



LIBERIA

November 2015

REQUEST FOR AN EXTENSION OF THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—STAFF REPORT AND PRESS RELEASE

In the context of the Request for an Extension of the Arrangement under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse of time basis, following discussions that ended on May 9, 2015, with the officials of Liberia on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on October 1, 2015.

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

Letter of Intent sent to the IMF by the authorities of Liberia*

*Also included in Staff Report

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

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IMF Executive Board Approves 3-Month Extension of the Extended Credit Facility Arrangement for Liberia

The Executive Board of the International Monetary Fund (IMF) approved on October 14, 2015—the decision was taken without an Executive Board meeting¹—a 3 month-extension of Liberia’s Extended Credit Facility (ECF) Arrangement to February 18, 2016.

The extension will help to provide the Liberian authorities with more time to implement actions on the fiscal and structural fronts—public financial management, public sector debt, and strengthening international reserves—that are required for the completion of the fourth review under the ECF and the related disbursement.

The ECF arrangement² for Liberia in the amount equivalent to SDR 51.68 million (about US\$71.8 million or 40 percent of quota) was approved by the IMF’s Executive Board on November 19, 2012 (see [Press Release No: 12/449](#)). In September 2014, as part of the response in the fight against Ebola, the Board approved an augmentation of access of the equivalent of SDR 32.3 million (about US\$44.9 million or 25 percent of quota) under the ECF arrangement for Liberia.

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

² The Extended Credit Facility (ECF) is the IMF’s main tool for medium-term financial support to low-income countries. It provides for a higher level of access to financing, more concessional terms, enhanced flexibility in program design, and more focused, streamlined conditionality. Financing under ECF currently carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years.



LIBERIA

October 1, 2015

REQUEST FOR AN EXTENSION OF THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

Approved By
**Abebe Aemro
Selassie (AFR)
and Chris Lane
(SPR)**

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

1. **In the attached letter, the Liberian authorities request an extension of the arrangement under the Extended Credit Facility (ECF) to February 18, 2016.** The arrangement in an amount of SDR 51.68 million (40 percent of quota) was approved on November 19, 2012 and was augmented by SDR 32.3 million (25 percent of quota) on September 26, 2014 under an ad-hoc ECF review. The ECF arrangement is set to expire on November 18, 2015. Support under the RCF (25 percent of quota) and through debt relief under the Catastrophe Containment and Relief Trust (20 percent of quota) was approved on February 23, 2015.
2. **From mid-2014 to mid-2015, Liberia faced a serious Ebola virus disease crisis, which triggered the declaration of a state of emergency.** The Ebola crisis had a disastrous impact on human lives, food security, and economic activity. Thanks to the efforts of Liberians, the Government of Liberia, and the international community, the Ebola epidemics eventually subsided and the World Health Organization (WHO) declared Liberia Ebola-free on September 3, 2015.¹
3. **The fourth ECF review, originally scheduled to take place in September 2014, was postponed.** Since the start of the epidemics, the government had to devote its limited resources to fighting the health crisis. Furthermore, the Fund-wide travel ban to Ebola-affected countries hampered normal staff operations. As a result, the ECF-supported program was effectively put on hold until the spring of this year.

¹ The WHO issued its first Ebola-Free Declaration on May 9, 2015. In June 2015, however, a few isolated cases were confirmed. Since then, no confirmed cases were observed. Therefore, the WHO declared Liberia Ebola-Free again on September 3, 2015.

4. **Program performance has been mixed:**

- End-June 2014 performance criteria (PCs) and indicative targets (ITs) were met, except the revenue floor and the floor net foreign exchange position of the CBL (both PCs), and the ceiling on net domestic assets (IT).² The NDA ceiling was missed only narrowly. The authorities are expected to request waivers for the missed PCs in light of corrective actions undertaken to improve revenue collection and strengthen the net foreign exchange position of the CBL.
- Largely due to Ebola outbreak, end-December 2014 PCs on government revenue, net foreign exchange position of the CBL, and CBL gross credit to the government were missed by wide margins. However, revenue performance improved markedly since July 2014 thanks to the newly-established Liberia Revenue Authority. The IT on gross external borrowing by the government was also missed.
- With the limited functioning of the public sector, only three out of the seven end-March and end-June 2014 structural benchmarks were met (the cleaning up of the payroll, the publication of the FY2016 budget calendar, and the pilot on integration of credit-financed projects into the Integrated Financial Management Information System - IFMIS). None of the four end-December 2014 benchmarks was met. Nonetheless, the authorities were able to press ahead with a number of structural reforms, including improving cash management and rolling out IFMIS to 17 additional spending entities.

5. **A mission to Monrovia on April 28–May 9, 2015 could not reach staff-level agreement on the fourth ECF review.** Key outstanding issues include public financial management (regarding in particular on- and off-budget public investment, as underlined by the recent report of General Auditing Commission on road construction projects) and the reconstitution of the Central Bank of Liberia's external buffers.

6. **The proposed three-month extension would enable conclusion of the discussions for the review.** In the past months, the authorities and staff have made progress towards completion of the review, but further discussions are needed in some areas, including the issues described above. The requested extension would provide the time needed to reach staff-level agreement in these areas, and, if needed, build broader consensus in the country on the agreed policies. The conclusion of the outstanding fourth program review could, in staff's view, also provide an opportunity for the

² In May 2015, the authorities informed staff that a placement in March 2014 of €47 million with a domestic commercial bank had been reported as part of end-June 2014 gross reserves. However, the placement did not constitute a reserve asset according to the BPM6, and therefore the PC, which staff had assessed in September 2014 as being met, was in fact not met. The placement was reversed in August 2015 and the funds in question now constitute a part of gross foreign reserves.

authorities to request a rephrasing of the fifth and sixth reviews and a further extension of the arrangement.

7. **Staff supports the authorities' request to extend the ECF arrangement through February 18, 2016.** The attached decision is proposed for adoption by the Executive Board.

Liberia: Letter Requesting Extension of ECF

October 1, 2015

Ms. Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, N. W.
Washington D.C.

Dear Ms. Lagarde,

On November 19, 2012, the IMF's Executive Board approved an arrangement for Liberia under the Extended Credit Facility (ECF) in support of our reform agenda. The third review under the ECF arrangement was completed on July 3, 2014. The dramatic impact of the Ebola epidemics and the government's intense focus on addressing the health crisis, however, effectively put the ECF-supported program on hold, and, as a result, the fourth review has been delayed significantly.

In view of the expiration of the ECF arrangement on November 18, 2015, we hereby request that the arrangement be extended until February 18, 2016. This extension will provide enough time to discuss with your staff our fiscal and monetary policies for the completion of the fourth review. We look forward to addressing the main pending discussion topics, which include strengthening public financial management and improving the international reserve position of the Central Bank of Liberia.

We remain committed to implementing the Fund-supported economic program, and will continue to consult with the IMF in accordance with the relevant IMF Policies.

Sincerely yours,

_____/s/_____

Amara M. Konneh
Minister of Finance and Development Planning
Ministry of Finance and Development Planning

_____/s/_____

Joseph Mills Jones
Executive Governor
Central Bank of Liberia