International Monetary Fund

Liberia and the IMF

Press Release:
IMF Executive Board Completes Fifth and Sixth ECF Reviews for Liberia, Increases Access, Extends the Arrangement, and Approves US$37.1 million Disbursement
December 16, 2016

Country's Policy Intentions Documents

E-Mail Notification
Subscribe or Modify your subscription

Liberia: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

November 30, 2016

Letter of Intent

Monrovia, November 30, 2016

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

Dear Madame Lagarde,

The Liberian economy has experienced two major exogenous shocks, namely the outbreak of the Ebola Virus Disease (EVD) and the decline in global commodity prices, particularly iron ore and rubber. In addition to these shocks, the drawdown of the United Nations Mission in Liberia (UNMIL) that will culminate in December 2016 as well as the forthcoming October 2017 general and presidential elections are presenting further uncertainties that may have economic, political, social, and security implications.

The Ebola epidemic which broke out in March 2014 resulted in the decline of production in all sectors of the economy. It permeated the social and economic fabric of our country, significantly undermining our economic activities and affecting the implementation of our medium-term development program—the Agenda for Transformation (AfT). The epidemic also weakened activities in the economy, resulting in the decline of real GDP growth from close to 8½ percent in 2013 to zero growth in 2014-2016, and put additional expenditure pressure on the government to upgrade the health system as well as increase other social spending for vulnerable populations.

As the country embarked on the road to recovery in 2015 after the devastating Ebola crisis, it had to confront the sharp decline in prices of our two major export commodities— iron ore and rubber. This caused a sharp fall in exports, loss of jobs, and delays in foreign investment, production, and anticipated job creation associated with concession agreements in the iron ore and rubber sectors. The protracted failure of the economy, in particular the natural resource sectors, to rebound after the Ebola crisis is putting strain on the government revenues in the face of spending pressures compounded by the cost of the October 2017 elections and the transfer of security from UNMIL. Export weakness and the economic slowdown has also reduced our debt-carrying capacity. Even though the debt stock is still low, debt sustainability analysis shows the risk of debt distress has moved from low to moderate.

Reflecting the shocks of Ebola and slump in commodity prices, our performance through October 2016 has been uneven. We met all indicative targets (ITs) for end-December 2015 and two out of three ITs for end-June 2016 (the ceiling on net domestic assets of the CBL was missed) set at the time of the fourth ECF review, but missed two performance criteria (PCs) for end December 2015 and three PCs for end-June 2016—the floors on government revenues and net foreign exchange reserves position of the central bank, in addition to the ceiling on CBL's gross direct credit to central government for end-June 2016. The performance criterion on government revenue was missed due to low collection particularly from mining companies. The performance criterion on the net foreign exchange position of the CBL was missed because of liquidity support to the financial sector and lower-than-programmed government sales of foreign exchange to the central bank. Our structural reform agenda is on course, but the pace has been slow due mainly to capacity constraints and the disruption caused by the Ebola epidemic. As a result, the government met two out of nine structural benchmarks for the fifth review and three out of five structural benchmarks for the sixth review. In order to address the deviations from the program, we have implemented corrective actions, namely the introduction of strong revenue measures in the approved FY2016/17 National Budget and the rigorous implementation of the CBL three-year financial plan.

In this extremely difficult situation, we ask for continued and deeper Fund support.

Despite our efforts on increasing revenues and rigorously containing spending, the FY2017 budget is likely to require additional financing. Therefore, we would like to request higher access equivalent to 5 percent of quota (about US$18 million) to enable the country to deal with the balance of payments shock triggered by the commodity price decline and lower export receipts, which is also reflected in a budget financing gap. This additional access would be disbursed at completion of the fifth and sixth reviews. We would also like to request that this funding be channeled to support our FY2017 budget, to help close the funding gap caused by the economic crisis. The Fund's support to the budget would be part of a concerted financing effort by Liberia's partners.

We also request the extension of the ECF until November 18, 2017, and a corresponding additional financing of 5.7 percent of quota (about US$21 million), in order to maintain macroeconomic stability in the run-up to the October 2017 elections and complete the economic program under the ECF, which was delayed by the Ebola epidemics. We will use this additional Fund financing during the extension to support external buffers of the CBL and fill a balance of payment gap triggered by lower exports in 2017.

On the basis of the performance registered in implementing the economic program and on the strength of our future policy commitments, we request that the fifth and sixth reviews under the ECF arrangement be completed and a disbursement in the amount of SDR 14.764 million be approved. In completing the two reviews, the government is requesting the following: (i) waivers for the missed end-December 2015 and end-June 2016 performance criteria on the floor on total revenue collection of the central government (original ratified revenue forecast) and the net foreign exchange position of the CBL based on the corrective actions implemented in the course of 2016, and the missed end-June 2016 performance criterion on gross direct CBL credit to the central government, in light of the small deviation from the program target; (ii) an extension of the ECF supported program to November 18, 2017, with two additional reviews with test dates for end-December 2016 and end-June 2017; and (iii) an augmentation of access equivalent to 10.7 percent of quota, of which 5 percent would be directed to the budget and to be disbursed on the completion of the combined fifth and sixth reviews, and 5.7 percent of quota would be disbursed equally over the seventh and eighth reviews.

Program implementation will continue to be monitored by quantitative performance criteria and structural benchmarks, and semi-annual reviews. Definitions of key concepts and indicators, as well as reporting requirements, are set out in the accompanying Technical Memorandum of Understanding (TMU). We expect the seventh review to be completed by June 2017 based on end-December 2016 and other relevant performance criteria, and the eighth review to be completed by November 18, 2017 based on end-June 2017 and other relevant performance criteria.

We believe that the economic and financial policies described in the MEFP of November 19, 2012, its subsequent supplements, together with the attached supplementary MEFP provide an adequate basis for achieving our economic policy objectives. However, the government stands ready to take any additional measures that may be required to meet our program goals. The government will consult with the Fund on the adoption of these measures and in advance of revisions to the policies contained in this attached MEFP, in accordance with the Fund's policies on such consultation. The government will also provide the Fund staff with all the relevant information required to complete program reviews and monitor performance on a timely manner as outlined in the TMU. We consent to the publication on the IMF website of this letter, the accompanying MEFP, TMU, and the related staff report for the combined fifth and sixth reviews under our ECF program.

Sincerely,

/s/	/s/
Hon. Boima S. Kamara	**Hon. Milton A. Weeks**
Minister of Finance and Development Planning	Executive Governor
Ministry of Finance and Development Planning	Central Bank of Liberia

Attachment:

I. Supplementary Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

Attachment I. Supplementary Memorandum of Economic and Financial Policies

INTRODUCTION

1. **On November 19, 2012, the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Extended Credit Facility (ECF) in support of Liberia's economic reform program**. The overall objective of the program is to achieve macroeconomic stability and promote broad-based economic growth through the implementation of sound macroeconomic policies and structural reforms in critical areas. This Memorandum of Economic and Financial Policies (MEFP) reviews recent economic developments and performance under the Extended Credit Facility (ECF) arrangement. It also updates macroeconomic policies and targets for the rest of 2016 and for 2017.

BACKGROUND AND RECENT DEVELOPMENTS

2. **The Ebola epidemic has largely been eradicated but its negative effects are still evident in the country**. Liberia was finally declared Ebola-free in June, 2016 by the World Health Organization (WHO) after occasional outbreaks following the first declaration in May, 2015. The enhanced capacity of the health sector has enabled the government to very rapidly contain the virus during these outbreaks. In particular, the Incident Management Team (IMS) has been extraordinary in its commitment to containing the outbreak and this has led to international recognition of Liberia's capacity to effectively and efficiently manage the Ebola Virus Disease (EVD) and other outbreaks.

3. **The Ebola epidemic resulted in the decline of production in all sectors of the economy**. The epidemic weakened activity in the economy with real GDP growth declining from close to 8½ percent in 2013 to zero percent in 2015. This economic disruption which resulted in loss of household incomes and revenue for the government has also put additional expenditure pressure on the government in dealing with the overall health sector as well as increasing other social spending for vulnerable households, especially those directly affected by the epidemic.

4. **The commodity price shock is putting additional strain on the country affecting production and employment in the iron ore and rubber sectors**. The prices of two of the country's major export commodities—iron ore and rubber—have been depressed since 2015 and are likely to remain below their 2013 levels until at least 2025, according to World Bank projections. The price decline has caused delays in additional foreign investment, production, and anticipated job creation associated with concession agreements in the iron ore, rubber, and other sectors. In 2016, rubber production has stagnated and iron ore production has fallen significantly.

5. **The drawdown of UNMIL is also affecting the domestic economy beyond its impact on security**. The drastic decline in the presence of UNMIL, a major spender in the local economy, is affecting micro, small, medium, and large enterprises and informal workers, many of whom operate

in the service sector catering to the domestic market. Additionally, the drawdown has reduced the inflow of US dollars into the economy, thereby putting pressure on the Liberian dollar. Last, the drawdown will have budgetary implications as the government has to increase spending in the security sector and civil administration in various counties.

6. **The uncertainty deriving from the October 2017 general and presidential elections is negatively affecting private investment**. Due to the risks often associated with political transitions in sub-Saharan Africa, many companies are reluctant to make new investment or scale up their current investment. As a result, almost all projects are on hold at the moment. In addition to the slowdown in investment and economic activity, the upcoming elections will cost about US$53 million, including the cost of security for the elections.

7. **The shocks discussed above have combined to slow economic growth and disrupt the country's development agenda**. The economy is expected to contract in 2016, with growth projected at -0.5 percent, due to falling production in the mining, forestry, and manufacturing sectors. On the positive side, the agricultural sector is projected to grow at 6.4 percent in 2016, against 0.7 percent in 2015. On the inflation front, price pressures are coming to the fore. After averaging at 7.7 percent in 2015, inflation picked up to 9.9 percent in August 2016 due largely to the knock-on-effects of the depreciation of the Liberian dollar especially on core inflation.

8. **The external current account is projected to widen in nominal terms in 2016 due mainly to lower donor grants and exports**. Exports are projected to fall in 2016 relative to 2015 due to lower mining and forestry activity, while imports are also expected to fall thanks to lower Ebola and UNMIL-related imports, lower mining activity, and lower international oil prices. As a result, the current account deficit is projected to widen from US$654 million in 2015 to US$672 million in 2016. Gross international reserves of the Central Bank of Liberia (CBL) have remained stable and are expected to increase marginally from about US$446 million in 2015 to US$469 million in 2016. The CBL net foreign exchange position, however, have recovered from US$164 million in December 2015 to US$178 million in June 2016 following resumption of extra sales from the government, lower than planned interventions, and the rationalization of CBL expenses under the three-year financial plan.

9. **The government's budget has been impacted adversely by the weak economic conditions**. Government domestic revenue for FY2015/16 was US$453 million, US$21 million (1 percentage point of GDP) lower than budgeted. However, when compared to the revised forecast domestic revenue collection exceeded its target by US$37 million. Taking into account the delay in accessing the World Bank's development policy loan of US$20 million, the total resource envelope decreased by US$52 million (2.5 percentage points of GDP) from the budget. However, the government was able to cut its expenditure by US$67 million (3.2 percent of GDP) from the budget, resulting in a budget deficit of US$23 million (on a commitment basis) and an accumulation of deposits of about US$15 million.

10. **In the banking sector, credit growth has recovered but asset quality remains a concern**. Credit to the private sector increased by 16.4 percent year-on-year in June 2016, but high

NPLs continue to weigh on the banks' lending capacity, negatively impacting the pace of recovery. Non-performing loans (NPLs) as a percent of total loans peaked at over 20 percent in 2015 mainly reflecting the slowdown in economic activity but have since declined to 13.5 percent in August 2016.

PERFORMANCE UNDER THE PROGRAM

11. Performance of quantitative indicators under the ECF program through end-December 2015 was mixed. The government met all indicative targets but missed two performance criteria (PCs)—the floors on government revenue and CBL's net foreign exchange position. The PC on government revenue which was based on the original ratified forecast was missed by US$7 million due to low collection from mining companies and stimulus measures implemented by the government to minimize the impact of weak iron ore prices on the mining sector, specifically the deferral of social contributions. The CBL missed the PC on net foreign exchange position of the CBL by US$20 million due to exceptional liquidity support to the financial sector and lower-than-programmed government sales of foreign exchange.

12. The government met three out of the six of the end-June 2016 PCs. The government met the PC on the ratification of external loans by wide margins. The PC on government revenues was missed by US$21 million due to lower revenues from the natural resource sector, and the PC on the net foreign exchange position of the central bank was missed by US$14 million because of an increase in the exposure to FIBLL. The PC on CBL's gross credit to the central government was missed by US$0.5 million. All the indicative targets were met with the exception of net domestic assets (NDA) which was missed by a significant margin of US$20.7 million due to higher-than-expected claims on the private sector.

13. The pace of structural reform for the fifth review has been slow. Out of the nine structural benchmarks (SBs), the government met two (extension of IFMIS coverage and submission of project analyses of new PSIP), and seven were missed:

- Launch a regular donor budget support meeting (end-December 2015): The MFDP launched a regular budget support donor meeting to improve donor inflow projections in early February 2016. In addition, the quarterly project review meetings with World Bank and African Development Bank project managers are now being held regularly.

- Compilation and development of a domestic public investment database (end-March 2016): The PIU is developing an Excel-base database table template. However, collecting necessary information, especially about project progress, takes time. The completion of the database focusing on ongoing domestically financed projects is expected by end-November 2016 (prior action for the fifth and sixth reviews).

- Publish SOEs reports (end-March 2015): The report on FY20/1516 Q1 and Q2 was published with delay on May 19, 2016. The FY2015/16 Q3 and Q4 financial reports have been published on a timely basis.

- Expansion of the existing database of externally-financed projects (end-May 2016): Due to technical issues on the database, the completion of the database development was delayed, and is expected by end-November 2016.

- Finalize the study of the impact of the Ebola forbearance measures (end-December 2015): The study was finalized and submitted to the IMF in February 2016.

- Develop a framework for Emergency Liquidity Assistance (end-March 2016): Work was delayed by focus on FIBLL but the CBL has drafted regulations, which have been shared with the IMF experts.

- Starting with Q1 2016, provide quarterly financial statements with comments on the implementation of the CBL financial strategy. Work on financial statements was delayed by the migration of the CBL accounting system to the T24 software but the Q2 report was submitted on time.

14. Performance against the sixth ECF review improved. Three out of the five structural benchmarks were met, namely: the extension of IFMIS coverage, the submission of the CBL's quarterly financial statements, and publication of the quarterly reports of state owned enterprises (SOE). The end-June 2016 structural benchmark on the submission of spending and procurement plans to the Public Procurement and Concessions Commission was missed. The target proved to be over ambitious due to weak enforcement of the Public Procurement and Concession (PPC) Act at the M&A level.

OBJECTIVES OF ECONOMIC AND FINANCIAL POLICIES FOR 2016–17

The government's Agenda for Transformation will serve as the reference for the 2016–17 economic and financial policies. Its priorities include major public investment projects in infrastructure, agriculture, education, health, and security, and the establishment of an enabling environment for the private sector.

A. The Medium-Term Economic Outlook

15. The macroeconomic outlook remains difficult amid the commodity price shock and domestic headwinds. Economic growth is projected to rebound slightly above 3 percent in 2017 buoyed by a further expansion in commercial gold production and continued growth in the agricultural sector. Over the medium term (2018–21), economic growth is projected to stabilize at about 6 percent from the pre-crisis level of more than 7 percent. Medium-term growth will be driven by a rebound in mining, growth in agriculture and forestry, an increase in manufacturing, and a stable service sector. Inflation is expected to average around 7 percent over the medium term as weak international food and oil prices offset the impact of the depreciation of the Liberian dollar.

16. The outlook is subject to downside risks. The government's management of the recent flare up of Ebola cases has been applauded by the international community. This notwithstanding, Ebola represents a major risk to short and medium term growth. A wide scale reoccurrence of the epidemic would deter private investment and dampen the already weak economic recovery. The government will continue its effort to increase surveillance and ensure the adherence to health protocols to mitigate this risk. Further slowdown in the global economic environment, particularly in China and other emerging markets, could further depress commodity prices and worsen the crisis in the natural resource sector. The withdrawal of UNMIL could pose security risks, which the government plans to mitigate through the full implementation of the security transition plan. Spillovers from terrorist attacks in neighboring countries could have knock-on implications for consumer, donor, and investor confidence and increase security related spending pressures. Pressures from a weak revenue situation could fuel policy slippages that could be worsened by potential contingent liabilities from the financial sector.

B. Fiscal Policy

17. The government is facing significant fiscal pressures. Revenues from the natural resource sector continue to be weak despite the end of the Ebola epidemic, as investors retrench activity and investment more than expected. Furthermore, external budget support fell in FY2015/16 compared to the previous year and is expected to be even lower this fiscal year. On the spending side, the main pressures derive from elections and the security handover. The total cost of the elections, including its security is estimated at US$53 million (2.4 percent of GDP) for FY2016/17 and FY2017/18, of which US$22 million are budgeted for FY2016/17. The government expected that US$23 million would be financed by the international community but only US$7 million (EU, UNDP, USA, and IFES) have been identified so far. The FY2016/17 budget allocates US$8 million to the security handover, but another US$10 million would be needed.

18. The FY2016/17 budget was approved in September. The total revenue envelope (domestic revenue, external grants, and loans) is US$600 million (27 percent of GDP), including an IMF augmentation of US$18 million as a contingent revenue. This envelope is distributed into recurrent expenditure of US$520 million and public sector investment program (PSIP) of US$80 million (including the cost of the upcoming presidential and general elections (US$22 million) and UNMIL drawdown (US$8 million) for this fiscal year. The envisaged budget deficit is US$27 million (1 percent of GDP).

19. The approved FY2016/17 budget includes revenue measures with an estimated yield of US$24 million. The measures include an increase in the GST tax rate, an increase in the excise on tobacco, and a surcharge on outbound calls:

- Increase in GST rate. The government has raised the GST rate from 7 to 10 percent, bringing it closer to the VAT rate which is expected to be between 15 percent and 17 percent. This measure can generate about US$20 million annually.

- Increase in excise on tobacco. In line with the implementation of the ECOWAS Common External Tariff (CET), excise taxes on tobacco will be increased potentially generating revenues of about US$1 million in FY2016/17.

- Surcharge on outbound calls. This measure was introduced by the Legislature, with an expected revenue of US$2.5 million in FY2016/17.

Text Table 1. FY2017 Budget
(Millions of U.S. dollars)

	FY2016	FY2017	
	Outturn	Approve Budget	Budget Projection
Total resources	**571**	**600**	**563**
Revenue	453	530	493
Tax	402	432	406
Non-tax	51	98	87
Grants	68	30	50
Loans	28	38	18
Carryover	22	2	2
Expenditure	**556**	**600**	**600**
Recurrent	484	520	520
of which: Amortization	13	13	13
PSIP	72	80	80
of which: Election and security handover		30	30
Overall balance	-23	-27	-44
Financing gap (-: deficit)	**15**	**0**	**-37**
Additional measures			**37**
Revenue			6
Expenditure			11
World Bank Crisis reponse window			20

20. Furthermore, in January 2016, the government introduced a storage surcharge of US$0.3 per gallon of fuel imports on top of the existing US$0.2 fee. Revenues from the total surcharge (US$0.5 per gallon) will be split equally between the government and the Liberia Petroleum Refinery Corporation (LPRC) which collects the fees and maintains the storage facilities. The government portion amounting to US$13 million in FY2015/16 has been transferred to the FY2016/17 budget as a dividend. In addition, the LPRC will transfer revenue collected through this surcharge to the government on a monthly basis. For FY2016/17, revenues of about US$30 million were budgeted.

21. The government will continue its efforts to streamline public expenditure by reducing non-priority spending while protecting social expenditure. The government will limit the implementation of the PSIP to ongoing projects. In addition, other spending is constraint by various fiscal measures approved by Cabinet on June 30, 2016:

- **Compensation of employees**: Use of consultant services is constrained and new hiring of regular staff will be limited to the education, health and security sectors.
- **Goods and services**: Official travel, printing and publication, and fuel surcharges have been restricted.
- **Capital expenditure**: New purchase of vehicles and vehicle maintenance and repair will be reduced.

22. However, fiscal performance in FY2016/2017 is at risk. Due to weaker-than-expected economic activity and imports in the first quarter of FY2016/17, Q1 revenue (tax and non-tax) fell short of historical performance projections in the last two years. Furthermore, growth projections have been revised downward compared with the growth assumptions embedded in the preparation of the budget. Finally, the delay in the budget approval also reduces the yield from the new revenue measures. Overall, the projected revenue shortfall is US$37 million (about 1.7 percent of GDP). On the spending side, the government will have to finance an unbudgeted road project at a cost of US$37 million, of which US$10 will be incurred in FY2016/17 and will be financed by domestic loan. The project, critical to the development of Liberia's road network, was to be financed by a foreign company operating a mining concession. Due to the decline in revenues following the fall in commodity prices, the company decided to delay and reduce its contribution to the project.

23. As a result of these recent developments, the government faces a financing gap of US$37 million. Additional US$20 million in budget support grants from the World Bank[1] would partly fill the gap. The government plans to close the remaining US$17 million gap through (i) increasing real estate tax (US$0.5 million); (ii) increasing in excise tax on beverages (US$1 million); (iii) introducing excise surcharge on all domestic call (US$3 million); (iv) increasing other specific goods and service taxes (US$1 million); and (v) reducing expenditure ceiling of goods and service purchase, subsidies and transfers, and fixed capital purchase by 3.8 percent from the approved budget (US$11 million). These proposals were submitted to the Legislature for their approval.

24. The Government will continue to tighten expenditure for FY2017/18. The total available resources are projected to shrink due to a sharp decline in donor budget support, which will be partially mitigated by gradual recovery of domestic economy from the Ebola and commodity shock, and the effect of UNMIL drawdown. In addition, some unavoidable exceptional spending, such as election and security, will remain in FY2017/18 as well. As a result, available resources for regular spending will be almost the same level as this fiscal year. Therefore, current fiscal stance should maintain with gradual shift of spending focus from current expenditure to capital expenditure.

25. The government is establishing a new Road Fund to secure financing sources for the maintenance, rehabilitation, and extension of existing roads. The Road Fund Act was passed by the Legislature in October 2016 and the necessary regulations and institutional arrangements are being finalized to allow the Fund to start operation from FY2017/18. The Fund will be financed through a share of the fuel storage fee revenues described in paragraph 20 and matching co-financing from the Millennium Challenge Corporation (MCC), which will provide up to US$8 million over 5 years. To ensure transparency and accountability of the operations of the Fund, the government will attach the budget of the Road Fund to the National Budget as an annex.

C. Monetary and Financial Sector Policies

26. Monetary policy will continue to be directed towards ensuring low inflation and a stable exchange rate. Inflationary pressures have come to the fore largely owing to a 10.5 percent exchange rate depreciation in the first half of 2016 compared to a similar period in 2015. The depreciation of the Liberian dollar is mainly explained by reduced export earnings in the wake of the slump in commodity prices, stronger-than-expected impact of UNMIL drawdown, and a 15.1 percent slowdown in net inward workers' remittances in the first half of 2016 compared to the same period of 2015. In addition, net government spending in Liberian dollars rose to L$2.7 billion in the first half of 2016 and securities falling due in February and July 2016 were not immediately rolled over. The temporary increase in domestic currency liquidity, coupled with delayed sales of foreign exchange to the CBL by government, led to pressures on the exchange rate. The CBL will continue to intervene in the foreign exchange market to smooth out exchange rate volatility taking

[1] Under the approved budget, the World Bank's general budget support was a US$20 million credit. However, recently the government was informed that the budget support would be converted to US$40 million grant.

into consideration the need to accumulate foreign reserves to strengthen external sustainability.

27. The effectiveness of monetary policy continues to be hindered by high dollarization and recent legislative changes. Deposit and credit dollarization is estimated at about 80 and 90 percent respectively restricting the scope for monetary policy and the lender of last resort function of the central bank. In addition, a March 2014 amendment to the CBL Act mandates the issuance of currency to the approval of the Legislature, preventing the CBL from addressing a Liberian dollar liquidity shortage in December 2015. The government will continue discussing with the Legislature to ensure that the amendment is reversed to help improve the conduct of monetary policy and strengthen the independence of the central bank.

28. The government will continue to strengthen the joint MFDP-CBL liquidity management to help anchor inflation. Coordination improved through meetings of the Liquidity Working Group (LWG) in the first half of 2016, with the participation of CBL, LRA, and MFDP. Following a sharp pick up in excess reserves in the banking system, the LWG recommended the issuance of L$6 billion bond with a maturity of two years and an average yield of 14.5 percent, which was issued in July 2016. However, effectiveness of the LWG was hindered by transition at the CBL and MFDP, with the last meeting held in August 2016. To reactivate the work of the LWG, attendance has been elevated to the level of Deputy Governor for Economic Policy (CBL) and Deputy Minister for Economic Management (MFDP). Furthermore, we have resumed the regular bi-monthly meetings starting in October 2016. The government will build on the improved coordination of the joint LWG to agree on costs and to harmonize issuances and maturities of securities to avoid sharp swings in liquidity conditions.

29. The Board of the CBL approved a three-year financial plan in December 2015 that envisages a sizeable reduction in the CBL's operational deficits. The 2016 budget was cut by US$10 million compared to the 2015 budget. Starting with Q1 2016, we are providing quarterly financial statements with comments on the implementation of the CBL financial strategy to the Fund (*repeated structural benchmark for the fifth to eight reviews).* However, the CBL had to address an US$5.2 million unplanned domestic currency printing to address seasonal shortages of liquidity and replace the severely worn out stock of banknotes, following the sudden approval by the Legislature of the long-standing request by the CBL in January 2016. The last currency printing took place in 2012 and the relatively large amount is justified by the uncertainty arising from the need to request legislature approval and the potential volatility in money demand in the electoral period. In response, the CBL accommodated about 60 percent of the printing costs by substituting dollar expenditures with Liberian dollar equivalent for other line items in the budget, leading to a minimal expected impact on the execution of the financial plan in 2016.

30. In 2016–17, the central bank will continue to strengthen its net foreign exchange position. The implementation of the three-year financial plan is a key plan to rebuild external buffers. The CBL intends to limit its deficit by cutting down its operational and capital expenses. The government continues to provide regular monthly sales of US$3.25 million and an additional US$862,500 weekly sales of foreign exchange to the CBL. The CBL will limit its intervention in the foreign exchange market only to smooth out exchange rate volatility. With the resumption of these additional sales, the CBL will prioritize reserve accumulation, targeting gross reserves of 2.9 months of essential imports and a net foreign exchange reserves position of US$181 million by end-2016. The CBL will aim at further increasing reserve coverage to over three months of imports by the end of next year, with a net foreign exchange position of US$192 million by end-June 2017. The CBL stands ready to issue CBL notes as an additional tool in the management of Liberia-dollar liquidity.

D. External Sector Policies

31. The combined impacts of the Ebola crisis and the sharp decline in iron ore and rubber prices have reduced our debt-carrying capacity. Even though the debt stock is relatively low by regional standards, the debt sustainability analysis (DSA) shows that the risk of debt distress has moved from low to moderate in a relatively short period of time after the completion of the HIPC debt relief in 2010. In particular, the debt to export ratio has deteriorated rapidly in recent times and is currently very close to the high-risk of debt distress threshold in the baseline scenario. Any further decline in exports could push the country into high risk of debt distress. With this in mind, the government will monitor the evolution of debt closely, strengthen the capacity of the Debt Management Unit (DMU) and develop a new medium-term debt strategy (MTDS) with technical assistance from IMF and the World Bank.

32. The government has successfully kept new borrowing below the program targets (Text Table 2). No new borrowing agreements were ratified by the legislature in FY2015/16, thereby meeting the end-June 2016 debt ceiling PC set at US$97 million. However, in FY2016/17, the government ratified loans amounting to US$155 million or US$91 million in PV terms. The program envisages the ratification of additional US$95 million in new loans in FY2016/17.

Text Table 2. List of New External Loans by Status for FY2015/16–FY2016/17

Donor	Project	Nominal Value (mils of U.S. dollars)	Grant Element (percent)
	Ratified		
IDA	Additional Financing Agreement for the Accelerated Electricity Project	60	52
OFID	Gbarnga-Salayea Road Project	20	35
BADEA	Gbarnga-Salayea Road Project	13	42
IDA	Youth Opportunities Project	10	53
China Exim Bank	Robert International Airport terminal Project	52	29
	Signed		
IFAD	Tree Crops Extension Project	13	58
IFAD	Rural Community Finance Project	6	58
IDA	Liberia Reneweable Energy Access Project	2	53
IDA	Liberia Urban Water Supply Project	10	53
IDA	Social Safety Nets Project	10	53
AfDB	Mano River Union Road Dev. & Transport Facilitation Program	37	58
Kuwait Fund	Gbarnga-Salayea Road Project	17	26

E. The Implementation of Structural Reform Agenda

Public financial management

33. The government continues to make good progress on its public financial management reform agenda. The government launched the online procurement application system to strengthen the procurement process and published the PEFA report. Further, the existing PFM Act is being revised based on IMF recommendations and a legal consultant will be hired by the MFDP to accelerate the process which is expected to be completed by end-2016. The PFM reform unit is updating the PFM reform strategy to cover FY2016/17–FY2019/20.

34. The government is preparing the action plan to reform public investment management system. In July 2016, an IMF Public Investment Management Assessment (PIMA) identified various weakness in the current public investment practices, such as low investment efficiency, weak project monitoring capacity and system, and limited linkage between externally-financing projects and central government budget. and provided valuable recommendations. The government is developing an action plan to implement the PIMA recommendations, which will be incorporated into the updated PFM reform strategy.

35. Improvement in cash management is proceeding steadily and the implementation of the Treasury Single Account (TSA) will be revamped. The MFDP has developed a draft concept note on the implementation of the TSA in the country, including phased implementation plan. The main elements of the plan include setting up a joint technical working group consisting of MFDP, CBL and commercial banks to discuss ways of operationalizing the TSA; undertake inventory of GoL's bank accounts resident at CBL and those in commercial banks and agree on a memorandum of understanding between the MFDP, CBL and commercial banks on the operation of the TSA. The concept note is being finalized in consultation with the IMF.

36. The government is implementing the action plan developed to address PFM weaknesses underlined in the GAC Audit on Special Procurement of the Ministry of Public Works for Construction of Roads and Bridges. All the contracts identified in this audits have been regularized and an amount of US$11 million has been allocated in this year's budget to pay these contracts which now amount at US$23 million. The government has also taken steps to resolve deficiencies in spending controls identified by the audit. A project monitoring and evaluation unit has been established and staffed in the MFDP to strengthen the public investment implementation.

37. The government is formalizing an agreement with the concession companies on the deferral of social contributions. Due to the commodity price shock, foreign concession companies of key export commodities have requested the government to defer their social contribution payments (totaling about US$10–15 million per year. Taking into account their important role in the domestic economy, especially job creation, the government decided to accept partial deferral (50 percent of their payment) up to FY2018/19. Based on negotiations with the foreign companies, the government is formalizing the agreement in MOUs indicating the length of the deferral (four years starting FY2015/16) and the repayment schedule. The MOUs are expected to be finalized and signed by the four main foreign companies by end-February, 2017 (*structural benchmark for the seventh review*).

38. The government commits to strengthening the budget formulation process and the monitoring of SOEs. The government will integrate recently introduced electronic systems, such as IFMIS, into the next year's budget process and aim to submit the draft budget to the legislature by end-May 2017 at the latest. In addition, from FY2017/18, budgeted ministries and agencies will be required to submit their draft procurement plan based on the draft budget to the Public Procurement and Concession Committees (PPCC) to smooth the procurement process and facilitate the introduction of framework procurement agreements and the phasing out of systematic extension of previous fiscal year contracts (*structural benchmark for the eight review*). The government intends to tighten the control on SOEs. To this end, publication of the quarterly SOE report will continue, with the Q4 also including the financial statements of covered SOEs (*structural benchmark for seventh and eight reviews)*. Furthermore, to ensure the proper management of the increased fuel fees, the government is closely monitoring the financial operations of LPRC.

Revenue Administration

39. Revenue administration continues to improve. The LRA became operational in July 2014 and has since finalized it corporate strategic plan. Four strategic goals form the basis of the program planning: (i) administer revenue legislation in an effective, fair, and transparent manner; (ii) maximize voluntary compliance; (iii) build an effective institution at all levels through excellence in leadership, accountability, technical and real infrastructural capacities; and (iv) transform revenue administration by utilizing effective Information and Communication Technology (ICT). Key achievements include: (i) set up of the institution; (ii) completion of a five-years strategic plan; (iii) introduction of first phase of strategic management system; (iv) introduction of desk audit system for large taxpayers on withholding taxes; (v) completion of sectorial audit manuals; (vi) provision of taxpayer education through workshop; (vii) implementation of goods and services tax return for some industries and online filing system; (viii) introduction of the auditing of loss making companies in an attempt to defer filing of losses; and (ix) the signing of MoU with other government agencies, such as Liberia Anti-Corruption Commission (LACC).

40. Further efforts are needed to improve the capacity of the LRA to further mobilize domestic revenues. In particular, capacity development in natural resource revenue management, innovation and expansion of automation of the tax administration system, and a comprehensive staff integrity management program are needed to continue the improvement in domestic revenue collection and transparency. These reforms will however require significant contributions from external partners to ensure successful implementation, especially in the areas of tax and customs modernization, IT, and capacity development complimented by hard and soft infrastructure support.

41. The LRA is establishing a robust and integrated compliance management program. The LRA is aware that streamlining and strengthening of compliance controls are crucial to improve execution and revenue mobilization. A compliance management framework (CMF) is being developed to define strategies for the large taxpayer segment, which account for over 80 percent of total collection, and will be launched in the first half of 2017. The strategy includes the development of risk analysis to support mitigation strategies that include audit and enforcement activities, as well as education and service options. The compliance management will focus on core risks (registration, filing, payment and accuracy of declarations) and the sectors dominant in the large taxpayer office (LTO). The large taxpayer framework will be adapted to the medium and small taxpayer segments to the extent that economic sectors overlap. In addition, effective control of large taxpayer compliance will be critical to enable the LRA to more effectively introduce and administer the value-added tax.

Tax policy reforms

42. The government is making progress with the preparations to introduce a VAT in 2018. The VAT will provide additional scope to improve revenue generation and performance. The VAT Steering Committee has been reconstituted with the Minister of Finance and Development Planning as Chair and had its inaugural meeting in May 2016. The introduction of VAT is required as part of a regional agreement under ECOWAS and Liberia is the last remaining country in the region to introduce it. The government is finalizing the draft VAT bill, which has benefitted from comprehensive comments from the IMF's Fiscal Affairs and Legal departments. A technical assistance request has been submitted to the IMF for an assessment of the capacity of LRA to implement and administer the VAT, including technical and infrastructure requirements. The key next steps include stakeholder's engagements, submission of the bill for ratification and preparation of the LRA for implementation.

43. The government is reviewing the Liberia Revenue Code (LRC) to address a range of shortcomings in the existing legislation, with key modifications approved by the Legislature in September. A range of tax policy and non-tax policy challenges had arisen in the implementation of the existing LRC hindering government's efforts to raise and administer revenues. A review conducted by the MFDP in collaboration with the LRA and through a consultative process identified a number of key problematic tax policy issues including: (i) the design of presumptive tax; (ii) limitation of interest deduction; (iii) taxation of indirect transfer interest in immoveable property; (iv) excise taxation of beverages with reference to WTO and ECOWAS compliance requirements; (v) taxation of telecommunication services; (vi) fuel tax exemptions, and (vii) special investment tax incentives, covering both direct and indirect taxes. The government is committed to streamlining the tax incentive regime by eliminating the differentiation based on region, local content and additional jobs. The government will also apply one uniform accelerated depreciation scheme for companies. The review of the revenue code is also necessary in the context of our membership of the WTO to make tax policies WTO compliant. Key also is simplification of the LRC to facilitate tax administration and compliance. The amendments relating to the presumptive tax, excise taxation of beverages and telecommunication, and investment incentives, complemented by an additional increase in goods and services tax and tobacco excise, were submitted to the Legislature in a bill attached to the FY2016/17 budget and approved in September. The MFDP jointly with the LRA is drafting the remaining amendments to be submitted to the Legislature by end-January 2017.

Monetary and financial sector

44. The CBL is upgrading its core banking application as part of the creation of a common system for WAMU members. The new Temenos T24 system replaces the previous Bankmaster software and covers all the CBL's domestic and foreign exchange operations through front, middle, and back office processing as well as payments. The system has interface with the payment and clearing systems, Automated Clearing House (ACH), Automated Checking Processing System (ACP) Real-Time Gross Settlement System (RTGS), and the Scripless Securities Settlement System (SSSS). The T24 system went live in early 2016 but encountered challenges with reporting capacity. In particular, exportation of data from T24 to the CBL's Microsoft access database that is used for production of financial statements was not always 100 percent successful. This led to delays in meeting monthly reporting obligations but has since been resolved. The CBL is now reconciling back valued entries that were in Bankmaster core banking application to ensure that all transactions are posted in T24. Once the teething problems are resolved, the CBL will focus on producing a daily analytical balance sheet to inform the work of the LWG.

45. The CBL has resolved First International Bank Liberia (FIBLL) bank under a purchase and assumption (P&A) transaction. The equity position of the bank had deteriorated to about negative US$20 million reflecting accumulated operational losses in past years due largely to mismanagement. While its financial position was weakening, FIBLL received about US$19 million liquidity support from the CBL in the course of 2015 and 2016 as concurrent CBL's efforts to effect a recapitalization by original shareholders failed. The P&A option was chosen over outright liquidation because of the absence of a national deposit insurance scheme and of a legal arrangement for providing depositors with prompt access to their funds. The closure of FIBLL was announced by the CBL on June 4, 2016, pursuant to powers vested in the new Financial Institutions Act under section 47–54. The buyers, Ghana Growth Facility Fund (GGFC), injected US$18.5 million to meet the minimum capital requirement of US$10 million and provide additional liquidity support to the new Bank, GN Bank Liberia Limited. Under the P&A agreement, some of the assets of FIBLL were transferred to GN Bank Liberia and most of the deposit liabilities were covered by the acquirer.

46. The CBL is closely monitoring the newly-established GN Bank. Based on recent assessment of the capitalization needs of the bank, GN Bank remains adequately capitalized with sufficient liquidity. A steady reduction in losses has been observed stemming mainly from unwinding of aggressive campaigns for deposits that attracted high rates and modest operational expenses. This notwithstanding the new bank's business plan while comprehensive is also deemed highly ambitious in terms of growth and strategy. These concerns are mitigated by an agreement with the new buyers confirming their obligation to promptly correct any capital shortcomings of GN Bank as the need arise (section 13.2 of the P&A agreement). GN Bank is also under high-frequency supervision and the CBL undertakes to share the monthly supplementary financial soundness indicators and quarterly financial statements with IMF staff up to June 2017. The CBL is strengthening the supervision of the bank through improved information sharing with Bank of Ghana and the College of Supervisors of the West Africa Monetary zone (WAMZ).

47. The CBL is addressing gaps in its supervisory and regulatory framework exposed by the failure of FIBLL. After closing FIBLL, a forensic audit covering the transactions of the bank from 2006 through the closure of FIBLL on June 4, 2016 has been commissioned to KPMG to determine the root causes of the failure. The scope of the audit includes the role of management, related parties, and supervisory governance that led to incidences of mismanagement and CBL's open bank assistance of US$19 million. The audit will be conducted within a period not exceeding six months. We undertake to submit to the Fund staff an interim report detailing preliminary findings of the exercise *(prior action for the combined fifth and sixth reviews)*. The government remains committed to full disclosure and will publish the findings of the forensic audit report, being guided by the requirements of the Liberian judicial system. We will share with the Fund the final report of the forensic audit and will make results available to the relevant judicial authorities consistent with Liberia's laws (structural benchmark for the seventh review), ensuring that any relevant evidence be duly referred to the judicial system according to Liberia's laws.

48. The CBL will continue to work towards a crisis preparedness and management framework to help protect financial stability. The CBL is currently reviewing gaps in the safety net system with emphasis on powers and tools for emergency liquidity, and bank resolution and also drafting related regulations. The CBL, with technical assistance from the Monetary and Capital Markets department of the IMF, has started work on developing operational procedures specifying terms and conditions for the provision of emergency liquidity assistance (structural benchmark for eighth review) and a deposit insurance scheme, but the focus on FIBLL has delayed progress during 2016. The CBL has revised the standing credit facility and reserve requirement regulation (both regulations are expected to be issued by early November, 2016). The CBL is also developing a draft crisis management and resolution framework and commenced work on a framework for the establishment of a deposit insurance scheme. Staff of the CBL are benefiting from several training programs on deposit insurance from AFRITAC West II; however, further TA in terms of reviewing the ongoing work of the CBL is needed. The Bank has made a request to the IMF in this regard. Additionally, consistent with our commitment under the ECF, we will continue to avoid undertaking quasi-fiscal activities to preserve our financial position and the ability to act as a lender of last resort.

49. The CBL will continue to implement measures to reduce the high levels of NPLs. A study on the impact of the exceptional measures implemented by the CBL to help cushion the adverse impact of the Ebola epidemic on the banking system (structural benchmark for fifth review) shows that NPLs increased from US$54.8 million (15.5 percent of total loans) in June 2014 to US$92.4 million (24.6 percent of total loans) in October 2015. The high levels of NPLs threatened the profitability of the banking system and undermined credit expansion. The CBL has accelerated the removal of NPLs from bank portfolios through a comprehensive strategy that will include enforcing the mandatory write-offs of fully provisioned loans. The CBL in conjunction with the Liberian Bankers' Association (LBA) has resumed the "name-and-shame" approach, with the publication of the names of non-compliant delinquent borrowers in October 2016. The measure is proving effective in compelling delinquent borrowers to regularize their loan status with their banks. Considering the systemic nature of NPLs, the CBL is considering establishing an Asset Management

Company (AMC). However, work on this project is still in the early stage. The central bank will intensify oversight of credit risk management by monitoring asset quality on a bank-by-bank basis while monitoring commercial banks to write off irrecoverable legacy NPLs in keeping with existing regulations. To restore lasting profitability to the banking sector in the medium term, the central bank will consider modalities to strengthen the balance sheet of the individual banks.

50. The government and the CBL are implementing measures to contain the withdrawal of correspondent banking relationships (CBR). Global banks have severed at least one CBR with all of the Liberian banks. A survey conducted jointly with the IMF, Financial Intelligence Unit (FIU), and the CBL established that the withdrawal of CBRs was impacting trade finance, flow of remittances, deployment of humanitarian aid, and to some extent financial inclusion. The CBL is taking a lead role by aggregating metrics for the extent of the problem, engaging parent jurisdictions of the respondent banks, advocating for global banks action at various international fora, and working closely with the commercial banks. The CBL has established a dedicated AML/CFT supervision unit and is working with other stakeholders, including the FIU to address gaps in AML/CFT laws relating to financing of terrorist activities and criminalization of illicit trafficking of goods. The US Treasury and World Bank continue to provide technical support toward strengthening the AML/CFT system of Liberia, while the CBL has increased its participation with the Financial Action Task Force (FATF) as evidenced by its participation in FATF Plenary Meetings in recent time.

51. The implementation of the recommendation of the recent safeguards assessment is progressing well. The three-year financial plan—implemented since beginning of 2016 as envisaged—will strengthen the CBL's operational efficiency through prudent budgeting it aims to reduce the CBL's average annual operational deficit by about 33 percent from 2015 levels. To measure our progress towards achieving the objectives of the plan, the CBL will provide quarterly financial statements with comments on the implementation of the CBL financial strategy *(structural benchmark)*. To ensure the safety and liquidity of our international reserves, our Board has approved revised investment guidelines in December 2015 aligning reserve management with international best practices, particularly regarding the requirements for placement of international reserves. To strengthen the CBL financial position, we intend to set up an asset and liability committee (ALCO) to oversee issues of risk management, balance sheet, and financial performance *(structural benchmark for the eighth review)*.

52. A number of reforms are planned to help strengthen financial infrastructure and access to finance. The CBL has initiated reforms intended to modernize the payments system in the country and encourage financial inclusion. All key components of the national payments system (RTGS, ACH, ACP, and SSSS) were implemented fully and went live in April 2016. The CBL is also initiating work on the WAMZ national electronic payment switch. In support of financial inclusion aimed at enhancing access to finance, the CBL established the collateral registry in June 2014 as a means of perfecting security interest in movable assets, such as personal property and inventories, and establishing priority of secured parties based on the date and time of registration of a security interest. The CBL has established 11 rural community finance institutions across eight counties for communities' banks and issued a new regulation for credit unions to facilitate access to finance to the unbanked public in the country including the rural areas. An amendment to the 2014 mobile money regulations allows financial institutions (banks, non-bank financial institutions and non-bank financial service institutions) to apply for license. The CBL has issued two licenses to mobile network to non-bank financial institutions to provide mobile money services and, at the same time, provide a conduit for access to finance.

External sector

53. The country's accession to the WTO will help further improve the business climate in the medium term. Liberia became the 163rd WTO member on July 14, 2016. The benefits of WTO membership, including lower cost of imports and wider export market access owing to reduced trade barriers, will fully materialize only in the medium term. However, the required legislative reforms will help improve domestic business environment, thereby facilitating domestic and foreign investment.

54. The implementation of the ECOWAS Common External Tariff (CET) is proceeding steadily. The implementation of the CET by ECOWAS member states started in January 2014, but its introduction in Liberia was delayed by the Ebola epidemic. As the only ECOWAS country yet to implement the ECOWAS Trade Liberalization Scheme (ETLS), the government will continue to work to ensure the implementation of the CET. The CET was approved by the legislature in September, 2016.

Business climate

55. The government is making progress on improving the business climate. The Land Rights Act will help secure land rights and clearly define mechanisms for acquiring land. Access to electricity is improving, with the first HFO (Heavy Fuel Oil) power plant already operational and two more HFO plants expected to start operations over the coming months. The Mount Coffee hydropower project is on-track and the first unit is expected to produce electricity from December 2016. Crucially, the new hydropower capacity will help bring down electricity cost, now among the highest on the continent. Any reduction of tariff, however, will be carried out consistently with LEC's financial viability.

F. Statistics

56. The government continues to make good progress in improving the quality of statistics, particularly in the areas of national accounts, prices, and external sector. The Liberia Institute for Statistical and Geo-Information Services (LISGIS) is revising national account estimates with technical assistance from the IMF, and has made important progress towards preliminary estimates for 2008–13. Additional data collection is needed to strengthen the revision. The government is therefore working with IMF experts to ensure that additional national account and household surveys are conducted to validate the revision. LISGIS intends to publish the latest estimates with a clear indication that they are provisional. Revision of the consumer price index is ongoing also with the support of the IMF but progress has been delayed by longer than expected processing of the survey results.

57. The government is also revising the CPI basket to reflect household expenditure dynamics. Currently, LISGIS is in the final stages of cleaning the six months of Household Income and Expenditure Survey (HIES) data collected in 2014, and simultaneously searching for experts to complete work in the areas of national accounts, CPI and poverty analysis. The 2016 HIES is underway. LISGIS will also make use of the first half of 2014 HIES data collected to date to update the CPI basket and weights, with support from the World Bank and IMF's Statistics Department. The government plans to publish the revised CPI weights and basket composition by end-January 2018.

58. The CBL has produced a preliminary version of a new customs-based trade dataset. The CBL has been working on a new customs-based exports and imports data series using the ASYCUDA software package. The new data cover all the businesses whose goods go through customs, unlike the old trade data provided by BIVAC. The CBL is currently extending the ASYCUDA-based dataset back to January 2010.

PROGRAM ISSUES AND MONITORING

59. Program implementation will be monitored by quantitative performance criteria (PCs), structural benchmarks, and semi-annual reviews. Definitions of key concepts and indicators, as well as reporting requirements, are set out in the accompanying Technical Memorandum of Understanding (TMU). We expect the seventh review to be completed on or after March 30, 2017 based on end-December 2016 and other relevant performance criteria, and the eighth review to be completed on or after September 30, 2017 based on end-June 2017 and other relevant performance criteria.

60. The completion of the fifth and sixth reviews will release additional ECF financing of 5 percent of quota (SDR 12.92 million), to be directed to the government budget. The augmentation will be the first installment of additional financing to help fill a balance of payments gap. A Memorandum of Understanding between the Ministry of Finance and Development Planning and the Central Bank of Liberia will be signed to structure the on-lending of the ECF augmentation resources to the central government.

61. An additional access of 5.7 percent of quota (SDR 14.76 million) will be allocated to the seventh and eighth reviews. The amount will be distributed equally to the two reviews and will be used for balance of payment support.

Table 1. Liberia: Quantitative Performance Criteria and Indicative Targets, December 2015–June 2017

(Millions of U.S. dollars, unless otherwise indicated)

	Dec. 15			Status	Jun. 16		Status	Dec. 16	Jun. 17
	Proposed	Program	Actual		Program	Actual		Program	Program
Performance criteria[1, 2]									
Floor on total revenue collection of the central government[3]	216.7	216.7	209.4	Not met	473.7	452.9	Not Met	196.6	493.5
Ceiling on new external arrears of the central government (continuous basis)[4]	0.0	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
Ceiling on new non-concessional external debt of the public sector (continuous basis)	…	…	…		…	…		…	…
Ceiling on new domestic borrowing of the central government[5]	144.5	144.5	97.0	Met	144.5	75.0	Met	186.4	186.4
Floor on CBL's net foreign exchange position[6, 7]	184.3	184.3	164.4	Not met	192.3	178.0	Not Met	181.0	188.5
Ceiling on CBL's gross direct credit to central government[7]	352.9	352.9	352.8	Met	352.9	353.4	Not Met	353.9	372.0
Ceiling on the present value of gross external borrowing by the public sector[8]	97.0	97.0	0.0	Met	97.0	0.0	Met	101.2	140.7
Indicative Targets									
Ceiling on gross external borrowing by the public sector[9]	…	…			…				
Ceiling on net domestic assets of the CBL[6, 7]	25.2	25.2	12.4	Met	25.2	45.9	Not Met	30.0	39.0
Ceiling on new domestic arrears/payables of the central government (continuous basis)	0.0	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0
Floor on social and other priority spending (percent of total actual expenditure, excluding contingencies)[10]	32.5	32.5	39.9	Met	32.5	37.9	Met	32.5	32.5
Memorandum items:									
Total spending on education, health, social development services (percent of total actual expenditure, excluding contingencies)	25.0	25.0	21.3	…	25.0	23.6		25.0	25.0
Programmed receipt of external budget support grants and committed external loans[2, 11]	39.2	39.2	67.1	…	140.0	96.1		66.2	88.4

Sources: Liberian authorities and IMF staff estimates and projections.

[1] 2015 June is IT. Proposed performance criteria at end-December 15 and end-June 2016 are associated with the proposed extension and rephasing of the ECF arrangement.

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

[3] Total central government revenue collection includes all tax and non-tax receipt but excludes all contingent revenues and budget support grants.

4 The authorities represent that they dispute the validity of the claims vis-a-vis Taiwan, Province of China. There is also an ongoing litigation in New York between Liberia and Taiwan, Province of China with respect to these claims. Accordingly, any arrears on such claims are not treated as arrears for purposes of the continuous performance criteria on arrears and the Fund's arrears policy.

[5] Includes issuance of treasury bills, domestic loans, advances, and any government debt instrument such as long-term securities issued in the domestic market. December 2014 actual borrowing included the disbursement under the ECF augmentation of SDR32.3 million. Targets after December 2014 includes disbursement under the ECF augmentation of SDR32.3 million and the RCF of SDR32.3 million.

[6] Includes SDR holdings net of ECF liabilities. SDR holdings converted at program exchage rate of 1 SDR=1.5844 US dollar.

[7] The floor on net foreign exchange position will adjust downwards and ceilings on CBL gross credit to government and CBL net domestic assets adjust upwards by the extent bridge financing is from the CBL is available under the program for shortfalls in programmed receipt of external budget support and committed external financing, up to a maximum of US$20 million.

[8] Effective after the completion of the fourth review, the new target is set and monitored in PV terms, based on the average annual ceiling under the program period. An adjustor of up to 5 percent applies in case deviations from the ceiling are prompted by a change in the financing terms.

[9] Effective from June 30, 2015, the nominal indicative target is replaced by the new PC on PV of grossexternal borrowings by public sectors.

[10] Includes spending on education, health care, social development services, and energy.

[11] The PC excludes the grants for Mount Coffee executed by the Liberian Electricity Company.

Table 2. Liberia: Structural Benchmarks for the Fifth ECF Review (End-December 2015 to End-May 2016)

Measure	Target Date	Justification	Current Status-Risks
Enhancing budget programming, control and monitoring			
Extend IFMIS coverage to 15 externally-financed projects.	End-December 2015	Strengthen project execution and monitoring.	Met.
Launch a quarterly regular donor meeting to collect necessary information to monitor externally-financed projects.	End-January 2016	Strengthen the monitoring of external assistance, particularly of multi-year investment projects.	Not met (completed with delay). The MFDP has institutionalized a quarterly budget support donor meeting, beginning February 2. In addition, the Aid Management Unit holds regular quarterly project review meeting with World Bank and AfDB project managers. The next meeting will be in November.
Public Investment Unit (PIU) to compile and develop a database to cover all domestically-financed investment projects. The database must include total project cost, actual expenditure, future commitments cost overruns, implementation delay, and arrears.	End-March 2016	Strengthen the monitoring of investment projects to ensure adequate budgetary allocations, particularly, of multi-year projects.	Not met. The PIU developed an Excel-base database table template. However, the population of the database has been delayed by the collection of necessary information, especially about project execution progress.
Submit economic and financial analyses of all Public Sector Investment Plan (PSIP) projects to the Minister of Finance and Development Planning before approved by the Department of Budget for the FY2017 budget.	End-March 2016	Strengthen public investment management.	Met.

Table 2. Liberia: Structural Benchmarks for the Fifth ECF Review (End-December 2015 to End-May 2016) (concluded)

Measure	Target Date	Justification	Current Status-Risks
Publish quarterly reports on the financial performance of State Owned Enterprises (SOEs) for FY2016Q1 and Q2.	End-March 2016	Improve transparency and monitoring of public sector contingent liabilities and total public sector borrowing.	Not met (completed with delay). The Q1-Q2 report was published on May 19, 2016.
Expand the existing database of externally-financed projects to cover cost overrun, project implantation delay, and payment arrears.	End-May 2016	Strengthen the monitoring particularly of multi-year investment projects to ensure adequate budgetary allocations.	Not met. The expansion has been delayed by the limited availability of the IT commercial counterpart.
Enhancing monetary operations and developing the financial sector			
Finalize the study of the impact of the measures introduced in December 2014 by the CBL to soften the impact of the Ebola crisis.	End-December 2015	Strengthen supervisory oversight and regulation.	Not met (completed with delay). The study was finalized and submitted to the IMF in February 2016.
Develop a framework for Emergency Liquidity Assistance and crisis management.	End-March 2016	Ensure that any emerging problems in the financial sector are tackled early with minimal impact on financial stability.	Not met. Work was delayed by focus on liquidation of FIBLL. However, a draft crisis management framework has been developed and shared with the IMF in September 2016.
Starting with Q1 2016, provide quarterly financial statements with comments on the implementation of the CBL financial strategy.	End-May 2016	Ensure that efforts are being implemented to facilitate a gradual return to financial viability.	Not met. Work has been delayed by the migration of the CBL accounting system into the Temenos 24 software.

Table 3. Liberia: Structural Benchmarks for the Sixth ECF Review, End-June to October 2016

Measure	Target Date	Justification	Current Status-Risks
Enhancing budget programming, control and monitoring			
All M&As to submit to the PPCC the spending and procurement plans for both recurrent and PSIP expenditure based on the draft FY2017 budget. Coverage of PSIP expenditure in submitted procurement plans to be at a minimum of 90 percent.	End-June 2016	Improve execution of public investment.	Not met. The target proved too ambitious in light of the weak enforcement of the PPC Act at the level of the M&As.
Extend IFMIS coverage to additional 10 large externally-financed projects.	End-June 2016	Strengthen project execution and monitoring.	Met. The MFDP has migrated 15 externally-financed projects in the Public Financial Management Unit.
Publish quarterly reports on the financial performance of SOEs for FY2016Q3 and Q4.	End-September 2016	Improve transparency and monitoring of public sector contingent liabilities and total public sector borrowing.	Met.
Developing the financial system			
Starting September 2016, modify the implementation of reserve requirements by allowing banks to meet the requirements, on average, over a maintenance period.	End-September 2016	Strengthen liquidity management.	Not met. The CBL has amended regulations on reserve requirements and shared them with staff in September 2016. However, the implementation of the new reserve requirement system has been delayed by the legal requirement to make the regulation effective.
For Q2 2016, provide quarterly financial statements with comments on the implementation of the CBL financial strategy.	End-October 2016	Ensure that efforts are being implemented to facilitate a gradual return to financial viability.	Met.

Table 4. Liberia: Proposed Prior Actions for the Fifth and Sixth Reviews			
Measure	**Target Date**	**Justification**	**Current Status-Risks**
Enhancing budget programming, control and monitoring			
Public Investment Unit (PIU) to compile and develop a database to cover all domestically-financed investment projects. The database must include total project cost, actual expenditure, future commitments cost overruns, implementation delay, and arrears.		Strengthen the monitoring of investment projects to ensure adequate budgetary allocations, particularly, of multi-year projects.	
Enhancing monetary operations and developing the financial sector			
Submit an interim report of the forensic audit of First International Bank of Liberia Limited to be conducted by an internationally reputable international firm.		Strengthen banking supervision and regulation by addressing governance and supervisory weaknesses that led to the liquidation of FIBLL.	

Table 5. Liberia: Proposed Structural Benchmarks for the Seventh ECF Review
(End-December 2016 to End-May 2017)

Measure	Target Date	Justification	Current Status-Risks
Enhancing budget programming, control and monitoring			
Expand the existing database of externally-financed projects to cover cost overrun, project implantation delay, and payment arrears.	End-December 2016	Strengthen the monitoring particularly of multi-year investment projects to ensure adequate budgetary allocations.	Postponed from the fifth ECF review.
Formalize the agreement with the four largest foreign concession companies, including the length of the deferment (no more than four years from FY2015/16) and payment schedule.	End-February 2017	Improve natural resource revenue management	Newly proposed.
Publish quarterly reports on the financial performance of State Owned Enterprises (SOEs) for FY2016/17Q1 and Q2.	End-March 2017	Improve transparency and monitoring of public sector contingent liabilities and total public sector borrowing.	

Table 5. Liberia: Proposed Structural Benchmarks for the Seventh ECF Review (concluded) (End-December 2016 to End-May 2017)			
Measure	**Target Date**	**Justification**	**Current Status-Risks**
Enhancing monetary operations and developing the financial sector			
Submit to the Fund staff the final report of the forensic audit of First International Bank of Liberia, and make the results available without delay to the relevant judicial authorities, consistent with Liberian laws	End-May 2017	Safeguard against vulnerabilities in the banking sector and the CBL's financial position.	
Develop a framework for Emergency Liquidity Assistance and bank crisis management.	End-May 2017	Ensure that emerging liquidity problems in the financial sector are tackled early with minimal impact on financial stability.	Postponed from the sixth ECF review
For Q1 2017, provide quarterly financial statements with comments on the implementation of the CBL financial strategy.	End-May 2017	Ensure that efforts are being implemented to facilitate a gradual return to financial viability.	

Table 6. Liberia: Proposed Structural Benchmarks for the Eighth ECF Review
(End-December 2016 to End-September 2017)

Measure	Target Date	Justification	Current Status-Risks
Enhancing budget programming, control and monitoring			
At least 50 percent of M&As with budget allocation lines to submit to the PPCC the spending and procurement plans for recurrent and PSIP expenditure based on the draft FY2017/18 budget.	End-June 2017	Strengthen budget process and improve transparency and monitoring of public sector contingent liabilities and total public sector borrowing.	
Publish quarterly reports on the financial performance of State Owned Enterprises (SOEs) for FY2016/17Q3 and Q4. The Q4 report should include summary financial statements.	End-September 2017	Improve transparency and monitoring of public sector contingent liabilities and total public sector borrowing.	
Enhancing monetary operations and developing the financial sector			
Set up an asset liability committee (ALCO) to oversee issues of risk management, balance sheet, and financial performance.	End-April 2017	Strengthen the CBL's management of assets and liabilities and its financial position.	
For Q2 2017, provide quarterly financial statements with comments on the implementation of the CBL financial strategy.	End-September 2017	Ensure that efforts are being implemented to facilitate a gradual return to financial viability.	

Attachment II. 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 and structural performance criteria and benchmarks for the Extended Credit Facility (ECF), as well as the reporting requirements which ends November 21, 2017. The definitions are valid at the start of the program but may need to be revisited during the program reviews to ensure that the memorandum continues to reflect the best understanding of the Liberian authorities and the IMF staff in monitoring the program.

QUANTITATIVE PERFORMANCE CRITERIA AND BENCHMARKS

A. Test Dates

1. Quantitative performance criteria have been set for end-December 2016 and end-June 2017.

B. Definitions and Computation

2. 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. dollar with all revenues and expenditures that are denominated in Liberian dollar converted at the end of period exchange rate. The public sector comprises the central government, the Central Bank of Liberia (CBL), and 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).

3. Total Central Government revenue collection includes all tax and nontax receipts (excluding contingent revenues) transferred into the GoL Revenue 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 Revenue Accounts in U.S. dollars, the Revenue Accounts in Liberian dollars, the Civil Servants Payroll Accounts in Liberian dollars, the General Operations Accounts in U.S. dollars, the General Operations Accounts in Liberian dollars, the GoL Special Rice Fund, and all Ministries and Agencies operational and other accounts. Any new accounts opened by the GoL at the CBL or at any other local financial agency shall be reported to the IMF by the Ministry of Finance and Development Planning through the Office of the Comptroller and Accountant General. For the purposes of the program, the revenues of the GoL are measured on the basis of cash deposits in the Revenue Account in U.S. dollars, the Revenue Account in Liberian dollar, and the GOL Special Rice Fund converted to U.S. dollars using the end of period exchange rate.

4. For end-December 2016 and end-June 2017, social spending is defined as education, health, social development services, and energy sector spending. Education, health, and social spending consist of the payments from the FY2016/17 budget of the units listed below (payment vouchers approved by the Ministry of Finance and Development Planning (MFDP) excluding contingent expenditure. Energy spending consists of the payments from the FY2016/17 budget and off-budget spending financed by external loans and grants. It is evaluated as a share of total expenditure (payment vouchers approved by the MFDP). Total expenditure consists of spending under the FY2016/17 budget, excluding contingent expenditure tied to contingent revenues, and off-budget energy spending financed by external loans and grants.

Total Education, Health, Social Development Services, and Energy Spending
Education
Ministry of Education
University of Liberia
Monrovia Consolidated School System (MCSS)
Booker Washington Institution (BWI)
Gbarnga Central High
Forestry Training Institution (FTI)
Cuttington University (CUC)
National Commission on Higher Education (NCHE)
W. V. S. Tubman Technical College (WVSTC)
West African Examination Council (WAEC)
Liberia Institute for Public Administration
Agricultural and Industrial Training Bureau
Zorzor Rural Teacher Training Institute
Webbo Rural Teacher Training Institute
Kakata Rural Teacher Training Institute
Bassa County Community College
Bomi County Community College
Nimba Community College
Lofa Community College
Gboveh Community College
Health
Ministry of Health
JFK Medical Center (JFKMC)
Phebe Hospital
LIBR
Jackson F. Doe Medical Hospital
Liberia Medicines and Health Regulatory Authority
National Aids Commission

Total Education, Health, Social Development Services, and Energy Spending (concluded)
Social Development Services
Ministry of Youth & Sports
Ministry of Gender Children & Social Protection
Liberian Refugee Repatriation and Resettlement
National Commission on Disabilities
National Veterans Bureau
Liberia Agency for Community Empowerment
Energy Sector
Thermal diesel (HFO) power station
Transmission and distribution
Mount Coffee rehabilitation, transmission, and distribution to Bushrod Island

5. **The Social and other priority spending targets will be adjusted downward** by the undisbursed amounts from budgeted external financing (grants and borrowing) allocated to projects in the energy sector within the public sector investment program.

6. **New domestic borrowing of the Central Government** is defined as new domestic claims by residents on the central government since the start of the program. It will be measured by the change in the stock of all outstanding claims on the central government (domestic loans; advances; government guarantees; and contingent financial liabilities as stipulated in paragraph 7; and any government debt instruments, such as treasury bills and long-term government securities issued in the domestic market) by the banking system. The definition also includes the issuance of debt instruments by the GoL to the nonbank sector. For the purposes of measurement, claims in Liberian dollars will be converted at the end of period exchange rate.

7. **Contingent financial liabilities of the central government (external and internal) include but are not limited to** (i) any guarantee, direct or implicit, of the performance or payment obligations of any private or public entity; (ii) any agreement, including any indemnification agreement, to hold another private or public entity harmless or to provide insurance or similar protection against risk of loss; (iii) any guarantee of economic return to another public or private entity including any guarantee of profit, income or rates of return; (iv) any agreement to provide financial support to another private or public entity in connection with specified activities of such other entity; and (v) any other agreement as provided by regulations under Liberia's Public Financial Management Act.

8. **Gross external borrowing by the public sector** is defined as cumulated new public sector external debt as from July 1, 2016, excluding borrowing for reserve management purposes by the CBL.

9. **The definition of external debt (both concessional and non-concessional) by the public sector**, for the purposes of the program, refers to the debt owed to non-residents, and it

applies not only to the meaning set forth in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014 (Annex I), but also to commitments contracted or guaranteed for which value has not been received. External debt is considered as contracted or guaranteed for program monitoring purposes once all conditions for its entrance into effect have been met, including ratification, if required.

10. A debt is defined as concessional if, on the date of signature, the ratio between the present value of debt and the face value of the debt is less than 65 percent (equivalent to a grant element of at least 35 percent). The discount rate used for this purpose is 5 percent for all the loans signed after July 3, 2014. For all the loans signed before July 3, 2014, the discount rate will be determined on the basis of the commercial interest reference rates published by the Organization for Economic Cooperation and Development (OECD) on the date of signature.

11. Present value (PV) of new external debt is defined as debt contracted or guaranteed by the public sector with original maturities of one year or more, including debt for which value has not yet been received and private debt for which official guarantees have been extended.

12. PV on new external debt adjustor. The program ceiling for PV of new external debt will be adjusted upward up to a maximum of 5 percent of the external debt ceiling set in PV terms, in case deviations from the PC on the PV of new external debt are prompted by a change in the financing terms (interest, maturity, grace period, payment schedule, upfront commissions, management fees) of a debt or debts. The adjustor cannot be applied when deviations are prompted by an increase in the nominal amount of total debt contracted or guaranteed.

13. 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.

14. New domestic arrears/payables of the 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 90 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 and Development Planning. Government payment commitments include all expenditure for which commitment vouchers have been approved by the Expenditure Department, and expenditures that are now automatically approved, namely, wages and salaries, pensions, debt payments to the CBL and commercial banks, CBL bank charges, and transfers of ECOWAS levies into the ECOWAS account.

15. CBL gross direct credit to the central government is defined as the sum of claims on the central government, including loans, advances, guarantees and contingent financial liabilities as defined in paragraph 7, accounts receivable, bridge financing, overdrafts, and any government debt instrument as defined in the monetary survey template excluding CBL purchases of treasury bills in the secondary market. An overdraft is defined as a negative outstanding balance of the consolidated government account at the CBL (i.e., the sum of the GoL Revenue Accounts in U.S. dollars; the Revenue Accounts in Liberian dollars; the Civil Servants Payroll Accounts in Liberian dollars; the General Operations Accounts in U.S. dollars; and the General Operations Accounts in Liberian dollars). The gross credit to the government is expressed in U.S. dollars. Claims denominated in Liberian dollars are valued at the end-of-period exchange rate.

16. The net foreign exchange position of the CBL is defined as the difference between gross reserve assets and gross reserve liabilities. The net foreign exchange position of the CBL is presented in U.S. dollars. Assets and liabilities denominated in SDRs are valued at a fixed rate of the U.S. dollar against SDR 1.5844. Other currencies are valued at cross rates against the U.S. dollar as of end-June 2012.

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

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

19. 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 Liberian dollars in circulation plus reserve deposits of commercial banks in Liberian dollars at the CBL, plus sight deposits of commercial banks in Liberian dollars at the CBL and plus vault cash of commercial banks in Liberian dollars. The net foreign assets of the CBL are defined as foreign assets minus foreign liabilities of the CBL balance sheet.

20. External financing adjustor. Bridge financing from the CBL is available under the program for shortfalls in programmed receipt of external budget support and committed external financing up to a maximum of US$20 million. In this event, floor on net foreign exchange position will adjust downwards and ceilings on CBL gross credit to government and CBL net domestic assets adjust upwards by the extent this financing is utilized, up to a maximum of US$20 million. The adjustor will be calculated on a cumulative basis from the start of the fiscal year (July 1).

21. Adjustor for the December 2016 augmentation of access tied to completion of the fifth and sixth ECF review. The PC for the net foreign reserves floor would be lowered and the ceilings on both CBL's gross direct credit to the central government and CBL's net domestic assets would be raised by the full amount of the ECF augmentation released on the completion of the fifth and sixth reviews and to allow for on-lending of the equivalent of the additional Fund support.

Cumulative Program External Budget Support and Budgeted External Loan Disbursements
(Millions of U.S. dollars)

	FY2017				
	Q1	**Q2**	**Q3**	**Q4**	**Total**
Total Budget Support	6	61	7	15	**88**
Grant	6	42	7	15	**70**
Loan	-	18	-	-	**18**

PROGRAM MONITORING

A. Data Reporting to the IMF

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

Data Reporting Requirements for Program Monitoring

Reporting Agency	Table/Report	Frequency	Timing
	Fiscal		
MFDP	Monthly fiscal reconciliation reports, where cash revenue and expenditure with spending commitments are reconciled	Monthly	Within three weeks after the end of the month
MFDP	Detailed reports on monthly core and contingent 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

Data Reporting Requirements for Program Monitoring (continued)			
Reporting Agency	**Table/Report**	**Frequency**	**Timing**
MFDP	Outstanding appropriations, allotments and commitments, and disbursements for line ministries and agencies	Monthly	Within three weeks after the end of the month
MFDP	A detailed report on disbursements of budget support, grants and budgeted and off-budget loans, by donor and by project	Monthly	Within three weeks after the end of the month
CBL	Monthly sweeping reports showing the end of the month balances of the GoL accounts at the CBL and of all operations and other accounts at the CBL of the M&As	Monthly	Within three weeks after the end of the month
CBL	End-of-month balances of all operating and other accounts at the CBL of the line ministries and agencies receiving budgetary appropriations	Monthly	Within three weeks after the end of the month
CBL	End-of-month balances of all operating and other accounts at the CBL of all other public Institutions	Monthly	Within three weeks after the end of the month
MFDP	A table providing the end-of-period stock of domestic arrears accumulated and payments made on arrears during the program period, by budget category (wages, goods and services, etc.), including payment and stock of existing arrears from the previous ECF Arrangement	Monthly	Within three weeks after the end of the month
Balance of Payments and Debt			
MFDP	Quarterly reports of state owned enterprise financial operations submitted to the Ministry of Finance and Development Planning	Quarterly	Within 45 days after the end of the quarter
MFDP	The report on the status of implementation of the performance criteria and structural benchmarks specified in Tables 1, 3, and 4 of the MEFP	Monthly	Within three weeks after the end of the month
CBL	Export volumes and values by major commodity, import values by standard international trade classification (SITC), import volumes of rice (by commercial and noncommercial use) and petroleum products	Monthly	Within three weeks after the end of the month

Data Reporting Requirements for Program Monitoring (continued)			
Reporting Agency	**Table/Report**	**Frequency**	**Timing**
MFDP	The amount of new external debt contracted or guaranteed by the public sector	Monthly	Within three weeks after the end of the month
MFDP	The amount of new domestic debt contracted or guaranteed by the public sector	Monthly	Within three weeks after the end of the month
MFDP	A detailed report on monthly payments on external debt by category and creditors and the stock of external debt	Monthly	Within three weeks after the end of the month
MFDP	A detailed report on monthly payments on domestic debt by category and the domestic debt stock	Monthly	Within three weeks after the end of the month
Monetary and Exchange Rate			
CBL	The balance sheet of the CBL in the monthly monetary survey	Monthly	Within three weeks after the end of the month
CBL	The full monthly monetary survey of the monetary sector	Monthly	Within three weeks after the end of the month
CBL	The detailed table of commercial banks' loans and advances by sector	Monthly	Within three weeks after the end of the month
CBL	The core set of financial soundness indicators for the banking system, including the overall profitability of the banking sector	Quarterly	Within three weeks after the end of the Quarter
CBL	The core set of financial soundness indicators for GN bank, including capital, liquidity, profitability, asset quality, and income position.	Monthly	Within four weeks after the end of the month up to June 2017
CBL	Abridged financial statements of GN bank including its income statement that are regularly published.	Quarterly	Within four weeks after the end of the quarter up to end June 2017
CBL	The report on the results of foreign exchange sales/purchases by the CBL through foreign exchange auctions held by the CBL and other currency exchange facilities	Weekly	Within a week

Data Reporting Requirements for Program Monitoring (concluded)			
Reporting Agency	**Table/Report**	**Frequency**	**Timing**
CBL	A report on the results of T-bills and CBL bills issuances	Monthly	Within one week after the end of month
CBL	Regular sale of U.S. dollars by the Ministry of Finance and Development Planning to the CBL, including amount date, and rate of exchange	Monthly	Within one week after the end of month
CBL	Daily foreign exchange rates	Daily	Every working day
CBL	Interest rates	Monthly	Within three weeks after the end of month
CBL	A detailed report on liquidity forecasting up to 6 months ahead, including: (i) projected government's cash flows (revenue, expenditure, repayments and disbursements of loans including T-bills) by currency; (ii) projected flows to the CBL's net exchange position, including but not limited to planned U.S. dollar sales in the foreign exchange auction, and planned foreign exchange transactions with the Government; and (iii) projected flows of Liberian dollar liquidity, including but not limited to planned CBL Notes issuance	Monthly	Within six weeks after the end of month
Real			
CBL	Production data in value and volume	Quarterly	Within six weeks after the end of the quarter

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

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

Annex. Guidelines on Performance Criteria with Respect to External Debt

Excerpt from Executive Board Decision No. 15688-(14/107), adopted December 5, 2014

Paragraph 8

(a) For the purpose of this guideline, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

   (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

   (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

   (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

(b) Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.