar terms, on an aggregated basis (including both recurrent and capital expenditure), and CBL expenditures on a commitment basis (periodically in the context of program reviews);
- The report on foreign exchange sales/purchases by the CBL through foreign exchange auctions held by the CBL (weekly), including U.S. dollars offered and sold, the auction rate, the number of accepted and rejected bids, the total value of bids and of rejected bids, foreign exchange auction sales to non-bank customers;

- Regular sale of U.S. dollars by the Ministry of Finance to the CBL, including amount date, and rate of exchange (monthly, within three weeks after the end of the month);
- Indicators of overall economic trends, including but not limited to:
 - detailed tables of the monthly harmonized consumer price index (within three weeks after the end of the month);
 - daily foreign exchange rates (weekly);
 - export volumes and values by major commodity, import values by standard international trade classification (SITC), import volumes of rice (by commercial and non-commercial use) and petroleum products (monthly, within three weeks after the end of the month);
 - interest rates and commercial bank remittance inflows and outflows (monthly, within three weeks after the end of the month); and
 - production data in value and volume (monthly, within six weeks after the end of the month);
- Quarterly reports of state owned enterprise financial operations submitted to Ministry of Finance;
- The report on the status of implementation of the structural performance criteria and benchmarks specified in Table 2 of the MEFP (monthly, within three weeks after the end of the month).

20. The above data and reports will be provided in hard copies and 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.

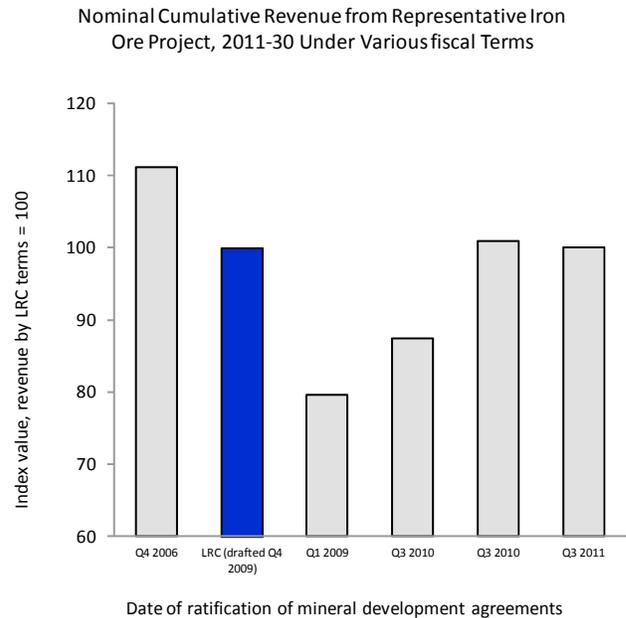
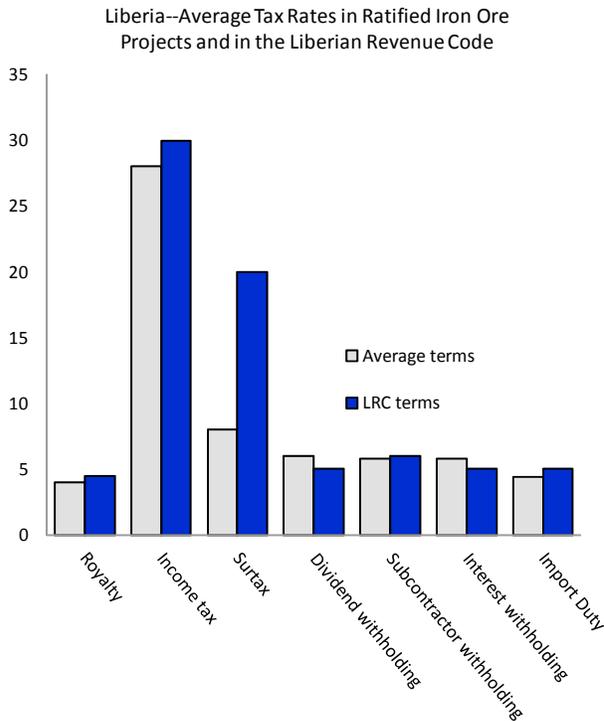
APPENDIX II. LIBERIA: FISCAL TERMS OF IRON-ORE PROJECTS

Since 2009, the authorities have been increasingly successful in applying the standardized fiscal terms for mining concessions set out in the Liberian Revenue Code (LRC).

- These terms, developed with IMF assistance, are comparable to regional norms and designed to balance short- and long-term revenue concerns, while providing sufficient financial incentives to attract foreign investors. The fiscal regime in the LRC has been the basis of negotiation for four of the last five concessions.
- Fiscal terms for the Bong mining project agreed in 2009 were less advantageous to the government than those for the 2006 Yekepa mine, which were heavily influenced by the poor global conditions prevalent at the time as well as reflecting different geological conditions. But with rising iron-ore prices, the authorities have been able to increase their share of value added from successive projects, with the terms of the last two concessions (Goe/ Kitoma/ St John River/ Toto and Western Cluster) being broadly equivalent to those stipulated in the LRC, including, for the first time, a resource rent tax.

In aggregate, the fiscal terms achieved in the five ratified iron ore concessions fall somewhat short of those outlined in the LRC..

...however, the direction of change favors Liberia, as fiscal terms have steadily improved over time.



APPENDIX III. LIBERIA: POLICY OPTIONS IN SUPPORT OF INCLUSIVE GROWTH

Strategic plans. Liberia's first Poverty Reduction Strategy (PRS1) covered the period June 2008–December 2011. PRS1 was set to address the most pressing issues in the post-conflict crisis management environment. A review of implementation is close to completion and is expected to be released at end-year. The Liberian authorities are starting to prepare a successor medium-term growth and development strategy (PRS2) which will begin in mid-2012. The authorities also have a long-term strategic goal to achieve middle-income country status by 2030 (known as *Liberia Rising–2030*).

Liberia has the potential to achieve its long-term strategic objective of attaining middle-income status by 2030. The primary driver of growth is projected to arise from numerous foreign investment agreements signed in recent years in mining, rubber, palm oil, and forestry. However, there is a full recognition now on the part of the authorities that the FDI-based economic model, which relies heavily on the extraction of raw materials in “enclave sectors”, may have a limited broader development impact and do little to address economic exclusion, which was one of the root causes of the conflict. Therefore, going forward, it is recognized that the benefits of economic growth have to be broadly shared by the entire population. This goal is reflected in the Vision 2030: “To become a middle-income country by 2030 characterized by sustainable and inclusive economic growth with improved quality of life for each citizen”.

The PRS2 will be a five-year plan based on four pillars: *Peace, Security, and Rule of Law; Economic Transformation; Human Development; and Governance and Public Institutions.* Though similar to PRS1 in its pillar structure, PRS2 will be informed by a broad range of analyses of political, security, and socio-economic conditions in the country as well as a number of diagnostic studies of the Liberian economy with an explicit emphasis on inclusive growth.¹ These will be distilled into specific medium-term objectives by stakeholder working groups (comprised of the government, development partners, business representative and civil society). Following a consultative process, the objectives will be translated into multi-year action plans and linked to the planned Medium-Term Expenditure Framework to be introduced in FY2013.

¹ The strategic options and policy choices for PRS2 were discussed at a High-Level National Economic Forum held in Monrovia in September 2011 that brought together senior policymakers from the government, private sector, development partners, and international experts. See <http://forum.lifliberia.gov.lr> for forum documents.

The policy imperatives underpinning the inclusive growth strategy can be grouped into three main categories:²

- Removing country-specific structural impediments or “binding constraints” to growth;
- Identifying opportunities for growth beyond what might occur by removing impediments—such as promoting private sector development with an emphasis on particular sectors or special development zones;
- Ensuring the overall coherence of economic policies to address the socio-political dimensions of growth and development in fragile-state situations. Particular attention is to be paid to interactions between various policies that could create sustainable or unsustainable growth paths.

Alleviating binding constraints. Tenuous security, weak land tenure and poor contract enforcement, missing physical infrastructure, limited access to finance, and inadequate administrative capacity are considered overall binding constraints.³ In addition, policy coordination issues within the government, between the government and the private sector, and between the government and the development partners could present obstacles to identifying growth and business opportunities.⁴ Much of the technical diagnostic work has been recently prepared for fixing these bottlenecks: in ports, energy, and transport;⁵ for a national capacity development strategy;⁶ and a security framework.⁷ Work has begun on property rights and land administration through the Land Commission, though much remains to be done. Some incremental improvements are being made in commercial law to support contract enforcement but broader reforms of the judicial system envisaged in PRS1 have lagged reforms in other pillars. Important coordination issues will need to be addressed in the context of the PRS2 preparation.

Beyond constraints—picking winners. The proposed spatial or sector-specific policy initiatives in this category focus on boosting Liberian businesses along the existing transportation links and hubs as well as in the potential upstream and downstream sectors around foreign investment projects. Specific proposals include:

² Eric Werker and Jasmina Beganovic, 2011, Liberia: A Case Study. Available at: <http://www.theigc.org/node/2182>

³ Africa Infrastructure Country Diagnostic, 2010, *Liberia’s Infrastructure: A Continental Perspective*; International Monetary Fund, 2010 *Article IV Consultation and Fifth Review Under the Three-Year Arrangement Under the Extended Credit Facility*. See: www.imf.org/external/country/lbr/index.htm?type=9998

⁴ World Bank, 2011, *Liberia: Growth Diagnostics for Inclusive Growth*.

⁵ World Bank, 2011, *Liberia’s Infrastructure: Envisioning the Future*.

⁶ Government of Liberia, 2010, *National Capacity Development Strategy*.

⁷ Supported by the UN Peacebuilding Commission.

- Leveraging foreign investment concessions to boost employment through value chain operations, public-private partnerships, SME financing, and procurement platforms;⁸
- Identifying quick-win investment projects to benefit from the infrastructure linking concessions to transport hubs;⁹
- Proposals for local reconstruction zones similar to integrated rural development projects leveraging concession infrastructure in tandem with export reconstruction zones that would benefit from location and comparative advantage.¹⁰ A related concept is that of a “Charter City” to create a quasi-sovereign development zone to address all human, physical, legal and governance constraints simultaneously.¹¹

Vision 2030: Overall policy coherence. The analysis to date, based on projected job creation from pipeline investments¹² relative to the growing size of the largely unskilled labor force,¹³ suggests that an FDI-based economic expansion will deliver rapid growth and a significant increase in government revenues, but will not deliver the inclusive growth that would support social stability. The Liberian authorities therefore see their longer-term development objective built on a foundation of foreign direct investment as a conduit to creating jobs and diversified business opportunities for the Liberian private sector.¹⁴ More broadly, they identify a need to mainstream policies to narrow marginalization and reduce inequality through strengthening links between the state and society by promoting democratization and decentralization of power.¹⁵

The broad policy outlines of Vision 2030 are evident. However, to make Vision 2030 a reality, many difficult and key socio-political issues will need to be tackled by the incoming administration: reforming land management and ownership arrangements; settling the balance between formal and customary rule of law; promoting an effective decentralization and de-concentration of a government that remains rooted in the capital, Monrovia; mitigating the risk that strong commodity exports will undermine competitiveness in other sectors through real exchange rate appreciation; defining relations with traditional and emerging partners (USA, Brazil, Russia, India, China); and maintaining balanced roles for domestic and foreign enterprises in a competitive market economy.

⁸ International Labour Organization, 2010, *Promoting Job Creation for Young People in Multinational Enterprises and Their Supply Chains: Liberia*.

National Investment Commission, 2011, *Promotion of Business Linkages in the Extractives Sector in Liberia – a Strategic Approach*. World Bank, 2011, *Liberia: Leveraging Concessions for Private Sector Development*.

⁹ Government of Liberia, 2011, *Developing Liberia’s Economic Corridors: Planning and Implementing a Course for Change*.

¹⁰ Graciana del Castillo, 2011, *Aid and Employment Generation in Conflict-Affected Countries: Policy Recommendations for Liberia*. Draft prepared for publication.

¹¹ See: <http://chartercities.org/concept>

¹² National Investment Commission, 2011, 2010 Annual Report of the National Investment Commission.

¹³ Government of Liberia, 2010, Labor Force Survey. Available at: www.ilo.org

¹⁴ Government of Liberia, 2011, *Outcome of the National Economic Forum – Aide Memoire*.

¹⁵ Government of Liberia, 2011, *Retrospective Analysis of Politics and Governance – National Visioning Project ‘Liberia Rising 2030’*.

APPENDIX IV. LIBERIA: STATE OWNED ENTERPRISE (SOE) REFORMS

The authorities identified SOE reform as a national priority in the 2008–11 Poverty Reduction Strategy. The sector is relatively large, with a number of SOEs likely to play a significant role in Liberia’s future economic development, including in fuel, power, communications, water, and transport. Other SOEs carry out regulatory functions, sometimes combined with commercial activity (such as in the ports, maritime, and oil sectors).

A SOE Reform Working Group has been charged with carrying the reform effort forward. The evolving strategy has the objective of liquidating entities that are moribund or unnecessary, privatizing those more appropriate for private ownership; and improving the operational efficiency and economic governance of the remainder. The working group has focused on four main issues:

- **Definitions of SOEs and their role.** As the PFM Act stipulates that only commercial entities should be considered SOEs, those serving regulatory functions or providing government services would become autonomous government entities with financial allocations made through the budgetary process.
- **SOE status.** Efforts are underway to identify entities that should be privatized or liquidated on the basis of a thorough review of their finances and commercial role.
- **Effective oversight.** Options to replace the current system of de facto decentralized oversight—handled by various ministries and the largely ineffective Bureau of State Enterprises—are being considered.
- **Governance.** The issues under consideration include the size, composition, compensation, and responsibilities of SOE Boards; and the legal framework in the context of the Public Financial Management Act, including reporting requirements, accounting, and auditing standards.

There is a broad consensus that the key reforms of state enterprises, especially those related to liquidation, financial oversight, and statutory changes, will have to await the formation of a new Cabinet and new Legislature in early 2012. In the interim, the emphasis is likely to be on laying the groundwork by considering various options in line with the best practices and experience in other countries.

INTERNATIONAL MONETARY FUND

LIBERIA

**Seventh Review Under the Extended Credit Facility Arrangement
Informational Annex**

Prepared by African Department
(In consultation with other departments)

November 16, 2011

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 33.26 million (25.74 percent of quota) at end-September 2011.
- **Joint World Bank-IMF Work Program, 2011–12.**
- **Relations with the World Bank Group and African Development Bank.**
- **Statistical Issues.** Assessment of the quality of the statistical data. Weaknesses in national accounts statistics are hampering the analysis of economic developments in the country.

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III.	Relations with the World Bank Group	8
IV.	Relations with the African Development Bank.....	12
V.	Statistical Issues	17

I. Liberia—Relations with the Fund
(As of October 31, 2011)

1.	Membership Status:	Joined: March 28, 1962.	Article XIV
2.	General Resources Account:	SDR Million	%Quota
	Quota	129.20	100.00
	Fund holdings of currency	129.18	99.99
	Reserve Tranche Position	0.03	0.02
3.	SDR Department:	SDR Million	%Allocation
	Net cumulative allocation	123.98	100.00
	Holdings	141.16	113.86
4.	Outstanding Purchases and Loans:	SDR Million	%Quota
	ECF Arrangements	33.26	25.74

5. **Latest Financial Arrangements:**

	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF ^{1/}	Mar 14, 2008	Mar 31, 2012	247.90	239.02
EFF	Mar 14, 2008	Sep 25, 2008	342.77	342.77
Stand- By	Dec 07, 1984	Dec 06, 1985	42.78	8.50

^{1/} Formerly PRGF

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

	Forthcoming				
	2011	2012	2013	2014	2015
Principal				2.10	3.69
Charges/Interest		0.08	0.08	0.08	0.08
Total		0.08	0.08	2.18	3.76

7. **Implementation of HIPC Initiative:** Enhanced Framework

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

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

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

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

8. Delivery of Debt Relief at the Completion Point

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

II. Debt relief by facility (SDR Million)

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

9. Safeguards Assessment

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

10. Exchange Rate Arrangement

Liberia maintains an exchange rate system that is free of restrictions on payments for current and capital transfers. The currency of Liberia is the Liberian dollar. The U.S. dollar is also legal tender. Since the beginning of 2009, the Liberian dollar has fluctuated more against the U.S. dollar. As a result, the classification of the de facto exchange rate arrangement is classified as 'other managed'. The exchange rate between the Liberian dollar and United States dollar at end-September 2011 was L\$72.00=US\$1 (mid-point between buying and selling rates).

11. Article IV Consultation

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

12. Technical Assistance 2009–12

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

Topic	Date
Fiscal Affairs Department	
Reforms and Technical Assistance Needs	February 2009
PFM—Drafting Regulations	February–March 2009
Fiscal Decentralization	February–March 2009
PFM Regulations Drafting	May 2009
Revenue Authority, Customs and Tax Administration	May 2009
PFM	June 2009
Tax Administration	September 2009
Tax Policy	November 2009
Revenue Administration	July 2010
Revenue Administration	September 2010
PFM	October 2010
Revenue Department Strategic Plan	November–December 2010
Tax Policy	November–December 2010
Revenue Administration	December 2010
PFM Strategy	December 2010
Revenue Department Strategic Plan	January–February 2011
Cash Flow planning and Government Banking Arrangements	February 2011
MTEF	March 2011
PFM Strategy	March–April 2011

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

Technical Assistance Pipeline (indicative at end-August 2011)	Estimated Date	Type of Assistance
Fiscal Affairs Department		
Design, sequencing, coordination and monitoring of public financial management (PFM) reforms	2011–14	Resident Advisor
Medium term expenditure framework capacity building (multi-mission)	Aug.–Sep. 2011	Short-term experts and Regional PFM adviser
PFM Program oversight (2 of 3)	Feb. 2012	Short-term expert
Integrating donor funding into budget	Dec. 2011	Short-term expert
Cash flow planning review (2 of 3)	Dec. 2011	Short-term expert
Fiscal reporting	Dec. 2011	Short-term expert
State enterprise oversight	Dec. 2011	Short-term expert
State enterprise financial reporting framework	Feb.–Mar. 2012	Short-term expert
County treasuries pilot (2 of 2)	Aug. 2011	Short-term expert
Fiscal decentralization	Jan. 2012	HQ team
ITAS implementation	Sep. 2011	Short-term expert
Tax Administration Design & Monitoring	Sep. 2011	Short-term expert
Tax audit strategy	Sep. 2011	Short-term expert
Tax Policy (VAT, petroleum, other)	Dec. 2011	HQ team
Public expenditure and financial accountability assessment (PEFA)	Mar.–Apr. 2012	HQ team
Legal Department		
Customs legislation drafting	Aug. 2011	Short-term expert
Monetary and Capital Markets Dept		
Liquidity management	Jan. 2012	Short-term expert

13. Resident Representative

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

II. Liberia—Joint World Bank-IMF Work Program, 2011–12
(As of October 26, 2011)

Title	Products	Timing of mission	Expected delivery date	Status
A. Mutual information on relevant work programs				
1. World Bank work program	1. Liberia Poverty Assessment	January 2010	May 2012	Ongoing (Workshop held in March 2011)
	2. Fourth Reengagement and Reform Support Program	November 2010	September 2011	Board approval October 18, 2011
	3. Poverty Reduction Strategy - Support	November 2010	Ongoing	Ongoing
	4. Policy Note on Leveraging Employment from Agricultural and Mining Concessions	October 2010	June 2011	Draft circulated
	5. Public Expenditure Review Notes	November 2011	May 2012	Ongoing
2. IMF work program	1. Evaluation of delays in domestically funded investment program and recommendations for improvement	March-April 2011	April 2011	
	2. Seventh Review of ECF	September 2011	November	Completed April 2011
	3. Outreach events for Liberian legislators, CSOs and the business community	Early 2012	Early 2012	Post election activity
3. Work jointly performed	1. Assist the authorities in developing MTEF/PSIP framework for 2011/12 budget	April 2011 (Fund) October 2010 (Bank)	April 2011 (Fund)	Ongoing technical assistance
	2. Assist the authorities in compiling 2008 National Accounts	July 2010 (Fund) October 2010 (Bank) February 2011 (Fund)	February 2011 (Fund)	Completed. Data gaps to be filled with establishment and household income and expenditure surveys in 2013
	3. Presentation to the Legislative Budget Office on the role of the Bank and the Fund in Liberia in the context of the second Poverty Reduction Strategy	To be carried out by IMF Resident Representative and World Bank	January 2012	
	4. Evaluation of the impact of power sector financing plan on debt sustainability	HQ discussions	2012	Initial discussions held October 2012
B. Requests for work program inputs				
4. Fund request to Bank	1. Assistance in elaborating and delivering financial sector development program	2011	Early 2012	Bank missions fielded August 2011
	2. World Bank Relations Note		As Needed	
5. Bank request to Fund	1. Regular updates of performance under the Fund-supported program, macroeconomic projections and data following each IMF mission		Continuous	Last update September 2011
	2. IMF Relations Note		As needed	

III. Liberia—Relations with the World Bank Group¹ (As of September 30, 2011)

A joint (World Bank, IFC and African Development Bank) Country Assistance Strategy for the period FY09–11, was presented to the Board of the World Bank Group on April 21, 2009. The overarching aim of the Joint Country Assistance Strategy (JCAS) is to support Liberia's transition from post conflict recovery to long-term development. More specifically, the JAS, which is fully aligned with the Africa Regional Strategy and the Government's Poverty Reduction Strategy (PRS), focuses on three strategic objectives: (i) rebuilding core state functions and institutions; (ii) rehabilitating infrastructure to sustain economic growth; and (iii) facilitating pro-poor growth. The World Bank's lending program under the JCAS proposed a combination of development policy lending and investment lending in support of the three strategic objectives.

The World Bank's indicative IDA 15 allocation for July 2008–June 2011 was SDR 85.5 million² (or US\$138 million). Under the JCAS, Liberia was also expected to benefit from IDA regional resources to the tune of up to US\$160 million based on operational needs. In addition, it was programmed that the Liberia Reconstruction Trust Fund would contribute around US\$120 million in donor financing for infrastructure to complement the IDA program.

The International Finance Corporation (IFC) program in Liberia is focused on: further improvement of the investment climate; improving the mechanism for dialogue between the government and the private sector; strengthening the financial sector through capital and technical assistance; supporting private participation in the economy by financing selected private sector companies in identified priority sectors including agribusiness, infrastructure, mining and manufacturing; and supporting the sustainable development of small and medium-sized enterprises through inclusive policy formulation, human capacity development and access to affordable finance.

A progress report presented to the Board on July 7th, 2011 extends the current Joint Country Assistance Strategy to end FY12 to coincide with the launching of Liberia's PRS II planned for July 1, 2012. The Liberia indicative allocation for the IDA16 period (July 2011–June 2014) is SDR 117.5 million. Preparations for a new five-year Country Partnership Strategy (CPS) for FY13–17 will begin after the national election in October/November, 2011. It is expected that the new CPS will be presented to the Board mid-September 2012.

¹ Prepared by the World Bank.

² This reflects an average annual allocation of SDR 28.6 million during each year.

A. Active Projects

There are thirteen active IDA projects in Liberia, including three regional projects, with a total commitment of approximately US\$333 million of which US\$214.6 million is undisbursed. Six of these operations (credits) were approved in FY11 for a total commitment of approximately US\$120.3 million. The six new credits are summarized below:

The Liberia Road Asset Management Project (LIBRAMP) was approved in June 2011 for US\$67.7 million and aims at supporting the Government's efforts to reduce transport costs along the road corridor from Monrovia to the Guinea border and to maintain the road in good condition over a ten-year period. The project has the following two components: *Component 1: Design, Rehabilitation and Maintenance of Monrovia–Ganta–Guinea Border Road*. This component will finance Output- and Performance-based Road Contracts (OPRC) for two road lots, Monrovia to Gbarnga (approximately 180 km) and Gbarnga to Ganta—the Guinea border (approximately 69 km). This road is vital to the nation's reconstruction, connecting four of the country's five largest cities and providing critical cross-border connection. *Component 2: Consultant Services, Operating Costs, and Training*. This component will finance a consultancy services for the management of the OPRCs as well as technical assistance for road feasibility studies and the development of sector institutions through hiring of skilled staff and the provision of staff training programs.

The West Africa Agricultural Productivity Program APL (WAAPPIC) was approved in March 2011 for US\$6 million. The objective of the program is to generate and accelerate the adoption of improved technologies in areas that are aligned with the sub-region's top agricultural commodity priorities. The four components of the project relevant to Liberia are as follows: Component 1 focuses on enabling conditions for sub-regional cooperation in the generation, dissemination, and adoption of agricultural technologies. This component aims also at strengthening the institutional mechanisms and procedures for integration of regional rice markets and cross-border/national dissemination of technologies. Component 2 focuses on strengthening capacities for adaptive research and technology transfer. Component 3 supports priority-focused agricultural research and advisory services within participating countries; and Component 4 focuses on coordination, management, monitoring and evaluation to ensure an effective implementation of the Project at national and regional levels.

Additional Financing for the Emergency Monrovia Urban Sanitation Project (EMUS) was approved in April 2011 for US\$4 million. This project aims to increase access to solid waste collection service in Monrovia through: (a) investments in selected areas of the primary collection system to expand service coverage at the household level; (b) investments in the secondary collection system to collect, haul and dispose waste captured through primary collection; (c) a public education campaign on handling and disposal of solid waste; and (d) technical assistance to the Monrovia City Corporation (MCC) to enhance municipal capacity for proper revenue administration, financial management, and management of the solid waste service.

The Liberia Electricity System Enhancement Project (LESEP) was approved in November 2010 for US\$10 million. The objective of the project is to improve and increase access to quality electricity services. The project focuses on: (i) enhancing electricity distribution including to low-income consumers; (ii) enhancing options for power generation; (iii) providing modern renewable energy services to off-grid users including in the rural areas; and (iv) technical assistance for capacity building within the Department of Energy.

The West Africa Regional Communications Infrastructure Program was approved in January 2011 for a total of US\$25.6 million. The objective of the project is to increase the geographical reach of broadband networks and reduce the costs of communications services in Liberia. This first phase of the operation will: (i) connect the country to global broadband fiber optics infrastructure, and support coordinated national and regional transmission networks; and (ii) create an enabling environment and institutional strengthening to remove existing bottlenecks for private sector participation in both national and regional infrastructure development.

The Economic Governance and Institutional Reform Project (EGIRP) was approved in April 2011 for US\$7 million of additional financing for the original project approved in May 2008. The project is aimed at improved efficiency and transparency in managing public financial and human resources, focusing on revenue administration, public procurement, budget execution and payroll management. The project has two core components: Component 1: Strengthening Public Financial Management and Component 2: Support Civil Service Reform to strengthen human resource management and human capacity.

B. Economic and Sector Work

The Bank has completed a series of analytical studies to support the preparation of the next Poverty Reduction Strategy in the context of the Government long-term vision plan—Liberia Rising 2030. The analytical work includes: (i) a policy note describing underlying assumptions and baseline outcomes generated using a general equilibrium model (MAMS). The model is being used to simulate the impact of various policy alternatives on key macro variables as well as MDGs; (ii) an inclusive growth diagnostic study for assessing binding constraints to economic activity in Liberia; (iii) an analysis of the options for leveraging investment activities and rents from the extractive sectors to support the development of the domestic private sector; (iv) an infrastructure diagnostics intended to help answer two key policy concerns: (1) how to prioritize infrastructure investments for economic diversification and (2) how to leverage concessions contract for infrastructure development in Liberia; and (v) a preliminary diagnostic of the state of social protection in Liberia and a comprehensive inventory on social protection interventions as a basis for debate and discussion towards the formulation of an effective social protection policy and strategy. A Poverty Assessment currently under preparation will provide an updated assessment of poverty levels and will focus on issues of gender as well as equality of opportunity and vulnerability.

C. Financial Relations (as at September 30, 2011)

(Millions of U.S. dollars)

Project	Closing Date	Approval (Fiscal year)	Net Commitment Amount	Total Disbursed	Of which: loan disbursement	Total Undisbursed Balance
LR-Development Forestry Sector	12/31/2011	2007	2.8	2.8	0.0	0.8
LR-Agriculture & Infrastructure Development Project. ERL	10/31/2013	2008	53.0	42.9	0.0	11.3
LR-Health Systems Reconstruction	10/1/2011	2007	8.5	8.2	0.0	0.4
LR-Econ. Governance & Institutional. Reform TAL	12/31/2013	2008	18.0	9.3	0.0	8.4
LR-Urban and Rural Infra. Rehab. Project	6/30/2014	2009	64.0	29.6	0.0	38.8
LR-Emergency Monrovia Urban Sanitation	12/31/2013	2010	22.4	10.9	0.0	11.6
LR - Education Fast Track Initiative Program	6/30/2013	2011	40.0	6.0	0.0	34.0
LIBERIA Electricity System Enhancement	6/16/2014	2011	10.0	0.0	0.0	10.4
LR: Youth, Employment, Skills Project	6/30/2013	2010	6.0	1.5	0.0	4.8
Liberia Road Asset Management Project	6/30/2022	2011	67.7	0.0	0.0	68.3
West Africa Regional Communications Infrastructure Program	9/30/2015	2011	25.6	13.6	13.6	12.5
West Africa Regional Fisheries Program	12/15/2014	2009	9.0	2.2	0.0	7.0
West Africa Productivity Program APL	6/30/2016	2011	6.0	0	0.0	6.3
Total	...	...	333.0	129.0	13.6	214.6

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

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

	Jul-Sep 2010	Oct-Dec 2010	Jan-Mar 2011	Apr-Jun 2011	Jul-Sep 2011
Total disbursements	9.47	22.13	7.64	22.58	20.84
Of which: loan	0.0	0.0	0.0	9.6	4.0
Repayments	0.33	0.00	0.00	0.00	0.00
Net disbursements	9.14	22.13	7.64	22.58	20.84
Interest and fees	0.05	0.00	0.00	0.00	0.00

IV. Liberia—Relations with the African Development Bank¹ (As at September 30, 2011)

There are 12 active AfDB projects in Liberia, including one regional project, with a total commitment of approximately US\$ 149 million of which US\$ 124 million is undisbursed. One of these operations plus a Supplementary grant for an existing operation have been approved in FY 11 for a total commitment of approximately US\$ 56 million. A brief description of these active projects is summarized below:

21. **Economic Governance and Competitiveness Support Program:** The African Development Bank Group (AfDB) approved a grant of US\$ 48 million to finance the Economic Governance and Competitiveness Support Program. This is a second budget support operation and it aims to (i) improve public financial management systems; (ii) strengthen tax and customs administration including transparency and accountability of revenue from the extractive industry; and (iii) improve business enabling environment for private sector development. It will also increase government's fiscal space for pro-poor expenditure in line with the poverty reduction strategy. The program is an integral part of a broader set of interventions of the AfDB designed to support good financial and economic governance. It is complemented by the ongoing PFM capacity building project, and additional support is being considered to strengthen capacity in core state functions related to public financial management.

22. **Payment system development project:** The Bank approved a supplementary grant of UA 5.0 million to include Liberia in the West Africa Monetary Zone (WAMZ) Payments System Development Project, which was just launched in Liberia in December 2010. This project aims to improve the basic infrastructure of the financial sector in the WAMZ region through the upgrade of the payments systems of the four WAMZ countries: The Gambia, Guinea, Sierra Leone, and Liberia. At the time the WAMZ Payments System Development Project was designed in 2008, Liberia was not ready to participate owing to other priorities of post-conflict rehabilitation. Since Liberia acceded as a member of the WAMZ in February 2010, the supplementary grant facility aims to extend the implementation of the WAMZ Payments System Development Project to Liberia. The project components are: Real Time Gross Settlement (RTGS) system—including Scrip-less Securities Settlement System (SSSS); Retail Payments Automation (RPA), a clearing system comprising Automated Checks Processing (ACP); Automated Clearing House (ACH); Central Banking Applications (CBA) system; telecommunication infrastructure, standby generators that operate satisfactorily; and Project Management. This will increase participation of the private sector and private citizens in the formal financial sector and enhance financial flows at the regional level. This project fits under Pillar I of the Bank's proposed Regional Integration Strategy for West Africa 2011–15 on linking regional markets through trade and investment facilitation.

¹ Prepared by the African Development Bank.

23. **Institutional Support Project for Governance, Economic Management and Poverty Reduction (ISP) was approved in October 2006 for an ADF grant of UA 3 million.** Despite the initial delay, the overall project implementation is satisfactory, and disbursement ratio has reached 90 percent by end September 2011. Initial results suggested that the project has contributed to enhance the organizational and human resources capacity of the Macro Fiscal Unit, Revenue (Tax and Customs), and Budget Departments. The project has been completed by end September 2011. A second capacity building project will be prepared before the end of 2011 for a Board presentation in the first quarter 2012.

24. **Liberia Statistical Capacity Building Program—Phase II:** The Liberia Institute of Statistics and Geo-Information Services (LISGIS) is the official National Statistical Agency for Liberia. Through the SCB II program, the Bank has committed USD 552,400 toward statistical capacity building in Liberia. The bulk of these funds are going toward capacity building to improve Price statistics, National accounts, design and implementation of the National Strategy for Development of Statistics (NSDS), and Social Statistics areas including: MDG monitoring, development of civil registration and vital statistics databases, infrastructure statistics. A proportion of the funds have been earmarked for gender statistics and other cross cutting areas such as environment/climate change, and labour statistics.

25. **The Monrovia Water and Sanitation Rehabilitation Project:** This project is financed by DFID and managed by AfDB at a total cost of 3.06 million British Pounds. The project has been designed to meet Monrovia’s emergency water and sanitation facilities’ rehabilitation needs based on the city’s high population concentration and economic importance. The project components: (i) Rehabilitation of the distribution system in central Monrovia area A; and (ii) Construction of the waste stabilization pond. The main development outcomes expected are: (i) Improved water supply distribution and sanitation systems to serve about 50,000 people. The original project would have rehabilitated Monrovia Water system to 50 percent of its prewar capacity and delivered water and sanitation services to 700,000 people; (ii) Improved awareness and attitudes on sanitation and hygiene practices; and (iii) Improved capacity of Liberia Water and Sewer Corporation (LWSC) to manage the water supply and sanitation services. The project was launched in March 2008 and is currently substantially completed. Training of Liberia Water and Sewer Corporation staff, preparation of manuals for O&M, consumer enumeration and production of maps were completed in 2009. Construction works consisting of rehabilitation of the water distribution system were substantially completed in March 2011 and the construction of Waste Stabilization Ponds in June 2011 and the works are in defects liability period. The preparation of the Completion Report is underway in September and October 2011.

26. **Liberia–Urban Water Supply and Sanitation Project (UWSSP) of US\$ 40.4 million** was approved on May 19, 2010 with the aim to improve Monrovia’s water and sanitation facilities. The UWSSP is complementary to the Monrovia Water and Sanitation Rehabilitation Project and provides the interface as well as rehabilitation of the water distribution network in central Monrovia area “B”. The objectives are: (i) to provide

access to adequate, safe and reliable water supply and public sanitation services to the people in Monrovia, Buchanan, Kakata and Zwedru towns on sustainable basis; and (ii) to enhance the institutional, operational, management capability, and the long-term financial viability of LWSC. The project's components are the following: (i) Rehabilitation and augmentation of water treatment and distribution systems in Monrovia, Buchanan, Kakata and Zwedru; (ii) Provision of public sanitation facilities; (iii) Institutional support LWSC and capacity development Support to Water and Sanitation Sector Staff (iv) Social Connection Revolving Fund; and (v) Environmental and Sanitation Sensitization. The development outcomes expected are: (i) Provide reliable and affordable water and sanitation services to 50 percent of the population in Monrovia, and 75 percent coverage in Buchanan, Kakata, and Zwedru totaling 691,700 people; (ii) Social connection Revolving fund to enable access by the poor (iii) Improved projects implementation by water and sanitation sector staff and (iv) Improved management and operation and maintenance of water and sanitation facilities in the 4 towns.

27. **Water Sector Reform Study:** the study approved on 13th January 2009 is funded for €2.5 million provided by the African Water Facility. The study seeks to foster improved governance and comprehensive long-term development of the water sector. The study components are the following: (i) Development and implementation of water and sanitation sector Policy and Strategy, Institutional Reform, and Capacity Building; (ii) Development of tools to support water sector planning; and (iii) Reinforce national capacities to undertake the sector reform process. The development outcomes expected are: (i) Improved policy and restructured institutions (ii) Improved implementation efficiency of WSS programs and projects; (iii) Faster development and effective utilization of resources; and (iv) Improved capacity of the water sector to manage and develop water resources. Cost and Financing: The contract for consultants to carry out the study has been signed in 2010, the launching Workshop was held in June 2010 and the inception report presented in August 2010. The final report is delayed and now expected for February 2012.

28. **Grant of US\$ 630,000 for Emergency Assistance for Humanitarian Relief at the Liberia-Cote d'Ivoire Border:** The purpose of the present grant is to provide a direct and immediate response to the humanitarian crisis in support of on-going efforts by the Government of Liberia (GoL) and the international community. The current emergency situation is beyond the capacity of the State and its agencies to handle without significant support from the international community as Liberia is still recovering from a protracted period of civil war that resulted in the destruction of its socio-economic infrastructure and a persisting lack of government capacity to effectively and efficiently provide basic services to the Liberian population. It is also important to note that the current humanitarian crisis is exacerbated by an ongoing fuel and food crisis that hit the country due to drought and poor weather patterns. As a matter of fact, Liberia's current domestic production of its main staple food rice is estimated at about 150,000mt/year, as opposed to a requirement of about 350,000mt. Following the current humanitarian crisis, the price of rice has skyrocketed in Nimba County by 180 percent over the last three months as a direct consequence of the demand-push by Ivorian refugees.

29. **Agriculture sector rehabilitation project** was approved on April 29, 2009 and launched on March 24, 2010. The total project cost is UA 18.4 with Bank's share of UA 12.5 million, co-financing from IFAD of UA 3.4 million and the balance financed in kind by the Government of Liberia. The project covers eight (4) of the fifteen counties in Liberia, with Bank's financing targeting the four south eastern counties (i.e. Grand Kru, Grand Gedeh, Maryland and River Gee), two of which have the highest incidence of poverty, and IFAD financing targeting four western counties. (i.e. Bomi, Grand Bassa, Grand Cape Mount and Montserrado). The project complements the Bank supported Labour-Based Public Works Program (OSHD) which is also being implemented in the south western counties. The overall goal of the Agriculture Sector Rehabilitation project is to contribute to food security and poverty reduction. Its specific objective is to increase the income of smallholder farmers and rural entrepreneurs including women on a sustainable basis. The project is implemented under three components: Agriculture Infrastructure Rehabilitation; Agricultural Production and Productivity Improvement; and Project Management, with Agriculture infrastructure constituting 60 percent of the cost. The project is the first development intervention which is being implemented directly by the Ministry of Agriculture. There are other sector operations financed by other development partners, mainly USAID, EU and World Bank, but these are directly implemented by UN agencies (FAO and WFP) or NGOs.

30. **The Labour-Based Public Works Project (LBPWP)**: The project is funded by an ADF grant of UA15.24 million approved by the Bank on the 18th of December 2007. The Grant Agreement was signed on February 29, 2008 and the first disbursement was effected in May 2009 and the last disbursement date of the Project is the 31st of December 2013. The sector goal of the LBPWP is to contribute to the improvement of productive livelihoods and service delivery. The specific project objective is to rehabilitate socio-economic infrastructure and improve capacities for infrastructure maintenance. The project has three components: (i) Rehabilitation of Socio-Economic Infrastructure; (ii) Capacity Development for Infrastructure Maintenance; and (iii) Project Management. An ADF grant of UA15.24 million to support the Labour Based Public Works Project in Liberia was approved by the Bank on the 18th of December 2007 and the Grant Agreement was signed on February 29, 2008. The first disbursement was effected in May 2009 and the last disbursement date of the Project is the 31st of December 2013. During the supervision missions conducted by the Bank in 2010, the need for a supplementary grant was identified, to enable the financing of additional costs resulting from improved designs of the project infrastructure. Following a subsequent request from the Government of Liberia (GoL), a supplementary grant of UA5.00 million from the Fragile States Facility (FSF) has been processed and approved by the Bank on the 29th of June 2011. The signature of the supplementary grant took place on the 10th of August 2011.

31. **Liberia Bank for Development and Investment (LBDI)**: The project will involve a credit facility by the ADB of up to USD 5 million in the form of a subordinated debt. This will provide LBDI with the required funding to meet the increasing demand for long-term financing from certain key sectors of the Liberian economy including SMEs, services,

construction, agribusiness and light manufacturing .The credit facility will contribute toward one part of LBDI's total fundraising program, which consists of two parts. On the one hand, the institution is planning a share offering of 500,000 new common stocks of USD 20 each based on a book value per share of USD 17.23 as per the Audited Statement at December 31, 2008, the shares are being offered at a 16.08 percent premium to book value. If fully subscribed, the share offer will increase the company's share capital to USD 15.4 million.

32. **Equity investment of USD 0.9 million in the share capital of access bank (ABL):** The Access Bank Liberia (ABL) is a start-up microfinance bank sponsored by lead investor Access Microfinance Holding AG in Germany, with co-support by the International Finance Corporation (IFC) and the European Investment Bank (EIB).

V. Liberia—Statistical Issues (As of October 26, 2011)

I. Assessment of Data Adequacy for Surveillance

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

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

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

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

V. Liberia—Statistical Issues (concluded)

<p>Monetary statistics: Data provision in this area is adequate for surveillance. The Central Bank of Liberia (CBL) has made progress in adopting the statistical methodology recommended by the IMF's <i>Monetary and Financial Statistics Manual (MFSM)</i>. However, the reporting of monetary and financial statistics (MFS) has been suspended since September 2010. STA missions in March 2010 and August 2011 assisted authorities in advancing the introduction of standardized report forms (SRFs) and collecting data from commercial banks in accordance with the methodology in the <i>MFSM</i>. The CBL agreed to start reporting the SRFs for the central bank, other depository corporations, and monetary aggregates by end-December 2011.</p>	
<p>Balance of payments: Reporting is not comprehensive, and Fund staff prepares provisional balance of payments statistics for surveillance. Although some progress in the collecting and reporting of data has been made with STA support, there still remain several areas that need improvement: primary source data, compilation, and timeliness in data dissemination, especially for trade and services, foreign direct investment, government expenditures, remittances, and nonresident deposits data.</p>	
<p>II. Data Standards and Quality</p>	
<p>Participant in the General Data Dissemination System (GDDS) since October 2005.</p>	<p>No Data Module of the Reports on the Observance of Standards and Codes (data ROSC) is available.</p>
<p>III. Reporting to STA</p>	
<p>The authorities report annual balance of payments data and government finance statistics to the related publications (<i>IFS, GFSY, and BOPSY</i>).</p>	



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International Monetary Fund
Washington, D.C. 20431 USA

**IMF Executive Board Completes Seventh Review Under ECF for Liberia and Approves
US\$6.9 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) has completed the seventh review of Liberia's economic program under the Extended Credit Facility (ECF). The completion of the review enables the disbursement of SDR 4.44 million (about US\$6.9 million), which will bring total disbursements under the arrangement to SDR 243.5 million (about US\$379 million). The Executive Board's decision was taken on a lapse of time basis.¹

The ECF arrangement for Liberia was initially approved in March 2008, for an amount of SDR 239.02 million (see [Press Release No. 08/52](#)). In June 2010, Liberia reached the Heavily Indebted Poor Countries (HIPC) Initiative Completion Point and received debt relief equivalent to more than 90 percent of debt outstanding. In June 2011, the IMF Executive Board approved an extension of the arrangement through March 31, 2012, and an augmentation of access of SDR 8.88 million (see [Press Release No. 11/258](#)).

¹ The Executive Board takes decisions under its lapse of time procedures when it is agreed by the Board that a proposal can be considered without convening formal discussions.