INTERNATIONAL MONETARY FUND

IMF Country Report No. 13/216

LIBERIA

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA

July 2013

In the context of the first review under the Extended Credit Facility arrangement and request for waiver of nonobservance of a performance criterion and modification of performance criteria with Liberia, the following documents have been released and are included in this package:

- **Staff Report** for the first review under the Extended Credit Facility arrangement and request for waiver of nonobservance of a performance criterion and modification of performance criteria, prepared by a staff team of the IMF, following discussions that ended on March 20, 2013, with the officials of Liberia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 17, 2013. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- **Informational Annex** prepared by the IMF.
- **Press Release** summarizing the views of the Executive Board as expressed during its July 3, 2013 discussion of the staff report.
- **Statement by the Executive Director** for Liberia.

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

Letter of Intent sent to the IMF by the authorities of Liberia*
Memorandum of Economic and Financial Policies by the authorities of Liberia*
Technical Memorandum of Understanding*
*Also included in Staff Report

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

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LIBERIA

June 17, 2013

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

The macroeconomic outlook remains positive but not without risks. Real GDP growth is estimated at 8.3 percent in 2012 and about 7.5 percent in 2013, driven by continued strong growth in the mining sector but with some slowing in non-mining activity. Prices and the exchange rate are stable. The main downside risk is sluggish global demand for Liberia's export commodities, but there are also risks from delays in implementing public sector projects. The sociopolitical situation remains stable.

Program performance has been broadly satisfactory. Liberia's three-year ECF arrangement was approved in November 2012 for SDR 51.68 million (40 percent of quota); a second tranche of SDR 7.382 million will be disbursed upon completion of the first review. All but one quantitative performance criteria (PC) for end-December 2012 were met; the ceiling on Central Bank of Liberia (CBL) gross direct credit to the central government was breached when the government completed cash disbursements on the FY 2011/12 budget without having adequate available funds. The Government is taking corrective measures both to repay the CBL and to strengthen cash management to avoid further recourse to an overdraft, and is requesting a waiver of nonobservance for this PC. Structural benchmarks were broadly met, albeit with delays; strong efforts will be needed to speed up the pace of implementation. An update of the 2011 safeguards assessment is substantially completed.

Steps are being taken to address the weak budget implementation recorded in FY 2012/13. Domestic revenue is broadly in line with the program, but public investment—a key component of the government's growth strategy—has been lower than expected, reflecting delays in the budget approval process, continued bottlenecks in project implementation, and delays in securing external financing. The CBL overdraft incurred in completing FY 2011/12 outlays is to be repaid by containing non-priority spending during the final months of the current fiscal year. Looking ahead, the draft budget for FY 2013/14—submitted to the legislature on time at end-April 2013—focuses on containing current spending and using the space, within a tight resource envelope, to raise capital spending. Success in containing current spending levels will rely heavily on controlling the government wage bill, which remains high relative to the region. Timely approval of the FY 2013/14 budget will be critical to facilitating prompt implementation of public investment projects.

Based on performance thus far and on the authorities' policy commitment, staff recommends completion of the first review and approval of the waiver of nonobservance of the performance criterion on the ceiling of the CBL's gross direct credit to central government, modification of end-June 2013 performance criteria, and modification of the continuous performance criterion on the ceiling on new nonconcessional external debt of the public sector.

Publication. The authorities have consented to publication of the staff report, Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding.

Approved By
Seán Nolan and Chris Lane

Discussions were held in Monrovia March 5–20, 2013. The mission was led by Ms. C. McAuliffe (AFR) and included Messrs. M. Rosales and F. Narita (EP) (both AFR), Ms. P. Sharma (SPR), and Mr. Y. Sobolev (Resident Representative). The mission met with H.E. Ellen Sirleaf Johnson, President of the Republic of Liberia, Acting Minister of Finance Mr. Sebastian Muah, Executive Governor of the Central Bank of Liberia Mr. Joseph Mills-Jones, other senior government officials, representatives of civil society organizations, financial institutions, private sector enterprises, and Liberia's development partners. Mr. B. Saidy (OED) participated in the discussions, and the mission was assisted by Mr. A. Deline (Economist in the office of the IMF Resident Representative). The mission also organized a one-day high level seminar on Managing Natural Resource Revenue in Liberia: Opportunities and Challenges Managing Resources for Sustained Economic Development.

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ACCELERATING REFORMS TO ACHIEVE HIGHER GROWTH WHILE MAINTAINING MACROECONOMIC STABILITY

1. **The authorities have an ambitious medium-term reform agenda, supported by the recently approved three-year ECF arrangement, but implementation challenges remain**. The strategy, outlined in the government's second Poverty Reduction and Growth Strategy—the Agenda for Transformation (AfT)—focuses on achieving accelerated broad-based growth and poverty reduction through scaling up investment in infrastructure and human capital, creating employment, increasing agricultural productivity, and deepening financial markets—areas where progress fell short under the first poverty reduction strategy.

2. **Institutional and human resource capacity constraints continue to affect the pace of the reform agenda**. Given the multitude of competing priorities, the authorities have found it difficult to implement their own reform agenda, particularly in a very centralized decision-making environment. Despite abundant technical assistance, including from the IMF, absorptive capacity remains weak, especially at junior levels. The authorities view technical assistance as too prescriptive, with too many recommendations to implement given the limited capacity. At the same time, the authorities are reluctant to move away from a post conflict paradigm of relying on externally funded resident advisors to directly implement reforms rather than develop junior staff, perpetuating a vicious cycle of weak local capacity. Despite the need for quick wins, staff urged the authorities to take advantage of available technical assistance, including ongoing training workshops, to build longer term local capacity needed to implement their medium-term development strategy.

3. **After a slow start, implementation of the ECF-supported program has picked up**. Implementation of a number of key public financial management (PFM) reforms—setting up at the Ministry of Finance a project management office (PMO) to oversee implementation of public sector projects, a state-owned enterprise (SOE) unit to oversee financial operations of SOEs, and improving budget audits—accelerated in the first quarter of 2013, after some delay. Treasury bills were also launched as a treasury cash management tool and to support financial market development. The authorities also submitted the FY 2013/14 budget to the legislature at end-April 2013, in line with the budget law and as a prior action for completing the first review of the ECF arrangement—delays in budget submission and passage in FY 2012/13 significantly weakened budget execution, including the implementation of public sector investment projects. Coordination with technical assistance providers—which also delayed implementation of the reform agenda in FY 2012/13—is improving.

4. **Liberia remains a fragile state**. Despite the gains since the signing of the peace accords, security is still far from complete and is one of the main binding constraints to broad-based growth in Liberia. Maintaining peace and stability will become more challenging with the recent

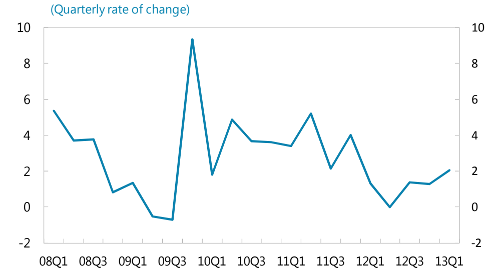
start of the UN drawdown of troops (50 percent drawdown by 2015). Political tensions persist, and the government is allocating resources in the budget to support national reconciliation. Governance also remains a serious concern. The government imposed a moratorium on timber exports at end-2012 following abuses in the allocation of permits in the forestry sector, but progress has been slow in reforming the sector.

RECENT DEVELOPMENTS AND PERFORMANCE UNDER THE PROGRAM

A. Recent Economic Developments

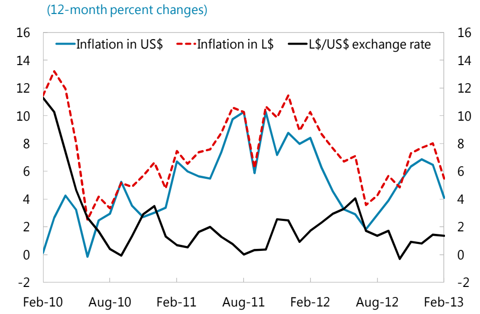
5. **Output growth remains strong, driven mainly by the mining sector (Table 1, Figure 1).**[1] Real GDP growth reached an estimated 8.3 percent in 2012—albeit slightly lower than expected—following 8 percent growth in 2011. Economic activity was driven by the resumption of production in the iron-ore sector and rising activity in the construction and services sectors. Outside of mining, however, there was a slowdown in economic activity—as shown by short-term economic indicators—reflecting in part ongoing delays in implementing public investment projects. Following spikes in food and fuel prices in 2011 and early 2012, U.S. dollar-denominated inflation declined to 6 percent at end-2012, as international prices moderated, and has remained in single digits in 2013.[2]

Liberia: Coincident Indicator
(Quarterly rate of change)



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

Inflation in U.S. Dollars and Liberian Dollars
(12-month percent changes)

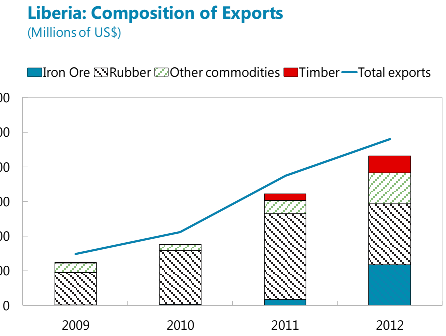


Sources: Liberian authorities and IMF staff calculations.

[1] Comprehensive national accounts data are not available. The current GDP base is 1992, and the authorities are working toward rebasing national accounts to 2008, which is expected to be completed by 2015.

[2] U.S. dollar-denominated inflation—i.e., price changes in U.S. dollars—captures general price changes in Liberia, given the highly dollarized economy. Liberian dollar-denominated inflation is also estimated and is used to measure the purchasing power and welfare of Liberian dollar users, mainly the vulnerable poor in rural areas. The difference between the two inflation rates stems from exchange rate fluctuations.

6. **The current account deficit narrowed slightly, reflecting a slowdown in imports (Table 2)**. Import growth slowed compared with the previous year—helped by a drop in rice imports[3]—as well as lower investment-related imports. Despite lower than expected export prices for iron ore and rubber, production volumes in these sectors remained strong, resulting in 28 percent growth in exports in 2012. More recently, the government-imposed moratorium in the forestry sector has halted timber exports in 2013. Reserve coverage reached 3.2 months of imports at end-2012, higher than expected in the program. Following temporary depreciation pressures in the first half of 2012, the exchange rate has stabilized.



7. **Money and credit growth has slowed sharply (Table 3, Figure 2)**. Continued high credit risks, rising non-performing loans, and high operating costs continue to squeeze profits and discourage lending activities of commercial banks. Nonetheless, the banking system remains well capitalized and liquid, mainly reflecting low levels of intermediation (Table 4). Access to finance—in particular for small- and medium-size enterprises (SMEs) and borrowers in rural areas—remains low, owing to weak legal and financial infrastructure. Over the last year, the Central Bank of Liberia (CBL) has launched a number of credit stimulus schemes—to promote lending to underserved small borrowers. The CBL has placed long-term U.S. dollar deposits at participating commercial banks (US$27.5 million) for on-lending to the targeted sectors; to date, the impact of the schemes has been minimal with about US$2.7 million on-lent (less than 0.2 percent of GDP).

B. Program Performance

8. **Program performance at end-December 2012 has been broadly satisfactory**. All but one performance criteria were met, and all indicative targets were met (Appendix 1 Table 1). Total central government revenue was slightly higher than the program target, mainly reflecting buoyant income taxes. Reserve accumulation was faster than expected due in part to ongoing delays in the rehabilitation of the CBL headquarters building, as well as lower investment-related imports. The ceiling on CBL gross direct credit to central government, however, was breached by a small margin on account of a government overdraft at the CBL during the first half of FY 2012/13 when the government continued to make cash disbursements related to the previous fiscal year during the legal 90-day complementary period.[4] The government is taking corrective measures both to repay the overdraft in FY 2012/13 and to strengthen cash management to avoid any future recourse to

MEFP ¶ 7

[3] In 2012 rice imports fell to their lowest level in the past 5 years, a 44 percent year-on-year reduction. This is partly coming from high levels in 2011 due to stock building of rice ahead of the 2011 elections.

[4] This is the first time the government has incurred any overdraft with the CBL.

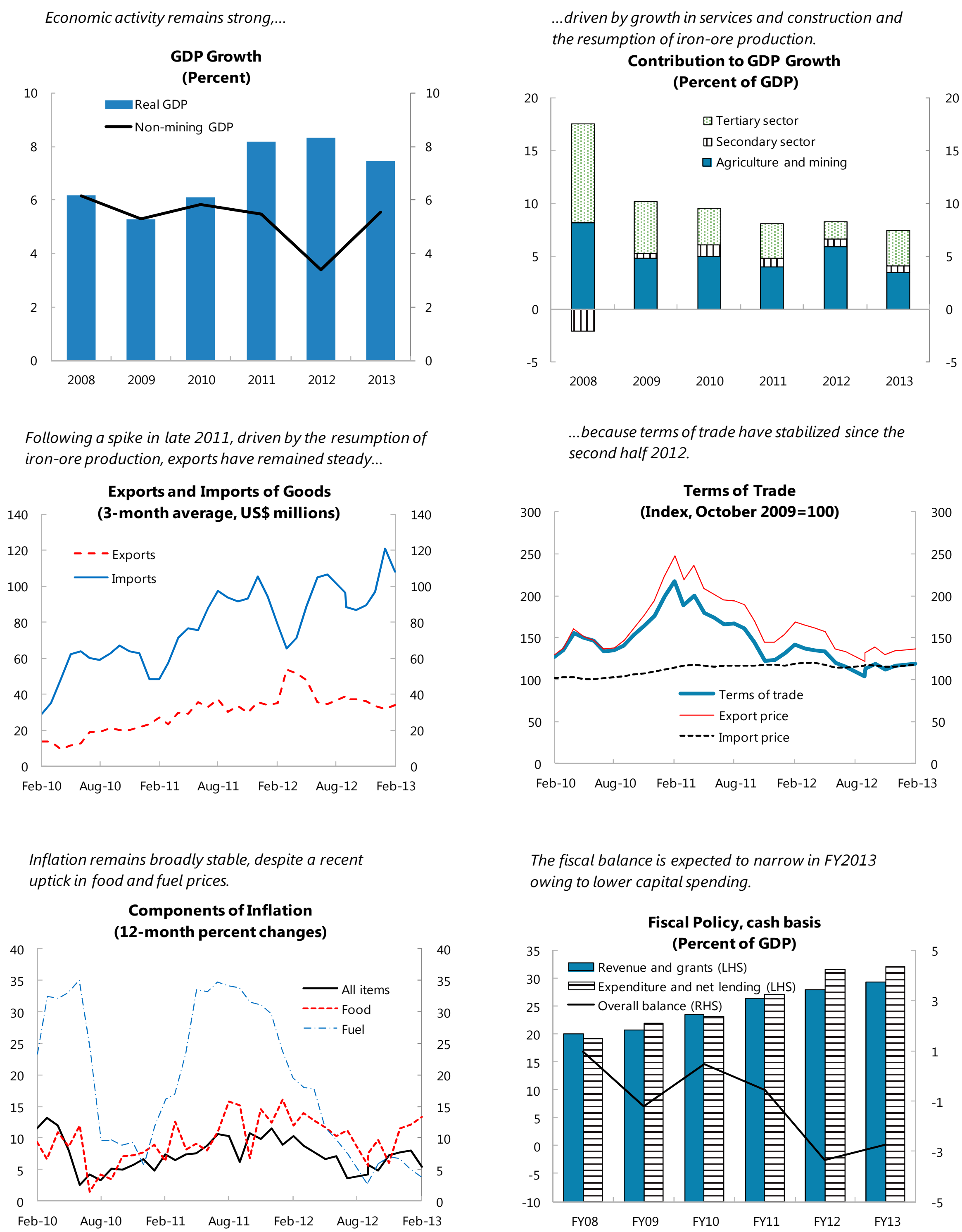
central bank overdraft—the CBL has started daily sweeping of the government's revenue account into the treasury operations account to ensure that adequate resources are available before authorizing expenditure, along with weekly cash management meetings chaired by the minister—and is seeking a waiver of nonobservance for the performance criterion.

9. **The first review structural benchmarks were broadly met, albeit with delays (Appendix 1, Table 2)**. The SOE Monitoring Unit, the PMO, and the connection of the General Auditing Commission (GAC) to the Integrated Financial Management Information System (IFMIS) were all completed in March 2013 and are now fully operational. Treasury bills were launched for the first time in May 2013.[5] On the other hand, progress has been slow toward a treasury single account (TSA). Since March 2013, ministries and agencies (M&As) have started to provide the Ministry of Finance with details of their operational accounts, but setting up automatic triggers for end-of-day sweeping of excess balances—the second part of the measure—has not been met. In part, there have been political constraints convincing M&As to comply with this measure. At the same time, given the centralization of payments at the level of the Ministry of Finance, most M&As do not hold large operational balances aside from donor-funded project accounts. Nonetheless, improving liquidity management remains a priority, and the authorities agreed to start a pilot of monthly sweeping of balances of eight M&As into the treasury's operational account by end-June 2013 (structural benchmark) with daily sweeping for all M&As to start end-December 2013 (structural benchmark).[6]

[5] The initial offering of 90-day treasury bills (US$2 million) was oversubscribed, with an average effective yield of 2.2 percent. The authorities plan to launch T-bills on a regular basis—the first Thursday of each month.

[6] Starting with the second review, structural benchmarks will be monitored on a "test date" basis rather than on a "review" basis, as in the first review, to give more clarity to the expected date of completion.

Figure 1. Liberia: Recent Economic Developments



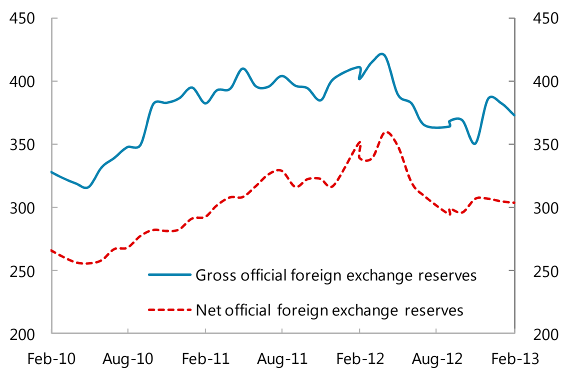
Sources: Liberian authorities and IMF staff estimates and projections.

Figure 2. Liberia: Monetary and Financial Developments

(US$ millions, unless indicated otherwise)

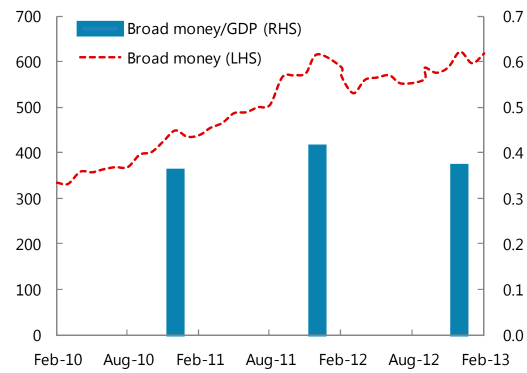
Reserves declined in 2012 owing to CBL's foreign exchange interventions, but have since picked up owing to one-off factors.

Official Foreign Exchange Reserves



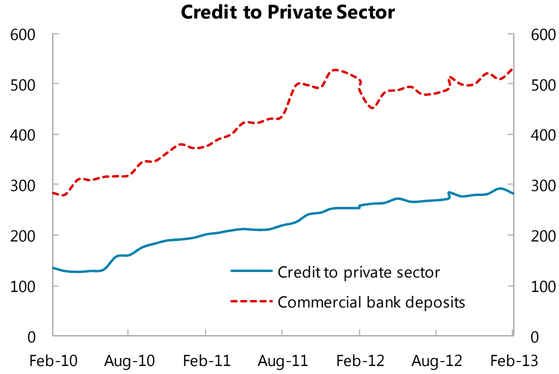
Broad money growth continues to slow,...

Broad Money



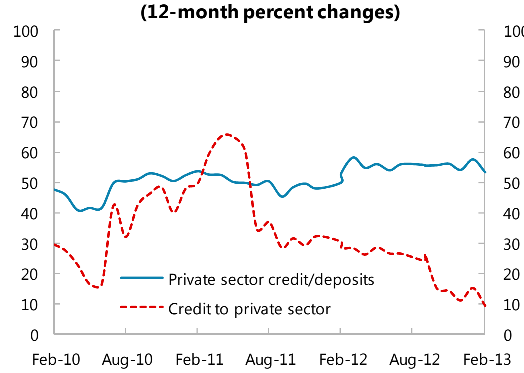
...reflecting the slowdown in commercial bank deposits.

Commercial Bank Deposits and Credit to Private Sector

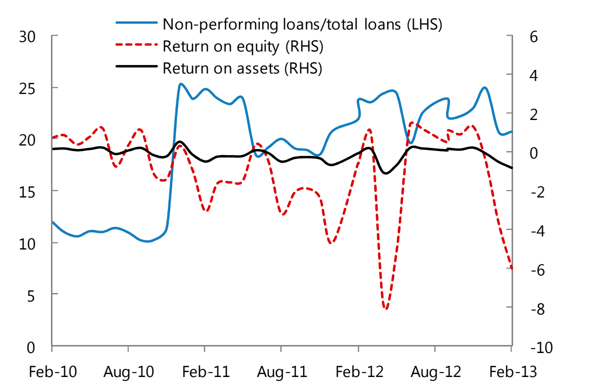


Private sector credit growth continues decelerating...

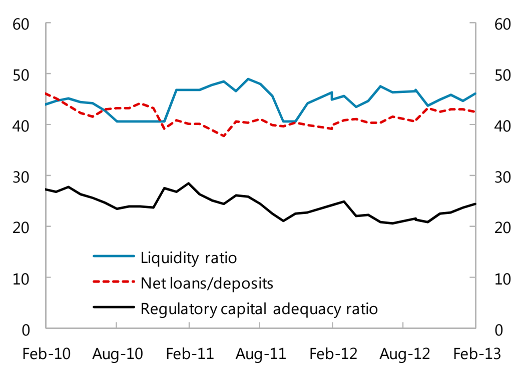
Credit to Private Sector (12-month percent changes)



...owing to remianing high non-performing loans and low profitability.



Nonetheless, banks remain well capitalized and highly liquid, reflecting low levels of intermediation.



Sources: Liberian authorities and IMF staff estimates.

POLICY DISCUSSIONS

A. Macroeconomic Outlook

10. **Real GDP growth has been revised down slightly for 2013, but is expected to pick up over the medium-term (Text Table 1, Table 5, Figure 3)**. Non-resource real GDP growth, in particular—while still on an upward trend—has been revised down for 2013, reflecting the sluggish pace of public investment. Non-resource growth is expected to pick up in the medium term, in line with an expected increase in public investment—albeit the investment path is somewhat more moderate than originally planned—and provided project execution speeds up. Liberia has potential for higher growth—needed to achieve the government's ambition to reach middle-income status by 2030—but requires determined political will to make capital expenditure a priority in the national budget and improve project implementation.[7] Inflation (U.S. dollar-denominated) is expected to moderate to about 2–3 percent at end 2013, subject to risks from international fuel and food prices. Imports are expected to pick up in 2013, especially food and investment related imports, resulting in a widening of the current account deficit. Reserve coverage is expected to fall slightly in the near term but will remain at three months of imports.

Text Table 1. Liberia: Medium-Term Outlook, 2010–16

	2010	2011	2012		2013		2014		2015	2016
		Prel.	ECF Request	Estimate	ECF Request	Proj.	ECF Request	Proj.	Proj.	Proj.
	(Annual percentage change)									
GDP at constant prices	6.1	8.2	8.9	8.3	8.3	7.5	5.6	5.4	7.2	5.1
Real GDP excluding mining sector	5.8	5.8	3.8	3.4	6.1	5.6	6.8	6.2	7.1	9.2
Consumer prices (Liberian dollar-denominated, year-on-year)	6.6	11.4	5.5	7.7	4.7	5.5	5.0	5.4	5.0	5.0
Consumer prices (U.S. dollar-denominated, year-on-year)	1.3	10.2	3.2	6.9	1.3	2.7	1.8	2.0	1.7	1.7
	(Percent of GDP, unless otherwise indicated)									
Central government budget (percent of GDP) [1]										
Total revenue and grants	23.5	26.4	27.8	28.0	27.3	29.3	28.8	28.1	27.2	26.9
Of which: total revenue	22.5	23.6	26.1	26.3	24.9	27.5	26.5	23.9	24.0	24.1
Total expenditure and net lending	23.1	27.0	31.0	31.4	33.3	32.0	35.4	32.2	32.5	33.4
Overall fiscal balance (including grants)	0.5	-0.6	-3.2	-3.4	-6.0	-2.8	-6.6	-4.2	-5.3	-6.4
Current account balance (including official grants)	-32.8	-34.1	-52.4	-36.7	-62.4	-50.7	-65.8	-56.2	-37.5	-26.5
Gross official reserves (months of imports) [2]	3.8	3.0	2.6	3.2	2.7	2.9	2.8	2.9	3.0	3.0

Sources: Liberian authorities and IMF staff estimates and projections.

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

[2] Excludes UNMIL service and iron-ore concessions related imports, but includes IMF disbursements under the requested ECF.

[7] Box 4, IMF Country Report No. 12/340, December 21, 2012.

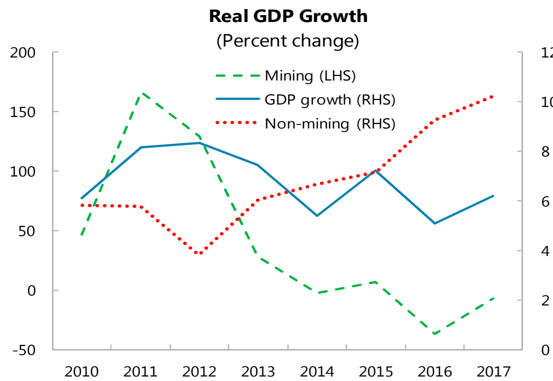
11. **Downside risks remain, especially from sluggish global demand for commodities, but also from further delays in implementing public sector projects**. There remain significant financing shortfalls to implement the AfT.[8] The authorities met with potential creditors, including non-traditional, in April 2013, on the sidelines of the WB-IMF Spring Meetings, but have not yet finalized any new financing. At the same time, AfT implementation so far has focused more on 90-day deliverables, at the expense of undertaking large long-gestation projects. On the upside, the recently created PMO at the Ministry of Finance has prepared guidelines on the project execution cycle and begun training implementing ministries and agencies in project design and evaluation to address some of the bottlenecks that hinder large public investment projects.

[8] The costing exercise of the AfT assumes an investment scenario of $750 million per year during 2012/13–2016/17, contributing to a total financing need of about $3.5 billion during the five-year AfT period. To date, about $2.1 billion or nearly 60 percent of the total AfT financing requirement is yet to be identified. Nonetheless, the authorities have secured financing for large strategic projects, including the Mt. Coffee hydropower plant and rehabilitation of roads and ports, which should have spillovers to higher economic activity over the medium-term.

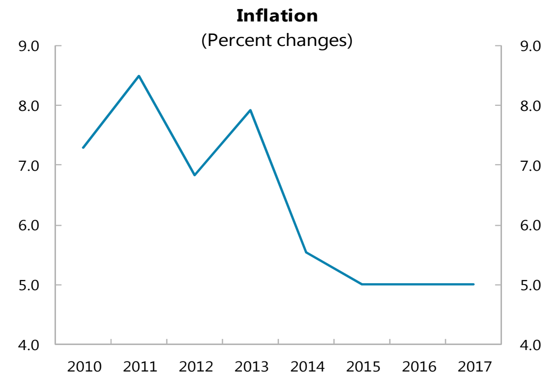
Figure 3. Liberia: Medium-Term Outlook, 2010-17

(Percent of GDP, unless indicated otherwise)

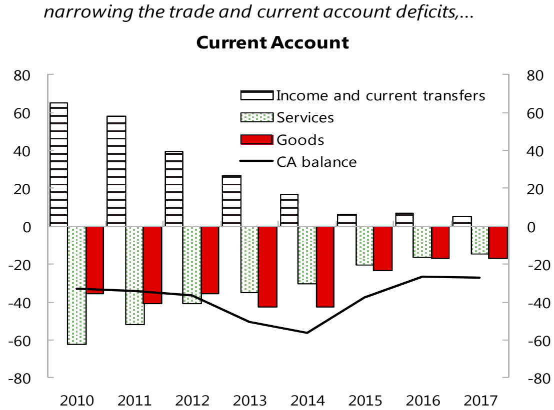
The medium term outlook is positive, helped by the expansion of the mining and non-mining sectors,...



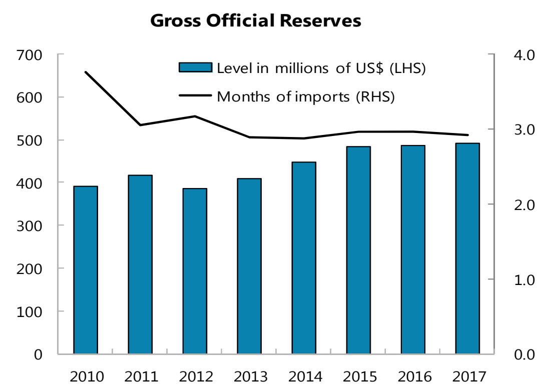
...while inflation should continue to moderate, subject to risks from international food and fuel prices.



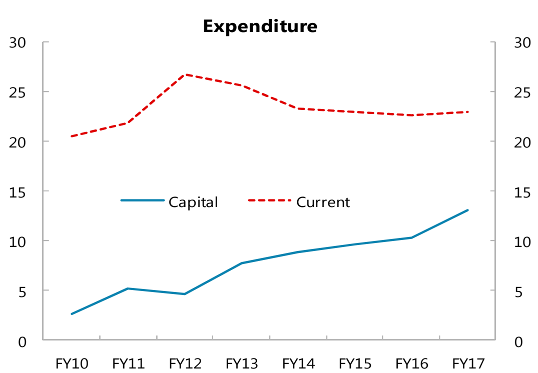
Strong export performance will contribute to narrowing the trade and current account deficits,...



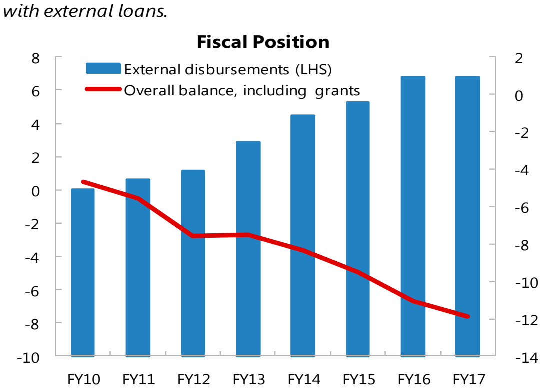
...helping to mantain reserves at three months of imports.[1]



Current spending is projected to moderate, creating some fiscal space for critical capital spending,...



...while the fiscal deficit widens, reflecting the ambitious public sector investment program to be financed mainly with external loans.



Sources: Liberian authorities and IMF staff estimates and projections.
[1] Excludes UNMIL service and iron-ore concessions–related imports.

B. Fiscal Policy

Discussions focused on measures to improve budget execution; close a financing gap in FY 2012/13; and ensure that the budget for FY 2013/14 and the medium term creates sustainable fiscal space for higher capital spending, in a context of improved project implementation.

12. **Budget execution in the first half of FY 2012/13 (July–December 2012) was weaker than expected (Box 1)**. While revenue performance was encouraging in the first half of FY 2012/13 (July–December), including faster disbursement of budget support grants, spending was below budgeted amounts, particularly capital spending. Delays in the budget approval process (there was a three-month delay submitting the FY 2012/13 budget to the legislature and a further two-month delay distributing the approved budget to line ministries and agencies) contributed to weak budget execution. For most of the first half of the fiscal year, current spending was executed at 1/12th of the previous year's budget, awaiting approval and distribution of the FY 2012/13 budget.

Box 1. Liberia: Main Factors Affecting Budget Execution in the First Half of FY 12/13

Under-execution of the budget in the first half of FY 2012/13 reflected weaknesses in planning, delays in the budget approval process, and delays securing financing:

Delays approving the budget. The government submitted the budget to the legislature in July 2012, after the start of the fiscal year, and three-months beyond the end-April deadline specified in the budget law. Following legislative approval in September, the approved budget was distributed to line ministries and agencies in early December 2012. As a result, current spending by ministries and agencies was limited to 1/12th of the previous year's budget for the first five months of FY 2012/13 (July–November 2012). (Ministries and agencies are not allowed to start spending approved allocations before receipt of the approved budget document). The start of public investment projects was also delayed, because procurement plans were on hold in July–November 2012, pending the distribution of the approved budget.

Delays securing and ratifying external financing. The government signed two external loan agreements in December 2012 (US$65 million with the European Investment Bank (EIB) for the rehabilitation of the Mount Coffee hydropower plant and US$14 million with the Kuwaiti Development Fund for the rehabilitation of Port Greenville). Both loans were submitted to the legislature with delay in April 2013, and remain to be ratified. (All government debt requires legislative ratification according to Liberian law.) The authorities were unable to secure financing for the rest of the public sector investment projects (US$60 million) that were earmarked for external financing in FY 2012/13.

Misalignment of priorities in the FY 2012/13 budget. While core revenue exceeded the program target at end-December 2012, priority capital expenditure was tied to contingent revenue and external borrowing—which were delayed or did not materialize.

Readiness of public investment projects. Political pressure to include project ideas rather than projects ready for implementation and ongoing bottlenecks in procurement, including preparing bidding documents, also contributed to the low rate of capital spending in FY 12/13.

13. **Capital spending—the cornerstone of the Agenda for Transformation—was below budgeted amounts**. Capital expenditure at end-December 2012 was about 15 percent of the annual budgeted amount, half of the average execution rate of 30 percent in the same period in previous fiscal years (Text Table 2). While the delays in the budget approval process contributed to the low execution of capital spending, there was also a misalignment of priorities in the FY 2012/13 budget, with capital expenditure tied mainly to contingent revenue and external borrowing that were delayed or did not materialize.

Text Table 2. Liberia: Central Government's Operation First-Half Fiscal Years[1]
(Percent of Annual Budget)

	2010	2011	2012	2013
Total revenue and grants	42.0	47.7	44.8	48.9
Total revenue	42.4	49.1	47.8	50.4
Tax revenue [2]	47.4	49.7	46.5	55.3
Non-tax revenue [3]	26.9	46.8	53.8	31.5
Grants	33.2	35.8	0.0	33.5
Total expenditure	43.7	37.4	41.9	35.0
Current	44.4	44.1	43.6	41.2
Salaries and wages	50.5	45.8	49.3	42.9
Capital	38.9	9.1	32.1	14.5

Sources: Liberian authorities and IMF staff estimates and projections.
[1] July-December of each year indicated.
[2] In 2012, of which 4 percent related to the collection of one-off payments not included in the program.
[3] In 2011, of which 33 percent related to the collection of one-off payments.

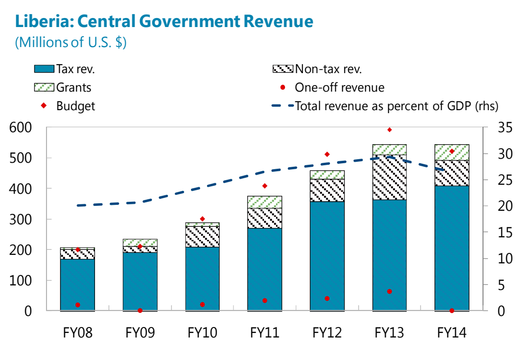
14. **The fiscal stance is now expected to narrow for FY 2012/13 as a whole (Table 6)**. The overall fiscal deficit is expected to narrow to about 2.8 percent of GDP in FY 2012/13, from 3.4 percent in FY 2011/12, and compared to an expected deficit of about 6 percent in FY 2012/13. Revenue is slightly higher than expected (by about 2.5 percent of GDP)—mainly reflecting the recent one-off receipt of withholding taxes from the sale of an offshore oil block that was not included in the program. Expenditure is lower than programmed (by about 1 percent of GDP) for the fiscal year as a whole—reflecting lower capital spending. On the financing side, net domestic financing is lower than expected in the program. While new domestic borrowing remains as programmed (reflecting the issuance of treasury bills and some direct borrowing from domestic commercial banks to finance some critical investment projects), the program has been adjusted to include

MEFP ¶ 8

repayments of the CBL overdraft (US$20 million) and US$4.5 million of an outstanding bridge financing arrangement with the CBL due at end-June 2013.[9] Staff cautioned on the need for timely repayment of the CBL debt. Postponing repayment pushes the problem forward—there is no space in FY 2013/14 for the repayment without crowding out capital spending—and ties up CBL reserves. Elsewhere, wages and salaries are in line with budgeted amounts because a retroactive wage increase announced in February 2013 is partially offset by savings from an ongoing cleanup of the payroll.

15. **The draft budget for FY 2013/14, recently submitted to the legislature, reflects a tighter and more realistic revenue envelope (Figure 4)**. Total revenue is expected to decline as a share of GDP as one-off revenue from withholding taxes in the oil sector and signing bonuses in the iron-ore sector are not expected to continue. The FY 2013/14 draft budget excludes any contingent revenue—which proved to be overoptimistic and unpredictable in previous fiscal years, resulting in fiscal pressure from line ministries when they did not materialize.[10] Borrowing amounts in FY 2013/14 are also limited to already-committed external loans. The authorities consider that excluding contingent revenue and unsecured borrowing from the resource envelope projects a more realistic and solid base to plan and execute public expenditure. If additional resources become available during the fiscal year, the authorities plan to issue a supplemental budget later in the year to finance specific national development projects. External grants are expected to increase over the medium term, reflecting the disbursement of already secured grants for the rehabilitation of the hydropower plant.

MEFP ¶ 13



Sources: Ministry of Finance.

[9] The government incurred a bridge loan (US$12.5 million) from the CBL in June 2012 for on-lending to the National Port Authority (NPA) to rehabilitate the Port of Greenville. The full amount was expected to be repaid to the CBL by end-June 2013, based on full reimbursement from NPA during the fiscal year. However, NPA can only reimburse the government US$4.5 million in FY 2012/13—operations at the Port of Greenville were affected by the moratorium on timber exports, its main business activity. NPA plans to reimburse the rest (US$8 million) in FY 2013/14. The CBL overdraft and the CBL bridge financing were not assumed in the original program. Both were done in breach of the CBL Act, which requires loans to the government to be made only in local currency.

[10] Shortfalls in budgeted contingent revenue in FY 2011/12, while the expenditure outturn continued in line with budgeted amounts, resulted in the recourse to the CBL overdraft during the 90-day complementary period (July–September 2012).

Text Table 3. Liberia: Central Government's Medium-Term Fiscal Framework, FY 2011–16
(Percent of GDP)

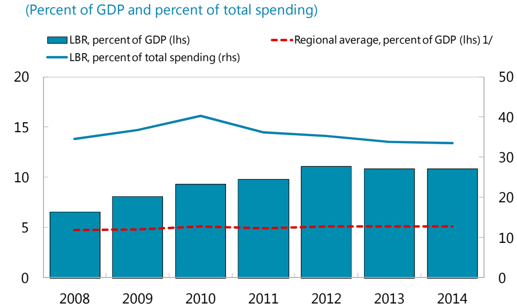
	FY 2011	FY 2012	FY 2013		FY 2014	FY 2015	FY 2016
	Prel.	Prel.	ECF Prog.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	26.5	28.0	27.2	29.3	28.0	27.2	26.9
Total revenue	23.6	26.3	24.8	27.5	23.9	24.0	24.1
Tax revenue	19.01	21.8	19.6	19.5	19.9	19.8	20.0
Non-tax revenue	4.6	4.5	5.2	7.9	4.0	4.2	4.0
Grants	2.8	1.7	2.4	1.8	4.1	3.2	2.9
Total expenditure	27.0	31.4	33.2	32.0	32.2	32.5	33.4
Current	21.9	26.7	25.4	25.4	23.3	22.9	21.0
Of which: one-off PSIP current spending	….	….	2.8	2.1	1.4	1.8	0.0
Salaries and wages	9.8	11.1	11.0	10.8	10.8	10.5	9.9
Capital	5.2	4.7	7.7	6.6	8.9	9.6	12.3
Overall balance (including grants)	-0.6	-3.4	-6.0	-2.8	-4.2	-5.3	-6.4
Overall balance (excluding grants)	-3.4	-5.1	-8.4	-4.6	-8.2	-8.5	-9.3
Net financing	0.6	3.4	6.0	2.8	4.2	5.3	6.4
Foreign	0.3	0.9	5.5	2.7	4.4	5.5	6.8
Domestic	0.3	2.5	0.5	0.1	-0.2	-0.1	-0.4

Sources: Ministry of Finance and IMF staff estimates.

16. **The authorities are committed to containing current spending and allocating the tighter resource envelope to higher capital outlays**. The draft FY 2013/14 budget is based on key principles to maintain fiscal discipline, including keeping current spending at similar levels in nominal terms as the expected outturn for FY 2012/13, and not allowing transfers from capital to current spending. However, maintaining unchanged current spending is achieved by reducing spending on goods and services (travel, workshops, printing, other non-priority spending) to allow for higher wages and salaries—namely an increase in special allowances to senior officials—contrary to fiscal rules established in FY 2012/13 that limit the share of the wage bill in total budgeted expenditure.[11] Staff encouraged the authorities to adhere to, and even strengthen, the fiscal rules and cautioned that reorienting the budget toward much needed capital spending depends critically on determined political will to reduce the wage bill—which remains high as a share of GDP and total spending, especially compared to peer countries. Staff urged the authorities to accelerate the completion of the payroll cleanup—which has been delayed to end-December 2013 (structural benchmark), reflecting the size and complexity of remaining payrolls, to contain the wage bill. Importantly, the draft FY 13/14 budget raises resources in the security sector to allow

MEFP ¶ 13, 17

Liberia: Public Sector Wage Bill
(Percent of GDP and percent of total spending)



Sources: World Economic Outlook and IMF staff estimates.
1/ Includes Sierra Leone, Côte d'Ivoire, Guinea, Guinea-Bissau, Rwanda, and Uganda.

[11] Fiscal rules established in FY 2012/13 call for wages and salaries of no more than 34 percent of total budgeted expenditure (IMF Country Report No. 12/340, Appendix III, Annex I). Wages and salaries amount to 40 percent of total spending in the draft FY 13/14 budget.

for the government's increased responsibilities in the sector. The authorities are also committed to making a provision in the FY 2013/14 budget for the repayment of the rest of the CBL bridge financing (US$8 million).

17. **Capital expenditure is expected to increase in FY 2013/14 and continues to be focused on key infrastructure projects in roads, energy, and ports, in line with the development strategy**. Staff urged the authorities to prioritize their investment program and secure needed financing, including finalizing recent discussions with potential new creditors. Staff stressed the critical importance of timely submission, approval, and execution of the FY 2013/14 budget, to ensure effective implementation of public investment projects. Ministries and agencies have been asked to submit their cash and procurement plans by end-June 2013 (structural benchmark) to ensure projects are ready for implementation at the start of the fiscal year.

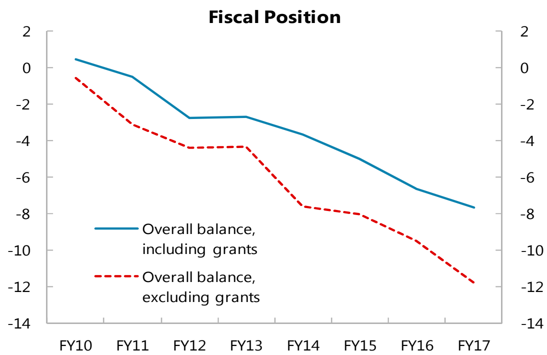
MEFP ¶ 16

18. **Ongoing revenue administrative measures aim to consolidate recent gains**. A taxpayer's service center to facilitate tax compliance has been established, as well as risk-based audits of firms and post clearance audits at customs to ensure tax liabilities are paid in full. The authorities plan to continue with the computerization of the tax and customs administrations, particularly through the use of the Standard Integrated Government Tax Administration System (SIGTAS) and the continuing rollout of Automated System of Customs Data (ASYCUDA). The recently created natural resource revenue unit at the Ministry of Finance (structural benchmark) is expected to improve the monitoring of concessions, including in the iron-ore sector.

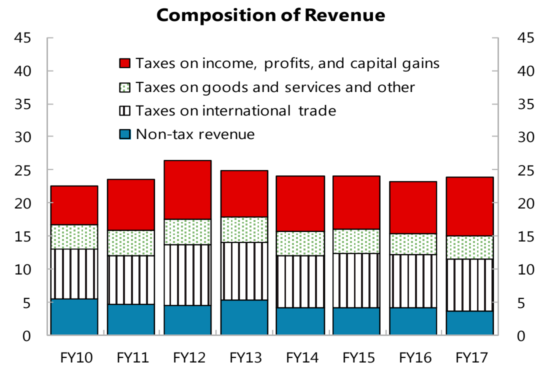
Figure 4. Liberia: Fiscal Medium-Term Outlook, FY2010-17

(Percent of GDP)

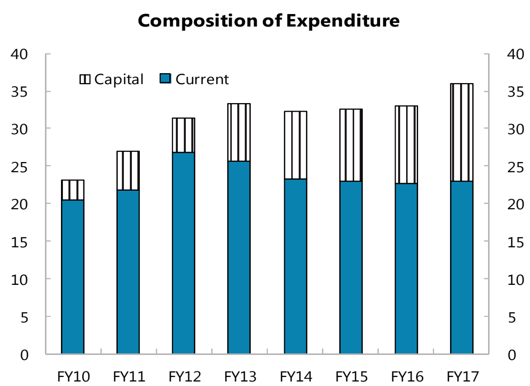
The fiscal balance is expected to widen, reflecting the scaling up of capital spending,...



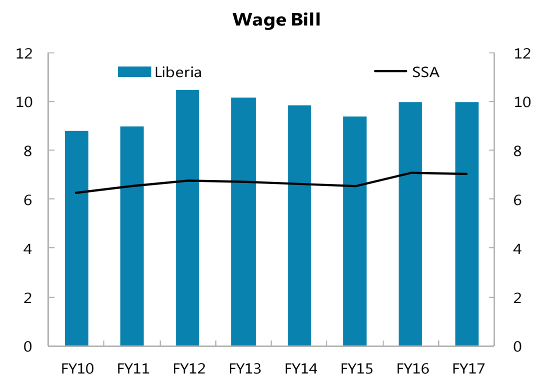
...while revenue remains stable over the medium-term.



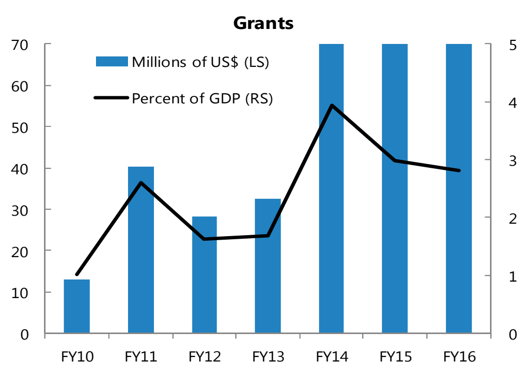
Current spending is expected to moderate to create fiscal space for capital spending,...



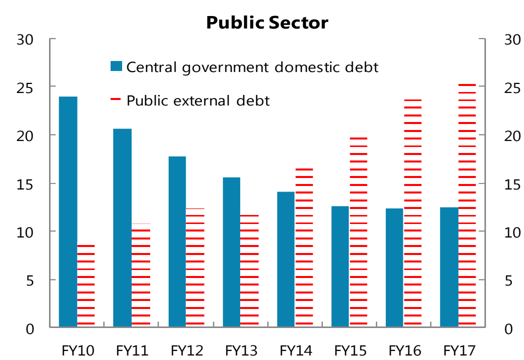
...while the wage bill declines, albeit still high by regional standards.



Budget support grants are expected to remain stable.



Public external debt will remain manageable, while domestic government debt to central bank will decline.



Sources: Liberian authorities and IMF staff estimates and projections.

C. Monetary and Financial Sector Issues

19. **Monetary policy will continue to focus on containing Liberian dollar-denominated inflation through the maintenance of exchange rate stability as the economy remains highly dollarized**. The CBL will continue to manage Liberian dollar liquidity mainly through the weekly foreign exchange auctions. The introduction of treasury bills in Liberian dollars adds a new instrument, and commercial banks' demand for Liberian dollar-denominated securities is expected to be strong owing to high excess liquidity. However, the effectiveness of Liberian dollar instruments as a monetary policy tool will be limited in the near term, given the high dollarization of the economy. The CBL will continue to improve its policy framework on liquidity monitoring and forecasting, but capacity constraints remain a key obstacle.

20. **Discussions focused on maintaining adequate reserves as a buffer to external shocks**. Higher than programmed reserve coverage in 2012 was mostly driven by one-off factors, including lower public investment-related capital goods and delays in the CBL's foreign currency spending on its headquarters building. Once these resume in 2013, reserve coverage is expected to dip slightly but to remain within the program target. Given ongoing risks attached to volatility in commodity prices, the authorities committed to continued reserve buildup to maintain reserve coverage at about three months of imports. The recently introduced CBL credit stimulus schemes pose some risks to dealing with external shocks since they lock up some of the CBL's readily usable foreign reserves in long-term U.S. dollar deposits.[12] There are also risks that such lending initiatives may expose the CBL to reputational risk (e.g., resulting from improper on-lending) and to potential pressure to share credit losses. Staff advised the authorities to limit the credit schemes to current levels—and to assess their impact on economic activity before introducing new initiatives—and take precautionary measures to minimize potential risks to the CBL. The authorities, however, considered the risks small and indicated they would be mitigated through ongoing efforts, in line with MCM TA, to strengthen supervision at the CBL and improve risk management at commercial banks.

21. **Improving financial infrastructure remains a high priority**. Weak legal and institutional frameworks limit capacity of commercial banks to assess creditworthiness of borrowers and to mitigate losses from risky lending, resulting in low levels of intermediation in general and low access to finance for borrowers with high credit risk. The CBL will continue to take measures in this regard, including submitting to the legislature a revised Insurance Act by end-June 2013 (structural benchmark), to streamline regulations in the insurance sector and establish the central bank as the sole regulator of all insurance agencies, and establishing a new Securities Market Act. To enhance lending practices, the authorities are continuing to enhance the existing credit reference

MEFP ¶ 28–30

[12] The CBL's long-term deposits placed in participating commercial banks are excluded from CBL's net foreign exchange position.

system and plan to establish a collateral registry at the CBL by June 2013 (structural benchmark). In other areas, modernizing the country's payment system, scheduled to be completed by June 2014, will contribute to financial deepening by facilitating international and cash-less transactions. The CBL's ongoing efforts to mitigate high credit risk include establishing a stress testing framework and developing frameworks for financial safety nets.

D. External Sector Issues

22. **New external financing was secured for key infrastructure projects but disbursements have not yet occurred**. The government signed loan agreements with the European Investment Bank (EIB) and the Kuwait Fund for Arab Economic Development, which are consistent with the program's indicative target on gross borrowing by the public sector in foreign currency (4 percent of GDP in NPV terms).[13] Both loans were recently submitted to the legislature for approval, but have not yet been ratified. The EIB loan (US$65 million) to finance reconstruction of Mount Coffee Hydro power plant is highly concessional.[14] The Kuwait loan (US$14 million), to renovate the port facility, has a grant element of 34 percent, just below the 35 percent concessionality requirement.[15] Since the loan has not yet been ratified by the legislature—and the deviation from the concessionality threshold is very small (1 percent), the loan size is modest, and there is no material change to Liberia's risk of debt distress—the authorities are requesting, and staff support, a modification of the continuous PC on new nonconcessional debt.

23. **Continued strengthening of debt management is critical**.

MEFP ¶ 31–32, 36

The authorities are preparing a Medium-Term Debt Strategy which is expected to be finalized by December 2013 (structural benchmark). The mission discussed the key features of the strategy including its linkages to the Debt Sustainability Analysis (DSA). As the authorities seek to secure additional external financing, particularly from non-traditional partners, they are continuing to develop the capacity of staff in the debt management office—including with assistance from the World Bank—to negotiate new loans on the best possible terms, in compliance with the procedures of the authorities' Debt Management Committee and the concessionality terms of the ECF arrangement. HIPC Initiative debt restructuring negotiations are nearing completion, although staff regrets that in recent reschedulings with BADEA and Saudi Arabia, creditors were not able to fully participate in the burden sharing envisaged under the HIPC-MDRI debt restructuring process. Debt to Taiwan, Province of China remains outstanding, despite the authorities' efforts.

[13] The present value (PV) of debt contracted in 2012 is 4.1 percent of GDP, which takes into account the concessionality of the contracted debt, as well as lower borrowing in nominal terms overall for the year as a whole. The NPV over three years (2012–15) still averages 4 percent of GDP, in line with the program.

[14] The grant element is 80 percent.

[15] Based on the discount rate of 4.36 percent in effect at the time of signing the loan in December 2012.

24. **Steps to achieve WTO membership and implement the ECOWAS[16] common external tariff are ongoing**. The authorities are pressing ahead on reforms to achieve WTO membership, particularly to reduce non-tariff barriers. Liberia has committed to a gradual adoption of the regional Common External Tariff (CET) starting in January 2014.

MEFP ¶ 39

E. Reform Agenda

25. **The structural reform agenda going forward focuses on key next steps to strengthen public financial management and improve national accounts statistics**. The timing to implement the authorities' agenda is reasonable given their capacity constraints.

- ***Strengthening public financial management***. With the SOE unit now established, the eight largest SOEs are expected to start submitting their financial reports for January–March 2013 to the SOE unit by end-June 2013 (structural benchmark). The PMO is establishing guidelines for the project management cycle to ensure that all projects included in the PSIP in the FY 2013/14 budget have been properly vetted, and that procurement and financing plans are in place at the start of the fiscal year. As part of the authorities' commitment to contain current spending, the authorities plan to complete the cleanup of payrolls of remaining ministries and agencies by end-June 2013 and upload the payrolls of all M&As to IFMIS (structural benchmark).

  MEFP ¶ 18–

- ***Improving national accounts statistics***. The authorities plan to compile and publish the results of the recent establishment survey by end-June 2013 (structural benchmark) and to begin the Household and Income Expenditure Survey (HIES) in August 2013 (structural benchmark) to validate national accounts data. The FY 2013/14 budget includes an allocation to finance the HIES.

  MEFP ¶ 17, 43

- ***Other reforms***. A revised Petroleum Act, supported by IMF Fiscal Affairs Department (FAD) technical assistance (TA), is expected to be submitted to the legislature by end-December 2013 (structural benchmark). It will improve governance in the sector and seek to ensure optimal levels of revenue. The authorities submitted the draft Liberia Revenue Authority (LRA) Act for legislative approval in May 2013. The authorities have also prepared draft legislation to introduce a value added tax (VAT), which will be finalized and submitted to the legislature once the LRA becomes operational.

  MEFP ¶ 16, 41

[16] The Economic Community of West African States (ECOWAS) consists of Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea (suspended), Guinea-Bissau, Liberia, Mali, Niger (suspended), Nigeria, Senegal, Sierra Leone, and Togo.

PROGRAM MONITORING ISSUES AND RISKS

26. **The authorities are requesting a waiver of nonobservance for one performance criterion for end-December 2012 and modifications to performance criteria for end-June 2013 (MEFP Table 1)**. The authorities are requesting modification to end-June 2013 PCs on (i) the floor on total revenue collection of the central government; (ii) the floor on the CBL's net foreign exchange position; (iii) the ceiling on the CBL's gross direct credit to central government; and (iv) a modification to the continuous performance criterion on the ceiling on new nonconcessional external debt of the public sector. The lower floor on total revenue collections reflects some shortfall in tax and non-tax revenue for the fiscal year as a whole (program targets excluded one-off contingent revenue). The continuous ceiling on nonconcessional borrowing is being modified to allow the inclusion of the planned external loan from Kuwait that is slightly below the program's grant element. The floor on the CBL's net foreign exchange position and the CBL's gross credit to central government have been revised to include the government's repayment in FY 2012/13 of the CBL overdraft (US$20 million) and repayment (US$5 million) of the CBL bridge financing. Indicative targets for end-September 2013 have been revised; and new performance criteria and other quantitative criteria for end-December 2013, end-March 2014, and end-June 2014 have been agreed with the authorities and are being proposed. A second tranche of SDR 7.382 million will be disbursed upon completion of the first review under the ECF arrangement (Table 7).

27. **New structural benchmarks have been added to the ECF arrangement for the second and third program reviews (Appendix 1, Table 2)**. The structural benchmarks relate to further measures to strengthen PFM, develop the financial system, and enhance national account statistics, and improve project implementation.

28. **An update safeguards assessment, which is substantially completed, noted a need to regain momentum in building robust safeguards at the CBL**. A number of recommendations from the 2011 assessment have not been implemented. These include strengthening the internal audit function through an external peer review, independent reviews of monetary program data by internal audit, and reviewing of the currency operations. The recent breaches of the CBL Act, regarding credit to government, also raise safeguards concerns on governance and compliance mechanisms at the CBL. Recommendations from the updated safeguards assessment include appointing internationally reputable external auditors for the next three-year term, resuming independent internal audits of monetary data, and strengthening Board oversight on (i) the external audit process and (ii) compliance of bank operations with the CBL Act. Staff received assurances from the CBL on the planned continuation of external audits, in accordance with international standards, by suitably qualified reputable firms. The authorities finalized a Memorandum of Understanding (MoU) clarifying the rights and obligations of the government and the CBL regarding IMF transactions, a priority recommendation from the 2011 safeguards assessment. The recommendations arising from the updated safeguards assessment do not require action in the context of the first review and will be monitored under the program.

29. **Although the authorities remain committed to reform, there are risks from further delays in implementation**. The government is under pressure to deliver on its Agenda for Transformation—especially to accelerate public investment in priority areas including energy, roads, and the social sector—to accelerate growth and reduce poverty. Continued weaknesses in technical capacity, institutions, and governance continue to test the government's ability to implement its ambitious development plans. The recent pickup in momentum of implementing administrative reforms and removing bottlenecks to public investment projects bode well for program implementation going forward, but accelerating this momentum is critical to achieving the country's prospects for long-term growth. Liberia also remains vulnerable to external shocks, particularly volatility in commodity prices, as well as a prolonged global slowdown in growth and a reduction in aid flows. Most of the major donors expect to continue providing assistance to Liberia if the government continues to implement appropriate economic policies and make progress with improved governance. However, with the EU as a major donor, it is conceivable that over the medium term, donor aid to Liberia might decline because of shrinking aid budgets in Europe.

STAFF APPRAISAL

30. **The economy remains on a solid footing but more needs to be done to achieve broad-based growth**. Output growth remained strong in 2012, with inflation in single digits. However, growth has relied heavily on rising exports of iron-ore. With the exception of some pickup in construction and services, spillover from mining to non-mining activity is limited. Much more needs to be done to ensure that the benefits of rapid growth lead to job creation and poverty reduction. The most immediate challenge is to ensure adequate resources (domestic and external) are directed toward priority infrastructure projects, which will require determined political will to contain current spending, including the wage bill. Prospects in the agriculture and services sector, areas for broad-based job creation, are closely linked to the rehabilitation of key infrastructure, particularly energy and roads.

31. **Staff welcomes the authorities' recent stepped-up efforts to implement structural reforms**. Going forward, maintaining, and even accelerating, the institutional reform momentum is needed, including following through on measures to strengthen financial oversight of SOEs, and improving cash management and project implementation. In particular, moving ahead with the pilot implementation of a Treasury Single Account should proceed without further delay.

32. **Addressing the bottlenecks that hinder public investment—the cornerstone of the AfT—is urgently needed**. The under execution of capital spending in FY 2012/13 reflected significant delays in the budget approval process, poor project management, and delays in securing external financing. The on-time submission of the FY 2013/14 budget to the legislature is a welcome step and should help to avoid delays in budget execution. Staff also commends other recent measures to improve project implementation, including requiring M&As to prepare their procurement and cash plans ahead of the start of the new fiscal year. However, more efforts will

be needed to remove other administrative bottlenecks to ensure projects are implemented on time.

33. **Staff welcomes the realistic revenue assumptions in the FY 2013/14 budget**. Excluding unpredictable contingent revenue and unsecured external borrowing from budget planning, which had not happened in previous years, allows better management of available resources. Staff supports the authorities' plans to hold current spending constant in nominal terms in FY 2013/14 to create space for priority spending, including in the security sector and on investments in energy, roads, and ports. That said, strong efforts will be needed to contain the wage bill. In this regard, staff regrets that, for FY 2013/14, the authorities were not able to apply the fiscal rules established in FY 2012/13, intended in part to cap the wage bill. Cleaning up the payroll and avoiding discretionary special allowances remains critical to holding current spending in check.

34. **Staff welcomes the authorities' firm commitment to maintain foreign reserves at about three months of imports**. Reserve accumulation has so far been more rapid than expected, and the monetary authorities are now better placed to weather external volatility and meet the foreign exchange needs of the government and banking sector. However, a number of near term pressures exist, including completing the renovation of the central bank headquarters building and financing an expected pickup in investment-related imports. The credit schemes recently introduced by the CBL pose some risks by limiting policy space to respond to external shocks. Limiting the credit schemes to current levels, assessing their impact on economic activity before introducing new initiatives, and taking appropriate measures to minimize potential risks to the CBL are warranted. Timely repayment of the government's debt to the CBL is also critical to safeguard CBL foreign reserves.

35. **With the deceleration in credit growth, significant efforts are needed to improve the credit environment**. Staff welcomes the efforts to establish a collateral registry and enhance the credit reference system. The authorities should also continue to enhance supervisory capacity considering the weaknesses in bank portfolios.

36. **Stronger efforts are needed to secure concessional financing and to ensure that already agreed loans are ratified by the legislature on a timely basis**. Financing should be secured early in the project cycle, while the debt office needs to be equipped to negotiate new loans on the best possible terms, aligned with the government's own debt policies and the debt limits of the ECF arrangement. The debt office also needs to submit newly negotiated loans for legislative approval on a timely basis, to avoid delays in disbursement and project execution. Staff urges the authorities to finalize their medium-term debt strategy to provide a road-map for safeguarding debt sustainability over the medium-term. Staff welcomes advances in the accession process to the World Trade Organization. Staff regrets that in completing recent debt rescheduling, creditors were not able to fully participate in the burden sharing planned under the HIPC-MDRI debt restructuring.

37. **Stronger efforts are needed to build robust safeguards at the CBL**. The updated safeguards assessment, which is substantially completed, found that the momentum of strengthening safeguards observed during the 2011 assessment has slowed. In addition to addressing recommendations that remain outstanding from the last assessment, closer oversight on the bank's activities needs to be exercised by the CBL Board. Staff welcomes the assurances from the CBL on the continuation of external audits in accordance with international standards by suitably qualified reputable firms. Staff also welcomes the finalization of the MoU clarifying the rights and obligations of the government and the CBL regarding IMF transactions. Staff notes that, while the recommendations arising from the updated safeguards assessment do not require action in the context of the first review, continued monitoring under the program will be needed.

38. **Staff supports the completion of the first review of the ECF arrangement, based on satisfactory performance and the authorities' forward-looking policy commitments**. Staff recommends approval of the authorities' request for a waiver of nonobservance for the performance criterion on the ceiling on the CBL gross direct credit to central government on the grounds of the minor nature of the nonobservance and the corrective actions taken by the authorities. Staff also recommends approval of the authorities' requests for modification of end-June 2013 performance criteria and modification of the continuous performance criterion on the ceiling on new nonconcessional external debt of the public sector, modification of end-September 2013 indicative targets, and setting of end-December 2013 and end-June 2014 performance criteria and end-March 2014 indicative targets.

Table 1. Liberia: Selected Economic and Financial Indicators, 2009–16

	2009	2010	2011	2012		2013		2014		2015	2016
			Prel.	ECF Request	Est.	ECF Request	Proj.	ECF Request	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)										
National account and prices											
GDP at constant prices	5.3	6.1	8.2	8.9	8.3	8.3	7.5	5.6	5.4	7.2	5.1
Real GDP excluding mining sector	5.3	5.8	5.8	3.8	3.4	6.1	5.6	6.8	6.2	7.1	9.2
GDP deflator (US dollars)	-1.7	5.4	10.6	5.0	4.0	1.1	6.4	1.0	1.7	6.5	0.2
Nominal GDP (millions of U.S. dollars)	1,155	1,292	1,545	1,767	1,735	1,934	1,984	2,063	2,127	2,429	2,557
Consumer prices (average)	7.4	7.3	8.5	6.6	6.8	5.6	7.9	5.0	5.5	5.0	5.0
Consumer prices (end of period)	9.7	6.6	11.4	5.5	7.7	4.7	5.5	5.0	5.4	5.0	4.0
Consumer prices (U.S. dollar denominated, year-on-year)	2.4	1.3	10.2	3.2	5.0	1.3	6.6	1.8	2.3	1.8	1.7
External sector											
Exports, f.o.b.	-39.7	40.4	77.1	23.8	25.9	14.3	20.3	8.5	17.3	57.6	1.6
Imports, f.o.b	-19.0	17.4	50.0	33.3	8.6	16.1	29.4	5.6	11.6	3.3	-6.9
Terms of trade (deterioration -)	-9.2	76.8	16.1	-24.1	-28.4	-2.5	21.9	-0.8	-1.2	-10.5	-7.6
Average exchange rate (local currency per U.S. dollar)	68.3	71.4	72.2	…	73.5	…	…	…	…	…	…
Average nominal effective exchange rate change (depreciation -)	-1.7	-3.7	-4.8	…	5.2	…	…	…	…	…	…
Average real effective exchange rate (depreciation -)	8.5	2.3	-1.1	…	-8.4	…	…	…	…	…	…
Gross official reserves (months of imports) [2]	3.2	3.8	3.0	2.6	3.2	2.7	2.9	2.8	2.9	3.0	3.0
Gross official reserves (millions of U.S. dollars)	312	391	416	372	386	412	409	440	448	484	487
Money and credit											
Net foreign assets	1.4	149.8	11.9	-20.2	-5.2	0.0	2.6	-3.6	7.2	7.4	-14.5
Net domestic assets	5.7	-89.9	101.4	74.6	16.2	17.1	25.6	14.6	6.4	16.9	25.8
Net claims on central government	-0.2	-84.4	25.5	-11.6	1.9	-5.7	-12.1	-0.3	-0.5	-1.3	-0.5
Claims on nongovernment	42.2	27.0	30.6	60.9	15.0	15.9	32.0	11.7	5.3	14.1	21.4
Other items (net)	1.9	-10.0	-2.2	2.2	-3.3	0.0	-3.0	0.0	0.0	0.0	0.0
Broad money (M2)	24.1	33.5	32.7	13.2	0.9	9.3	11.6	7.0	6.8	11.9	5.7
Reserve money	2.1	32.0	47.7	9.7	21.7	8.9	-2.0	8.1	6.2	4.5	40.7
Velocity (GDP-to-M2)	3.6	3.0	2.7	2.7	2.8	2.7	2.9	2.7	2.9	2.9	2.9
Money multiplier (M2/M0)	4.8	5.4	5.4	5.6	5.4	5.7	5.7	5.6	5.8	6.4	6.3
	(Percent of GDP) [1]										
External sector											
Current account balance											
(including official grants)	-28.8	-32.8	-34.1	-52.4	-36.7	-62.4	-50.7	-65.8	-56.2	-37.5	-26.5
(excluding official grants)	-108.4	-108.5	-97.2	-99.9	-85.0	-106.4	-101.4	-100.3	-95.0	-63.6	-48.9
Trade balance	-36.4	-35.5	-40.7	-49.5	-35.6	-53.0	-42.5	-51.8	-42.7	-23.4	-17.1
Exports, f.o.b.	13.3	16.7	24.6	26.7	27.6	27.9	29.1	28.3	31.8	43.9	42.3
Imports, f.o.b	-49.7	-52.2	-65.4	-76.2	-63.2	-80.9	-71.5	-80.1	-74.5	-67.3	-59.4
Central government budget [3]											
Total revenue and grants	20.7	23.5	26.4	27.8	28.0	27.3	29.3	28.8	28.1	27.2	26.1
Of which: total revenue	18.6	22.5	23.6	26.1	26.3	24.9	27.5	26.5	23.9	24.0	23.2
Total expenditure and net lending	21.9	23.1	27.0	31.0	31.4	33.3	32.0	35.4	32.2	32.5	32.9
Of which: current expenditure	18.9	20.5	21.8	27.0	26.7	25.6	25.4	24.4	23.3	22.9	22.6
capital expenditure	3.0	2.6	5.2	4.1	4.7	7.8	6.6	11.0	8.9	9.6	10.3
Overall fiscal balance (including grants)	-1.2	0.5	-0.6	-3.2	-3.4	-6.0	-2.8	-6.6	-4.2	-5.3	-6.8
Overall fiscal balance (excluding grants)	-3.3	-0.6	-3.4	-4.9	-5.1	-8.4	-4.6	-9.0	-8.2	-8.5	-9.7
Public external debt	145.4	8.8	10.7	12.1	12.3	14.8	12.0	21.1	17.1	20.2	23.8
Central government domestic debt	26.1	24.0	20.6	17.6	17.8	15.7	15.6	14.4	14.1	12.5	12.3

Sources: Liberian authorities and IMF staff estimates and projections.

1 IMF Country Report No.12/121. Data as percent of GDP recalculated using rebased GDP.

2 Excludes UNMIL service and iron-ore concessions related imports.

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

Table 2. Liberia: Balance of Payments, 2010–16
(Millions of U.S. dollars, unless otherwise indicated)

	2010	2011	2012		2013		2014		2015	2016
	Prel.	Prel.	ECF Request[1]	Estimate	ECF Request[1]	Proj.	ECF Request[1]	Proj.	Proj.	Proj.
Trade balance	-459	-630	-876	-618	-1,026	-843	-1,068	-908	-569	-437
Exports, f.o.b.	215	381	472	479	539	577	584	677	1,066	1,082
Of which: rubber	156	250	185	177	186	228	200	238	221	214
Of which: Iron	0	26	138	117	147	126	162	160	529	
Imports, f.o.b	-674	-1,010	-1,347	-1,097	-1,565	-1,419	-1,652	-1,584	-1,635	-1,519
Services (net)	-805	-798	-732	-707	-705	-690	-657	-648	-498	-416
Of which: UNMIL services [2]	-455	-418	-342	-342	-266	-266	-190	-190	-76	-38
Income (net)	-200	-161	-262	-256	-330	-326	-399	-404	-471	-417
Of which: public interest payments due [3]	-109	-1	-1	-1	-3	-2	-4	-3	-4	-5
Of which: IMF	-1	-1	0	0	0	0	0	0	-1	-1
Current transfers	1,041	1,062	943	943	803	852	717	765	627	593
Donor transfers (net)	978	976	839	839	695	744	604	653	513	473
Of which: UNMIL transfers	600	550	450	450	350	350	250	250	100	50
Private transfers (net)	63	86	89	89	92	92	96	96	98	102
Current account balance	-424	-526	-926	-637	-1,257	-1,006	-1,407	-1,195	-911	-677
Current account balance, excluding grants	-1,402	-1,503	-1,765	-1,476	-2,059	-2,013	-2,068	-2,022	-1,544	-1,251
Capital and financial account (net)	1,286	513	865	603	1,224	1,007	1,366	1,214	931	688
Capital account (HIPC debt relief) [4]	1,586	0	0	0	0	0	0	0	0	0
Financial account	-300	513	865	603	1,224	1,007	1,366	1,214	931	688
Foreign direct investment (net)	286	295	279	280	328	329	344	340	269	256
Portfolio investment (net)	0	0	0	0	0	0	0	0	0	0
Other investment (net)	-586	218	587	323	896	678	1,023	874	663	432
Official financing: medium and long term (net)	-819	2	11	11	98	49	126	103	104	107
SDR allocation	0	0	0	0	0	0	0	0	0	0
Disbursements	0	6	17	17	104	55	135	112	116	122
Amortization	-819	-4	-6	-6	-6	-6	-9	-9	-12	-15
Private financing (net) [4]	234	216	575	312	798	629	897	771	559	325
Errors and omissions	15	0	0	0	0	0	0	0	0	0
Overall balance	820	-14	-61	-34	67	1	59	19	20	11
Financing	-820	-11	61	34	-67	-1	-59	-19	-20	-11
Change in gross official reserves (increase -) [5]	-78	-24	43	16	-40	-24	-29	-38	-37	-2
Net use of IMF credit and loans	-849	14	18	18	22	23	19	19	17	-8
Disbursements	14	14	18	18	22	23	22	23	23	0
Of which: ECF financing	14	14	18	18	22	23	22	23	23	
Repayments	-863	0	0	0	0	0	-3	-3	-6	-8
Donor financing	0	0	0	0	50	0	50	0	0	
Exceptional financing	108	0	0	0	0	0	0	0	0	0
Debt forgiveness	1,586	0	0	0	0	0	0	0	0	0
Change in arrears [6]	-1,586	0	0	0	0	0	0	0	0	0
Debt rescheduling plus HIPC interim debt relief [7]	108	0	0	0	0	0	0	0	0	0
Memorandum items:										
Current account balance (percent of GDP)										
Including grants	-32.8	-34.1	-52.4	-36.7	-62.4	-50.7	-65.8	-71.6	-45.6	-26.5
Excluding grants	-108.5	-97.2	-99.9	-85.0	-106.4	-101.4	-100.3	-43.4	-38.4	-38.5
Trade balance (percent of GDP)	-35.5	-40.7	-49.5	-35.6	-53.0	-42.5	-51.8	-42.7	-23.4	-17.1
Donor transfers (net, percent of GDP)	75.7	63.2	47.5	48.3	38.5	37.5	31.7	30.7	21.1	18.5
Public sector external debt (medium and long term)										
Debt outstanding, including arrears	114	166	214	214	287	238	435	363	490	609
(percent of GDP)	8.8	10.7	12.6	12.3	14.8	12.0	21.1	17.1	20.2	23.8
Debt service charges (after relief)	2.2	5.8	7.3	7.3	8.6	8.4	12.9	12.5	15.9	19.6
(percent of GDP)	0.2	0.4	0.4	0.4	0.4	0.4	0.6	0.6	0.7	0.8
Terms of trade (2000=100)	212	246	187	177	182	216	181	214	191	176.6
Gross official reserves	391	416	372	386	412	409	440	448	484	487
Gross official reserves (months of imports) [8]	3.8	3.0	2.6	3.2	2.7	2.9	2.8	2.9	3.0	3.0

Sources: Liberian authorities and IMF staff estimates and projections.

1 IMF Country Report No.12/121. Data as percent of GDP recalculated using rebased GDP.
2 Net of estimated value of goods and services purchased by UNMIL (and its staff) in Liberia.
3 From 2007, interest charged on debt stock after application of traditional debt relief mechanisms.
4 Includes short-term trade credits and private sector operating balances abroad.
5 Includes SDR assets and excludes SDR liabilities of US $163.2 million.
6 Includes debt forgiveness from multilateral creditors and Paris Club creditors.
7 Includes deferred debt service payments in the interim period.
8 Excludes UNMIL service and iron-ore concessions related imports.

Table 3. Liberia: Monetary Survey, 2010–15
(Millions of U.S. dollars, unless otherwise indicated)

	2010	2011	2012		2013		2014	2015
			ECF Request	Estimate	ECF Request	Proj.	Proj.	Proj.
Net foreign assets	191.4	236.3	147.2	224.2	151.6	234.1	262.6	298.7
Of which : IMF credit	-44.4	-57.9	-74.8	-107.8	-96.9	-97.3	-116.1	-132.5
CBL's gross foreign reserves [1]	467.0	523.6	495.4	499.6	546.7	524.0	570.8	625.3
Commercial banks' US$ denominated deposits at CBL	75.5	107.8	123.3	113.8	135.0	115.0	123.3	140.8
CBL's gross official foreign reserves [2]	391.4	415.8	372.1	385.7	411.7	408.9	447.6	484.5
Government US$ denominated deposits at CBL	103.7	84.2	84.2	78.9	84.2	59.0	59.0	59.0
CBL's net foreign exchange position [3 4 5]	243.1	273.4	213.1	230.7	230.6	252.7	272.5	293.1
CBL's net foreign exchange position excluding SDR holdings	77.0	107.7	50.0	64.8	67.6	89.1	109.3	130.3
Net domestic assets	-93.8	-92.2	10.8	-49.0	20.4	-62.3	-80.1	-108.0
Net claims on government	170.6	219.0	194.5	225.9	183.9	200.0	198.9	196.5
Claims on other public sector [2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on private sector	4.9	5.8	6.7	1.9	7.3	2.2	3.1	3.4
Claims on commercial banks	8.6	12.8	12.8	26.8	12.8	26.8	26.8	26.8
Other items (net) [4]	-269.3	-317.0	-269.3	-276.7	-269.3	-269.3	-269.3	-269.3
Base money	97.6	144.0	158.0	175.2	172.0	171.8	182.5	190.8
Net foreign assets	330.5	369.9	295.0	350.6	295.1	359.6	385.3	413.8
Net domestic assets	100.1	201.5	351.9	265.7	412.0	333.9	355.3	415.2
Net domestic credit	380.1	487.8	632.0	533.4	692.1	609.5	630.9	690.8
Net claims on government	168.0	210.8	186.3	214.9	175.7	188.9	187.9	185.5
Claims on nongovernment	199.6	264.5	445.6	306.0	516.4	420.5	443.0	505.3
Claims on private sector	191.3	253.2	289.6	281.6	316.9	322.0	240.4	264.8
Claims on public enterprises	7.0	9.9	9.6	22.3	9.3	21.1	20.8	19.8
Claims on nonbank financial institutions	1.3	1.4	1.3	2.2	1.3	2.1	2.0	1.9
Other Items (Net)	-280.1	-286.3	-280.1	-267.7	-280.1	-275.6	-275.6	-275.6
Monetary aggregates								
Monetary base (M0)	79.9	105.9	115.0	115.2	125.0	121.6	127.6	129.0
Currency in circulation	70.0	92.5	99.2	100.6	107.7	103.6	108.4	107.0
Required reserves	9.9	13.4	15.8	14.6	17.3	17.9	19.2	21.9
Commercial bank deposits	360.5	478.9	547.7	521.1	599.4	589.8	632.2	721.9
Total demand deposits	260.1	348.6	368.6	326.0	196.1	229.5	246.0	280.9
L$ denominated deposits	16.4	23.6	26.9	27.5	49.1	51.7	55.4	63.3
US$ denominated deposits	243.7	325.1	341.6	298.5	147.0	177.8	190.6	217.6
Time, savings, and other deposits	100.4	130.3	179.1	195.2	403.4	360.3	386.2	441.0
L$ denominated deposits	24.5	39.2	44.8	44.3	29.5	29.7	31.8	36.4
US$ denominated deposits	76.0	91.1	134.3	150.8	373.9	330.6	354.3	404.6
Broad money (M2)	430.6	571.4	646.9	621.1	707.1	693.4	740.6	828.9
L$ component	110.9	155.2	171.0	171.8	186.2	185.1	195.7	206.7
US$ component	319.6	416.2	475.9	449.3	520.9	508.4	544.9	622.3
Memorandum items :								
Broad money (annual change)	33.5	32.7	13.2	0.9	9.3	11.6	6.8	11.9
L$ component as percent of beginning period broad money	6.2	10.3	2.8	3.4	2.4	2.1	1.5	1.5
US$ component as percent of beginning period broad money	27.3	22.4	10.5	-2.5	6.9	9.5	5.3	10.4
Reserve money (annual change)	32.0	47.7	9.7	21.7	8.9	-2.0	6.2	4.5
Base money (annual change)	19.1	32.5	8.6	8.7	8.7	5.5	5.0	1.0
Credit to government (annual change)	-84.4	25.5	-11.6	1.9	-5.7	-12.1	-0.5	-1.3
Credit to private sector (annual change)	40.1	32.4	14.4	11.2	9.4	14.4	7.2	14.2
Velocity (GDP-to-M2)	3.0	2.7	2.7	2.8	2.7	2.9	2.9	2.9

Sources: Liberian authorities and IMF staff estimates and projections.

1 SDR holdings are included from December 2009.
2 Including public enterprises and the local government.
3 Defined as gross official reserves less government foreign currency deposits at the central bank.
4 Including valuation adjustment.
5 Excluding ECF disbursements.

Table 4. Liberia: Financial Soundness Indicators, 2009–12
(Percent)

	Dec-09	Dec-10	Dec-11	2012 March	2012 June	2012 Sept.	2012 Dec.
Capital adequacy							
Regulatory capital to risk-weighted assets	28.1	27.4	22.8	24.9	20.8	21.3	22.7
Reported net capitalization	19.4	17.5	15.1	14.9	13.9	14.0	14.9
Asset quality							
Non-performing loans to total loans	10.9	25.1	20.8	23.6	19.6	22.1	24.9
Loan loss provisions to non-performing loans	78.8	55.6	53.2	41.1	65.7	54.6	49.0
Provisions to classified loans net of interest in suspense	60.9	45.8	45.1	36.8	56.8	47.4	44.0
Provisions to non-performing loans net of interest in suspense	78.8	55.6	53.2	41.1	65.7	54.6	49.0
Earnings and profitability							
Return on assets	0.6	0.5	-0.7	0.1	0.2	0.1	-0.1
Return on equity	3.4	0.3	-4.7	1.0	1.4	1.1	-0.5
Non-interest income to total income	61.7	53.9	57.9	52.2	56.3	58.7	55.3
Net Interest margin over average assets	6.7	7.9	7.2	1.8	3.8	5.6	7.4
Liquidity							
Liquid assets to net assets[1]	51.8	56.6	54.0	56.0	51.8	50.9	34.0
Net loans to deposits	45.3	39.1	40.0	40.9	40.4	40.8	43.0
Liquid assets to deposits and designated liabilities	42.5	40.6	44.0	45.6	47.4	46.7	45.9

Source: Liberian authorities and IMF staff estimates.

[1] There is a structural break in this data series in December 2012, due to the reclassification of some accounts.

Table 5. Liberia: Medium-Term Outlook, 2010–17

	2010	2011	2012		2013		2014		2015	2016	2017
		Prel.	ECF Request	Estimate	ECF Request	Proj.	ECF Request	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change)										
National income											
Real GDP	6.1	8.2	8.9	8.3	8.3	7.5	5.6	5.4	7.2	5.1	6.2
Agriculture & fisheries	2.7	3.9	1.9	1.9	3.3	4.1	4.4	4.0	4.7	6.0	5.7
Forestry	6.7	3.4	2.5	1.7	1.8	1.6	6.0	5.7	6.0	6.0	6.0
Mining & panning	46.4	166.3	133.0	129.3	31.6	27.5	-4.6	-2.3	8.4	-35.6	-7.2
Manufacturing	3.1	3.1	3.1	3.1	3.2	3.1	3.5	3.4	3.5	3.6	3.7
Services	7.7	7.6	5.4	4.7	9.2	7.8	8.7	8.0	9.2	12.4	8.3
Real GDP excluding mining sector [1]	5.8	5.8	3.8	3.4	6.1	5.6	6.8	6.2	7.1	9.2	7.0
Nominal non-mining per capita GDP (U.S. dollar)	341.2	384.3	392.5	389.0	412.6	429.8	436.4	452.1	474.5	511.8	544.0
Prices											
GDP deflator	5.4	10.6	5.0	4.0	1.1	6.4	1.0	1.7	6.5	0.2	0.7
Consumer prices (annual average)	7.3	8.5	6.6	6.8	5.6	7.9	5.0	5.5	5.0	5.0	5.0
Consumer prices (end of period)	6.6	11.4	5.5	7.7	4.7	5.5	5.0	5.4	5.0	5.0	5.0
Population (millions)	3.8	3.9	4.0	4.0	4.1	4.1	4.2	4.2	4.3	4.4	4.5
	(Percent share)										
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture & fisheries	36.5	36.2	30.8	31.1	28.9	30.4	28.7	29.7	26.7	26.5	25.9
Forestry	8.3	8.1	7.5	7.6	7.2	7.2	7.3	7.3	6.9	7.0	7.2
Mining & panning	0.9	4.5	12.5	11.7	13.7	12.4	12.2	11.7	16.8	12.7	11.1
Manufacturing	4.1	3.8	3.6	3.6	3.4	3.5	3.4	3.5	3.2	3.2	3.2
Services	50.3	47.4	45.6	46.0	46.7	46.5	48.4	47.8	46.5	50.6	52.6
	(Percent of GDP, fiscal year)										
Central government operations											
Total revenue and grants	23.5	26.4	27.8	28.0	27.3	29.3	28.8	28.1	27.2	26.9	28.1
Total revenue	22.5	23.6	26.1	26.3	24.9	27.5	26.5	23.9	24.0	24.1	23.8
Grants	1.1	2.8	1.7	1.7	2.4	1.8	2.3	4.1	3.2	2.9	4.3
Total expenditure and net lending	23.1	27.0	31.0	31.4	33.3	32.0	35.4	32.2	32.5	33.4	36.0
Current expenditure	20.5	21.8	27.0	26.7	25.6	25.4	24.4	23.3	22.9	22.6	22.9
Capital expenditure	2.6	5.2	4.1	4.7	7.8	6.6	11.0	8.9	9.6	10.7	13.1
Overall fiscal balance, including grants	0.5	-0.6	-3.2	-3.4	-6.0	-2.8	-6.6	-4.2	-5.3	-6.4	-7.9
Overall fiscal balance, excluding grants	-0.6	-3.4	-4.9	-5.1	-8.4	-4.6	-9.0	-8.2	-8.5	-9.3	-12.2
Public external debt	8.8	10.7	12.1	12.3	14.8	12.0	21.1	17.1	20.2	23.8	25.3
Central government domestic debt	24.0	20.6	17.6	17.8	15.7	15.6	14.4	14.1	12.5	12.3	12.5
	(Percent, unless otherwise indicated)										
M2/GDP	33.3	37.0	36.6	35.8	36.6	34.9	36.7	34.8	34.1	34.3	34.2
Private sector credit/GDP	14.8	16.4	16.4	16.2	16.4	16.2	16.4	16.2	16.2	16.2	16.2
Velocity (GDP-to-M2)	3.0	2.7	2.7	2.8	2.7	2.9	2.7	2.9	2.9	2.9	2.9
Money multiplier (M2/M0)	5.4	5.4	5.6	5.4	5.7	5.7	5.6	5.8	6.4	6.3	6.3
	(Percent of GDP, unless otherwise indicated)										
External sector											
Current account balance, including grants	-32.8	-34.1	-52.4	-36.7	-62.4	-50.7	-65.8	-56.2	-37.5	-26.5	-27.0
Current account balance, excluding grants	-108.5	-97.2	-99.9	-85.0	-106.4	-101.4	-100.3	-95.0	-63.6	-48.9	-45.4
Trade balance	-35.5	-40.7	-49.5	-35.6	-53.0	-42.5	-51.8	-42.7	-23.4	-17.1	-17.2
Exports	16.7	24.6	26.7	27.6	27.9	29.1	28.3	31.8	43.9	42.3	39.3
Imports	-52.2	-65.4	-76.2	-63.2	-80.9	-71.5	-80.1	-74.5	-67.3	-59.4	-56.5
Grants (donor transfers, net)	75.7	63.2	47.5	48.3	38.5	37.5	31.7	30.7	21.1	18.5	15.9
Gross official reserves (millions of U.S. dollars)	391.4	415.8	372.1	385.7	411.7	408.9	440.2	447.6	484.5	486.7	490.6
Months of imports of goods and services [2]	3.8	3.0	2.6	3.2	2.7	2.9	2.8	2.9	3.0	3.0	2.9

Sources: Liberian authorities and IMF staff estimates and projections.

[1] Chained weighted sectoral average growth rate.

[2] Excludes UNMIL service and iron ore-concessions related imports.

Table 6a. Liberia: Fiscal Operations of the Central Government, FY 2010–16[1]

(Millions of U.S. dollars)

	FY2010	FY2011	FY2012		FY2013		FY2014		FY2015	FY2016
			ECF Request	Estimate	ECF Request	Proj.	ECF Request	Proj.	Proj.	Proj.
Total revenue and grants	288.0	374.9	461.0	458.9	505.6	544.2	575.8	576.8	619.0	671.3
Revenue	275.0	334.6	432.7	430.6	460.8	510.7	529.1	492.1	546.5	599.6
Tax revenue	207.8	269.2	357.0	357.0	364.2	363.2	383.6	409.0	451.9	499.8
Taxes on income, profits, and capital gains	70.2	111.2	145.4	145.4	131.3	151.6	142.3	169.4	182.8	213.1
Taxes on goods and services	39.2	48.4	53.7	53.7	61.0	64.7	64.6	72.3	76.9	82.5
Taxes on international trade	91.7	105.4	149.0	149.0	162.4	143.7	166.4	162.3	186.8	198.2
Other taxes	6.7	4.3	8.9	8.9	9.5	3.1	10.3	5.0	5.4	5.9
Non-tax	67.3	65.4	75.8	73.7	96.6	147.5	145.5	83.1	94.6	99.9
Grants	13.0	40.3	28.3	28.3	44.8	33.5	46.7	83.7	72.5	71.7
Expenditure and net lending	282.2	382.9	514.3	514.0	616.6	595.6	708.4	661.7	740.6	831.9
Current expenditure	250.5	309.4	446.6	437.6	473.1	473.0	487.5	479.0	521.6	564.3
Wages and salaries	113.9	138.6	187.3	181.4	204.0	201.8	216.0	222.6	238.2	255.2
Goods and services	76.7	86.3	134.0	113.9	141.3	153.1	135.0	134.3	142.0	157.4
Subsides and transfers	55.7	80.5	120.2	137.5	121.3	111.8	129.4	113.6	133.1	142.8
Interest	4.2	4.0	5.1	4.9	6.6	6.3	7.1	8.5	8.4	8.9
Capital expenditure	31.7	73.5	67.8	76.4	143.5	122.6	220.8	182.7	219.0	267.6
Foreign loan financed [2]	0.0	9.6	21.0	20.1	104.6	56.2	136.6	94.3	127.8	172.7
Domestically financed	31.7	63.9	46.8	56.3	38.9	66.4	84.3	88.4	91.2	94.9
Unallocated expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance										
Including grants	5.9	-7.9	-53.3	-55.1	-111.0	-51.4	-132.5	-85.9	-121.6	-160.5
Excluding grants	-7.1	-48.2	-81.5	-83.4	-155.8	-84.9	-179.3	-169.5	-194.1	-232.2
Identified financing	-5.9	8.0	53.3	55.1	111.0	51.4	132.5	85.9	121.6	160.5
External financing (net)	-3.3	3.8	15.1	14.7	101.8	50.4	133.1	90.8	124.8	170.5
Loans	0.0	9.6	21.0	20.1	104.6	56.2	136.6	94.3	127.8	172.7
Amortization (-)	-3.3	-5.8	-5.9	-5.4	-2.8	-5.8	-3.4	-3.4	-3.0	-2.2
Domestic financing (net)	-2.6	4.3	38.2	40.4	9.3	1.0	-0.6	-5.0	-3.2	-10.0
Central Bank of Liberia	0.2	10.0	43.5	43.5	0.0	-12.0	0.0	-8.0	0.0	0.0
Use of deposits	3.8	10.0	23.5	23.5	0.0	0.0	0.0	0.0	0.0	0.0
Gross borrowing	0.0	0.0	20.0	20.0	0.0	19.9	0.0	0.0	0.0	0.0
Amortization	-3.6	0.0	0.0	0.0	0.0	-31.9	0.0	-8.0	0.0	0.0
Deposit money banks	-0.9	-3.0	-1.5	0.0	9.3	19.5	-0.6	8.0	-0.7	-10.0
Treasury bill purchases (net)	0.0	0.0	0.0	0.0	15.0	5.0	0.0	0.0	0.0	0.0
Other lending to government	0.0	0.0	0.0	0.0	0.0	10.0	0.0	0.0	0.0	0.0
Other (including repayment of arrears)	-1.8	-2.7	-3.8	-3.0	0.0	-6.5	0.0	-5.0	-2.5	0.0
Unidentified financing/float	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Iron-ore related revenue	29.9	33.1	18.2	18.2	13.9	21.1	31.2	22.8	34.7	42.6
Total public external debt [3]	1,679.9	113.9	166.0	166.0	286.7	237.7	435.1	363.1	490.1	609.0
Central government domestic debt [4]	293.8	292.0	290.9	291.1	289.7	290.0	288.7	289.0	284.4	307.3
Of which: foreign currency denominated	280.4	278.9	278.3	278.3	277.6	277.6	277.0	277.0	272.8	272.8
Basic balance [5]	37.6	65.5	14.5	21.3	32.4	71.2	88.3	97.8	97.4	107.0
Current balance [6]	24.6	25.2	-13.8	-7.0	-12.3	37.7	41.6	13.2	24.9	35.3
Primary balance, including grants	10.1	-4.0	-48.2	-50.3	-104.5	-45.1	-125.4	-77.4	-113.3	-151.6
Fiscal year nominal GDP	1,223.5	1,418.7	1,607.9	1,637.7	1,850.9	1,859.8	1,998.5	2,055.7	2,277.9	2,493.0

Sources: Liberian authorities and IMF staff estimates and projections.

1 Budget is shown on a cash basis (i.e., debt service payments are shown after all debt relief).
2 Approximately 50 percent of on-budget loan-financed capital expenditure substitutes for hitherto off-budget, grant-financed expenditure.
3 Includes debt to IMF.
4 Includes central government debt to the Central Bank of Liberia (which is excluded from domestic debt in the debt sustainability analysis).
5 Basic balance is defined as (total revenue and grants minus project grants) minus (total expenditure minus foreign and domestically financed investment spending).
6 Current revenue less current expenditure.

Table 6b. Liberia: Fiscal Operations of the Central Government, FY 2010–16[1]

(Percent of GDP)

	FY2010	FY2011	FY2012		FY2013		FY2014		FY2015	FY2016
			ECF Request[7]	Estimate	ECF Request[7]	Proj.	ECF Request[7]	Proj.	Proj.	Proj.
Total revenue and grants	23.5	26.4	27.8	28.0	27.3	29.3	28.8	28.1	27.2	26.9
Revenue	22.5	23.6	26.1	26.3	24.9	27.5	26.5	23.9	24.0	24.1
Tax revenue	17.0	19.0	21.6	21.8	19.7	19.5	19.2	19.9	19.8	20.0
Taxes on income, profits, and capital gains	5.7	7.8	8.8	8.9	7.1	8.2	7.1	8.2	8.0	8.5
Taxes on goods and services	3.2	3.4	3.2	3.3	3.3	3.5	3.2	3.5	3.4	3.3
Taxes on international trade	7.5	7.4	9.0	9.1	8.8	7.7	8.3	7.9	8.2	8.0
Other taxes	0.5	0.3	0.5	0.5	0.5	0.2	0.5	0.2	0.2	0.2
Non-tax	5.5	4.6	4.6	4.5	5.2	7.9	7.3	4.0	4.2	4.0
Grants	1.1	2.8	1.7	1.7	2.4	1.8	2.3	4.1	3.2	2.9
Expenditure and net lending	23.1	27.0	31.0	31.4	33.3	32.0	35.4	32.2	32.5	33.4
Current expenditure	20.5	21.8	27.0	26.7	25.6	25.4	24.4	23.3	22.9	22.6
Wages and salaries	9.3	9.8	11.3	11.1	11.0	10.8	10.8	10.8	10.5	10.2
Goods and services	6.3	6.1	8.1	7.0	7.6	8.2	6.8	6.5	6.2	6.3
Subsides and transfers	4.5	5.7	7.3	8.4	6.6	6.0	6.5	5.5	5.8	5.7
Interest	0.3	0.3	0.3	0.3	0.4	0.3	0.4	0.4	0.4	0.4
Capital expenditure	2.6	5.2	4.1	4.7	7.8	6.6	11.0	8.9	9.6	10.7
Foreign loans financed[2]	0.0	0.7	1.3	1.2	5.6	3.0	6.8	4.6	5.6	6.9
Domestic and grant financed	2.6	4.5	2.8	3.4	2.1	3.6	4.2	4.3	4.0	3.8
Unallocated expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance										
Including grants	0.5	-0.6	-3.2	-3.4	-6.0	-2.8	-6.6	-4.2	-5.3	-6.4
Excluding grants	-0.6	-3.4	-4.9	-5.1	-8.4	-4.6	-9.0	-8.2	-8.5	-9.3
Identified financing	-0.5	0.6	3.2	3.4	6.0	2.8	6.6	4.2	5.3	6.4
External financing (net)	-0.3	0.3	0.9	0.9	5.5	2.7	6.7	4.4	5.5	6.8
Loans	0.0	0.7	1.3	1.2	5.6	3.0	6.8	4.6	5.6	6.9
Amortization (-)	-0.3	-0.4	-0.4	-0.3	-0.2	-0.3	-0.2	-0.2	-0.1	-0.1
Domestic financing (net)	-0.2	0.3	2.3	2.5	0.5	0.1	0.0	-0.2	-0.1	-0.4
Central Bank of Liberia	0.0	0.7	2.6	2.7	0.0	-0.6	0.0	-0.4	0.0	0.0
Use of deposits	0.3	0.7	1.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0
Gross borrowing	0.0	0.0	1.2	1.2	0.0	1.1	0.0	0.0	0.0	0.0
Deposit money banks	-0.1	-0.2	-0.1	0.0	0.5	1.0	0.0	0.4	0.0	-0.4
Treasury bill purchases (net)	0.0	0.0	0.0	0.0	0.8	0.3	0.0	0.0	0.0	0.0
Other (including repayment of arrears)	-0.1	-0.2	-0.2	-0.2	0.0	-0.3	0.0	-0.2	-0.1	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Iron-ore related revenue	2.4	2.3	1.1	1.1	0.7	1.1	1.6	1.1	1.5	1.6
Total public external debt[3]	137.3	8.0	10.0	10.1	15.5	12.8	21.8	17.7	21.5	24.4
Central government domestic debt[4]	24.0	20.6	17.6	17.8	15.7	15.6	14.4	14.1	12.5	12.3
Of which: foreign currency denominated	22.9	19.7	16.8	17.0	15.0	14.9	13.9	13.5	12.0	10.9
Basic balance[5]	3.1	4.6	0.9	2.6	1.8	3.8	4.4	4.8	4.3	4.3
Current balance[6]	2.0	1.8	-0.8	-0.9	-0.7	2.0	2.1	0.6	1.1	1.4
Primary balance, including grants	0.8	-0.3	-2.9	-6.1	-5.6	-2.4	-6.3	-3.8	-5.0	-6.1
Fiscal year nominal GDP (millions of U.S. dollars)[7]	1,223.5	1,418.7	1,656.4	1,637.7	1,850.9	1,859.8	1,998.5	2,055.7	2,277.9	2,493.0

Sources: Liberian authorities and IMF staff estimates and projections.

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

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

3 Includes debt to IMF.

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

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

6 Current revenue less current expenditure.

7 IMF Country Report No.12/121. Data as percent of GDP recalculated using rebased GDP.

Table 7. Liberia: Schedule of Disbursements Under the ECF Arrangements, 2012–15

Amount (Total: SDR 51.68 million)	Date of Availability	Conditions for Disbursement[1]
SDR 7.382 million	November 19, 2012	Executive Board approval of the three-year ECF arrangement
SDR 7.382 million	July 3, 2013	Executive Board completion of the first review under the three-year ECF arrangement
SDR 7.382 million	November 15, 2013	Executive Board completion of the second review under the three-year ECF arrangement
SDR 7.382 million	May 15, 2014	Executive Board completion of the third review under the three-year ECF arrangement
SDR 7.382 million	November 15, 2014	Executive Board completion of the fourth review under the three-year ECF arrangement
SDR 7.382 million	May 15, 2015	Executive Board completion of the fifth review under the three-year ECF arrangement
SDR 7.388 million	November 15, 2015	Executive Board completion of the sixth review under the three-year ECF arrangement

Source: IMF staff estimates.

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

APPENDIX I. FISCAL INFORMATION UNDER THE GOVERNMENT FINANCE STATISTICS MANUAL 2001

Table 1a. Liberia: Fiscal Operations of the Budgetary Central Government, FY 2010–15[1]

(Millions of U.S. dollars)

	FY2010	FY2011	FY2012		FY2013		FY2014		FY2015
		Actual	ECF Request	Estimate	ECF Request	Proj.	ECF Request	Proj.	Proj.
Revenue	**288.0**	**374.9**	**461.0**	**458.9**	**505.6**	**544.2**	**575.8**	**576.8**	**619.0**
Taxes	207.8	269.2	357.0	357.0	364.2	363.2	383.6	409.0	451.9
Taxes on income, profits, and capital gains	70.2	111.2	145.4	145.4	131.3	151.6	142.3	169.4	182.8
Taxes on goods and services	39.2	48.4	53.7	53.7	61.0	64.7	64.6	72.3	76.9
Taxes on international trade and transactions	91.7	105.4	149.0	149.0	162.4	143.7	166.4	162.3	186.8
Other taxes	6.7	4.3	8.9	8.9	9.5	3.1	10.3	5.0	5.4
Social contributions [2]	…	…	…	…	…	…	…	…	…
Grants	13.0	40.3	28.3	28.3	44.8	33.5	46.7	83.7	72.5
Other revenue (non-tax revenue)	67.3	65.4	75.8	73.7	96.6	147.5	145.5	83.1	94.6
Non-tax revenue	67.3	65.4	75.8	73.7	96.6	147.5	145.5	83.1	94.6
Additional revenue measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expense	**250.5**	**309.5**	**446.5**	**437.6**	**473.1**	**473.0**	**487.5**	**479.0**	**521.6**
Compensation of employees (wages & salaries)	113.9	138.6	187.3	181.4	204.0	201.8	216.0	222.6	238.2
Use of goods and services	76.7	86.3	134.0	113.9	141.3	153.1	135.0	134.3	142.0
Subsidies and transfers	55.7	80.6	120.2	137.5	121.3	111.8	129.4	113.6	133.1
Consumption of fixed capital [2]	…	…	…	…	…	…	…	…	…
Interest	4.2	4.0	5.1	4.9	6.6	6.3	7.1	8.5	8.4
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social benefit [2]	…	…	…	…	…	…	…	…	…
Other expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of non-financial assets	**31.7**	**73.5**	**67.8**	**76.4**	**143.5**	**122.6**	**220.8**	**182.7**	**219.0**
Foreign loan financed [3]	0.0	9.6	21.0	20.1	104.6	56.2	136.6	94.3	127.8
Domestically financed	31.7	63.9	46.8	56.3	38.9	66.4	84.3	88.4	91.2
Gross operating balance	37.6	65.4	14.5	21.3	32.4	71.2	88.3	97.8	97.4
Net lending (+)/borrowing (-) (overall balance)	**5.9**	**-8.0**	**-53.3**	**-55.1**	**-111.0**	**-51.4**	**-132.5**	**-84.9**	**-121.6**
Net financial worth, transactions	**5.9**	**-8.0**	**-73.3**	**-55.1**	**-111.0**	**-71.3**	**-132.5**	**-85.9**	**-121.6**
Net acquisition of financial assets	**-2.9**	**-10.0**	**-43.5**	**-43.5**	**-15.0**	**-29.4**	**0.0**	**-8.0**	**0.0**
By instrument									
Currency and deposits	-3.8	-10.0	-23.5	-23.5	0.0	0.0	0.0	0.0	0.0
Debt securities	0.9	0.0	0.0	0.0	-15.0	-9.5	0.0	-8.0	0.0
Loans	0.0	0.0	-20.0	-20.0	0.0	-19.9	0.0	0.0	0.0
Net incurrence of liabilities	**-8.8**	**-2.0**	**29.9**	**11.7**	**96.0**	**41.9**	**132.5**	**77.9**	**121.6**
By residency and instrument									
Domestic	**-5.4**	**-5.8**	**14.8**	**-3.0**	**-5.7**	**-8.5**	**-0.6**	**-13.0**	**-3.2**
Currency and deposits	0.0	-3.0	-1.5	-20.0	-5.7	10.0	-0.6	0.0	-0.7
Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Liberian authorities and IMF staff estimates and projections.

[1] GFS 2001 presentation with budget shown on a cash basis (i.e., debt service payments are shown after all debt relief).

[2] Not available.

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

Table 1b. Liberia: Fiscal Operations of the Budgetary Central Government, FY 2010–15[1]

(Percent of GDP)

	FY2010	FY2011	FY2012		FY2013		FY2014		FY2015
		Actual	ECF Request	Estimate	ECF Request	Proj.	ECF Request	Proj.	Proj.
Revenue	**23.5**	**26.4**	**28.7**	**28.0**	**27.3**	**29.3**	**28.8**	**28.1**	**27.2**
Taxes	17.0	19.0	22.2	21.8	19.7	19.5	19.2	19.9	19.8
Social contributions [2]	…	…	…	…	…	…	…	…	…
Grants	1.1	2.8	1.8	1.7	2.4	1.8	2.3	4.1	3.2
Other revenue (non-tax revenue)	5.5	4.6	4.7	4.5	5.2	7.9	7.3	4.0	4.2
Expense	**20.5**	**21.8**	**27.8**	**26.7**	**25.6**	**25.4**	**24.4**	**23.3**	**22.9**
Compensation of employees (wages & salaries)	9.3	9.8	11.7	11.1	11.0	10.8	10.8	10.8	10.5
Use of goods and services	6.3	6.1	8.3	7.0	7.6	8.2	6.8	6.5	6.2
Subsidies and transfers	4.5	5.7	7.5	8.4	6.6	6.0	6.5	5.5	5.8
Consumption of fixed capital [2]	…	…	…	…	…	…	…	…	…
Interest	4.2	4.0	5.1	4.9	6.6	6.3	7.1	8.5	8.4
Grants	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	2.0
Social benefit [2]	…	…	…	…	…	…	…	…	…
Other expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of non-financial assets	**2.6**	**5.2**	**4.2**	**4.7**	**7.8**	**6.6**	**11.0**	**8.9**	**9.6**
Foreign loan financed [3]	0.0	0.7	1.3	1.2	5.6	3.0	6.8	4.6	5.6
Domestically financed	2.6	4.5	2.9	3.4	2.1	3.6	4.2	4.3	4.0
Gross operating balance	3.1	4.6	0.9	1.3	1.8	3.8	4.4	4.8	4.3
Net lending (+)/borrowing (-) (overall balance)	**0.5**	**-0.6**	**-3.3**	**-3.4**	**-6.0**	**-2.8**	**-6.6**	**-4.1**	**-5.3**
Net financial worth, transactions	**0.5**	**-0.6**	**-4.6**	**-3.4**	**-6.0**	**-3.8**	**-6.6**	**-4.2**	**-5.3**
Net acquisition of financial assets	**-0.2**	**-0.7**	**-2.7**	**-2.7**	**-0.8**	**-1.6**	**0.0**	**-0.4**	**0.0**
By instrument									
Currency and deposits	-0.3	-0.7	-1.5	-1.4	0.0	0.0	0.0	0.0	0.0
Debt securities	0.1	0.0	0.0	0.0	-0.8	-0.5	0.0	-0.4	0.0
Loans	0.0	0.0	-1.2	-1.2	0.0	-1.1	0.0	0.0	0.0
Net incurrence of liabilities	-0.7	-0.1	1.9	0.7	5.2	2.3	6.6	3.8	5.3
By residency and instrument									
Domestic	-0.4	-0.4	0.9	-0.2	-0.3	-0.5	0.0	-0.6	-0.1
Currency and deposits	0.0	-0.2	-0.1	-1.2	-0.3	0.5	0.0	0.0	0.0
Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-0.3	0.0	1.2	1.2	0.0	-0.6	0.0	-0.4	0.0
Other accounts payable	-0.1	-0.2	-0.2	-0.2	0.0	-0.3	0.0	-0.2	-0.1
External	-0.3	0.3	0.9	0.9	5.5	2.7	6.7	4.4	5.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-0.3	0.3	0.9	0.9	5.5	2.7	6.7	4.4	5.5
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Liberian authorities and IMF staff estimates and projections.

[1] GFS 2001 presentation with budget shown on a cash basis (i.e., debt service payments are shown after all debt relief).

[2] Not available.

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

APPENDIX II. LETTER OF INTENT

Monrovia, June 3, 2013
Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Madame Lagarde,

1. The attached Memorandum of Economic and Financial Policies (MEFP) outlines the implementation of Liberia's economic program supported by the Extended Credit Facility (ECF) through April 2013, and summarizes recent economic and financial policy actions and commitments of the government of Liberia for FY 2013/14 (July–June).

2. Despite continued weakness in the global economy, the Liberian economy continued its solid performance in 2012. Real GDP growth reached an estimated at 8.3 percent, somewhat lower than projected for the year, but still stronger than the 8 percent growth recorded in 2011. Mining, agriculture and services sectors remain the main drivers of economic activity in Liberia. For 2013, Real GDP growth is expected reach between 7–8 percent. Weak external demand and moderation in the prices of Liberia's primary commodity exports on the global market represent the main downside risks to the positive growth outlook. Inflation remained in single digit in 2012, averaging 6.9 percent in 2012 compared to 8.5 percent recorded in 2011 reflecting increased domestic food production and prudent management of monetary policy. The exchange rate remains stable and reserves coverage reached 3.2 months of imports. Revenues reach record levels in FY 2011/12 increasing 21.4 percent compared to previous fiscal year; nonetheless, there were some shortfalls in contingent revenues, while expenditure outturn was in line with budgeted amounts, resulting in an overall overdraft of US$20 million at the Central Bank of Liberia, of which US$10 million have already been repaid.

3. All but one performance criteria for end-December 2013 were met under the ECF arrangement and all indicative targets were met. The ceiling on CBL gross direct credit to central government was breached by a small margin as a result of a government overdraft during the first half of FY 2012/13. We have taken corrective actions to avoid future recourse to overdraft financing and are requesting a waiver for this performance criterion. All but one structural benchmarks were met for end-December 2013. The move toward a treasury single account (TSA) has been reprogrammed for end-June 2013.

4. The government has already repaid half of the CBL overdraft and is committed to repaying the outstanding overdraft balance of US$10 million by end-June 2013. We are also

committed to paying the bridge financing of US$12.5 million (on lent to the National Port Authority for Ports rehabilitation) to the CBL as quickly as possible. However, during the course of FY 2012/13 the government has had to contend with unforeseen and unbudgeted capital expenditure for Roberts International Airport, where urgent repairs to the runway are required; international airlines are already threatening to pull out until the issue is resolved. This pressure coupled with the non-realization of the amount budgeted for borrowing and some contingent revenues have significantly limited our fiscal space.

5. In order to avoid compromising ongoing national priority infrastructure projects, while still ensuring prudent management of its debt stock, and safeguarding the CBL's reserves, the government commits to repaying US$4.5 million of the bridge financing by end-June 2013 and the remainder US$8 million by end-June 2014. We will make a provision in the FY 2013/14 budget for the bridge finance repayment in discussion with the legislature, before the budget is signed by the President.

6. We also commit to conduct a mid-term budget review by end-December 2013 and submit our conclusion and recommendation to the Legislature in February 2014. If the resource envelope is determined to be different than presently anticipated, spending plans will be adjusted accordingly to safeguard priority spending and debt repayments, including to the CBL, and a revised budget submitted to legislature in early 2014.

7. In addition, the government commits to limiting domestic borrowing for FY 2012/13. Combined t-bill issuance and domestic bank borrowing should not exceed US$15 million at end-June 2013. The borrowing from domestic banks is earmarked for infrastructure, including the rehabilitation of the Mount Coffee hydroelectric dam, where government disbursements are required by June-2013 in order to ensure the timely disbursement of donor grants and credits. Provision will also be made in FY 2013/14 and over the medium term for the financing costs of the domestic bank borrowing.

8. 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 first review under the ECF arrangement be completed and the second disbursement in the amount of SDR 7.382 million be approved. In completing the first review, we are requesting a waiver for the PC on ceiling on CBL gross direct credit to central government. We are also requesting modifications to PCs for end-June 2013 with respect to: (i) the floor on total revenue collection of the central government; (ii) the floor on CBL's net foreign exchange position; (iii) the ceiling on CBL's gross direct credit to central government; and (iv) a modification to continuous performance criterion on the ceiling on new nonconcessional external debt of the public sector. We are also requesting approval of performance criteria set for end-December 2013 and end-June 2014. We are also requesting approval of additional structural benchmarks that have been agreed with Fund's staff for the second and third reviews under the ECF arrangement (Attachment 1 Table 2). The structural benchmarks relate to further measures to strengthen PFM, develop the financial system, and enhance national account statistics, and improve project implementation.

9. To monitor progress in implementing our reform agenda, the program includes a set of quantitative performance criteria, indicative targets, and structural benchmarks, outlined in the MEFP and the Technical Memorandum of Understanding (TMU).

10. We believe that the economic and financial policies set forth in the attached memorandum provide an adequate basis for achieving the objectives and targets of our program, but we will take any additional measures that may become necessary for this purpose in close consultation with the IMF staff on the adoption of such measures, and in advance of any revisions to the policies contained in the MEFP. We will provide the Fund with all information necessary to monitor implementation of the program supported by the ECF in a timely manner as outlined in the TMU.

11. We consent to the publication on the IMF website of this letter, the accompanying MEFP, TMU, and the related staff report for the First Review under the ECF.

Sincerely yours,

/s/	/s/
Amara Konneh Minister of Finance Ministry of Finance	Joseph Mills Jones Executive Governor Central Bank of Liberia

Attachments: Memorandum on Economic and Financial Policies
Technical Memorandum of Understanding

ATTACHMENT 1. MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES OF THE GOVERNMENT OF LIBERIA FOR FY 2013/14

Introduction

1. **The Government of Liberia remains committed to achieving sustained economic growth and poverty reduction and consolidating macroeconomic stability**. The strategies to achieve these goals are set out in the Agenda for Transformation—Poverty Reduction Strategy 2 (PRS2)—and the medium-term priorities set in the long term national vision "Liberia Rising 2030". The Government and the International Monetary Fund (IMF) are cooperating on a second three-year Extended Credit Facility (ECF) to support prudent macroeconomic policies and structural reforms that underlie strategies in the PRS2 and Liberia Rising 2030.

2. This memorandum of economic and financial policies (MEFP) reviews recent economic developments and performance during 2012; and updates policies and targets for 2013/14 (July–June) and the medium term (2014/15).

Performance under the ECF

3. In 2012 economic growth continued its solid performance despite continued weakness in the global economy. Real GDP growth is estimated at 8.4 percent for 2012, slightly lower than projected for the year, following 8 percent growth in 2011. Growth continues to be driven largely by the mining, agriculture and services sectors. Real GDP growth is expected at 7–8 percent in 2013. However, weak external demand and moderation in the prices of Liberia's primary commodity exports on the global market are risks to the growth outlook.

4. Inflation remained largely contained in single digit in 2012, averaging 6.9 percent in 2012 compared to 8.5 percent recorded in 2011. Core inflation, defined here to exclude food and transportation, amounted to 3.0 percent at the end of 2012 as compared to 4.0 percent in 2011. This large improvement in price developments can be attributed to improved domestic food production and prudent management of monetary policy. The low inflation reflects the broad stability of the Liberian-US dollar exchange rate during 2012. The end-of-period exchange rate stabilized at L$72.50/US$1.00 while the period average exchange rate depreciated by 1.8 percent to L$73.51/US$1.00 at the end of 2012 as compared to L$72.23/US$1.00 at end-December 2011. Consequently, the nominal exchange rate of the Liberian dollar vis-à-vis the United States Dollar appreciated by 0.6 percent and 0.5 percent for buying and selling, respectively. Inflation is expected to remain in lower single-digit at around 7 percent in 2013. The country's gross international reserves position, excluding SDR holdings, at end-December, 2012 was US$257.5 million, representing about 3.2 months of import cover.

5. The Government of Liberia met all but one of the performance criteria as at end- December 2012. The Government breached the ceiling on the CBL's gross direct credit to

central government. This breach occurred as a result of the unexpected overdraft in the accounts with the Central Bank of Liberia (CBL) that was noticed during the reconciliation process at the end of FY 2012. The Government is taking measures to strengthen cash management and prevent future overdraft in its accounts with the CBL.

6. Steady progress has been made against the structural benchmarks. Most of the end-December 2012 deliverables have now been completed. The recruitment process for staff of the new State Owned Enterprises (SOE) Unit and Project Management Office is now complete and the units have commenced their work. The connection of the GAC to IFMIS is completed including full access to perform audits of the government budgetary operations. The implementation of the Treasury Single Account (TSA) is also progressing. In order to improve monitoring of cash balances held by GOL with the purpose of reducing idle balances and inactive accounts, the Ministry of Finance has asked all Ministries and Agencies (M&As) and commercial banks that operate central government accounts to provide relevant details on all accounts held for operational purposes,[1] with regular reporting requirements to follow. Government Treasury bills (T-bills) program was launched on May 2, 2013 and will offer the opportunity to help smooth revenue during the course of the year and help build depth in the Liberian financial markets.[2]

7. During FY 2011/2012, revenue was a record US$458.9 million compared to FY 2010/2011 which recorded US$384.1 million; representing a 21.4 percent increase which can be attributed to a boost in international trade. However, there were shortfalls in budgeted contingent revenues, while expenditure outturn was in line with budgeted amounts, resulting in an overall overdraft of US$19.9 million with the CBL. In part, the absence of sufficiently regular reconciliation of commitment data with cash expenditure data from the bank accounts held by the CBL meant that expenditure was able to exceed revenue at the end of the 2011/12 fiscal year, resulting in said overdraft at the CBL. In response to this, the Ministry of Finance has already taken action to strengthen cash management. Reconciliation of commitments with cash expenditure is now performed on a weekly basis, with reports provided to the Minister of Finance, while monitoring of government balances will continue on a daily basis. In addition, to improve cash management and avoid recourse to CBL overdraft, as of end-March 2013, the CBL has started daily sweeping of the government's revenue account into the treasury operations account to ensure adequate resources are available in its operations account before disbursements are made. These changes will ensure that decisions regarding allotments and commitments are taken with certainty regarding the balance of the Government's accounts and unintentional use of the overdraft

[1] Ministries and agencies hold accounts at commercial banks for project management and operational purposes as they offer additional functionality, though there is now a focus on opening any new accounts with the CBL.

[2] The offering of 90-day Treasury bills (US$2 million) was oversubscribed by 100 percent. Among the bids, 16 out of the 28 were accepted, with the lowest and highest interest rate bids at 1.09 percent and 5 percent, respectively. The average effective yield was 2.22 percent. T-bills will be issued on a regular basis the first Thursday of each month.

facility will be prevented. Additionally, the Ministry of Finance has already made an initial repayment of the overdraft in the amount of US$10 million with remaining expected to be completed by end-June 2013.

8. During FY 2012/13, fiscal resources have so far fallen short of budgeted amounts (including core revenues, contingent revenues, and borrowing). Expenditures have been constrained, especially capital expenditures. There are also fiscal pressures to repay the CBL overdraft (US$20 million), and repay a CBL bridge finance (US$12.5 million) that is due end-June 2013.[3] The Government of Liberia is committed to make savings on recurrent expenditure (goods and services) in FY 2012/13 to repay the overdraft with the CBL by end-June 2013. As for the CBL bridge finance, we have agreed with CBL to repay US$4.5 million by end-June 2013 and to reschedule the repayment of the remaining US$8 million by end-June 2014.[4]

Objectives and Economic Policies for FY 2013/14

9. The economic outlook remains relatively unchanged with a slight weakening in the near term, before picking up over the medium term. Economic activity is expected to growth between 7–8 percent in 2013, down from the previous estimate of 8.3 percent driven by downward revision in non-resource activity, particularly in the construction sector as public investment is below the budget. Economic growth, especially non-resource activity, is projected to pick up in 2014 and 2015 driven by the increase in public investment. In the medium term, inflation in Liberian dollars is expected to remain moderate around 5–6 percent, subject to global fuel and food prices. Fiscal policies will continue to focus in containing current spending to create space for much needed capital spending, which we estimate to average (including IDA financed projects) 8 ½ of GDP over a four year period. The expansionary fiscal framework, shaped by the increase in capital spending, will contribute to address the country’s main infrastructure gaps and developmental needs while also playing a countercyclical role to the expected activity in the mining sector.

A. Fiscal Policy

10. Core tax and non-tax revenue is expected to continue to grow strongly during the three-year MTEF period, driven by the growing economy and improvements to tax policy and administration. Taxes on income and profits, property taxes, domestic goods taxes and property income are projected to perform strongly. However, taxes on international trade are at risk of poor performance, partly due to the fall in import duty collected from essentials.

[3] The bridge finance was on-lent to the national Port Authority (NPA) for the rehabilitation of the Port of Greenville.

[4] The NPA did not have sufficient resources in FY 2012/13 to repay the government for the on-lending, owing to a moratorium on timber exports, its primary business activity.

11. The latest information from donors suggests that budget support, in the form of grants will also grow in FY 13/14,[5] before falling again slightly in the outer years, FY 14/15 and FY 15/16.

12. The medium term budget strategy is aligned to the Agenda for Transformation. The primary focus of this fiscal year is to consolidate strategic activities embarked on in the previous year and focus interventions towards achieving the AfT priorities. These are key to achieving the 8 percent economic growth per annum targeted over the medium-term and will require:

- Faster completion of infrastructure development projects which have already been launched during the last few years,
- Clearer prioritization of new development projects considering particularly the development needs in the counties, and
- Stronger focus in mobilizing foreign and domestic resources to make most effective their timeliness.

13. The resource envelope is projected to be $553 million for FY 13/14 (including a $10 million budget support loan from the World Bank International Development Association. To maintain fiscal discipline and ensure macroeconomic stability, the GoL is employing key principles to guide revenue forecasting and claims on revenue:

- Request cash/spending plans and procurement plans from all Ministries and Agencies at the time of the budget submission to the Legislature.
- Ensure that revenue envelope includes only resources that have high degree of certainty, with a view to issue a revised budget at mid-term in the event that additional resources are received. For this reason, highly uncertain contingent revenue has been forecast as zero for the next MTEF period.
- In order to ensure that overall current expenditures are held constant at previous year's outturn, allowing sufficient resources for capital expenditures, the draft FY 2013/14 budget submitted to the legislature includes lower spending on goods and services, compared to the FY 2012/13 Approved Budget, by approximately US$20 million on domestic travel, workshops, printing, stationery and other non priority spending, to make room for higher compensation in the form of special allowances to senior staff; there will be no general salary increase in FY 2013/14.

[5] Budget support grants in FY 2013/14 include: African Development Bank $12.2 million, European Union $27.9 million, and USAID $11 million. Excluding 100 million Euros in grants from Norway and Germany to finance the rehabilitation of the Mount Coffee hydropower plant.

- Only include projects where financing is secured.
- No transfers from capital to current expenditures.
- Total debt remains at sustainable levels and within limits established by the PFM law.
- Provisions will be made in the FY 2013/14 budget for the repayment of the remaining CBL bridge finance (US$8 million). The allocation will be incorporated in the FY 2013/14 budget in discussion with the Legislature, before the budget is signed by the President.

14. The Government is focused on increasing the core tax base in a sustainable and growth-enhancing way through a number of measures that will commence or continue over the next fiscal year. On the administrative front, the Department of Revenue will continue with the automation of tax administration, particularly through the use of Standard Integrated Government Tax Administration System (SIGTAS), and customs modernization, including the continuing roll out of Automated System of Customs Data (ASYCUDA).

15. There is the potential for increases in core revenue, particularly in areas such as real estate, overdue taxes, and income tax, if they can be tapped into to yield better results. The Department of Revenue is already improving tax compliance through tax payer education, particularly for small and medium businesses and taxpayers outside Monrovia, and strengthening internal audit functions. A modernized taxpayer's service center to improve tax compliance has been established with support from the IMF and USAID. Actual audits for all firms, including banks and insurance companies, have commenced, and we expect to complete audits for FY 2011/12 by July 2013. At customs, we are strengthening post clearance audits to ensure taxes due are paid correctly and we plan to deploy anti-smuggling units throughout the country. A 'block-mapping' exercise commencing in quarter four of FY 2012/13 will help to uncover gaps in the real tax base which we expect to lead to an increase in revenue. The implementation of the Value Added Tax (VAT) system will boost revenue and widen the tax base in the medium term. The VAT policy paper has now been completed and its implementation is expected to be further progressed as the new Revenue Authority becomes operational (the Revenue Authority Act was submitted to the Legislature in May 2013).

16. Total budgeted expenditure in FY 2014 is expected to increase to around US$553 million ($416 million current, net of amortization,[6] and US$111 million investment,[7] based on the draft National Budget), from around US$549 million (US$390 million current and US$115 million investment spending) in FY 2012/13. The FY 14 draft budget includes resources for security sector to prepare for UNMIL drawdown (US$10 million for training, logistics and deployment of

[6] Current spending excluding PSIP related recurrent spending.

[7] PSIP current and capital spending on national priority and sector projects, and excluding US$93.6 million in IDA financed projects.

Liberia National Police, the Bureau of Immigration and the Drug Enforcement Agency, in line with the joint GOL/UNMIL transition roadmap) and support to LISGIS to provide the necessary resources to ensure implementation of the Household Income and Expenditure Survey, planned to start in August 2013, and completion and publication of the enterprise survey.

17. As specified in the Finance Act, we will undertake a mid-term budgetary review and submit our conclusion and recommendation to the Legislature in February 2014. If the resource envelope is determined to be different than presently anticipated, spending plans will be adjusted accordingly to protect priority spending and debt repayment and a revised budget submitted to the Legislature.

B. Governance and Public Financial Management

18. The Government is taking further steps to implement the Treasury Single Account. A pilot phase of the TSA will start at end-June 2013 with monthly monitoring and sweeping of balances in operational accounts of eight M&As[8] held at the CBL into the treasury's operational account (structural benchmark) with a view to eliminate idle accounts. Daily monitoring of operational accounts of all M&As held at the CBL into the treasury's operational account will commence end-December 2013 (structural benchmark). Going forward, the government plans to convert the payroll account into a sub-account of the main treasury operations account by end-June 2013. The Office of the CAG is also piloting the migration of donor funded projects to the Government's financial management system (IFMIS), which implies the streamlining of project bank accounts within the central treasury accounts; this effort is targeted for June 2013. The Ministry of Finance will adopt a banking arrangement that will allow all government accounts to be managed from a single perspective. Terms of reference for a high-level treasury liquidity committee have been completed and endorsed by the Ministry of Finance and other key stakeholders, including the Central Bank of Liberia.

19. The Government is rolling out the Integrated Financial Management Information System (IFMIS) to an additional ten (10) ministries and agencies by June 2013,[9] bringing the total number of M&As included in IFMIS to 19. The General Auditing Commission (GAC) has been fully connected to the IFMIS which will enable it to conduct audits using the system. The GAC will conduct the first audit using IFMIS on the FY11/12 budget, to be completed by December 2013 (Structural benchmark). The Government will introduce the Civil Service Management (CSM) module within IFMIS and the Human Resource Management Information System (HRMIS) sub-module within the CSM, both by end-June 2013 (structural benchmark). The activation of the

[8] Ministries of Finance; Education; Health; Public Works; Agriculture; State; Lands, Mines and Energy; and Planning.

[9] Ministry of Internal Affairs, Ministry of Justice, Ministry of National Defense , Ministry of Youth and Sports, Judiciary, National Legislature, Public Procurement Concession Commission, General Auditing Commission, General Services Agency, and the National Elections Commission.

CSM module will contribute to ensure that the illegal introduction of new staff to the payroll is effectively restricted. The Government of Liberia has migrated data for both regular and supplementary payrolls (34,948 and 10,383 employees respectively) onto the Civil Service Management (CSM) Module, within IFMIS. All payrolls will be printed off the system for the May 2013 pay period.

20. Currently, 24 out of 29 M&A's payrolls have been cleaned up. The remaining 5 institutions[10] will be cleaned up by end-December 2013 (structural benchmark), though the size and complexity of the remaining payrolls poses some risks, particularly at the Ministry of Education where an external contractor has been engaged to assist with the work.

21. A State Owned Enterprise (SOE) financial reporting unit has been established and recruitment for key positions such as Head, Financial Analyst and Economist completed in early March 2013. General guidelines on SOE reporting as enshrined in the PFM Act (2009) were published on the MoF's website in 2012. The SOE unit will be responsible for collecting and analyzing quarterly financial reports from the 8 largest SOEs/public financial entities[11] and ensuring they are in line with the PFM law. By end-June 2013, the 8 largest SOEs will be required to report to the SOE monitoring unit within the Ministry of Finance their financial performance for the quarter January–March 2013 (Structural Benchmark). Thereafter, SOEs will regularly report their quarterly financial performance, three months after the end of each quarter. The SOE Monitoring Unit will also strengthen oversight of SOE performance to ensure timely and accurate transfer of revenues to the Ministry of Finance. At the request of the Government, the IMF has provided technical assistance on the SOE reporting and analytical framework for the newly created unit. In addition to ensuring the improvement in SOEs financial reporting, the Government of Liberia is committed to improving SOEs governance, by ensuring that SOEs which do not provide financial reports will not receive any subsidies. Steps will also be taken to work with SOEs to build their reporting capacity. A proposed matrix defining functions has been agreed with the other stakeholders that oversee the SOEs, including the National Investment Commission, the Bureau of State Enterprises, and the Office of the President. By December 2013, the SOE Monitoring Unit, working with the other GoL stakeholders, will prepare a strategy to manage fiscal risks of SOEs. The SOE Monitoring Unit will also have an input into an overall government SOE reform strategy which will determine which SOEs should be privatized and whether or not Government subsidies should remain for enterprises. Already the SOE monitoring unit at the MoF has conducted a workshop, which was attended by 14 SOEs including the 8 largest SOEs, with the exception of NOCAL who met the SOE team separately. The SOE

[10] Ministries of Education, Health, Justice, Internal Affairs, and the Legislature.

[11] National Ports Authority (NPA), Liberia Electricity Company (LEC), Liberia Petroleum and Refinery Company (LPRC), National Oil Company of Liberia (NOCAL), Liberia Telecommunications Authority (LTA), Liberia Maritime Authority (LMA), Robert International Airport (RIA), Liberia Water and Sewerage Company (LWSC).

monitoring unit has provided the templates for financial reporting and is assisting them to provide the information requested.

22. The newly created Project Management Office (PMO) in the Ministry of Finance has created a Project Management Template and accompanying User Manual which is being used to assess all projects under consideration for inclusion in the Public Sector Investment Program (PSIP) starting in FY 13/14. The template will be used by Ministries and Agencies to ensure that all proposed projects meet the eligibility requirements (i.e., aligned to the AfT, includes social and economic impact, feasibility studies, etc.); training in the use of the template has commenced. Together with the Department of Budget, the PMO will ensure that Ministries and Agencies provide by end-June 2013 (structural benchmark), detailed cash and procurement plans of the individual investment projects included in the FY 2013/14 budget.

23. The Internal Audit Secretariat commenced the development of an Internal Audit (IA) Manual for use across government Ministries and Agencies. The IA Manual is based on the GAC's 76 internal control priorities adopted by cabinet in 2010. To date, Internal Audit function has been rolled out in seventeen (17) Ministries and agencies.[12] Internal Audit reports are being finalized for the second quarter of 2013 covering these entities. The Internal Audit Strategy will roll out to forty (40) by end of 2015.

24. A Public Accounts Committee Secretariat was established in April 2013. This move will improve legislative oversight. The key brief of the Secretariat is to provide technical support to the Public Accounts Committee of the Legislature with regards to public hearings on the backlog of audit reports. The Secretariat will be funded through the government's budget with effect from FY 2013/14.

25. A Public Expenditure Tracking System survey (PETS survey) was undertaken in February 2013 focusing on the Sectors of Education and Health. The objective of the PETS survey is to determine whether resources reach service delivery points and contribute to better link spending levels and deliverables. The results of the survey will be published in May 2013. While preliminary results show that there is still further work needed to improve understanding of how resources in the education and health sectors are being utilized, and the process through which funds reach service delivery units, the survey is part of the government's efforts to improve transparency and comprehensiveness of the budget and ultimately improve efficiency in the use of public resources.

26. Management of natural resource revenue: The Government has created a resource revenue sub-unit in the large taxpayers unit of the Ministry of Finance (structural benchmark) to

[12] They include Finance, Agriculture, Health, Justice, Foreign Affairs, Internal Affairs, Lands, Mines & Energy, Public Works, Labor, Gender, Commerce, Youth and Sports, Liberian National Police, Bureau of Immigration and Naturalization, National Housing Authority, Forestry Development Authority and John F. Kennedy Medical Center.

improve the monitoring of concessions to more accurately determine the quality and quantity of natural resource production, and exports and estimate royalty requirements and other revenues that will flow to the centralized government account. The unit is receiving TA from AusAID, the Australian Government's Overseas Aid Program, to build capacity to carry out its function. The government will begin reporting natural resources revenues separately in fiscal outturns starting in FY 2014 in order to enhance transparency around this critical revenue source.

27. In other areas, the Government has prepared a new fiscal reporting format in line with the GFSM 2001 and the recommendations in the PEFA assessment and will introduce reporting of donor funds, extra budgetary funds, tax expenditures (and costing) and liabilities in fiscal outturns. The Government will publish on the MoF website (www.mof.gov.lr) fiscal outturn within 90 days of the end of each fiscal year; and mid-term economic reports within 45 days of the end of the first half of each fiscal year.

C. Monetary Policy and Financial System

28. Monetary policy will continue to remain focus on keeping inflation low and stable through the maintenance of exchange rate stability, primarily through the CBL's weekly foreign exchange auctions. The accumulation of foreign exchange reserves to ensure adequate reserves coverage of about three months of imports[13] is also key to the CBL in helping to address any balance of payments crisis due to adverse shocks arising from hikes in food and fuel prices on the global market and the slow recovery of global economic growth. In this regard, the CBL aims to maintain adequate reserves over the medium term to buttress the macroeconomic stability while creating some policy buffers. The CBL will also continue to take steps along with the technical assistance from the IMF to improve the risk management capabilities of the CBL and commercial banks to ensure a sound and stable financial system.

29. The CBL will continue to pursue reforms aimed at a stable, safe, efficient and accessible banking sector. In discharging its mandate, the Bank will continue in the short to medium term to pursue the goals of enhancing the overall health of the banking system; strengthening the legal, institutional framework and financial infrastructure; and strengthening the regulatory and supervisory capacity of the Central Bank. The CBL is currently expediting work on the draft Insurance Act for submission to the Legislature by end-June 2013 (structural benchmark). The CBL is also developing its capacity to commence stress test of prudential banking sector data for assessing and addressing risks to the financial system during 2013 in line with its Risk-Based Supervision (RBS) framework. The Securities Market Act has been drafted and is being reviewed by relevant stakeholders for their input before finalization and submission to the Legislature in 2013.

[13] Excluding UNMIL and iron ore concessions-related imports.

30. In working towards strengthening the legal, institutional framework and financing infrastructure, the CBL will support a review of existing legal and regulatory framework to address weaknesses or gaps; develop frameworks for financial safety nets in 2013, including the establishment of a deposit insurance scheme to provide greater protection for depositors, develop a crisis management framework to manage crisis at both individual and systemic levels, and develop a framework for CBL's liquidity support to troubled banks; and further enhance the existing credit reference system and continue ongoing engagement with the IFC for the establishment of the collateral registry by end June 2013 (structural benchmark). The Collateral Registry Regulations to guide the operations and management of the registry has been published.

31. The CBL with funding from the African Development Bank (AfDB) has embarked on a project to modernize the country's payments system. Payments system modernization will play a crucial role in financial deepening in the country and will help put the country's financial system on par with other countries in the sub-region and beyond by transitioning the country's economy from a cash-based to a cash-less one. The payments system development project is expected to be concluded in June of 2014.

D. Debt Management, Resolution and External Policies

32. The Three Year Debt Strategy initiated by the Government sets out the primary objective of ensuring that the funding gap of the Government is met at the least cost to the tax payers in the short, medium and long term through astute budget management and borrowing on concessional terms. Should the conditions be right, any nonconcessional borrowing must be for projects that have positive NPV over the period of the loan with a high return on investment. The three-year debt strategy will be finalized by end-December 2013 (structural benchmark), to support the timely execution of new borrowing following the approval of the FY 14 Budget.

33. The debt management strategy will cover the government borrowing strategy for FY 2013/14, including steps to:

- Take early and proactive steps to raise concessional financing with potential bilateral and multilateral partners. The Government has already commenced these discussions with a showcase of the Agenda for Transformation and discussion of key investment opportunities with potential creditors during the IMF-World Bank Spring meetings.

- Pursue syndicated borrowing from domestic commercial banks for key public projects, allowing financing of large-volume transactions for better returns, providing additional avenues for banks to invest some of their excess liquidity. Such borrowing will be undertaken within the ceiling on new domestic borrowing of the central government.

34. After falling substantially due to debt forgiveness and restructuring as part of HIPC, total debt has risen from $0.5 billion in 2010, by 20.8 percent in 3 years, to US$0.6 billion in 2013, in

part as a result of investment efforts and the IMF program. The stock of domestic debt has moderated over the period and hovers around US$287.7 million in 2013.

35. The Government will continue to make progress on finalizing bilateral and multilateral debt agreements. The debt rescheduling with BADEA has been signed, increasing the maturity of the loan to 40 years with a 5 year grace period and zero percent interest rate. The debt rescheduling with Saudi Arabia has also been signed, with the accrued interest charges capitalized into the stock, to be paid over 40 years. Although these rescheduling arrangements have a reduction factor (grant element) of 68.7% and 49.13% respectively, below the HIPC common reduction factor of 90.2%, they contribute to the Government's efforts to complete restructuring of its inherited debt portfolio and will free up resources in the short-term which can support public investment.

36. The Government has negotiated and signed: a new loan with the Government of Kuwait to rehabilitate the Freeport of Monrovia for US$14.0 million; a loan agreement with the European Investment Bank to rehabilitate the Mount Coffee Hydropower Plant for US$65.0 million;[14] and loan agreements with the African Development Bank (US$6.4 million) and International Fund for Agricultural Development (US$18 million) for small tree crop revitalization. All the loans have been submitted for ratification to the Legislature and are awaiting ratification. In addition to these negotiated loans, the government obtained Legislature ratification of two loans from the World Bank on IDA terms, including US$50 million for roads and US$15 million going towards the small tree crops program. The Debt Management Unit will continue to strengthen the technical capacity of existing staff to support management of the growing debt stock and in raising new debt. Specifically, it will strengthen capacity to negotiate loans and ensure the implementation of the guidelines of the debt management committee, including conducting DSA to ensure external loans, as well as loans negotiated with domestic commercial banks, and are negotiated on the best possible terms.

37. The Ministry of Finance is working to ensure better management of grants and off-budget aid programs ongoing in Liberia. The Aid Management Platform is scheduled to be launched in May 2013. We are following up with our partners to make funding available to conclude the final configuration phase of the platform.

38. The Ministry of Finance commenced risk assessments of all budget support triggers in November 2012 as a way of systematically tracking and following up on "at risk" triggers with the

[14] The government has also secured grants from Norway and Germany for US$97.5 million and US$32.5 million respectively, for the Mount Coffee Hydropower Plant. It is expected the government will provide the remaining US$47 million to fully implement the project. The grant element of the EIB loan is 80 percent.

responsible line ministry or agency. Risk analyses have been completed for approximately 75 percent of the triggers.

39. We are making progress towards the WTO accession: we have submitted answers to initial questions the WTO sent in response to our memorandum on foreign trade and have begun technical meetings with the WTO. The Government will submit legislation for the implementation of the Common External Tariff (CET) following final agreement by the ECOWAS Council of Heads of State, expected in June 2013, and work to remove the final tariffs on internal ECOWAS trade in line with the liberalization scheme. The CET will then form the basis for the negotiations with the WTO.

40. The Memorandum of Understanding between the CBL and the government to clarify the rights and obligations for Liberia's accounts and transactions with the IMF has been signed by the two parties.

E. Other Structural Reforms

41. The Government of Liberia is in the process of redrafting the Petroleum Act to separate responsibility for revenue collection, oversight and regulation; and ensure that petroleum agreements are in line with the redraft. The revised Petroleum Act will be submitted to the Legislature by end-December 2013 (structural benchmark).

42. Risk analysis in the budget: the Government will begin producing a risk management handbook, to be included as an annex to the Budget Framework Paper required to be published alongside the draft National Budget by the Public Financial Management Act 2009. It will include details of likely risks to budget execution, revenue collection and debt levels.

43. Data collection and forecasting: we will expand the Government's data collection. As we recognize the importance of good data in the implementation of effective policies, measures we will take to improve data gathering will include:

- Ensuring that LISGIS have the required resources in FY 2014 to implement the planned household income expenditure survey, providing us with the data required for Government policy development, the government has allocated US$1.1 million in FY 2013/14 draft budget.

- Commencing by end-August 2013 the household income expenditure survey (structural benchmark) and compile and publish the establishment survey (covering all registered business enterprises) by end-June 2013 (structural benchmark) as these are integral parts of the efforts towards better data collection and we will ensure that we work with donors to complete this.

- Complete household income expenditure survey by August 2014 and compile national accounts for 2013 by December 2014 using the results of the completed household income expenditure and enterprise surveys.

F. Program Monitoring

44. Program implementation will be monitored with quantitative financial targets and structural benchmarks (Tables 1 and 2 below), and semi-annual reviews. The second review is expected to be completed on or after November 15, 2013 based on the end-June 2013 PCs, the third review is expected to be completed on or after May 15, 2014 based on end-December 2013 PCs, and the fourth review is expected to be completed on or after November 15, 2014 based on end-June 2014 PCs. Definitions of key concepts and indicators, as well as reporting requirements, are set out in the accompanying Technical Memorandum of Understanding. The second review will be completed on or after November 15, 2013 based on the end-June 2013 PC and third review on or after May 15, 2014 based on end-December 2013 PCs.

Table 1. Liberia: Quantitative Performance Criteria and Indicative Targets, 2012–13

(Millions of US dollars, unless otherwise indicated)

	Dec. 12		Status	Mar. 13 [11/]		June 13 [11/]		Sep. 13 [11/]		Dec. 13	March 14	June 14
	Program	Actual		Program	Est.	Program	Revised	Program	Revised			
Performance criteria [1, 2]												
Floor on total revenue collection of the central government [3]	203.0	214.5	Met	325.7	325.0	460.0	447.5	120.3	120.3	230.3	347.8	492.1
Ceiling on new external arrears of the central government (continuous basis)	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on new non-concessional external debt of the public sector (continuous basis) [4, 10]	0.0	0.0	Met	0.0	0.0	0.0	14.2	0.0	14.2	14.2	14.2	14.2
Ceiling on new domestic borrowing of the central government [5]	15.0	0.0	Met	15.0	0.0	15.0	15.0	15.0	15.0	20.0	20.0	20.0
Floor on CBL's net foreign exchange position [6, 7]	210.0	216.3	Met	207.0	212.2	226.0	232.0	226.0	232.0	237.0	241.0	253.0
Ceiling on CBL's gross direct credit to central government [7]	290.0	293.3	Not met	290.0	293.3	270.0	268.9	270.0	268.9	268.9	268.9	260.9
Indicative Targets												
Ceiling on gross external borrowing by the public sector [8]	126.7	0.0	Met	126.7	118.2	126.7	118.2	126.7	118.2	118.2	118.2	118.2
Ceiling on net domestic assets of the CBL [6, 7]	-10.0	-49.0	Met	-19.0	-25.0	-12.0	-17.0	4.0	-17.0	-17.0	-17.0	-25.0
Ceiling on new domestic arrears/payables of the central government (continuous basis)	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Floor on social and other priority spending (percent of total budgeted expenditure, excluding contingencies) [9]	30.0	30.6	Met	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Memorandum items:												
Memorandum item: Programmed receipt of one-time signing bonuses and Social Development Fund contributions from new iron ore projects [2]	…			…		…		…				
Memorandum item: Programmed receipt of external budget support grants and committed external loans [2, 12]	4.4	15.0	…	…	30.9	49.8	33.5	…	12.6	53.3	55.9	83.5
Memorandum item: Overall fiscal balance [2]												

[1] Test dates for performance criteria at end-December 2012, end-June 2013, end-December 2013, and end-June 2014, otherwise indicative targets.

[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.

[4] Nonconcessional financing will be adjusted by amount of agreed nonconcessional borrowing tied to projects independently evaluated as of high economic return.

[5] Includes issuance of treasury bills, domestic loans, advances, and any government debt instrument such as long-term securities issued in the domestic market.

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

[7] 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, floors will adjust downwards and ceilings adjust upwards by the extent this financing is utilized, up to a maximum of US$20 million.

[8] Three-year average annual ceiling in NPV terms.

[9] For July-December 2012 program and actual include spending on education, health care, social development services, and energy. Revised program includes only education, health,

[10] The modification of this PC was requested to include US $14.2 million loan which was signed between the authorities and the Kuwaiti Development Fund for the rehabilitation of Port Greenville. At the time of the First Review the loan did not come into effect. The grant element of the loan is 34 percent (1 percent below the concessionality threshold).

[11] The overall ceiling on gross external borrowing over 2012-15 has been revised downward to $355 million (compared to $378 million in the program) due to lower concessionality on already contracted loans in the first half of FY2012/13. The program assumes all external borrowing on IDA terms.

[12] The end-June 2013 target has been revised downward to reflect the recent cancelation of the US$ 5 million budget support loan operation by the World Bank as well as shortfalls in budget support grants.

Table 2. Liberia: Structural Benchmarks and Prior Actions, 2012–2013[1]

Measure	Target Date	Justification	Current Status
Enhancing budget programming, control and monitoring			
Submit FY 2013/14 draft budget to legislature for approval	End-April 2013 (prior action)	To ensure timely approval and execution of the budget.	Met.
Set up the state owned enterprises (SOE) Unit at Ministry of Finance (MoF).	First Review	Improve monitoring of public sector contingent liabilities and total public sector borrowing.	Met. Staffing and training completed in March-April 2013.
Fully connect the General Auditing Commission (GAC) to the Integrated Financial Management Information System (IFMIS) giving GAC full access to IFMIS.	First Review	Improve expenditure control for effective budget implementation.	Met. Connection completed in March 2013.
Set up the Treasury Single Account approach at Ministry of Finance.	First Review	Move towards stronger central government liquidity management to reduce idle balances at line ministries and agencies accounts.	Not met. M&As have provided to the Ministry of Finance relevant details on all accounts held for operational purposes at the Central Bank and commercial banks, awaiting further action.
Implement monthly sweeping of balances in operational accounts of eight M&As held at the CBL into the treasury's operational account.	End-June 2013	Improve cash management with a view to eliminate idle accounts.	Newly proposed. In process. Pilot phase of monthly sweeping to begin by end June 2013.
Commence daily sweeping of balances in operational accounts of all M&As held at the CBL into the treasury's operational account.	End-Dec 2013	Improve cash management with a view to eliminate idle accounts.	Newly proposed. Daily sweeping to begin by end December 2013.

[1] Starting with the second review, the target dates have been revised to reflect "test dates".

Table 2. Liberia: Structural Benchmarks and Prior Actions, 2012–2013 (Cont.)

Measure	Target Date	Justification	Current Status-Risks
Enhancing budget programming, control and monitoring			
Regular reporting by 8 largest State Owned Enterprises (SOEs) on their financial performance to the SOE unit at Ministry of Finance, starting with the quarter ending March 2013.	End-June 2013	Improve monitoring of public sector contingent liabilities and total public sector borrowing.	On-track. SOE Unit has been set up and is being given TA to prepare for this reporting.
Create the Resource Revenue Unit in the Large Tax Payers Unit in the Ministry of Finance.	End-June 2013	Support effective taxation of the natural resource sector.	Met. Operational since early 2013.
Ministries and Agencies submit to the Department of Budget and the Project Management Office of the MoF by end-June 2013 their cash and procurement plans for investment projects included in the FY2013/14 budget.	End-June 2013	Improve execution rate of public sector investment projects by ensuring that cash and procurement plans are ready at the start of the new fiscal year (July 1, 2013).	Newly proposed.
Activate the Civil Service Management (CSM) module within IFMIS and the Human Resource Management Information System (HRMIS) sub-module within the CSM.	End-June 2013	Reduce payments to ghost workers and increase fiscal space for capital investment. The activation of the CSM module will contribute to ensure that the illegal introduction of new staff to the payroll is effectively restricted.	Modified to reflect activation of CSM module. All regular and supplementary payrolls have been transferred, but not all payrolls have been cleaned up.
Complete clean-up of payrolls of 5 Ministries and Agencies (M&As) and upload the cleaned payrolls to IFMIS	End-Dec 2013	Reduce payments to ghost workers and increase fiscal space for capital investment.	Modified and reset. There are now 5 payrolls that remain to be cleaned up, but the process of cleaning up has been extended to December 2013 due to the size and complexity of remaining payrolls. There are risks of further delays given the size and complexity of the remaining payrolls.

Table 2. Liberia: Structural Benchmarks and Prior Actions, 2012–2013 (Cont.)

Measure	Target Date	Justification	Current Status-Risks
Improving capital spending execution and curbing current expenditure			
Establish Project Management Office (PMO) at Ministry of Finance	End-Dec. 2012	Monitor progress in capital spending associated with PRS2 and debt sustainability.	Met. Staffing completed and office became operational in March 2013. PMO assisting implementing M&As in preparing public investment projects for inclusion in FY2013/14 budget.
Complete forward looking medium term debt strategy consistent with fully costed PRS2.	End-Dec. 2013	Ensure consistency between borrowing plans and PRS2 and maintaining debt sustainability.	Newly proposed. Already started, but TA might be needed.
Submit to the Legislature the draft petroleum sector law and the amendments to the revenue code.	End Dec. 2013	Ensure the tax regime for the petroleum sector generates the appropriate level of revenues to the GoL based on international best practice.	Newly proposed.
General Auditing Commission (GAC) to complete audit of the FY 2011/12 budget using the Integrated Financial Management Information System (IFMIS).	End Dec. 2013	Improve expenditure control for effective budget implementation.	Newly proposed. GAC has full access to IFMIS to start audit and staff is trained in the use of IFMIS information.

Table 2. Liberia: Structural Benchmarks and Prior Actions, 2012–2013 (Cont.)

Measure	Target Date	Justification	Current Status-Risks
Enhancing national accounts statistics			
Compile and Publish Results of Establishment Survey	End-June 2013	Survey results needed to validate national accounts data needed for macroeconomic policy.	On-track
Commence Household Income Expenditure Survey.	End-Aug. 2013	Survey needed to validate national accounts data needed for macroeconomic policy.	Allocation made in FY2013/14 budget. Possible risk of logistical delays in the administration of the Multi Donor Trust Fund.
Developing the Financial System			
Issue government treasury bills.	First Review	Support financial market development and add a liquidity management tool to the central bank, and for treasury cash management purposes.	Met. T-bills issued on May 2, 2013.
Submit to Legislature a revised Insurance Act	End-June 2013	Streamline regulation in the insurance sector and establish the central bank as the sole regulator of all insurance agencies.	On-track
Establish a collateral registry at CBL	End-June 2013	Support more secure lending practices and prevent borrowers from contracting loans from multiple banks based on the same collateral.	On-track. The Collateral Registry Regulations to guide the operations and management of the registry has been published.

ATTACHMENT 2. 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 three-year Extended Credit Facility (ECF), as well as the reporting requirements. 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-June 2013, end-December 2013, and end-June 2014 and indicative quantitative performance benchmarks have been set for end-September 2013 and March 2014.

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. dollars with all revenues and expenditures that are denominated in Liberian dollars converted at the end of period exchange rate. The public sector comprises the central government, the Central Bank of Liberia, 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. dollar, 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 as well. 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 dollars, and the GOL Special Rice Fund converted to U.S. dollars using the end of period exchange rate.

4. **For end-June 2013, end-December 2013, and end-June 2014**, **social spending is defined as education, health, social development services, and energy sector spending**

from the FY 2013 budget of the units listed below (payment vouchers approved by the Ministry of Finance) excluding contingent expenditure. It is evaluated as a share of total budgeted expenditure, where total budgeted expenditure excludes contingent expenditure and off budget expenditure.

Education, Health, Social Development Services, and Energy Spending

	End June 2013	End Dec. 2013	End June 2014
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			

Education, Health, Social Development Services, and Energy Spending (concluded)

	End June 2013	End Dec. 2013	End June 2014
Health			
Ministry of Health and Welfare JFK Medical Center (JFKMC) Phebe Hospital LIBR Jackson F. Doe Medical Hospital Liberia Medicines and Health Regulatory Authority National Aids Commission			
Social Development Services			
Ministry of Youth & Sports Ministry of Gender & Development Liberian Refugee Repatriation and Resettlement National Commission on Disabilities National Veterans Bureau Liberia Agency for Community Empowerment			
Energy Sector			
Thermal diesel (HFO) power station Transmissions and distribution Mount Coffee rehabilitation, transmission, and distribution to Bushrod Island			

5. **Social and other priority spending will be adjusted downward** by the undisbursed amounts from budgeted external financing 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 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, 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. **Gross external borrowing by the public sector** is defined as cumulated new external claims by residents and non-residents from July 1, 2012 on the public sector excluding borrowing for reserve management purposes by the CBL.

8. **The definition of external debt by the public sector**, for the purposes of the program, applies not only to the meaning set forth in point No. 9 of the "Guidelines on Performance Criteria with Respect to External Debt" (Executive Board Decisions No. 6230-(79/140) August 3, 1979, as amended and effective December 1, 2009 attached in Annex I), but also to commitments contracted or guaranteed for which value has not been received.

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

10. **The ceiling for contracting and guaranteeing nonconcessional external debt by the public sector will be set at zero continuously throughout the program period except as agreed with Fund staff**. The ceiling for contracting and guaranteeing nonconcessional debt excludes short-term (debt contracted for the period less than one year) import-related credits, rescheduling arrangements, and borrowing from the Fund.

11. **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.

12. **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 15 days from the date of commitment. Actual payments are defined as having taken place on the date of issuance of the checks by the Ministry of Finance. Government payment commitments include all expenditure for which commitment vouchers have been approved by the Director of the Bureau of General Accounting (BGA), and expenditure that are now automatically approved, namely, wages and salaries, pensions, debt payments to the CBL and commercial banks, CBL bank charges, and transfers of ECOWAS levies into the ECOWAS account.

13. **CBL gross direct credit to central government** is defined as the sum of claims on central government, including loans, advances, accounts receivable, overdrafts, and any government debt instrument as defined in the monetary survey template excluding CBL purchases of treasury bills in the secondary market. The gross credit to the government is expressed in U.S. dollars. Claims denominated in Liberian dollars are valued at end-of-period exchange rate.

14. **The net foreign exchange position of the CBL** is defined as the difference between (a) the CBL's gross foreign reserves including SDR holdings, and (b) the sum of its gross foreign liquid liabilities, ECF arrangement liabilities, and liquid liabilities denominated in U.S. dollars. The net foreign exchange position floor at end-June 2013, end-December 2013, and end-June 2014 is US$15 million below the projected net foreign exchange position. The net foreign exchange position of the CBL is presented in the U.S. dollar. Assets and liabilities denominated in SDR 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.

15. **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.

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

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

December 2012	4.4
March 2013	28.2
June 2013	33.5
September 2013	12.6
December 2013	53.3
March 2014	55.9
June 2014	61.6

Program Monitoring

A. Data Reporting to the IMF

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

- Detailed reports on monthly 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);
- Outstanding appropriations, allotments and commitments, and disbursements for line ministries and agencies (monthly, within three weeks after the end of the month);
- 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);
- End-month balances in the GoL accounts at the CBL. These comprise the GoL Revenue Accounts in U.S. dollars, the Revenue Accounts in Liberian dollars, the Civil Servant Payroll Accounts in Liberian dollars, the General Operations Accounts in U.S. dollars, the General Operations Accounts in Liberian dollars, and the GoL Special Rice Fund. Any new accounts opened by the GoL at the CBL or at any other local financial agency shall be reported to the IMF also (monthly, within three weeks from the date of the statement);
- 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);

- 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);
- 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);
- The amount of new external debt contracted or guaranteed by the public sector (monthly, within three weeks after the end of the month);
- The amount of new domestic debt contracted or guaranteed by the public sector (monthly, within three weeks after the end of the month);
- A 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);
- 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);
- The balance sheet of the CBL in the monthly monetary survey (monthly, within three weeks after the end of the month);
- The full monthly monetary survey of the monetary sector (monthly, within three weeks after the end of the month);
- The detailed table of commercial banks loans and advances by sector (monthly, within three week of end of month);
- The core set of financial soundness indicators for the banking system, including the overall profitability of the banking sector (quarterly, within three weeks after the end of the quarter);
- The report on the results of foreign exchange sales/purchases by the CBL through foreign exchange auctions held by the CBL (weekly) and other currency exchange facilities;
- Regular sale of U.S. dollars by the Ministry of Finance to the CBL, including amount date, and rate of exchange (monthly, within three weeks after the end of the month);
- Indicators of overall economic trends, including but not limited to:
    - detailed tables of the monthly harmonized consumer price index (within three weeks after the end of the month);
    - daily foreign exchange rates (monthly);

  - 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);

  - interest rates and commercial bank remittance inflows and outflows (monthly, within three weeks after the end of the month); and

  - production data in value and volume (monthly, within six weeks after the end of the month);

- Quarterly reports of state owned enterprise financial operations submitted to Ministry of Finance;

- The report on the status of implementation of the structural performance criteria and benchmarks specified in Table 2 of the MEFP (monthly, within three weeks after the end of the month).

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

19. 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 1. GUIDELINES ON PERFORMANCE CRITERIA WITH RESPECT TO EXTERNAL DEBT

Excerpt from Executive Board Decision No. 6230-(79/140) August 3, 1979, as amended in 2009

(a) 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 lesser retains the title to the property. 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 point 9(a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes 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.

INTERNATIONAL MONETARY FUND

LIBERIA

June 17, 2013

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA—INFORMATIONAL ANNEX

Prepared By | African Department (In consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of September 30, 2012)

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

General Resources Account:	**SDR Million**	**%Quota**
Quota 129.20	100.00	
Fund holdings of currency	129.18	99.99
Reserve Tranche Position	0.03	0.02

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	123.98	100.00
Holdings	157.47	127.01

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF Arrangements	49.52	38.33

Latest Financial Arrangements:

	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Nov. 19, 2012	Nov. 18, 2015	51.68	7.38
ECF [1]	Mar 14, 2008	May17, 2012	247.90	247.90
EFF	Mar 14, 2008	Sep 25, 2008	342.77	342.77
Stand-By	Dec 07, 1984	Dec 06, 1985	42.78	8.50

[1] Formerly PRGF.

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

	Forthcoming				
	2013	2014	2015	2016	2017
Principal		2.10	3.69	5.46	7.68
Charges/Interest		0.00	0.12	0.10	0.09
Total		2.10	3.80	5.57	7.77

Implementation of HIPC Initiative: Enhanced Framework

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

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

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

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

Delivery of Debt Relief at the Completion Point:

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

II. Debt relief by facility (SDR Million)

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

Safeguards Assessment

An update safeguards assessment, which is substantially completed, noted a need to regain momentum in building robust safeguards at the CBL. While progress has been made on some recommendations from the 2011 assessment, including finalizing a memorandum of understanding (MoU) clarifying the rights and obligations of the government and the CBL regarding IMF transactions, a number of previous recommendations have not been implemented. These include strengthening the internal audit function through an external peer review, independent reviews of monetary program data by internal audit, and a review of the currency operations. At the same time, the recent overdraft and bridge financing arrangements with the CBL are in breach of the CBL Act with regard to credit to government which raises safeguards concerns on governance and compliance mechanisms at the CBL. Recommendations from the update of the safeguard assessment include appointing internationally reputable external auditors for the next three-year term, resuming independent internal audits of monetary data, and strengthening Board oversight on the (i) external audit process and (ii) compliance of bank operations with the CBL Act. Staff received assurances from the CBL on the planned continuation of external audits, in accordance with international standards, by suitably qualified reputable firms. The recommendations arising from the update safeguards assessment do not require action in the context of the first review, and will be monitored under the program.

Exchange Rate Arrangement

Liberia maintains an exchange rate system that is free of restrictions on payments for current and capital transfers. The currency of Liberia is the Liberian dollar. The U.S. dollar is also legal tender. The exchange rate showed limited mobility for most of 2011 resulting in a short lived re-classification of the de facto exchange rate regime to 'stabilized arrangement' effective January 5, 2011. The de facto exchange rate regime was re-classified back to 'other managed' effective November 7, 2011 as the Liberian dollar diverged from the 2 percent six months band. The de jure exchange rate regime classification remains 'managed floating'. The exchange rate between the Liberian dollar and United States dollar at end-May 2013 was L$76.00=US$1 (mid-point between buying and selling rates).

Article IV Consultation

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

Technical Assistance 2009–13

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

Topic	Date
Fiscal Affairs Department	
Reforms and Technical Assistance Needs	February 2009
Public Financial Management—Drafting Regulations	February–March 2009
Fiscal Decentralization	February–March 2009
Public Financial Management Regulations Drafting	May 2009
Revenue Authority, Customs and Tax Administration	May 2009
Public Financial Management	June 2009
Tax Administration	September 2009
Tax Policy	November 2009
Public Financial Management	October 2010
Tax Administration	March 2010
Revenue Administration	June 2010, September and Dec. 2010

Topic	Date
Revenue Department Strategic Plan	November–December 2010
Tax Policy	November–December 2010
Public Financial Management Strategy	December 2010, March–April 2011
Revenue Department Strategic Plan	January–February 2011
Cash Flow Planning and Government Banking Arrangements	February 2011
Medium Term Expenditure Framework	March 2011 and August–Sept. 2011
County Treasury Framework	June 2011
Tax Administration	June–July and August–September 2011
Tax Policy	November–December 2011
Revenue Administration	January–February 2012
SOE Financial Reporting Framework	March–April 2012, March–April 2013
Cash Flow Management	April 2012
Public Expenditure Financial Assessment (PEFA) Follow up	June 2012
Revenue Administration	September 2012 and February 2013
Management of Public Investment Projects	October 2012
Revenue Administration (Enforcement and TSC)	November–December 2012
Tax Policy	November–December 2012
Fiscal Reporting	December 2012 and February 2013
Cash Management	December 2012
Petroleum Fiscal Advisory	March 2013
PFM Monitoring and Evaluation Framework	February 2013
Fiscal Decentralization	September 2012, March–April 2013
Tax Policy and Administration	April–May 2013
ITAS Implementation and Taxpayer Survey	May–June 2013
County Treasuries	September 2012
Statistics Department	
Government Finance Statistics	April–May 2009
Monetary Finance Statistics	March–April 2010
National Accounts	April 2010 and July–August 2010
National Accounts	January 2011
Balance of Payments	March–April 2011
Statistics Department Monetary and Financial Statistics	August 2011

Topic	Date
National Accounts Compilation	September 2011
Short-term Resident Advisor on National Accounts	May–August 2012
Balance of Payments	March 2013
National Accounts	April 2013
Monetary and Capital Markets Department	
Accounting	January and August–September 2009
Monetary Operations	April and October 2009
Foreign Exchange Operations	June 2009
Banking Supervision	September–October 2009
Monetary Financial Statistics	March–April 2010
Central Bank Accounting Standards	May 2010
Monetary Operations	June–July 2010
Banking Supervision	August 2010
Bank Payment Systems	December 2010
Central Bank Accounting	January–February 2011
Central Bank Modernization	March–April 2011
Bank Payment Systems	May 2011
Banking Supervision	June–July 2011
Safeguards Assessment	July 2011
Monetary Financial Statistics	August 2011
Capacity building for national payment system	September–November 2011
Central Bank Accounting	December 2011
Accounting	January 2012
Monetary Operations	January 2012
Stress Testing	January 2012
Payment Systems Law	February 2012
Banking Supervision	March–April 2012
Stress Testing	August 2012, February–March 2013
Central Bank Accounting (IFRS)	September 2012
Managing Excess Liberian Dollar Liquidity and strengthening Research Department Analytical Capacity	February 2013
Monetary and Financial Statistics	March–April 2013
Top Down Stress Testing	April 2013

Topic	Date
Evaluating and strengthening the Treasury Bill Program and Research Department Reporting	May 2013
Legal Department	
Legal Drafting	May 2009 and December 2009
Drafting Tax Legislation	July 2010
Legal Drafting	Dec. 2010, March and August 2011

Resident Representative

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

JOINT WORLD BANK-IMF WORK PROGRAM, 2012–13

(As of June 6, 2013)

Title	Products	Timing of mission	Expected delivery date	Status
A. Mutual information on relevant work programs				
1. World Bank work program	1. Liberia Poverty Assessment	January 2010	May 2012	Completed
	2. First Poverty Reduction Support Credit (PRSC I)	May 2013	July/August 2013	Ongoing
	3. Poverty Reduction Strategy – Support	November 2010	June 2012	Completed
	4. Public Expenditure Review Notes	November 2011	July 2013	Completed
	5. Diagnostic Trade Integration Study (Update)	October 2012	July 2013	Ongoing
	6. Decentralization Policy Note	January 2013	July 2013	Ongoing
2. IMF work program	1. Negotiation successor ECF	July-Sept. 2012	November 2012	New ECF Program approved on Nov. 19, 2013.
	2. Article IV Consultation	July-Sept. 2012	Nov. 2012	Completed
	3. First review of ECF Program	March 2013	June 2013	On going
	4. Second review of ECF Program	September 2013	Nov. 2013	
	5. Managing Natural Resource Revenue in Liberia: Options for a Fiscal Framework		November 2012	Background paper. Completed
	6. Drivers of net interest margins and bank profitability in Liberia		November 2012	Background paper. Completed
	7. The Investment-Financing-Growth Nexus		November 2012	Background paper. Completed
	8. Outreach program to Legislature, private sector associations, and students		March, June 2013	Completed
3. WB/IMF Joint work program	1. Joint Staff Assessments (JSA) on the second Poverty Reduction Strategy (PRS2).	March 2013	May 2013	Completed
	2. Technical Assistance for PFM reforms and decentralization.			On-going
	3. Assist the authorities in developing national accounts			Ongoing

Title	Products	Timing of mission	Expected delivery date	Status
B. Requests for work program inputs				
4. Fund request to Bank	1. Country Assistance Strategy		July 2013	Under preparation
	2. World Bank Relations Note		As needed	
5. Bank request to Fund	1. Regular updates of performance under the Fund-supported program, macroeconomic projections and data following each IMF mission		Continuous	Last update March 2012
	2. IMF Relations Note		As needed	

RELATIONS WITH THE WORLD BANK GROUP[1]

(As of May 31, 2013)

The Joint Country Assistance Strategy[2] (JCAS) presented to the Board of the World Bank Group on April 21, 2009 aims to support Liberia's transition from post conflict recovery to long-term development. More specifically, the JCAS, which is fully aligned with the Africa Regional Strategy and the Government's Poverty Reduction Strategy (PRS), focuses on three strategic objectives: (i) rebuilding core state functions and institutions; (ii) rehabilitating infrastructure to sustain economic growth; and (iii) facilitating pro-poor growth. The World Bank's program under the JCAS involved a combination of development policy lending, investment lending and analytical work in support of the three strategic objectives.

A progress report presented to the Board on July 7, 2011 extends the current Joint Country Assistance Strategy to end FY12 to coincide with the launching of Liberia's second Poverty Reduction Strategy—the Agenda for Transformation—launched in December 2012. The World Bank's IDA financing for the JCAS period (FY09–FY12) was US$338.0 million. With the addition of some US$120 million under the Liberia Reconstruction Trust Funds managed by the Bank, as well as other trust funds, the actual financing under the JCAS program was approximately US$727 million. The International Finance Corporation (IFC) net commitment under the JCAS was about US$16.4 million with a program focused on: improvement of the investment climate; improving the dialogue between the government and the private sector; strengthening the financial sector; supporting private participation in the economy.

The Liberia indicative allocation for the IDA16 period (July 2011–June 2014) is SDR 117.5 million, an increase of 18 percent over the IDA 15 allocation. The preparation of the new five-year Country Partnership Strategy (CPS) for FY13–17 is well advanced and is expected to be presented to the World Bank's Board in July 2013.

A. Active Projects

There are currently fourteen active[3] IDA projects in Liberia, including three regional projects, with a total commitment of approximately US$312.2 million of which US$136.6 million is undisbursed. Three new credits were approved for FY13 to date for a total commitment of approximately US$95 million. The new credits are summarized below:

The Liberia Road Asset Management Project (LIBRAMP) was first approved in June 2011 for US$67.7 million. Additional financing for US$50 million was approved in September 2012. The

[1] Prepared by the World Bank.

[2] Joint with World Bank, IFC and African Development Bank.

[3] Effective and/or disbursing operations.

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

The Liberia Accelerated Electricity Expansion Project (LACEEP) was approved in May 2013 for US$35 million. The objectives of the project are to increase access to electricity and strengthen institutional capacity in the electricity sector. The project focuses on three of the most pressing issues for the implementation of the government's ambitious plans to expand electricity services in Liberia by 2030. *The first component* supports the expansion of the transmission and distribution grid, both in and outside of Monrovia. *The second component* will create the conditions to shift from diesel to HFO-based thermal generation, for the country to effectively benefit from the price differential of the two fuels on the international market. *The third component* focuses on the strengthening of the institutional capacity within the government to lead the development of the electricity sector.

The Liberia Health Systems Strengthening Project was approved in May 2013 for US$10 million. The Objective of the project is to improve the quality of maternal health, child health, and infectious disease services in selected secondary-level health facilities. *The first component* of the project focuses on strengthening the institutional capacity needed to improve the quality of selected health interventions at target facilities. *The second component* deals with improving health worker competencies to address key health-related concerns. *The third component* covers project management.

B. Economic and Sector Work

The World Bank has completed a comprehensive Public Expenditure Review (PER), which explores various options for fiscal space enlargement. Given the large amount of additional expenditure required for the implementation of the government's second Poverty Reduction Strategy—the Agenda for Transformation, it is critical that all options are examined to accommodate these expenditures. The PER focuses on measures for: (a) improving the efficiency of public expenditure; (b) increasing the amount of external grants; (c) mobilizing greater revenue from taxes, non-tax revenue and natural resources; and (d) public sector borrowing.

The World Bank has also completed a human development Public Expenditure Review (PER) covering the education, health and social protection sectors. Public spending on the human development sector in Liberia is low by Sub-Saharan Africa (SSA) standards. The PER therefore examines a number of key public expenditure issues affecting progress in attaining the MDGs. The Review considers the sources and levels of funding, budgetary allocations across and within the sectors, and the quality, equity and efficiency of public expenditure on human development.

The World Bank has completed the first public expenditure review focusing on the security and justice sector in collaboration with the United Nations Mission in Liberia (UNMIL). The Review was financed by the Bank-UN Partnership Trust Fund and in line with the policy implications of the 2011 World Development Report (WDR) on *Conflict, Security and Development*. It sought to assist the Government in identifying the core security functions and their associated financing costs and gap, as well as options to ensure smooth security transition beyond the drawdown of UNMIL peacekeepers beginning in October 2012. The report proposes a roadmap for prioritizing the security activities in the context of a medium-term expenditure framework.

C. Financial Relations (as at May 31, 2013)

(Millions of U.S. dollars)[1]

Project	Closing Date	Approval (Fiscal Year)	Net Commitment Amount	Total Disbursed	Of Which: Credit Disbursement	Total Undisbursed Balance
West Africa Power Pool APL	11/29/2013	2010	1.9	1.9	0.0	0.0
LR: Youth, Employment, Skills Project	6/30/2013	2010	6.0	6.0	0.0	0.0
Community Empowerment II	7/31/2013	2007	5.0	5.1	0.0	0.0
LR-Agriculture & Infrastructure Development Project. ERL	10/31/2013	2008	53.0	46.0	0.0	5.9
LR-Econ. Governance & Institutional. Reform TAL	12/31/2013	2008	18.0	13.6	3.7	3.1
LR-Emergency Monrovia Urban Sanitation	12/31/2013	2010	4.0	0.9	0.9	3.0
LR-Urban and Rural Infra. Rehab. Project	6/30/2014	2009	64.0	53.8	0.0	10.6
West Africa Regional Fisheries Program	12/15/2014	2009	9.0	4.8	0.0	3.9
Liberia Electricity System Enhancement Project	12/31/2014	2012	32.0	4.2	4.2	26.7
West Africa Regional Communications Infrastructure Program	9/302015	2011	25.6	20.8	20.8	3.6
West Africa Agricultural Productivity Program APL	6/30/2016	2011	6.0	1.4	1.4	4.5
Liberia Integrated Public Financial Management Reform Project	6/30/2016	2012	5.0	1.6	1.6	3.1
LR-Smallholder Tree Crop Revitalization Support Project	12/31/2016	2012	15.0	0.0	0.0	14.5
LR-Road Asset Management Project	6/30/2022	2011	67.7	6.7	6.7	57.7
Total	**…**	**…**	**312.2**	**166.8**	**39.3**	**136.6**

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

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

US$ Million	Jul–Sep 2010	Oct–Dec 2010	Jan–Mar 2011	Apr–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	Jan–Mar 2012	Apr–Jun 2012	Jul-Sep 2012	Oct-Dec 2012	Jan-Mar 2013	Apr-Jun 2013
Total disbursements	9.47	22.13	7.64	22.58	21.82	10.73	14.25	8.47	16.62	2.18	7.55	6.56
Repayments	0.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net disbursements	9.14	22.13	7.64	22.58	21.82	10.73	14.25	8.47	16.62	2.18	7.55	6.56
Interest and fees	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.02	0.10	0.02

Note: *=revised data.

RELATIONS WITH THE AFRICAN DEVELOPMENT BANK[1]

(As of May 15, 2013)

There are 13 active AfDB projects in Liberia, including two regional projects, with a total commitment of approximately UA 146 million, equivalent to US$ 230 million, of which 31% is disbursed. A brief description of these projects is provided below.

1. **Economic Governance and Competitiveness Support Program**: This UA 30 million budget support operation aims to (i) improve PFM systems; (ii) strengthen tax and customs administration including transparency and accountability of revenue from the extractive industry; and (iii) improve business enabling environment for private sector development. It will also increase the government's fiscal space for pro-poor expenditure in line with the PRS. The program is an integral part of a broader set of interventions of the AfDB designed to support good financial and economic governance. In December 2011, the first tranche of UA 14 million was disbursed. The disbursement process for the second tranche of UA8 million should be finalized by 15 June 2013.

2. **Integrated Public Financial Management Reform Project (IPFMRP)**: The ADB's UA 3.0 million grant support for this project was approved on September 10, 2012. Supported by four donors—the ADB, World Bank, USAID, and SIDA—this US$28.55 million project represents an innovative approach for the Bank to support a comprehensive government program for PFM reform. By using a pooled funding arrangement, the project harmonizes support from the four donors, increasing development effectiveness while decreasing the administrative burden on the Government. The project has five components, which are mutually reinforcing: (i) enhancing budget planning and credibility; (ii) strengthening budget execution, accounting and reporting; (iii) strengthening revenue administration; (iv) enhancing transparency and accountability; and (v) project management and capacity building.

3. **Payment systems development project**: This UA 5 million supplementary grant enables Liberia to join the West Africa Monetary Zone (WAMZ) Payments System Development Project. The project aims to improve the financial sector basic infrastructure in the WAMZ region through the upgrade of the payments systems of The Gambia, Guinea, Sierra Leone, and Liberia. The project components include: Real Time Gross Settlement (RTGS) system; Retail Payments Automation (RPA), a clearing system comprising Automated Checks Processing (ACP); Automated Clearing House (ACH); Central Banking Applications (CBA) system; and telecommunication infrastructure. The project will increase participation in the formal financial sector and enhance financial flows at the regional level. This project fits under Pillar I of the

[1] Prepared by the African Development Bank.

Bank's proposed Regional Integration Strategy for West Africa 2011–15 on linking regional markets through trade and investment facilitation.

4. **Technical Assistance from Fragile States Facility**:

a. **LEITI**: US $460,000 grant assistance for Multi-Stakeholders Group costs; communication and outreach, staff training and capacity building of actors involved in extractive industries transparency related activities

b. **Public Financial Management Reforms**: US$1,000,560 grant assistance to cover operating cost for Public Financial Management Reform Unit, Macro Fiscal Unit, and Aid Management Unit.

c. **Dagliotti School of Medicine**: US$300,600 grant assistance to retain 3 professors teaching at Dagliotti School including cost of carrying out medical research.

d. **Institutional Development and Capacity Building Support to the Governance Commission**: UA 438,338 grant assistance to strengthen the capacity of the Governance Commission and to accelerate the implementation of governance reforms.

e. **Technical Assistance for Services of Procurement Specialist/Transport Engineer to Support Ministry of Public Works**: UA 117,000 grant to strengthen the capacity of the Ministry of Public Works in conducting construction, rehabilitation and maintenance works of socio-economic infrastructure including roads.

5. **Liberia–Urban Water Supply and Sanitation Project (UWSSP)**. This UA 25.2 million grant project aims to improve Monrovia's water and sanitation facilities. The project will: (i) provide access to adequate, safe and reliable water supply and public sanitation services in Monrovia, Buchanan, Kakata, and Zwedru; and (ii) enhance the institutional, operational, management capability, and the long-term financial viability of LWSC. The Project's components are: (i) Rehabilitation and augmentation of water treatment and distribution systems; (ii) Provision of public sanitation facilities; (iii) Institutional support; (iv) Environmental and Sanitation Sensitization. Expected outcomes include: (i) Reliable and affordable water and sanitation services to 50 percent of the population in Monrovia, and 75 percent coverage in Buchanan, Kakata, and Zwedru (about 700,000 people in total); (ii) Social connection revolving fund to enable access by the poor; (iii) Improved projects implementation by water and sanitation sector staff; and (iv) Improved management, operation and maintenance of water and sanitation facilities.

6. **Agriculture sector rehabilitation project**: This UA 18.4 million project cost is financed by a UA 12.5 million grant from the Bank, UA 3.4 million grant from IFAD, and the balance financed in kind by the Government of Liberia. The project covers eight of the fifteen counties in Liberia. The overall goal of the Agriculture Sector Rehabilitation project is to contribute to food

security and poverty reduction. Its specific objective is to increase the income of smallholder farmers and rural entrepreneurs including women on a sustainable basis. The project is implemented under three components: Agriculture Infrastructure Rehabilitation; Agricultural Production and Productivity Improvement; and Project Management, with Agriculture infrastructure constituting 60 percent of the cost.

7. **Smallholder Agricultural Productivity Enhancement and Commercialization (SAPEC) Project**: This UA 34.08 million project will be funded by a UA 29.08 million grant from the Global Agriculture and Food Security Program (GAFSP), a UA 4.0 million ADF loan, and UA 1.0 million by in-kind contributions from the Government of Liberia. The Intervention seeks to reduce rural poverty and household food insecurity by increasing income for smallholder farmers and rural entrepreneurs particularly women, youths and the physically-challenged. SAPEC will be implemented in 12 of the 15 counties of Liberia over the 2013–2017 timeframe. The project seeks to scale-up the on-going Agricultural Sector Rehabilitation Project (ASRP) by operating in 8 of the 12 counties where the ASRP is being implemented. The 3 uncovered counties are programmed for similar interventions by the United States Agency for International Development (USAID), World Bank (WB) and other donors. The project consists of four components, namely: (i) Sustainable Crop Production Intensification; (ii) Value Addition and Marketing; (iii) Capacity Building and Institutional Strengthening; and (iv) Project Management. The Legislature ratification process is almost finalized 13 months after approval.

8. **The Labour-Based Public Works Project (LBPWP)**: The UA 20.24 million grant project aims to contribute to the improvement of productive livelihoods and service delivery. The project objective is to rehabilitate socio-economic infrastructure and improve capacities for infrastructure maintenance. Its components are: i) Rehabilitation of Socio-Economic Infrastructure; and ii) Capacity Development for Infrastructure Maintenance; and iii) Project Management. In 2011 the Bank provided a UA 5.00 million supplementary grant from the Fragile States Facility (FSF) to enable the financing of additional costs resulting from improved designs of the project infrastructure.

9. **Equity investment of US$0.9 million in the share capital of access bank (ABL)**: The Access Bank Liberia (ABL) is a start-up microfinance bank sponsored by lead investor Access Microfinance Holding AG in Germany, with co-support by the International Finance Corporation (IFC) and the European Investment Bank (EIB). An additional capital increase of US $200.000 has been approved.

10. **Rural Water, Sanitation and Hygiene Program Development Study**: The UA 924,138 study has as objective to provide the Government of Liberia with sufficient information and justifications to make an informed decision on the most appropriate options for delivering sustainable and equitable access to safe and affordable drinking water supply, basic sanitation and hygiene services in rural areas. The outputs of the study will include; (i) National Program and Investment Plan for Rural Water, Sanitation and Hygiene services for the rural areas of Liberia for 2012–17; (ii) Program Implementation Manual; (iii) Monitoring and Evaluation Framework, (iv) Operational and Maintenance Plan, and (v) draft Mobilization White Paper.

11. **ECOWAS Peace and Development Project**: With a grant of US$10 million the project is implemented in Liberia, Bissau-Guinea, Sierra-Leone, and Guinea to contribute to promoting peace and development in the ECOWAS Member States. The project provides institutional capacity building for ECOWAS and civil society in conflict-affected countries with a view to improving coordination, management and implementation of conflict prevention actions, within a context of good governance.

12. **Support to Liberia Institute of Public Administration (LIPA)**: A grant of US$114,045 serves to further enhance the performance of public servants in different sectors of the society through series of training administered by the Administrative Staff College of Nigeria (ASCON).

13. **Fostering Innovative Sanitation and Hygiene in Monrovia, Liberia**: The objective of the grant of Euro 1,212,446 from the African Water Facility administered by the ADB is to increase access to sustainable and affordable sanitation services with improved hygiene and livelihood for Monrovia's urban poor. The specific objectives include (a) increase access to safe, sustainable and affordable sanitation services; (b) reduce the vulnerability of the urban poor populace to WASH related diseases caused by water contamination; (c) implement an effective, efficient and sustainable FS management system with production of affordable FS fertilizer to increase food security that is scalable.

STATISTICAL ISSUES

(As of May 31, 2013)

I. Assessment of Data Adequacy for Surveillance
General: Data have serious shortcomings that significantly hamper surveillance. Shortcomings are most serious in the areas of national accounts, government finance, and balance of payments statistics.
National Accounts: Comprehensive national accounts data are not available. Fund staff estimate GDP by activity using the production approach and primary source data provided by the Liberia Institute of Statistics and Geo-Information Services (LISGIS). Estimates for GDP by expenditure are not available. Liberia participates in the National Accounts Module of the UK Department for International Development supported Enhanced Data Dissemination Initiative (EDDI), which aims to strengthen annual national accounts, and to improve price statistics. The national business register and national accounts questionnaires were established in December 2008. In 2009, the LISGIS conducted the first post-war National Accounts Annual Survey (NAAS) and collected information for the calendar year 2008. This survey had problems with low response rates and the results from the survey have not been published yet. A second round of National Accounts Annual Survey (NAAS 2012) was conducted during July–August, 2012 and collected information for the years 2010 and 2011. Following a request from the authorities, an STA mission assisted the LISGIS in successfully conducting the field operations of the survey which resulted in a response rate of around 98 percent. The World Bank has also appointed a consultant to guide the LISGIS in various aspects of the survey; it is expected that the survey results would become available by the end of June 2013. There are, however, challenges in estimating informal sector activities. And the Household Income and Expenditure (HIES) Survey planned for 2013/14 will provide data from which such estimates may be developed. Supply and use tables (SUT) for 2008 were independently developed by a World Bank consultant to provide a benchmark estimate of GDP. The Liberian authorities requested STA to make an assessment of the SUT estimates. After a desk-based review of the results, STA noted that the SUT estimates for 2008 are not sufficiently robust to be published as official statistics and should be considered as experimental. The assessment took into account the lack of basic information and the use of many imputations and adjustments in the compilation process. It was stressed that such research results, however, serve to generate discussion with interested users and may, with appropriate improvements to source data and methodology, develop into official estimates. Through its technical assistance missions within the EDDI project, STA will continue to provide guidance on the use of existing and new source data to compile national accounts estimates and to build capacity in LISGIS to produce reliable national accounts statistics on an ongoing basis. With improved data sources (especially NAAS 2012 and HIES 2013/14), it is expected that reliable GDP estimates should be available by 2014.
Price statistics: A consumer price index for Monrovia has been compiled since 2005. The Harmonized Consumer Price Index providing national coverage was officially adopted in 2007.
Government finance statistics: The Ministry of Finance regularly provides the African Department with monthly disaggregated data on budgetary central government revenue recorded on a cash basis, and expenditure recorded on both cash and commitment bases. While they are in the process of phasing-in the *GFSM 2001* framework, there is still a number of areas where the government finance statistics need to be

improved: lack of legal framework to collect statistics; limited data sharing and coordination among data-producing agencies; inconsistent institutional coverage of the statistics with other datasets (e.g., national accounts and monetary statistics); omission of nonmonetary transactions; limited data on stocks of financial assets, liabilities, and arrears; and incorrect reference exchange rate to convert data from Liberian dollars to U.S. dollars.
Monetary statistics: The Central Bank of Liberia (CBL) has made progress in adopting the statistical methodology recommended by the IMF's *Monetary and Financial Statistics Manual (MFSM)*. However, the reporting of monetary and financial statistics (MFS) has been suspended since September 2010. STA missions in March 2010 and August 2011 assisted authorities in advancing the introduction of standardized report forms (SRFs) and collecting data from commercial banks in accordance with the methodology in the *MFSM.* The CBL agreed to start reporting the SRFs for the central bank, other depository corporations, and monetary aggregates by end-December 2011. However, no data in the format of SRFs have been received by STA. Instead, in June 2012, the CBL renewed reporting of monetary data in the old format. The latest available data are for July 2012.
Balance of payments: Reporting is not comprehensive, and Fund staff prepares provisional balance of payments statistics for surveillance. Although some progress in collecting and reporting data has been made with STA support, most of the 2011 TA mission recommendations have not been implemented; several areas need improvement, particularly with regard to primary source data, methodology, compilation practices, and frequency and timeliness in data dissemination. 2011 FDI data have improved coverage with data collected from the Large Tax payers Unit, and data from the Roberts International airport have been used for the compilation of transport services. A new system for customs data (ASYCUDA) has been implemented in January 2013, and it is expected that the accuracy of the export and imports of goods data will largely improved. In spite of these advances, most of the coverage needs to be further improved, especially for: i) foreign direct investment, including direct investment in kind, that is likely to become significant as plans are underway for foreign companies to invest in mining activities; ii) technical assistance services, development aid, and compensation paid to locally employed workers of international organizations, which have a very large presence in Liberia; iii) banking sector transactions, as relevant monetary and financial statistics data are not used for balance of payments and there is a lack of financial account entries for the banking sector; and iv) other areas such as remittances, investment income, and the overall coverage of the financial account. A recent TA mission agreed with the authorities an action plan that consists on: 1) transmission of revised data by June–July 2013 that will include methodological reclassifications, flows for the banking sector, and inclusion of new data received in the last months; and 2) to compile by end of 2013, FDI data for 2012 based on a new FDI survey.

II. Data Standards and Quality	
Participant in the General Data Dissemination System (GDDS) since October 2005.	No Data Module of the Reports on the Observance of Standards and Codes (data ROSC) is available.

III. Reporting to STA
The authorities report for the related publications (*IFS, GFSY, and BOPSY*) annual balance of payments data and government finance statistics, the latter with a considerable lag (latest available data is 2008).

Table of Common Indicators Required for Surveillance

	Date of latest observation	Date received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]
Exchange Rates	31/03/2013	15/03/2013	D	M	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	31/03/2013	15/03/2013	M	M	A
Reserve/Base Money	31/03/2013	15/03/2013	M	M	A
Broad Money	31/03/2013	15/03/2013	M	M	A
Central Bank Balance Sheet	31/03/2013	15/03/2013	M	M	A
Consolidated Balance Sheet of the Banking System	31/03/2013	15/03/2013	M	M	A
Interest Rates[2]	31/03/2013	15/03/2013	M	M	A
Consumer Price Index	31/03/2013	15/03/2013	M	M	A
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	31/03/2013	29/04/2013	M	Q	I
Stocks of Central Government and Central Government-Guaranteed Debt[5]	31/03/2013	29/04/2013	Q	Q	I
External Current Account Balance	31/03/2013	15/03/2013	A	A	A
Exports and Imports of Goods and Services	31/03/2013	15/03/2013	A	A	A
GDP/GNP	1992	NA	A	I	I
Gross External Debt	31/03/2013	29/04/2013	Q	Q	Q
International Investment Position[6]	NA	NA	NA	NA	NA

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

[2] Interest rate data cover the saving rate, deposit rate, and lending rate.

[3] Foreign, domestic bank, and domestic nonbank financing.

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

[5] Including currency and maturity composition.

[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.

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

INTERNATIONAL MONETARY FUND
COMMUNICATIONS DEPARTMENT

Press Release No. 13/248
FOR IMMEDIATE RELEASE
July 3, 2013

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes First Review Under the Extended Credit Facility Arrangement for Liberia and Approves US$11.1 Million Disbursement Liberia

The Executive Board of the International Monetary Fund (IMF) today completed the first review under a three-year arrangement under the Extended Credit Facility (ECF) for Liberia. The completion of the review enables the disbursement of an amount equivalent to SDR 7.382 million (about US$11.1 million), bringing the total disbursements under the arrangement to SDR 14.764 million (about US$22.1 million). In completing the review, the Board approved a waiver for the nonobservance of the performance criterion on the ceiling of the CBL's gross direct credit to central government.

The ECF arrangement for Liberia for the equivalent of SDR 51.68 million (about US$78.9 million) was approved by the IMF's Executive Board on November 19, 2012 (see Press Release No. 12/449).

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

"Liberia is experiencing strong economic growth, driven mainly by mining, and rising activity in construction and services. Spillovers to the rest of the economy, however, remain limited. Non-resource real GDP growth has slowed recently on the back of the sluggish pace of capital spending. Continued commitment to strong policies and structural reforms under the Fund-supported program is necessary to achieve broad-based growth, diversify the economy, reduce poverty, and create employment.

"The authorities have an ambitious medium-term development strategy—the Agenda for Transformation. This agenda focuses on scaling up strategic infrastructure investments, developing institutional and human resource capacity, deepening financial markets, and strengthening property rights.

"Fiscal policy for FY 2013/14 focuses on containing current spending to create space to increase public investment, and strengthening budget execution and controls, through enhanced public financial management. Prudent management of external debt will be important to implement crucial growth-enhancing investments while maintaining debt sustainability.

"Monetary policy continues to focus on containing inflation by maintaining exchange rate stability, as the economy remains highly dollarized. The central bank is further improving its policy framework on liquidity monitoring and forecasting. Maintaining adequate level of reserves would provide a buffer against external shocks.

"Financial sector reforms continue to focus on reducing vulnerabilities in the system and improving access to credit. The Central Bank of Liberia (CBL) is strengthening the legal and institutional framework particularly by enhancing the regulatory and supervisory capacity of the CBL, improving the credit reference system, and establishing a collateral registry. These measures would help improve financial intermediation and access to credit, especially for small borrowers.

"Governance and transparency should continue to be strengthened, including through a revised Petroleum Act and the new Revenue Authority. Enhancing financial oversight of State-Owned Enterprises, cleaning up of payrolls, further rolling out the financial information system, and the auditing of the government's budget by the General Auditing Commission will be important going forward."

Statement by Momodou Bamba Saho, Executive Director for Liberia
July 3, 2013

My Liberian authorities highly value the support of the Executive Board, Management and staff in their efforts to maintain macroeconomic stability, attract foreign investment to create more jobs and sustain and accelerate growth. They appreciate the constructive exchange of ideas with staff on policy and structural challenges facing Liberia. My authorities are of the view that success in implementing policy options that seek to address these challenges will position the country on a sustainable economic transformation path while promoting more inclusive growth. The authorities are in general agreement with the thrust of the staff report.

Program Performance

Generally, the Liberian economy has been restored to a solid footing. My authorities' commitment to pursuance of prudent macroeconomic policies, anchored on comprehensive structural reforms has strengthened the implementation of the ECF-supported economic program. To this end, all end-December 2012 performance criteria were met, except the ceiling on central bank gross direct credit to government that was missed because of a government overdraft at the Central Bank of Liberia (CBL). The authorities have instituted corrective measures to both repay the overdraft and improve cash management to ensure that future overdrafts with the central bank are contained within statutory limits.

Progress in the implementation of the structural reform agenda has been impressive and on track. In view of the strong performance under the program, my authorities request Directors' support for the completion of the first review of the ECF arrangement. They also request a waiver for nonobservance of the performance criterion on the ceiling on the CBL gross credit to government. In addition, they seek approval of their request for modification of the end-June 2013 performance criterion and modification of the continuous performance criterion on the ceiling on new non-concessional external debt of the public sector. Furthermore, they ask for approval for modification of end-September 2013 indicative targets, and setting of end-December 2013 and end-June 2014 performance criteria and end-March 2014 indicative targets.

Recent Economic Developments

Liberia's economic performance remained strong with real GDP growth estimated at 8.3 percent in 2012. Growth was driven by the mining, agriculture and services sectors. Inflation in 2012 averaged 6.9 percent, having moderated since the recording of double digits in 2011. Increased domestic food production, stability in the price level and exchange rate and prudent monetary policy were responsible for the dampened inflationary pressures. Fiscal performance improved in FY 2012/13, reflecting higher revenue collection and lower than projected spending. On the external sector, the decline in imports was complimented by increased export receipts, thus resulting in a slight improvement in the current account balance. Gross international reserves reached the equivalent of 3.2 months of imports of goods and services at end-2012.

Medium-term Outlook and Policies

The Liberian authorities have continued the implementation of prudent macroeconomic policies and far reaching structural reforms despite the challenging global and domestic environment. They remain committed to consolidating the gains in macroeconomic stability and diversifying the economy by scaling up spending on priority sectors identified in the Agenda for Transformation (AfT). Spending would target infrastructure development, agriculture and improving access to basic social services, particularly in education, health, water and electricity. Against this background, real GDP growth which has been revised down slightly in 2013 (7–8 percent from 8.3 percent) is projected to pick up in 2014 and 2015. Consumer price inflation in the medium term is expected to remain moderate at about 5-6 percent, subject to developments in global food and fuel prices. The external current account deficit is forecasted to deteriorate in 2013–14, reflecting increases in imports, particularly food and investment related imports, but improvement is projected in 2014–16. However, the reserve coverage is expected to remain at three months of imports in the medium term.

Fiscal Policy

My authorities remain committed to pursuing sound fiscal management with a view to maintaining medium to long-term fiscal sustainability. In this regard, government spending will be prioritized in order to create fiscal space for more investment in infrastructure, agriculture and social services. Consequently, they will continue to make every effort to align budget priorities with the AfT as well as enhance budget execution and the efficiency of fiscal operations. Spending on infrastructure and social projects will be scaled up in order to accelerate economic growth and development. My authorities are taking steps to hasten completion of ongoing infrastructure projects while prudently selecting new development projects. To keep the wage bill in line with budgeted amounts, the current cleanup of the payroll system will be followed through. Also, spending on goods and services will be reduced to ensure that overall current expenditures are held constant at previous year's level. These measures will create the fiscal space for the government to pay off the overdraft and bridge loan at the central bank.

On the revenue side, the authorities will continue to broaden the tax base and introduce new tax measures. At the same time, they will continue to strengthen tax administration in order to generate additional resources not only to finance priority projects but also to reduce dependence on borrowing and donor grants. To achieve these objectives, my authorities will continue with the automation of tax administration, improve tax compliance and implement the VAT system. The VAT policy paper has been completed and its implementation is awaiting the operationalization of the new Revenue Authority.

Monetary Policy

My authorities' monetary framework continues to be guided by the objective of maintaining price stability, while allowing sufficient scope for economic growth. In this regard, the CBL's monetary policy framework is being revised to enhance the potency of monetary instruments in sterilizing domestic liquidity, and to promote development of the inter-bank market. As a result, in May 2013 the CBL introduced treasury bills. Also, the central bank will collaborate with the fiscal authorities to improve liquidity forecasting. The CBL will adhere strictly to its statute and would obey the limit on CBL credit to government.

Financial Sector Policy

The banking sector in Liberia remains sound and adequately capitalized to absorb shocks. However, operating costs associated with poor infrastructure, especially electricity and the relatively high non-performing loans still pose serious challenges to the sector.

In order to address the problem of delinquent credit facilities and improve the credit environment, the CBL would take further steps to establish a collateral registry and a more robust credit reference system. The Collateral Registry Regulation which intends to guide the operations and management of the registry, and support the work of the commercial court in expediting foreclosure and realization of collaterals has been published. The CBL is working with the International Finance Corporation to procure the IT infrastructure for the registry, and intends to have the registry operational by the end of 2013.

Furthermore, to strengthen the regulatory and supervisory framework, the CBL will undertake a self-assessment of its compliance with the new Basel Core Principles. The intention is to align its frameworks and practices with international standards, taking into consideration the specific circumstances of the Liberian and regional experiences. The central bank will continue to strengthen capacity at its Financial Supervision Department both through maintaining adequate staffing levels and training. In response to the need for a well functioning financial system and improved ease of doing business, installation of a new payment system infrastructure is well advanced.

Finally, in keeping with the insurance sector reform road map issued by the CBL in 2011, an assessment of the insurance companies operating in the country has been concluded. The findings of the assessment exercise showed that 15 out of the 24 companies have made significant strides in complying with the requirements of the road map. Companies that are not in compliance with the requirements have been restricted from underwriting new business and given a period of three months to ensure full compliance or be subject to supervisory sanctions. In this regard, the CBL is expediting work on the draft Insurance Act, and the relevant regulations and guidelines to further strengthen the legal, regulatory and supervisory frameworks for the insurance sector. It is expected that the draft Insurance Act will be finalized and submitted to the relevant government authority this year. Later in 2013, the CBL will issue the new capital requirements for insurance companies, which will be implemented in stages, beginning January 1, 2014, following consultations with the industry.

Debt Management Policy

My authorities remain committed to vigorously implementing their national debt management strategy, as well as building the institutional and professional capacity of the debt management unit in the Ministry of Finance. They are also dedicated to strengthening external debt management to avoid recurrence of debt stress while addressing the country's large infrastructural deficit. In this respect, the government is committed to creating an enabling environment to attract the flow of non-debt creating financial foreign direct investment while limiting foreign financing to concessional loans and grants. Nonetheless, nonconcessional loans will be contracted as a last resort to finance projects that have high yields and significantly improve economic activity.

Conclusion

My authorities have restored macroeconomic stability and entrenched growth despite the challenging domestic and external environment. In the near-term, the authorities are determined to focus on sustaining macroeconomic stability, increasing domestic resource mobilization, scaling up investment in infrastructure and promoting inclusive growth. Their commitment to the ECF-supported program is strong as reflected in the impressive program performance at end-December 2012. My authorities are confident that going forward, continued engagement with the IMF and the support of the development partners will enable them transform the Liberian economy and achieve their aspiration of middle income status by 2030.