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LIBERIA

February 2025

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENTAND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR LIBERIA

In the context of the First Review Under the Extended Credit Facility Arrangement and Request for a Waiver of Nonobservance of a Performance Criterion, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 5, 2025, following discussions that ended on November 19, 2024, 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 January 21, 2025.
- A **Statement by the Executive Director** for Liberia.

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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PRESS RELEASE

PR 25/29

IMF Executive Board Completes the First Review Under the Extended Credit Facility (ECF) Arrangement for Liberia

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the first review of the 40-month arrangement under the Extended Credit Facility (ECF), enabling a disbursement of SDR 34.3 million (about US$46 million).
- The ECF arrangement will support the economic reform agenda recently adopted by the authorities. To achieve this reform objective, the authorities have committed to creating fiscal space through domestic revenue mobilization and expenditure rationalization, addressing financial sector weaknesses, and tackling governance shortcomings.
- Program performance has been broadly satisfactory, meeting most of the quantitative targets and implementing all structural reforms, although some with delays.

Washington, DC – February 5, 2025: The Executive Board of the International Monetary Fund (IMF) completed the first review of the arrangement under the Extended Credit Facility (ECF)[1] for Liberia, allowing Liberia to draw SDR 34.3 million (equivalent to about 13.3 percent of quota or US$46 million), which will be used to strengthen Liberia's international reserve position.

Liberia's economic growth has remained strong, with the real GDP growth expected to accelerate to 5.6 percent in 2025 from 4.8 percent in 2024. Inflation and exchange rate has remained stable, and the current account deficit has continued to narrow. The authorities have successfully restored fiscal discipline, which is key for maintaining macro-financial stability. The public debt-to-GDP ratio has started to fall, reflecting a sizable consolidation of the fiscal primary balance.

Recent progress in mobilizing tax revenues, reining in recurrent spending, and anchoring financial stability is promising. The authorities' commitment to modernize the taxation regime, including the adoption of the VAT, will play a crucial role in creating fiscal space for higher investments, while preserving debt sustainability.

The authorities' renewed commitments to urgently tackle issues in weak banks and improve governance in public institutions are encouraging. Addressing the large and persistent non-performing loans (NPLs) stock remains a priority to enhance financial stability.

[1] Liberia: Request for a 40-Month Arrangement Under the Extended Credit Facility-Press Release; Staff Report; Staff Supplement; and Statement by the Executive Director for Liberia

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The Executive Board approved the authorities' request for a waiver of nonobservance of the continuous performance criterion on the non-accumulation of external arrears based on its minor nature and adopted corrective actions.

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

"The Liberian authorities are making good progress in implementing sound macroeconomic policies and structural reforms. The program is broadly on track, and the authorities' efforts to enhance fiscal sustainability, rebuild international reserves, and address governance weaknesses within public institutions are gradually taking effect.

"Efforts to strengthen fiscal sustainability and mitigate debt vulnerabilities should continue over the medium term. In line with these efforts, the approved budget for 2025 aims to improve revenue mobilization, while continuing to rationalize unproductive spending and safeguard priority spending. Medium-term fiscal reforms designed to enhance domestic revenue mobilization and improve public finance management will help create fiscal space to bolster public investment.

"The authorities should press ahead with addressing weaknesses in the Central Bank of Liberia's (CBL) governance. Swift implementation of the recommendations of the compliance and forensic audit reports, an update IMF safeguards assessment, and an independent legal review of its unconventional financial support to two small banks is critical. This will help restore the CBL's credibility and strengthen its governance and independence.

"Broader governance reforms are key to the success of the program and the country's long-term development prospects. Strengthening the capacity of integrity institutions, enacting necessary amendments to anti-corruption legislation, and rigorously enforcing public laws and regulations are critical. The upcoming governance diagnostic study will be crucial in guiding broader governance reforms.

"Strengthening banking sector supervision and the regulatory framework is important to address banking sector vulnerabilities. To this end, the adoption of the new Bank-Financial Institutions and Bank Financial Holding Companies Act should be expedited. Restructuring of a state-owned bank, along with measures to address weaknesses in two small, troubled banks, should be accelerated.

"The authorities are firmly committed to revitalizing the reform agenda to address the country's development challenges and support sustainable and inclusive economic development. The successful implementation of the recently adopted National Development Strategy is critical in achieving these goals."

LIBERIA

January 21, 2025

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

EXECUTIVE SUMMARY

Context. Liberia continues to face substantial long-term development challenges. Resource constraints and substantial gaps in infrastructure and human capital have hindered Liberia's growth prospects and the authorities' efforts to improve living standards. Addressing these challenges will require sustained efforts to mobilize additional revenues, enhance financial stability, improve public financial management, and seek external grants and highly concessional loans for key capital investment projects. Improvements in these areas would help create fiscal space to scale up investment in infrastructure and human capital, thus unleashing the country's growth potential.

Program status. On September 25, 2024, the IMF Executive Board approved a 40-month Extended Credit Facility (ECF) arrangement with a total access of 60 percent of quota (SDR 155 million). This arrangement aims to help Liberia meet external financing needs and support the implementation of the new government's reform agenda. Upon completion of the first review, Liberia will have access to an additional SDR 34.3 million, about US$46 million, bringing total disbursements under the 2024-2027 ECF to about US$51 million.

Program performance. Program performance has been broadly satisfactory. All but one quantitative performance criteria (PCs) for end-September were met. The continuous PC on non-accumulation of new external arrears was breached. Three out of five indicative targets (ITs) were comfortably met, with ITs on the floor on on-budget capital spending and the share of public wages paid in local currency missed. The performance of structural benchmarks (SBs) has been satisfactory, with two out of four SBs for end-September met and one implemented with a delay. The remaining SB has been implemented as a Prior Action (PA) for the first review.

Outlook and risks. Growth is expected to strengthen in the medium term, bolstered by sound policies and reforms under the ECF arrangement, substantial infrastructure investments, and an improved business environment. Inflation is projected to further moderate further towards the medium-term target levels, aided by a continued prudent monetary policy and stable exchange rate. Downside risks include weaker political support for reforms, increased volatility in commodity prices, spillovers from intensification of geopolitical fragmentation, and unexpected global economic slowdown.

Policy commitments. The authorities agreed on the following policy priorities to further strengthening the macro-financial stability in the near term. These priorities include: (i) advancing fiscal consolidation through 2025 budget, while creating fiscal space for development spending, mitigating debt vulnerabilities, and protecting the vulnerable populations, (ii) addressing governance weakness in public institutions, and (iii) tackling issues in weak banks by upgrading and strictly enforcing the regulatory framework.

Staff views. Staff supports the authorities' requests for completion of the first review and a waiver of nonobservance for the missed continuous PC.

Approved By
Montfort Mlachila (AFR) and Bjoern Rother (SPR)

Discussions were held during November 06 - 19, 2024, in Monrovia, Liberia. The staff team comprising Mr. Kim (Head), Mr. Cipollone, Mr. Molise, Mr. Koussere (all AFR), Mr. Otero Fernandez (MCM), Ms. Batsuuri (SPR), Mr. Okwuokei (Resident Representative), and Mr. Deline (Economist, Resident Representative Office) held discussions with Minister of Finance and Development Planning Ngafuan, Acting Central Bank Executive Governor Saamoi, and senior government and central bank officials. Mr. Cham (Senior Advisor, OEDAW) participated in the meetings. Mr. Otero Nule (AFR) provided research support and Ms. Manning provided assistance for the preparation of this report.

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APPENDIX

CONTEXT

1. **Liberia has made a promising start in implementing ambitious reforms aimed at addressing macroeconomic imbalances and revitalizing its structural agenda.** The significant fiscal deterioration during 2022-23 has led to increased debt vulnerability and a depletion of international reserves. The country continues to face enormous infrastructure and human capital deficits. To tackle these challenges and unlock its growth potential, the new administration has set ambitious goals for scaling up investment in public infrastructure and human capital, as outlined in the recently adopted National Development Strategy (NDS).[1] Achieving these goals will require sustained efforts to mobilize additional domestic revenues, improve public investment efficiency, and seek external grants and highly concessional loans.

2. **A 40-month arrangement under the Extended Credit Facility was approved on September 25, 2024, to support the authorities' new reform agenda.** Program policies focus on: (i) creating fiscal space to facilitate public investment implementation; (ii) rebuilding external buffers; (iii) safeguarding macro-financial stability by improving financial supervision and enforcing the regulatory framework, and (iv) advancing the ambitious structural reform agenda, including strengthening the governance of the public sector and the Central Bank of Liberia (CBL).

PROGRAM PERFORMANCE

3. **Performance to date has been broadly satisfactory** (MEFP, Table 1)**.** All performance criteria (PCs) for end-September 2024 have been met, with the exception of the accumulation of new external arrears amounting to US$11.9 million (0.23 percent of GDP).[2] The accumulation of external arrears is due to several factors, including an overly bureaucratic and lengthy process that hampers timely settlement, as well as limited capacity of the Debt Management Unit (DMU) at the Ministry of Finance and Development Planning (MFDP). These arrears have been cleared (Prior Action), and the authorities have started to implement a corrective action (¶20). Three out of five indicative targets (ITs) were comfortably met, while the floor on capital spending and the share of the wage bill paid in Liberian dollars (LRD) were missed. The authorities reaffirmed their commitment to gradually increase the LRD share of the wage bill in the current stable exchange rate environment. The capital spending shortfall is partly due to the delayed approval of the supplementary budget, which left insufficient time for implementation. With the onset of the dry season, the authorities are committed to increasing the execution of the capital budget.

4. **Significant progress has been made in reforms supported by structural benchmarks** (MEFP, Tables 2-3)**.** Two out of four structural benchmarks (SBs) for end-September have been met,

[1] The NDS for the period 2025 to 2029 was adopted by the government in early December 2024. This plan is Liberia's fourth medium-term NDS, aimed at promoting sustainable socio-economic growth in the post-conflict era. The structural policy agenda supporting the NDS focuses on Agriculture, Roads, Rule of Law, Education, Sanitation, and Tourism (ARREST).

[2] These external arrears were owed to: Afrexim Bank ($4.311 million), EBID ($4.031 million), OFID ($1.273 million), KFD ($1.099 million), AfDB Group ($664K), Saudi Fund ($320K), AIIB ($200K).

while the other two SBs were implemented with a delay. The finalization of a comprehensive survey of all government's accounts at commercial banks and CBL, including the identification of dormant and ineligible accounts (Treasury Single Account (TSA) reform) was implemented in December, and the elimination of uncollateralized CBL Emergency Liquidity Assistance (ELA) to banks and the order issued by the CBL to collateralize remaining loans from a CBL legacy on-lending program to two banks were implemented as a Prior Action (PA) for the first review (MEFP, Table 2). Additionally, the CBL successfully reduced the number of fixed-term contractual personnel in September 2024, well ahead of schedule (end-December SB), and the CBL Board adopted an action plan to implement recommendations from the General Auditing Commission's (GAC) compliance audit and external forensic audit reports (end-December SB).

RECENT ECONOMIC DEVELOPMENTS

5. Economic activity has remained strong, while inflation is moderating. High frequency indicators suggest real GDP growth of 4.8 percent in 2024, a slight downward revision from the 5.1 percent projected at the time of the ECF approval. The downward revision reflects somewhat weaker demand amid large fiscal consolidation and a slower recovery in the agriculture sector. After peaking at 10.2 percent in early 2024, inflation eased to 8.2 percent in November 2024, mainly reflecting subdued domestic food and import prices, along with a stable exchange rate. Inflation is expected to reach 6.8 percent by end-2024. In the second half of 2024, the CBL cut the policy rate, by a cumulative 300 basis points, to 17 percent, while maintaining reserve requirement ratios on LRD and USD deposits at 25 and 10 percent, respectively.

6. Fiscal consolidation is broadly on track. In the first three quarters of 2024, revenue collection improved in line with program targets. This largely reflects enhanced tax administration, and, to a lesser extent, the implementation and enforcement of tax measures adopted in 2023 that compensated for a delayed increase in the GST rate, which is now implemented as part of the general increase in the GST rate in 2025 approved budget. Recurrent expenditures declined substantially on account of a sharp contraction in goods and services spending. Domestically financed capital spending remained subdued due to delayed approval of the 2024 supplementary budget. As a result, the primary balance, excluding grants, surpassed the end-September target by a considerable margin. Moreover, up to November 2024, preliminary data indicate that budget execution is in line with the supplementary budget and end-December 2024 PC.

7. The banking sector continues to face challenges. While system-wide liquidity and capital ratios have remained above minimum requirements, challenges persist concerning the state-owned bank (SOB) and two troubled small banks. Additionally, addressing non-performing loans (NPLs) remains a serious challenge, with the system-wide NPL ratio standing at 21.4 percent in September 2024.

8. The current account balance is improving. After widening significantly to 26.3 percent of GDP in 2023, the current account deficit is estimated to have narrowed in the first three quarters of 2024. This improvement largely reflects higher gold prices, modest growth in commodity export volumes, increased remittance inflows, and a slowdown in imports amid a significant fiscal consolidation. Despite the improvement in external accounts, gross international reserves declined from 2.1 months of imports at end-2023 to 1.9 months in September 2024, as projected earlier, due to repayments of IMF obligations.

OUTLOOK AND RISKS

9. **The medium-term growth projections remain broadly in line with the projections at the time of the ECF approval.** Growth is projected to reach 5.6 percent in 2025 and accelerate to 6 percent over the medium term. This largely reflects strong growth in mining activities, a recovery in the agriculture sector, and improved domestic electricity generation. Inflation is projected to decline to 6.0 percent by end-2025 and stabilize around the CBL's medium-term inflation objective of 5.0 percent by 2027. The anticipated fiscal consolidation will ensure that public debt remains on a sustainable trajectory, with the debt-to-GDP ratio expected to decline to 54 percent by 2027. The current account deficit is projected to moderate in the medium term, reflecting increased mining exports, a favorable terms of trade outlook, and ongoing fiscal consolidation. Against this backdrop, gross international reverses are projected to reach to 3.1 months of imports by end-2027.

10. **Risks to the outlook are broadly balanced.** The overall political environment is expected to remain stable, and the new Finance Minister and acting Governor reiterated their strong commitment to the reforms under the ECF arrangement, aiming to maintain their strong collaboration. However, weaker-than-expected support from the Legislature for the new administration's reform agenda could significantly delay the implementation of key policy measures. Additionally, heavy and concentrated rainfalls due to climate change, increased volatility in commodity prices, spillovers from intensification of geopolitical fragmentation, and unexpected global economic slowdown could negatively impact the medium-term outlook.

POLICY DISCUSSIONS

Discussions centered on immediate program priorities aimed at safeguarding macro-financial stability. These priorities include (i) the preparation of the 2025 budget, in line with the program objectives, including the adoption of new tax measures, (ii) measures to address key governance challenges; and (iii) addressing structural issues affecting banks.

A. Fiscal Policy

11. **Budget execution has improved substantially over the first nine months of 2024**. By end-September 2024, total expenditures were in line with the approved budget, and the rationalization of recurrent spending, notably goods and services, has been progressing as planned. With continued prudent budget execution in the remaining months, the primary balance in 2024 will achieve a surplus of 0.7 percent of GDP, compared to a deficit of 4.2 percent in 2023. Despite the authorities' commitments to accelerate capital budget execution during the dry season, full

implementation of the capital budget remains challenging. Social and other priority spending have been protected and the September 2024 target comfortably met.

12. Continued efforts to limit recurrent spending will be supported by payroll audit. The verification of the remaining 6,387 government employees is progressing. Since March 2024, the Civil Service Agency (CSA) has removed 3,775 civil servants from the payroll, including 1,539 identified during the verification process required by the 2022 GAC compliance payroll audit report. While salary payments to these unverified public employees have been halted, the authorities are keeping the verification window open for them, considering the logistical challenges faced by those in remote areas in verifying their employment status. The remaining unverified civil servants will continue to be suspended from monthly salary payments until their status is verified. The estimated annual savings from these removals and implementation of other measures proposed by the audit report amount to US$4.4 million. These savings will help maintain the public wage bill at a constant level in real terms throughout the program horizon.

13. Fiscal consolidation is expected to continue in 2025. The authorities submitted to the Legislature a proposed budget for 2025 (Prior Action) to further consolidate fiscal position by increasing the primary surplus to 1.3 percent of GDP. The Legislature has approved the budget only with minor adjustments, keeping all key fiscal parameters fully consistent with the program targets. The 2025 budget primarily focused on enhancing revenue mobilization to create fiscal space for key infrastructure projects. Recurrent spending will be maintained at constant levels in real terms. The budget includes contingent revenues and expenditures of about 0.37 percent of GDP. Given the uncertainty about the materialization of such revenues (e.g., oil exploration fees and new vessels registration fees), a number of contingent expenditures have been identified in the areas other than wages and priority social spending. These expenditures will be implemented if and when the contingent revenues materialize (MEFP, ¶11).

14. The 2025 budget will be supported by the swift implementation of new tax measures (Text Table 1). The key new tax measures underpinning the 2025 budget, which are expected to mobilize about 1 percent of GDP of additional revenues, include the following:

- Submission of the amendment to the GST law to increase the GST standard rate from 10 to 12 percent for goods and services currently subject to the 10 percent standard rate (Prior Action).
- Reintroduction of the petroleum surcharge of US$0.20 on March 21, 2025, when the current suspension expires.
- Strict enforcement of the minimum corporate income tax (CIT) on a quarterly basis.
- Collection of all taxes on imported petroleum products at the import stage rather than at the consumption stage, as is currently done, to address under-declaration and smuggling.
- Elimination of generous fuel tax exemption for one large mining company.

- Enhanced administrative measures related to personal income tax (PIT) withholding.

Text Table 1. Liberia: New Tax Measures Supporting the 2025 Budget

New Tax Measures	Yield[1] (In US$ million)	Yield[1] (Percent of 2025 GDP)
	2025	2025
Increasing GST rate from 10 to 12 percent universally. This would also faciliatate transition to a VAT.	10.7	0.21
Re-introduction of petroleum excise at 20 cents per gallon starting from March 22, 2025.	9.0	0.18
Ensuring that mining concessions pay, on quarterly basis, CIT minimum tax.	19.0	0.38
Fuel related taxation imposed at the import rather than consumption stage.	7.0	0.14
Eliminate a tax exemption on oil import for a large mining company.	3.9	0.08
Enhanced administrative measures for withholding PIT.	3.3	0.07
Total	52.9	1.0

Source: MFDP and IMF staff estimates.
[1] The figures represent improvements vis-à-vis the baseline projections.

15. The authorities are fully committed to addressing generous tax exemptions (MEFP, ¶14). They are committed to tackling any abuse of tax exemptions provided to mining and agriculture concessions that are not contributing to economic development, as originally expected. To gain a clear understanding of forgone revenues, the Liberia Revenue Authority (LRA) will resume the publication of cost assessment for all tax expenditures, as an annex to the national budget (recurrent SB). To synchronize the assessment with the annual budget process, a modification to the frequency of the report from semi-annual to annual is proposed.

16. Contingency measures have been identified. As an initial contingency measure to ensure that the key fiscal objectives—namely the primary surplus and non-accumulation of new arrears—are preserved, budget execution will continue to be guided by monthly cash plans to ensure that spending allotments and financial budgeting do not exceed available resources. If revenues do not materialize as projected, the supplementary budget for 2025 will propose either new tax measures, including marginal increase in the GST rate, to facilitate the transition to the VAT, or consolidation of recurrent spending, excluding social outlays, to meet the fiscal objectives of the ECF-supported program. The capital budget will be protected as long as substantial progress is made to accelerate its implementation.

17. The preparation for the adoption of the Value Added Tax (VAT) is critical for meeting the domestic revenue mobilization goals. On December 6, 2024, the President submitted an amendment to the previously adopted VAT law to reduce the standard rate from 18 to 15 percent, aligning it with the Economic Community of West African States (ECOWAS) average. To ensure a smooth transition from the GST to the VAT, the authorities have already adopted VAT regulations. With technical support of the IMF, World Bank, and USAID, other implementing regulations will be adopted by June 2025.

18. **Going forward, structural reforms in income taxes and the PFM framework will support the achievement of medium-term fiscal objectives.** For PIT, the focus will be on expanding its base and improving its progressivity. Regarding CIT, the goal will be to eliminate current loopholes, largely related to cross-border transactions with non-residents, including transfer pricing and profit-shifting practices. With technical support from the Fund, the authorities will identify the necessary amendments to the revenue code to be submitted to the Legislature by December 2025. The authorities will also undertake a comprehensive review of the PFM Act (2019) to modernize it in line with international best practices. This policy reform will be detailed in a comprehensive policy paper to be adopted by the government and published on the MFDP website (New SB for September 2025).

19. **Efforts to establish a fully functioning Treasury Single Account (TSA) is progressing, but at a slow pace.** A comprehensive survey of the government's accounts at the CBL and commercial banks has been completed. As of December 2024, a total of 1,253 government accounts remained open at the CBL and commercial banks, including project-related donor accounts. The Comptroller and Accountant General (CAG) has identified eligible accounts for closure, in line with the 2021 TSA concept note, by end-2024. The actual closure of such eligible accounts will be finalized by March 2025.

20. **To ensure a coherent execution of the budget and prevent accumulation of arrears, the Treasury Management Committee (TMC) will meet monthly.** The TMC meetings will continue to assess government liquidity and monitor timely payments of priority expenditures, including debt services. Such liquidity assessments will inform monthly cash plans, which are necessary to set allotments and commitment ceilings for spending Ministries, Agencies and Commissions (MACs). Additionally, to ensure timely debt service payments, the authorities started to prepare two independent monthly reports: one from the Debt Management Unit (DMU) at the MFDP on due and projected debt services, and another from the CBL on evidence of debt payments. These reports will be shared among the authorities and with IMF staff.

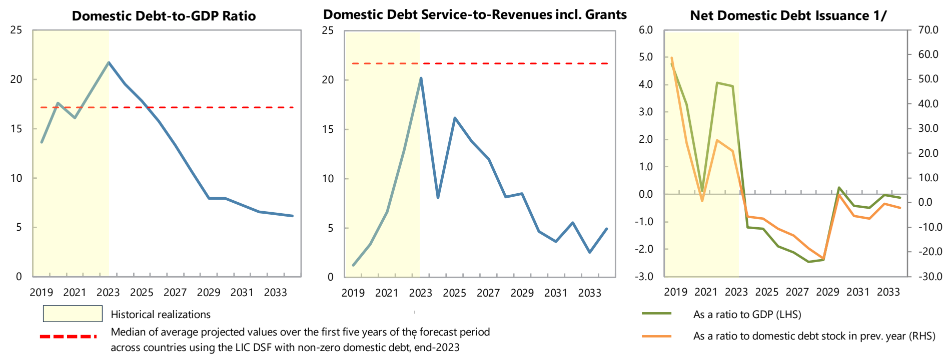
21. **To improve the quality of public spending, the implementation capacity for capital expenditures needs to be enhanced.** To this end, the authorities have requested technical assistance from the Fund for a Public Investment Management Assessment (PIMA) update with a Climate PIMA (C-PIMA). This will also play a crucial role in building capacity to effectively identify, select, and implement capital projects, including those aimed at mitigating the impact of climate change. The authorities also formally requested financial support under the Resilience and Sustainability Facility (RSF) to implement reform measures to address climate challenges.

22. **The authorities need to implement a prudent debt management policy to mitigate debt vulnerabilities.** The last Debt Sustainability Analysis (DSA) assessed the Liberia's risk of debt distress as moderate for external public debt and high for total public debt, with weak debt-carrying capacity. To

safeguard debt sustainability, the planned scaling up of infrastructure should largely be financed by external grants and highly concessional IFIs financing. Potential risks associated with domestic debt dynamics are manageable. While the domestic public debt-to-GDP ratio exceed the peers' median for a brief period, it is expected to decline over time. The projected dynamics of both solvency and liquidity indicators are well below historical patterns and the medians of the peers (Text Figure 1).

Text Figure 1. Liberia: Indicators of Domestic Public Debt, 2019-34

(Percent)



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	100%
Short-term	0%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	6.6%
Avg. maturity (incl. grace period)	3
Avg. grace period	2
Domestic short-term debt	
Avg. real interest rate	0.0%

Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

B. Strengthening Governance in Public Institutions

23. The CBL is working towards addressing weaknesses in governance, but more work remains. The CBL has adopted a comprehensive time-bound action plan for the implementation of the recommendations from the GAC compliance and Kroll's forensic audit reports (SB for December 2024) and has begun implementing some recommendations. Moreover, starting in March 2025, CBL management will prepare quarterly reports assessing the progress made in implementing these recommendations. Additionally, the independent legal review of its unconventional financial support to two troubled small banks was completed in December 2024. A time-bound action plan, consistent with staff advice, will be adopted by the CBL Board to better monitor the implementation of relevant recommendations of this independent legal review (new SB for February 2025). These will include the amendment of the CBL Act to clarify, going forward, that such unconventional financial support measures are prohibited by law; the reversal of unlawful actions; and the rectification, in line with current legislation, of irregular policies.

24. Strengthening the capacity of integrity institutions remains a priority. The Liberia Anti-Corruption Commission (LACC) is now fully operational. However, regulations and operational manuals need to be enhanced to effectively enforce asset declaration requirements. Therefore, staff urged the authorities to enact implementing regulations of the LACC Act of 2022, which should (i) specify instances where public disclosure of asset declaration is warranted, and (ii) establish a risk-based verification framework (New SB for June 2025). The MFDP is committed to ensuring that the LACC has adequate resources, starting from 2025, to operate effectively. Moreover, its budget allocation will be disbursed a quarter ahead. These measures will enhance LACC's capacity to intensify the fight against corruption and uphold the rule of law.

25. The near-term governance reforms will also focus on enhancing public procurement, transparency, and accountability. The General Auditing Commission (GAC) will continue to provide both regular (e.g., government's annual financial statements) and special audits to identify weaknesses in budget execution and enhance financial reporting and accountability across public institutions. The authorities are committed to ensuring that all MACs submit procurement plans to the Public Procurement and Concession Commission (PPCC) on a regular basis; the PPCC is responsible for publishing all awarded contracts in a timely fashion. In terms of AML/CFT, the authorities will develop a detailed work plan to ensure transparency in the beneficial ownership of legal entities in general (SB for March 2025). To fully comply with relevant United Nations Security Council Resolutions, the authorities will adopt regulations on international wire transfers.

26. The authorities reaffirmed their commitment to enhance the governance framework. The Governance Diagnostic Study (GDS) is expected to commence by mid-2025. The authorities reiterated their commitment to publish this report and prepare a focused time-bound action plan for implementing the key commendations of the GDS report. This diagnostic study will help identify key governance weaknesses and inform the design of governance reforms going forward.

C. Monetary and Financial Sector Policies

27. Strengthening the monetary policy framework is crucial for maintaining price stability. The CBL remains committed to gradually transitioning to a forward-looking, interest rate-based monetary policy framework, with the long-term objective of establishing an inflation target framework. To this end, the authorities have agreed with staff on the need to establish an interest rate corridor system by March 2025 (MEFP, ¶25). This will help stabilize and anchor short-term interest rates around the policy rate, thereby enhancing monetary policy transmission. The authorities also reaffirmed their commitment to strengthening monetary policy operations, developing financial markets, and maintaining a fully floating exchange rate. Foreign exchange (FX) interventions will be limited to preventing disorderly market conditions and enhancing financial stability.

28. The CBL is appropriately maintaining a tight monetary policy stance (MEFP, ¶23)**.** Despite the recent reduction in the policy rate, the real policy rate remained around 10 percent, with inflation hovering around 7 percent recently. The CBL had also intensified its liquidity management operations to absorb excess LRD liquidity in the system. Staff believes that this policy stance is adequate to facilitate the achievement of the CBL inflation objective of 5 percent over the medium term. Notwithstanding these positive developments, the CBL should continue to closely monitor recent economic developments and stand ready to tighten the policy stance if inflation pressures resurface.

29. Rebuilding international reserves is essential to safeguard external and financial stability. The authorities agreed with the staff that the current approach to reserves accumulation—mainly through the CBL's gradual purchases of FX from the government, given limited market options—is a prudent strategy to mitigate risks of excessive exchange rate volatility and inflation (MEFP, ¶28). The government has also reaffirmed its commitment to gradually de-dollarize its operations by increasing the share of the wage bill paid in LRD from currently 20 to 35 percent by end-2025.

30. Timely actions are needed to address weaknesses in the State-Owned Bank (SOB) and two troubled small banks. The SOB is currently undergoing an independent audit for the revision of its previous financial statements, which should be finalized by end-January 2025. In addition to the recently completed onsite inspections of two troubled small banks, the CBL initiated independent diagnostic reviews of these banks, conducted by international audit firms (Prior Action). Following the completion of these exercises, the banks should be promptly required to prepare time-bound restructuring plans, which shall include recapitalization plans when necessary, and which will be reviewed by the CBL (SB for March 2025). The parallel preparation of tailored resolution plans by CBL staff (SB for March 2025) should help ensure that the CBL is well positioned to protect financial stability if the restructuring plans are not found credible.

31. The banking sector urgently needs a modern regulatory framework. The Legislature's expected approval of the draft Bank-Financial Institutions and Bank Financial Holding Companies Act (BFIA) (new SB for April 2025) will enhance the regulatory framework by allowing for the adoption of a modern bank resolution framework and the establishment of a deposit insurance scheme. To operationalize the bank resolution framework, the CBL will assign specialized staff and develop regulations and operational guidelines (new SB for April 2025).

32. Strict enforcement of reserve requirements and liquidity assistance regulations is critical to mitigate banking sector vulnerabilities. The CBL will rigorously monitor and enforce compliance with reserve requirement regulations by imposing penalties for delinquent banks (new recurrent SB). Stricter enforcement of reserve requirements will not only safeguard financial stability but also enhance the effectiveness of monetary policy. The CBL has fully collateralized all Emergency Liquidity Assistance (ELA) loans to banks. It has also initiated the process of collateralizing all loans to two banks related to the 2012-14 legacy CBL on-lending program by issuing an order (Prior Action) for the full collateralization of these legacy loans by June 2025 (new SB). Additionally, the CBL will conduct a comprehensive review of the ELA framework, with the goal of adopting a revised ELA regulation by July 2025 so that ELA will only be provided for short periods of time to solvent institutions with temporary liquidity needs, subject to a penalty rate and secured with collateral with prudent haircuts (new SB).

33. The authorities should make meaningful progress to address the high level of NPLs. Key priorities include (i) strict enforcement of NPL regulations, such as timely provisioning of NPLs in accordance with current regulations and writing off loans in the loss category for more than two years or that have become uncollectable; and (ii) obtaining detailed bank-by-bank reporting of NPLs, stratified by quantity, collateral, and type of borrower. This will help the CBL assess the main impediments to NPL resolution and evaluate the tailored NPL strategies for each bank. Given the sizable NPLs at the SOB, the CBL should ensure meaningful progress in implementing the key recommendations from a recent independent audit of its NPL portfolio.

PROGRAM MODALITIES AND OTHER ISSUES

34. The authorities request waivers for nonobservance of the PA that led to the non-compliant disbursement, and PC on accumulation of new external arrears. Regarding the nonobservance of the PA (increasing the standard GST rate on selected items in the context of the 2024 recast budget), the authorities have taken remedial actions to improve tax revenue collections and secured the Legislature’s approval to increase the standard GST rate from 10 to 12 percent across the board (except for telecommunication service) in the context of the 2025 budget. On external arrears, the authorities have cleared all identified outstanding external arrears as a prior action and implemented corrective actions to ensure timely debt service payments in the future (¶20).

35. The program remains fully financed. There are firm commitments from the World Bank (WB) and European Union (EU) to provide budget support in 2025, ensuring a fully financed program for the next 12 months following the first review (Table 6). Furthermore, there are good prospects of adequate financing for the remaining program period beyond the upcoming 12 months (Table 6). In addition to the budget support loan approved on December 4, 2024, the WB is planning to provide a budget support loan of about US$40 million in 2025, while the EU is negotiating with the authorities to resume its budget support operations in the form of grants (€56 million) over the period of 2025-27. Other development partners including African Development Bank (AfDB) are also considering budget support for Liberia, but no firm commitments have been made so far.

36. Capacity to Repay. Liberia’s capacity to repay the IMF is adequate, but subject to significant risks due to the large exposure to the Fund (Table 8). Medium-term fiscal discipline, extending beyond the program horizon, would enable Liberia to maintain a moderate risk rating for external debt, as assessed in the latest DSA. Total IMF credit outstanding is projected to peak in 2027 at SDR 231 million, equivalent to 5.3 percent of GDP, 14.3 percent of exports of goods and services, or 36 percent of gross international reserves. The debt is expected to remain sustainable throughout the program horizon.

37. Monitoring. The program assessment will continue to be based on six performance criteria, five indicative targets (MEFP, Table 1), as well as macro-critical structural benchmarks, covering the next 12 months (MEFP, Tables 2-3). The second review will be based on end-

December 2024 test date, and the subsequent reviews will be conducted semi-annually (MEFP, Table 1).

38. Safeguards assessment. The IMF recently completed an update safeguards assessment. Key findings indicate significant deterioration in governance, internal control systems, and CBL autonomy, which led to the 2023 CBL lending to the government and unconventional transactions to support two small commercial banks. To address these issues, the CBL is working toward implementing the safeguards recommendations. That said, greater urgency is needed to address some recommendations that have already fallen due including strengthening risk management, internal audit, and monetary data compilation procedures.

39. The new National Development Strategy. In early December, the government adopted the New Development Strategy (NDS), which is based on six pillars: economic transformation, infrastructure development, rule of law, governance, environment, and human capital. This new five-year development strategy will play an essential role in aligning the country's overarching development goals to the ECF-supported program objectives. The NDS, which serves as the Poverty Reduction and Growth Strategy, will be submitted to the Board along with staff analysis and the World Bank's assessment letter in the context of the second review.

40. Strengthening statistical capacity and addressing the shortcomings in data quality remain priority. The Liberia Institute of Statistics & Geo-Information Services (LISGIS) recently published preliminary annual GDP estimates for 2016-22 in July 2024, with the plan to publish the revised GDP estimates together with 2023 GDP estimates in the first half of 2025. In the meantime, IMF staff continues to estimate GDP using limited data until the revised GDP estimates are published. With technical support from the Fund, the authorities are improving the overall quality, timeliness, and coverage of macroeconomic statistics. The current focus is on improving the quality of national accounts, price statistics, government finance statistics, external sector and public sector debt statistics.

STAFF APPRAISAL

41. The program implementation has been broadly satisfactory. The implementation of the 2024 supplementary budget, based on enhanced revenue collection and a large reduction of unproductive spending, is on track, with the primary balance excluding grants expected to improve by about 5 percent of GDP, contributing to reduce both internal and external vulnerabilities. Despite the large fiscal consolidation, real growth remains strong at 4.8 percent.

42. The progress achieved so far in consolidating the fiscal position should continue in 2025 and beyond. The 2025 budget is in line with the ECF-supported program objectives, aiming to mobilize additional revenues while keeping recurrent spending constant in real terms. New tax measures, including an increase in the GST standard rate, are expected to enhance Domestic Revenue Mobilization (DRM). To achieve more ambitious DRM, it will be essential to implement the

VAT, as planned for 2026, and broaden the tax base by addressing overly generous tax exemptions in the mining sector and tackling the widespread informal economy.

43. **Fiscal policy should be better aligned with development challenges**. Scaling up public investment and improving its quality will raise growth potential and facilitate job creation. It is essential to increase the effectiveness of limited domestically financed capital spending by better identifying, selecting, and implementing key infrastructure projects. The upcoming C-PIMA will substantially enhance the authorities' capacity in this critical area and lay the groundwork for implementing climate-related adaption projects.

44. **To further mitigate debt vulnerabilities, a prudent debt strategy is essential.** The planned increase in the development spending should be financed through improved DRM, external grants and highly concessional IFIs financing. This approach will help safeguard debt sustainability, while mitigating the risk of crowding out the private sector. Additionally, the authorities' debt management capacity needs to be significantly strengthened, and close collaboration among the DMU, CAG and CBL is critical in preventing debt service arrears.

45. **The authorities' efforts to address weaknesses in CBL governance are welcomed, but more work remains**. The steps taken by the CBL to implement key recommendations of the GAC compliance and Kroll's forensic audit reports are important in addressing the underlying issues faced by the institution. Swift implementation of the recommendations from the two audit reports, along with the recent IMF update safeguards assessment and the independent legal review, is essential to restore the CBL credibility and strengthen its governance.

46. **Governance reform is crucial for the successful implementation of the ECF-supported program**. Meaningful progress is needed to advance governance agenda, including strengthening capacity of integrity institutions, enacting necessary amendments to anti-corruption legislation, and addressing weaknesses in the rule of law. The upcoming GDS mission will play a pivotal role in identifying and prioritizing key governance reform agenda in the coming years. Staff welcomed the authorities' reiterated commitment to publish the GDS report and prepare a focused action plan to address key weaknesses.

47. **The banking sector faces several challenges, and persistent efforts for systemic improvement are needed**. While the banking sector is generally stable, some banks are experiencing difficulties. The ongoing diagnostic review of troubled banks will be crucial in developing and timely implementing effective recapitalization or resolution plans. The revised ELA regulation will enhance discipline and eliminate banks' moral hazard to seek ELA support when facing solvency rather than liquidity challenges. A detailed assessment of NPLs will help identify key impediments to NPLs resolution and develop bank-by-bank strategies to effectively address them.

48. **Strengthening financial supervision and upgrading the regulatory framework are urgently needed to ensure financial stability.** The new BFIA should be adopted without delay, as it will strengthen the regulatory framework by facilitating the adoption of an effective bank resolution framework, enhancing risk-based supervision framework, and enabling the establishment of a

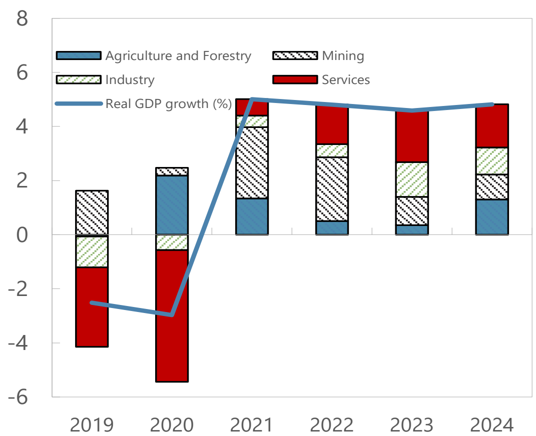
deposit insurance scheme. Rigorous and timely bank supervision, along with strict enforcement of regulations, will address vulnerabilities in the banking sector. Reforming the SOB and implementing measures to address two weak banks cannot be delayed further.

49. Staff supports the authorities' request for a waiver of nonobservance of the PC on accumulation of external arrears and recommends completion of the first review under the ECF arrangement. The nonobservance of the continuous PC on accumulation of new external arrears was temporary, and corrective actions have been taken, including the clearance of all identified and outstanding external arrears as a PA. The authorities' Letter of Intent (LoI) and Memorandum of Economic and Financial Policies (MEFP) present a strong set of policies and the authorities' commitment to pursue the objectives of the strengthened IMF-supported program.

Figure 1. Liberia: Recent Economic Developments

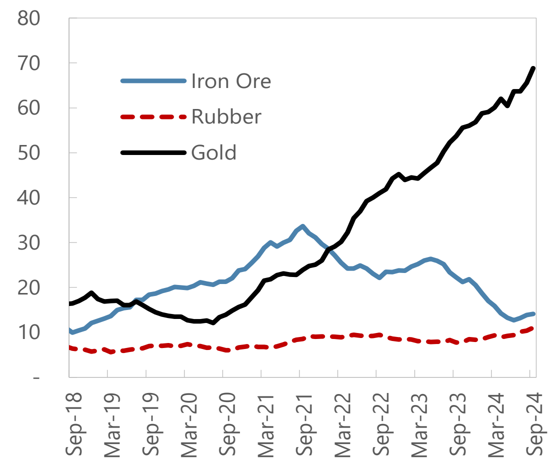
Growth is expected to increase marginally in 2024 aided by mining activities and a recovery in agriculture.

GDP Growth and Contributions by Sector, 2019-24[1]
(Percent)



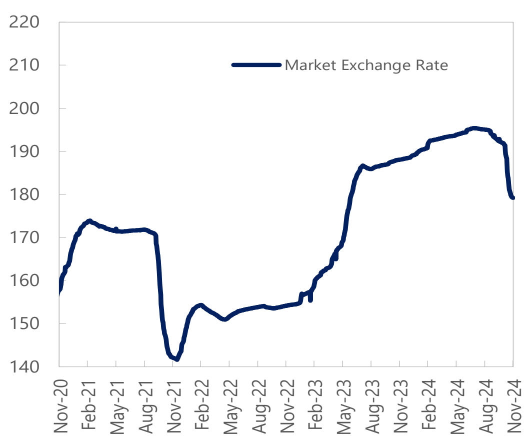
The growth of gold exports continued to accelerate, while rubber and iron ore remained muted.

Nominal Exports, 2018-24
(In millions of US$, per months, 12-month m.a.)



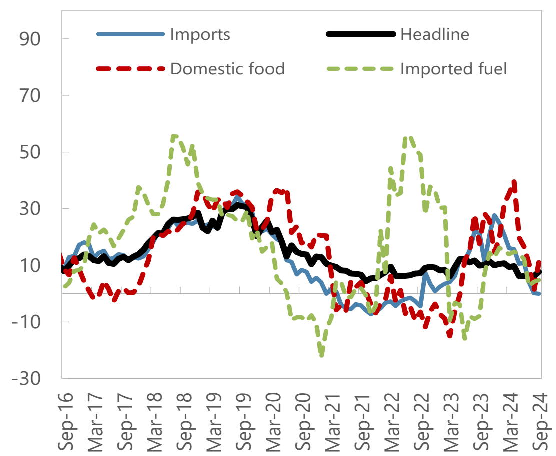
Liberian dollar (LRD) strengthened against the US$ recently amid tight monetary and fiscal policies …

Daily Exchange Rates, 2020-24
(L$ per US$)



… and together with easing import and food prices, resulted to a decline in inflation.

Price Developments, 2016-24[2]
(12-month percent change)



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

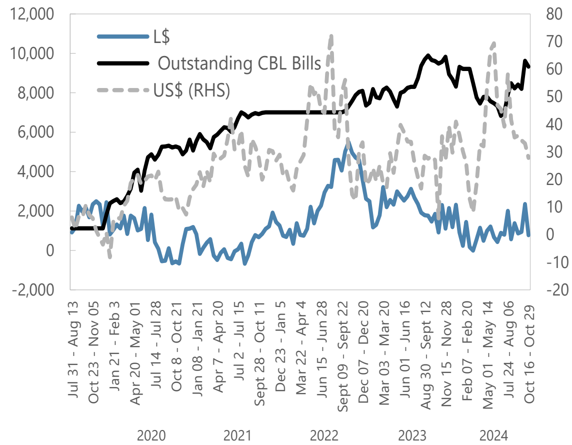
[1] 2024 figures are projections.

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

Figure 2. Liberia: Monetary Developments

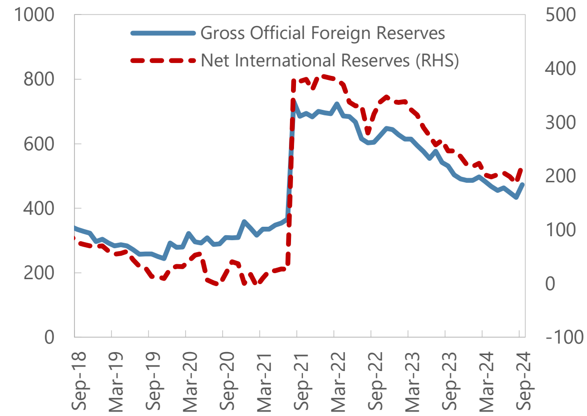
The CBL increased the supply of its bills to ease excess liquidity and the growth of LRD monetary aggregates.

Aggregate Excess Reserves and Outstanding CBL Bills, 2020-24
(In millions of US$ and L$, period average)



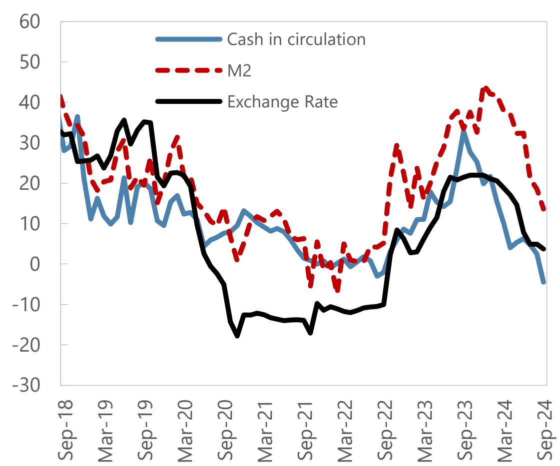
International reserves are improving following a period of sustain decline.

Gross and Net International Reserves, 2018-24
(US$ millions)



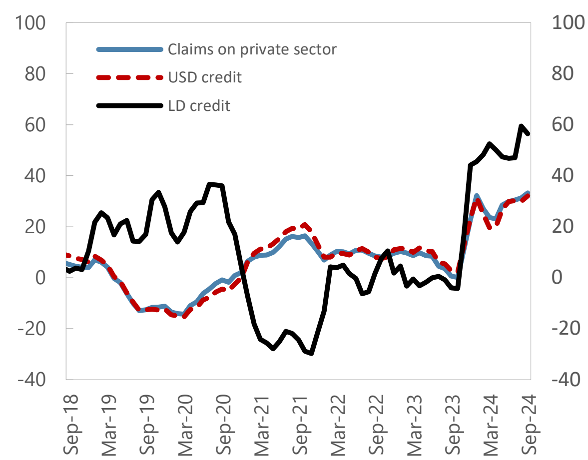
The growth of LRD monetary aggregates decelerated amid tight monetary and fiscal policies.

Cash in Circulation Growth, 2018-24
(12-month percent change)



Private sector credit increased but remained largely in US$[1].

Claims on Private Sector Growth, 2018-24[2]
(12-month percent change)



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

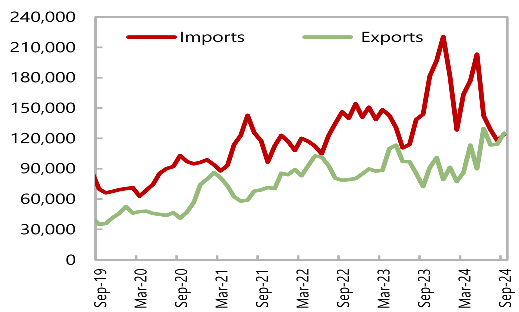
[1] High credit growth from Dec-2023 largely reflects a correction of the bank's assets classification from "other assets" to "credit to the private sector", which is only made from Dece-2023 with no historical correction.

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

Figure 3. Liberia: External Sector Developments

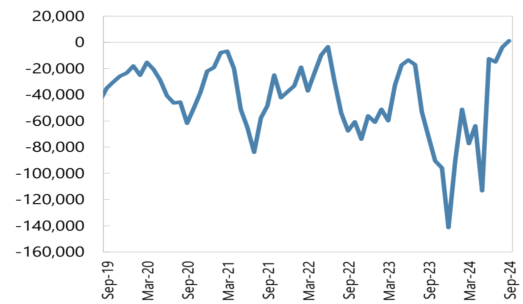
Export growth increased while import growth decelerated amid fiscal consolidation ...

Imports and Exports, 2019-24
(US$ 000s, 3-month m.a.)



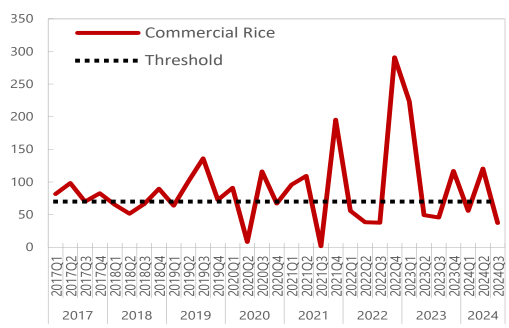
... leading to an improvement of trade balance.

Trade Balance, 2019-24
(US$ 000s, 3-month m.a.)



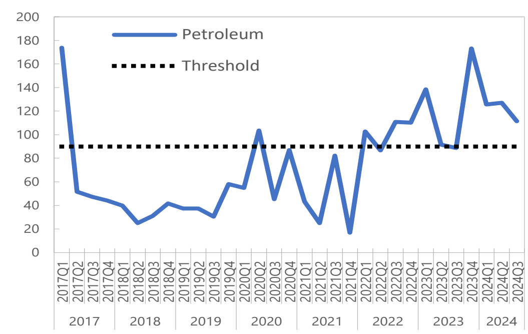
Rice imports are hovering around the minimum threshold.

Quarterly Rice Imports, 2017-24[1]
(Volume, metric tons 000s)



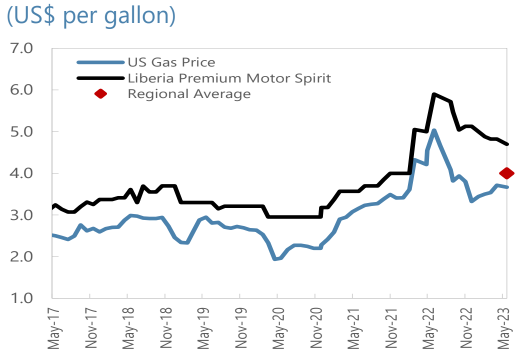
Meanwhile the volume of petroleum imports slowed but remained comfortably above the minimum threshold.

Quarterly Petroleum Imports, 2017-24[2]
(Volume, million liters)



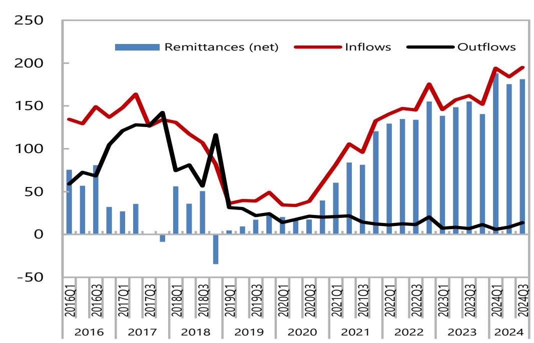
Fuel prices at the pump are following international trends and remain above the regional average.

Imported Fuel Price, 2017-23[3]
(US$ per gallon)



Net remittances picked up as inflows increase but outflows hold steady.

Quarterly Remittances, 2016-24
(US$ millions)



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

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

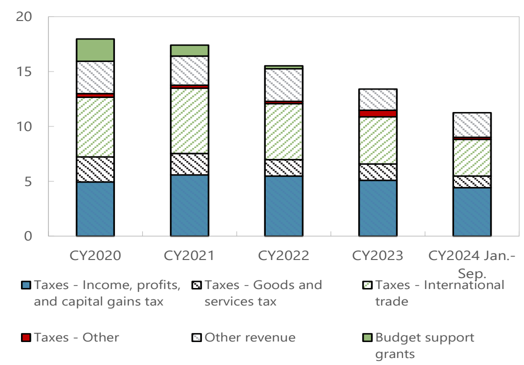
[2] Quarterly average fuel imports considered adequate by Liberia Peroleum Refining Company (LPRC).

[3] Regional average based on prices in ECOWAS commission as of May 18, 2023.

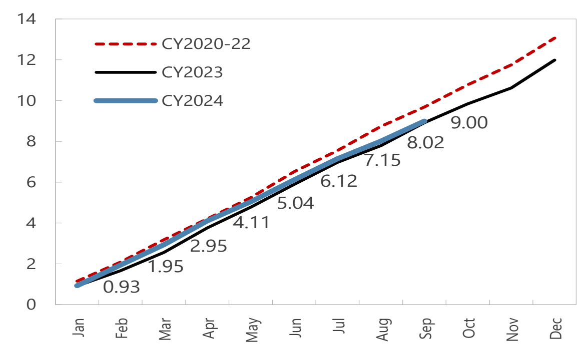
Figure 4. Liberia: Fiscal Performance

Until September 2024, total revenue collection significantly improved compared to the period 2020-22.

Revenue Composition, 2020-24
(Percent of GDP)

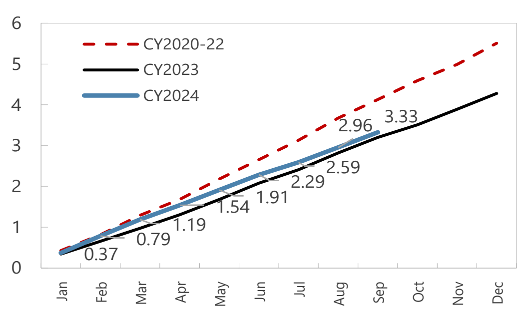


Domestic Revenue, 2020-24
(Cumulative, percent of GDP)



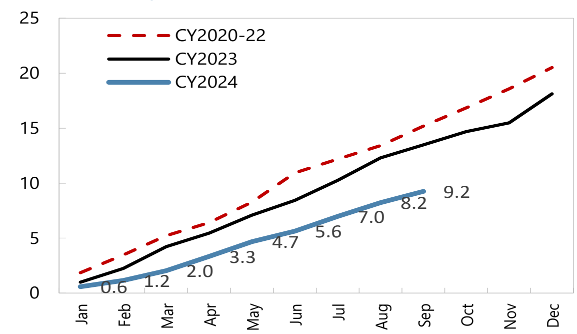
Trade taxes is recovering from the 2023 fiscal year outcome

Trade Taxes, 2020-24
(Cumulative, percent of GDP)



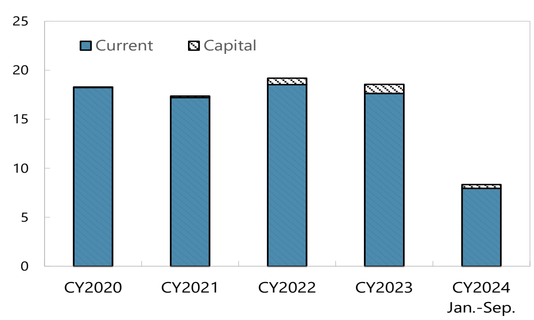
Total expenditures rationalization is materializing as budgeted, largely driven by reduction in goods and services.

Total Expenditure, 2020-24
(Cumulative, percent of GDP)



On-budget capital expenditure has continued to remain low, due to the 2024 supplementary budget late approval and limited capacity…

On-Budget Expenditure Composition, 2020-24
(Percent of GDP)



… resulting in a large improvement of the central government fiscal position.

Revenue and Expenditure, 2020-24
(Percent of GDP)

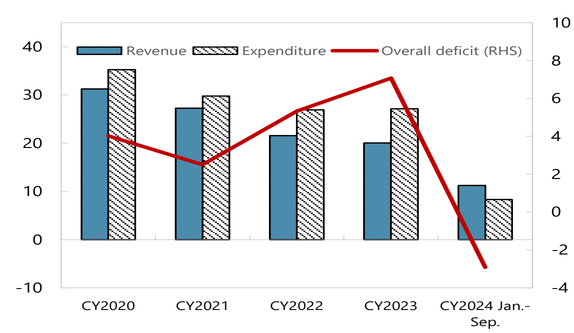


Table 1. Liberia: Selected Economic and Financial Indicators, 2022–29

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Act.	ECF Aproval	Proj.	ECF Aproval	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)									
Real sector										
Real GDP	4.8	4.6	5.1	4.8	5.8	5.6	5.8	6.0	6.0	6.0
of which: Mining & panning	14.0	5.7	5.1	5.0	8.5	8.6	8.9	9.6	9.4	9.0
of which: Agriculture&Forestry	1.3	0.9	4.8	3.5	5.2	4.3	5.0	5.1	5.1	5.2
of which: Manufacturing	2.2	8.9	4.7	7.3	6.9	6.2	5.9	5.9	5.9	5.9
of which: Services	4.8	7.1	5.3	5.6	5.0	5.3	5.0	5.0	5.0	5.0
Nominal non-mining per capita GDP (U.S. dollars)	626	674	702	708	719	732	761	791	825	860
Nominal GDP (millions of U.S. dollars)	3,974	4,390	4,756	4,787	5,051	5,126	5,461	5,839	6,245	6,674
Inflation										
Consumer prices (annual average)	7.6	10.1	7.7	7.8	6.0	6.3	5.5	5.1	4.9	4.9
Consumer prices (end of period)	9.2	10.0	6.6	6.8	5.7	6.0	5.3	5.0	4.9	4.8
Population (millions)	5.3	5.4	5.6	5.6	5.7	5.7	5.8	6.0	6.1	6.2
	(Percent of GDP)									
Central government operations[1]										
Total revenue and grants	21.6	20.1	19.8	19.1	20.6	20.3	21.1	21.5	21.3	21.6
Total revenue	15.2	13.4	14.3	14.2	15.0	15.1	16.0	16.4	16.6	16.8
Grants[2]	6.4	6.7	5.5	4.9	5.6	5.2	5.2	5.1	4.7	4.8
Total expenditure[2]	26.9	27.2	22.6	21.9	24.5	23.7	23.4	23.6	23.5	22.9
Current expenditure[3]	20.9	20.5	16.1	15.8	16.9	16.9	16.8	16.7	16.4	16.0
Capital expenditure	6.1	6.7	6.5	6.1	7.6	6.8	6.6	6.9	7.1	7.0
Overall balance, including grants[2]	-5.3	-7.1	-2.8	-2.8	-3.9	-3.5	-2.3	-2.1	-2.2	-1.3
of which : Budgetary central government	-3.7	-5.1	-0.5	-0.5	0.0	0.3	1.0	1.0	1.6	1.7
Overall balance, excluding grants[2]	-11.7	-13.7	-8.3	-7.7	-9.5	-8.7	-7.4	-7.2	-6.9	-6.1
of which : Budgetary central government	-3.9	-5.1	-0.5	-0.5	-0.2	0.0	0.6	0.6	1.4	1.6
Total public debt (nominal)	54.3	58.8	57.2	56.8	57.9	56.8	55.9	54.4	52.4	49.8
Public external debt[4]	35.4	37.1	37.7	37.2	39.8	39.0	40.1	41.0	41.8	41.9
Public domestic debt[5]	18.9	21.8	19.4	19.6	18.1	17.8	15.8	13.4	10.6	8.0
Total public debt (present value)	39.2	47.0	43.7	44.7	42.7	43.1	41.8	40.0	37.9	35.6
	(Percent, unless otherwise indicated)									
Monetary sector										
M2/GDP	25.0	26.8	27.0	27.0	27.2	27.2	27.2	27.3	27.3	27.1
Credit to private sector (percent of GDP)	14.7	17.9	17.7	17.5	17.9	17.8	18.2	18.8	19.3	19.9
Credit to private sector (annual percent change)	12.8	34.3	6.9	6.8	7.5	8.5	9.3	9.9	10.1	10.0
	(Percent of GDP, unless otherwise indicated)									
External sector										
Current account balance, including grants	-19.0	-26.3	-22.6	-21.9	-22.0	-20.0	-19.5	-18.0	-17.6	-15.5
Current account balance, excluding grants	-21.7	-28.9	-24.8	-23.9	-24.3	-22.3	-21.8	-20.1	-19.7	-17.5
Trade balance	-12.6	-18.8	-14.1	-13.5	-12.7	-11.1	-10.1	-7.9	-6.9	-4.6
Exports	25.8	25.5	28.9	29.1	30.1	30.4	30.7	31.8	32.4	33.0
Imports	-38.5	-44.3	-43.1	-42.6	-42.8	-41.5	-40.8	-39.6	-39.3	-37.7
Grants (donor transfers, net)	2.7	2.7	2.2	2.0	2.4	2.3	2.3	2.2	2.1	2.0
Gross official reserves (millions of U.S. dollars)	644	487	526	483	637	626	742	868	944	1041
In months of next year's imports	2.9	2.1	2.1	2.0	2.4	2.4	2.8	3.1	3.3	3.3
Net international reserves (millions of U.S. dollars)	338	221	245	245	330	317	416	520	628	758

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

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

[2] The total amount of external project grants and loans, along with the associated spending, has been revised down from 2021 onwards to reflect the revised authorities' database prepared together with donors.

[3] Estimates for 2021 include bank restructuring costs of 0.3 percent of GDP as expenditure.

[4] Ratios are calculated using external debt (in U.S. dollars) evaluated at the end of period exchange rate over GDP (in U.S. dollars) evaluated at the period average exchange rate.

[5] Including central government debt owed to the Central Bank of Liberia.

Table 2. Liberia: Balance of Payments, 2022–29
(Millions of U.S. dollars, unless otherwise indicated)

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Act.	ECF Aproval	Proj.	ECF Aproval	Proj.	Proj.	Proj.	Proj.	Proj.
Trade balance	-502	-827	-673	-649	-640	-568	-551	-459	-430	-309
Exports, f.o.b.	1,027	1,118	1,377	1,392	1,520	1,560	1,679	1,855	2,024	2,197
of which: rubber	101	110	161	177	163	207	225	250	277	306
of which : Iron ore	286	243	271	264	308	281	338	437	540	644
of which : Gold	543	681	851	855	954	976	1,016	1,064	1,099	1,133
Imports, f.o.b.	-1,529	-1,945	-2,049	-2,041	-2,160	-2,128	-2,230	-2,314	-2,454	-2,505
Services (net)	-386	-494	-505	-494	-548	-536	-566	-591	-626	-640
Primary income (net)	-250	-273	-323	-321	-361	-355	-391	-445	-493	-539
of which : Investment income (net)	-218	-238	-285	-283	-321	-314	-348	-398	-444	-486
Secondary income	382	440	425	413	441	435	443	446	449	454
of which : Remittances (net)	254	302	298	297	299	295	294	295	295	296
Current account balance, including grants	-755	-1,154	-1,076	-1,050	-1,109	-1,024	-1,066	-1,049	-1,100	-1,034
Current account balance, excluding grants	-863	-1,271	-1,180	-1,145	-1,228	-1,142	-1,191	-1,176	-1,230	-1,165
Capital and financial account (net)	711	1,033	1,097	1,028	1,195	1,142	1,165	1,154	1,209	1,163
Capital account[1]	145	176	157	142	166	148	157	160	162	165
Financial account	566	858	940	886	1,029	994	1,008	994	1,047	998
Foreign direct investment (net)	295	428	477	475	563	561	581	582	605	470
Portfolio investment (net)	0	0	0	0	0	0	0	0	0	0
Other investment (net)	271	430	463	411	467	433	427	412	442	528
Official financing: medium and long term (net)	114	257	136	136	193	193	174	184	248	219
Private financing (net)[2]	158	172	327	275	274	241	253	228	194	310
Overall balance	-44	-120	21	-22	86	118	99	105	109	129
Financing	44	120	-21	22	-86	-118	-99	-105	-109	-129
Change in gross official reserves (increase -)[3]	57	157	-40	3	-111	-143	-116	-125	-76	-97
Net use of IMF credit and loans	-12	-37	19	19	24	25	17	21	-33	-33
Exceptional financing (CCRT)	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Current account balance (percent of GDP)										
Including grants	-19.0	-26.3	-22.6	-21.9	-22.0	-20.0	-19.5	-18.0	-17.6	-15.5
Excluding grants	-21.7	-28.9	-24.8	-23.9	-24.3	-22.3	-21.8	-20.1	-19.7	-17.5
Trade balance (percent of GDP)	-12.6	-18.8	-14.1	-13.5	-12.7	-11.1	-10.1	-7.9	-6.9	-4.6
Donor transfers (net, percent of GDP)	2.7	2.7	2.2	2.0	2.4	2.3	2.3	2.2	2.1	2.0
Foreign direct investment (net, percent of GDP)	7.4	9.8	10.0	9.9	11.1	10.9	10.6	10.0	9.7	7.0
Public sector external debt (MT and LT percent of GDP)	35.4	37.1	37.7	37.2	39.8	39.0	40.1	40.1	41.8	41.9
Gross official reserves	644	487	526	483	637	626	742	868	944	1,041
of which : Undrawn SDR allocation of August 2021	249	211	208	211	209	211	211	212	212	212
Gross official reserves (months of next year's imports)	2.9	2.1	2.1	2.0	2.4	2.4	2.8	3.1	3.3	3.3

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

[1] The total amount of external project grants and loans has been revised down from 2021 onwards to reflect the revised authorities' database prepared together with donors.

[2] "Private financing" reflects current transfers that are not captured by the official statistics and errors and omissions.

[3] Includes SDR holdings.

Table 3a. Liberia: Fiscal Operations of the Budgetary Central Government (Including Off-Budget Transactions), 2022–29[1]

(Millions of U.S. dollars)

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Act.	ECF Aproval	Proj.	ECF Aproval	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	858	882	941	926	990	1,039	1,153	1,256	1,330	1,445
of which : Revenue, excl. grants	606	589	680	690	705	772	871	960	1,040	1,123
Taxes	488	504	566	585	613	646	688	755	820	888
Income, profits, and capital gains taxes	218	223	286	286	311	318	339	372	405	433
Goods and services tax	59	66	67	73	75	85	91	107	117	128
International trade tax	203	188	203	215	215	232	247	264	282	305
Other taxes[2]	8	27	9	11	13	11	11	12	16	22
Other revenue	118	85	104	105	92	126	133	127	136	145
Unidentified revenue measures	0	0	10	0	0	0	50	78	84	90
Grants[3]	252	293	261	236	285	267	282	296	291	321
Expense	829	899	764	756	853	866	915	975	1,024	1,065
Compensation of employees	298	311	299	299	317	317	338	361	386	412
Use of goods and services	384	434	272	263	329	324	334	362	388	399
Interest	37	43	58	58	72	67	74	82	67	63
Subsidies and grants[4]	92	93	115	115	110	135	142	142	151	157
Social benefits	18	18	21	21	25	24	28	29	32	34
Net operating balance	29	-17	177	170	137	173	238	281	307	379
Gross investment in nonfinancial assets	241	293	309	292	382	350	362	405	446	465
Overall balance = Net lending/borrowing	-212	-310	-132	-132	-195	-177	-124	-124	-139	-86
excl. grants	-464	-603	-393	-368	-480	-444	-406	-421	-430	-407
Primary balance	-174	-267	-73	-63	-173	-110	-50	-42	-73	-23
excl. grants	-427	-560	-335	-300	-459	-377	-332	-339	-364	-344
Financing	-220	-310	-132	-132	-195	-177	-124	-124	-139	-86
Transactions in financial assets	20	-40	0	0	0	0	0	0	0	0
Deposits	20	-40	0	0	0	0	0	0	0	0
Loans (policy lending)	0	0	0	0	0	0	0	0	0	0
Transaction in liabilities	240	270	132	132	195	177	124	124	139	86
Loans	175	252	98	98	162	162	131	141	188	130
External (net)	91	129	112	112	183	183	164	174	222	193
Disbursements[3]	114	153	147	147	235	235	218	246	279	241
Amortization (-)	-23	-24	-35	-35	-53	-53	-54	-72	-56	-49
Domestic (net)	84	123	-15	-15	-20	-20	-33	-33	-34	-62
of which: CBL	80	123	0	0	-20	-20	-33	-33	-34	-62
Disbursements	80	123	0	0	0	0	0	0	0	0
Amortization (-)	0	0	0	0	-20	-20	-33	-33	-34	-62
Debt securities	66	19	39	40	32	15	-7	-16	-49	-45
Bank[4]	80	8	25	25	21	9	2	1	-28	-41
Nonbank	-14	11	14	15	11	6	-9	-17	-21	-4
Accounts payable	-1	0	-5	-6	0	0	0	0	0	0
Adjustments and discrepancies	9	0	0	0	0	0	0	0	0	0
Memorandum items :										
Total public debt	2,158	2,582	2,718	2,718	2,925	2,913	3,052	3,174	3,273	3,326
External	1,406	1,627	1,795	1,782	2,012	1,999	2,190	2,394	2,609	2,795
Domestic[5]	752	955	923	937	913	914	862	780	664	531
Nominal GDP	3,974	4,390	4,756	4,787	5,051	5,126	5,461	5,839	6,245	6,674

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

1 Table is shown on a commitment basis and refers to the budgetary central government operations and off-budget projects. Prior to CY 2022, the figures are average of two fiscal year which used to run from July 1 to June 30.

2 Including property tax and social contribution by foreign concessions.

3 The total amount of external project grants and loans has been revised down from 2021 onwards to reflect the revised authorities' database prepared together with donors.

4 CY2021 estimates includes bank restructuring costs. US$11.9 million are recorded as expenditure and US$19.1 million are recorded as financing item.

5 Including central government debt owed to the Central Bank of Liberia.

Table 3b. Liberia: Fiscal Operations of the Budgetary Central Government (Including Off-Budget Transactions), 2022–29[1]

(Percent of GDP, unless otherwise indicated)

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Act.	ECF Aproval	Proj.	ECF Aproval	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	21.6	20.1	19.8	19.4	19.6	20.3	21.1	21.5	21.3	21.6
of which : Revenue, excl. grants	15.2	13.4	14.3	14.4	14.0	15.1	16.0	16.4	16.6	16.8
Taxes	12.3	11.5	11.9	12.2	12.1	12.6	12.6	12.9	13.1	13.3
Income, profits, and capital gains taxes	5.5	5.1	6.0	6.0	6.2	6.2	6.2	6.4	6.5	6.5
Goods and services tax	1.5	1.5	1.4	1.5	1.5	1.7	1.7	1.8	1.9	1.9
International trade tax	5.1	4.3	4.3	4.5	4.3	4.5	4.5	4.5	4.5	4.6
Other taxes[2]	0.2	0.6	0.2	0.2	0.3	0.2	0.2	0.2	0.3	0.3
Other revenue	3.0	1.9	2.2	2.2	1.8	2.5	2.4	2.2	2.2	2.2
Unidentified revenue measures	0.0	0.0	0.2	0.0	0.0	0.0	0.9	1.3	1.3	1.3
Grants[3]	6.4	6.7	5.5	4.9	5.6	5.2	5.2	5.1	4.7	4.8
Expense	20.9	20.5	16.1	15.8	16.9	16.9	16.8	16.7	16.4	16.0
Compensation of employees	7.5	7.1	6.3	6.2	6.3	6.2	6.2	6.2	6.2	6.2
Use of goods and services	9.7	9.9	5.7	5.5	6.5	6.3	6.1	6.2	6.2	6.0
Interest	0.9	1.0	1.2	1.2	1.4	1.3	1.4	1.4	1.1	0.9
Subsidies and grants[4]	2.3	2.1	2.4	2.4	2.2	2.6	2.6	2.4	2.4	2.4
Social benefits	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Net operating balance	0.7	-0.4	3.7	3.6	2.7	3.4	4.4	4.8	4.9	5.7
Gross investment in nonfinancial assets	6.1	6.7	6.5	6.1	7.6	6.8	6.6	6.9	7.1	7.0
Overall balance = Net lending/borrowing	-5.3	-7.1	-2.8	-2.8	-3.9	-3.5	-2.3	-2.1	-2.2	-1.3
excl. grants	-11.7	-13.7	-8.3	-7.7	-9.5	-8.7	-7.4	-7.2	-6.9	-6.1
Primary balance	-4.4	-6.1	-1.5	-1.3	-3.4	-2.2	-0.9	-0.7	-1.2	-0.3
excl. grants	-10.7	-12.8	-7.0	-6.3	-9.1	-7.4	-6.1	-5.8	-5.8	-5.2
Financing	-5.5	-7.1	-2.8	-2.8	-3.9	-3.5	-2.3	-2.1	-2.2	-1.3
Transactions in financial assets	0.5	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits	0.5	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans (policy lending)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transaction in liabilities	6.0	6.2	2.8	2.8	3.9	3.5	2.3	2.1	2.2	1.3
Loans	4.4	5.7	2.1	2.0	3.2	3.2	2.4	2.4	3.0	2.0
External (net)	2.3	2.9	2.4	2.3	3.6	3.6	3.0	3.0	3.6	2.9
Disbursements[3]	2.9	3.5	3.1	3.1	4.7	4.6	4.0	4.2	4.5	3.6
Amortization (-)	-0.6	-0.5	-0.7	-0.7	-1.0	-1.0	-1.0	-1.2	-0.9	-0.7
Domestic (net)	2.1	2.8	-0.3	-0.3	-0.4	-0.4	-0.6	-0.6	-0.5	-0.9
of which: CBL	2.0	2.8	0.0	0.0	-0.4	-0.4	-0.6	-0.6	-0.5	-0.9
Disbursements	2.0	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (-)	0.0	0.0	0.0	0.0	-0.4	-0.4	-0.6	-0.6	-0.5	-0.9
Debt securities	1.7	0.4	0.8	0.8	0.6	0.3	-0.1	-0.3	-0.8	-0.7
Bank[4]	2.0	0.2	0.5	0.5	0.4	0.2	0.0	0.0	-0.4	-0.6
Nonbank	-0.4	0.3	0.3	0.3	0.2	0.1	-0.2	-0.3	-0.3	-0.1
Accounts payable	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Adjustments and discrepancies	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items :										
Total public debt	54.3	58.8	57.2	56.8	57.9	56.8	55.9	54.4	52.4	49.8
External	35.4	37.1	37.7	37.2	39.8	39.0	40.1	41.0	41.8	41.9
Domestic[5]	18.9	21.8	19.4	19.6	18.1	17.8	15.8	13.4	10.6	8.0
Nominal GDP	3,974	4,390	4,756	4,787	5,051	5,126	5,461	5,839	6,245	6,674

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

[1] Table is shown on a commitment basis and refers to the budgetary central government operations and off-budget projects. Prior to CY 2022, the figures are average of two fiscal year which used to run from July 1 to June 30.

[2] Including property tax and social contribution by foreign concessions.

[3] The total amount of external project grants and loans has been revised down from 2021 onwards to reflect the revised authorities' database prepared together with donors.

[4] CY2021 projections includes bank restructuring costs. 0.3 percent of GDP are recorded as expenditure and 0.6 percent of GDP are recorded as financing item.

[5] Including central government debt owed to the Central Bank of Liberia.

Table 3c. Liberia: Fiscal Operations of the Budgetary Central Government, 2022–29[1]

(Millions of U.S. dollars)

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Act.	ECF Aproval	Proj.	ECF Aproval	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	617	589	680	680	764	792	892	980	1,049	1,132
of which : Revenue, excl. grants	606	589	680	680	755	772	871	960	1,040	1,123
Taxes	488	504	566	575	613	646	688	755	820	888
Income, profits, and capital gains taxes	218	223	286	284	311	318	339	372	405	433
Goods and services tax	59	66	67	70	75	85	91	107	117	128
International trade tax	203	188	203	212	215	232	247	264	282	305
Other taxes[2]	8	27	9	9	13	11	11	12	16	22
Other revenue	118	85	104	105	92	126	133	127	136	145
Unidentified revenue measures	0	0	10	0	50	0	50	78	84	90
Grants	11	0	0	0	9	20	20	20	9	9
Expense	737	774	643	643	679	703	753	797	831	875
Compensation of employees	298	311	299	299	317	317	338	361	386	412
Use of goods and services	291	310	150	150	154	161	171	183	196	209
Interest	37	43	58	58	72	67	74	82	67	63
Subsidies and grants[3]	92	93	115	115	110	135	142	142	151	157
Social benefits	18	18	21	21	25	24	28	29	32	34
Net operating balance	-120	-185	37	37	85	90	139	183	218	257
Gross investment in nonfinancial assets	25	40	62	62	85	72	85	101	118	141
Overall balance = Net lending/borrowing	-145	-225	-25	-25	0	18	54	82	99	116
excl. grants	-156	-225	-25	-25	-9	-2	33	62	90	107
Primary balance	-108	-182	33	33	72	85	128	164	166	178
excl. grants	-119	-182	33	33	63	65	107	144	157	169
Financing	-154	-225	-25	-25	0	18	54	82	99	116
Transactions in financial assets	20	-40	0	0	0	0	0	0	0	0
Deposits	20	-40	0	0	0	0	0	0	0	0
Loans (policy lending)	0	0	0	0	0	0	0	0	0	0
Transaction in liabilities	174	185	25	25	0	-18	-54	-82	-99	-116
Loans	109	167	-9	-9	-33	-33	-47	-66	-50	-71
External (net)	25	44	5	5	-13	-13	-14	-32	-16	-9
Disbursements	48	68	40	40	40	40	40	40	40	40
Amortization (-)	-23	-24	-35	-35	-53	-53	-54	-72	-56	-49
Domestic (net)	84	123	-15	-15	-20	-20	-33	-33	-34	-62
of which: CBL	80	123	0	0	-20	-20	-33	-33	-34	-62
Disbursements	80	123	0	0	0	0	0	0	0	0
Amortization (-)	0	0	0	0	-20	-20	-33	-33	-34	-62
Debt securities	66	19	39	40	32	15	-7	-16	-49	-45
Bank	80	8	25	25	21	9	2	1	-28	-41
Nonbank	-14	11	14	15	11	6	-9	-17	-21	-4
Accounts payable	-1	0	-5	-6	0	0	0	0	0	0
Adjustments and discrepancies	8	0	0	0	0	0	0	0	0	0
Memorandum items :										
Total public debt	2,158	2,582	2,718	2,718	2,925	2,913	3,052	3,174	3,273	3,326
External	1,406	1,627	1,795	1,782	2,012	1,999	2,190	2,394	2,609	2,795
Domestic[4]	752	955	923	937	913	914	862	780	664	531
Nominal GDP	3,974	4,390	4,756	4,787	5,051	5,126	5,461	5,839	6,245	6,674

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

[1] Table is shown on a commitment basis and refers to the budgetary central government operations. It does not include projects financed by development partners. Prior to CY 2022, the figures are average of two fiscal year which used to run from July 1 to June 30.

[2] Including property tax and social contribution by foreign concessions.

[3] CY2021 projections includes bank restructuring costs. US$11.9 million are recorded as expenditure and US$19.1 million are recorded as financing item.

[4] Including central government debt owed to the Central Bank of Liberia.

Table 3d. Liberia: Fiscal Operations of the Budgetary Central Government, 2022–29[1]

(Percent of GDP, unless otherwise indicated)

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Act.	ECF Aproval	Proj.	ECF Aproval	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	15.5	13.4	14.3	14.2	15.1	15.5	16.3	16.8	16.8	17.0
of which : Revenue, excl. grants	15.2	13.4	14.3	14.2	14.9	15.1	16.0	16.4	16.6	16.8
Taxes	12.3	11.5	11.9	12.0	12.1	12.6	12.6	12.9	13.1	13.3
Income, profits, and capital gains taxes	5.5	5.1	6.0	5.9	6.2	6.2	6.2	6.4	6.5	6.5
Goods and services tax	1.5	1.5	1.4	1.5	1.5	1.7	1.7	1.8	1.9	1.9
International trade tax	5.1	4.3	4.3	4.4	4.3	4.5	4.5	4.5	4.5	4.6
Other taxes[2]	0.2	0.6	0.2	0.2	0.3	0.2	0.2	0.2	0.3	0.3
Other revenue	3.0	1.9	2.2	2.2	1.8	2.5	2.4	2.2	2.2	2.2
Unidentified revenue measures	0.0	0.0	0.2	0.0	1.0	0.0	0.9	1.3	1.3	1.3
Grants	0.3	0.0	0.0	0.0	0.2	0.4	0.4	0.3	0.1	0.1
Expense	18.5	17.6	13.5	13.4	13.4	13.7	13.8	13.6	13.3	13.1
Compensation of employees	7.5	7.1	6.3	6.2	6.3	6.2	6.2	6.2	6.2	6.2
Use of goods and services	7.3	7.1	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Interest	0.9	1.0	1.2	1.2	1.4	1.3	1.4	1.4	1.1	0.9
Subsidies and grants[3]	2.3	2.1	2.4	2.4	2.2	2.6	2.6	2.4	2.4	2.4
Social benefits	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Net operating balance	-3.0	-4.2	0.8	0.8	1.7	1.7	2.5	3.1	3.5	3.9
Gross investment in nonfinancial assets	0.6	0.9	1.3	1.3	1.7	1.4	1.6	1.7	1.9	2.1
Overall balance = Net lending/borrowing	-3.7	-5.1	-0.5	-0.5	0.0	0.3	1.0	1.4	1.6	1.7
excl. grants	-3.9	-5.1	-0.5	-0.5	-0.2	0.0	0.6	1.1	1.4	1.6
Primary balance	-2.7	-4.2	0.7	0.7	1.4	1.7	2.3	2.8	2.7	2.7
excl. grants	-3.0	-4.2	0.7	0.7	1.3	1.3	2.0	2.5	2.5	2.5
Financing	-3.9	-5.1	-0.5	-0.5	0.0	0.3	1.0	1.4	1.6	1.7
Transactions in financial assets	0.5	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits	0.5	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans (policy lending)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transaction in liabilities	4.4	4.2	0.5	0.5	0.0	-0.3	-1.0	-1.4	-1.6	-1.7
Loans	2.7	3.8	-0.2	-0.2	-0.7	-0.6	-0.9	-1.1	-0.8	-1.1
External (net)	0.6	1.0	0.1	0.1	-0.3	-0.2	-0.3	-0.5	-0.3	-0.1
Disbursements	1.2	1.5	0.8	0.8	0.8	0.8	0.7	0.7	0.6	0.6
Amortization (-)	-0.6	-0.5	-0.7	-0.7	-1.0	-1.0	-1.0	-1.2	-0.9	-0.7
Domestic (net)	2.1	2.8	-0.3	-0.3	-0.4	-0.4	-0.6	-0.6	-0.5	-0.9
of which: CBL	2.0	2.8	0.0	0.0	-0.4	-0.4	-0.6	-0.6	-0.5	-0.9
Disbursements	2.0	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (-)	0.0	0.0	0.0	0.0	-0.4	-0.4	-0.6	-0.6	-0.5	-0.9
Debt securities	1.7	0.4	0.8	0.8	0.6	0.3	-0.1	-0.3	-0.8	-0.7
Bank	2.0	0.2	0.5	0.5	0.4	0.2	0.0	0.0	-0.4	-0.6
Nonbank	-0.4	0.3	0.3	0.3	0.2	0.1	-0.2	-0.3	-0.3	-0.1
Accounts payable	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Adjustments and discrepancies	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items :										
Total public debt	54.3	58.8	57.2	56.8	57.9	56.8	55.9	54.4	52.4	49.8
External	35.4	37.1	37.7	37.2	39.8	39.0	40.1	41.0	41.8	41.9
Domestic[4]	18.9	21.8	19.4	19.6	18.1	17.8	15.8	13.4	10.6	8.0
Nominal GDP	3,974	4,390	4,756	4,787	5,051	5,126	5,461	5,839	6,245	6,674

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

[1] Table is shown on a commitment basis and refers to the budgetary central government operations. It does not include projects financed by development partners. Prior to CY 2022, the figures are average of two fiscal year which used to run from July 1 to June 30.

[2] Including property tax and social contribution by foreign concessions.

[3] CY2021 projections includes bank restructuring costs. 0.3 percent of GDP are recorded as expenditure and 0.6 percent of GDP are recorded as financing item.

[4] Including central government debt owed to the Central Bank of Liberia.

Table 4. Liberia: Monetary Survey, 2022–29

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

	2022	2023	2024		2025		2026	2027	2028	2029
	Act.	Act.	ECF Aproval	Proj.	ECF Aproval	Proj.	Proj.	Proj.	Proj.	Proj.
(Central Bank Survey)										
Net foreign assets	-19	-103	-63	-62	27	10	108	211	322	455
Foreign assets	749	634	683	647	802	793	908	1,034	1,113	1,212
of which: Gross reserves	730	627	676	640	794	785	901	1,026	1,105	1,205
Foreign liabilities	768	737	747	709	775	782	800	822	790	758
of which: Short-term foreign liabilities	263	228	244	201	270	273	290	311	279	246
Net domestic assets	339	461	438	449	377	400	327	252	176	81
Net domestic credit	565	692	689	689	666	666	632	597	561	498
Net claims on government	565	689	689	689	669	669	636	602	568	506
Claims on private sector	9	7	7	7	7	7	8	8	8	9
Claims on commercial banks (net)	-9	-4	-7	-7	-9	-9	-11	-13	-15	-17
Capital account	-156	-165	-163	-165	-162	-165	-165	-165	-165	-165
Other items (net)	-70	-65	-88	-75	-128	-101	-140	-180	-220	-252
Monetary base (M0)	320	358	375	387	404	410	435	463	498	536
Monetary base (LD component, billions of LD)	36	41	46	45	52	50	57	63	70	78
(Depository Corporation Survey)										
Net foreign assets	107	79	119	128	209	205	306	412	526	660
Net domestic assets	888	1,099	1,166	1,165	1,162	1,187	1,181	1,183	1,180	1,149
Net claims on government	667	808	833	833	835	822	791	758	696	593
Claims on private sector	586	786	841	840	904	911	996	1,095	1,205	1,326
Claims on nonbank financial institutions	11	14	15	15	15	15	16	17	18	19
Capital account	-359	-371	-369	-371	-369	-371	-371	-371	-371	-371
Other items (Net)	-16	-139	-155	-151	-223	-189	-250	-316	-367	-418
Broad money (M2)	995	1,178	1,284	1,293	1,372	1,392	1,487	1,595	1,707	1,809
LD component	309	290	316	318	350	355	394	438	479	520
LD currency in circulation	153	156	159	163	166	170	180	193	208	224
LD denominated deposits	157	134	157	155	184	185	213	245	271	296
U.S. dollar component (deposits only)	685	888	969	975	1,021	1,036	1,093	1,157	1,228	1,289
Memorandum items :										
Gross official reserves	644	487	526	483	637	626	742	868	944	1,041
Net international reserves	338	221	245	245	330	317	416	520	628	758
Broad money (annual change) in U.S. dollars	15.3	18.4	9.0	9.8	6.8	7.6	6.8	7.3	7.0	6.0
Broad money (annual change) in LD	22.6	44.4	19.9	13.7	14.2	14.9	12.4	11.6	10.6	9.4
LD contribution to broad money growth (in LD)	6.3	4.5	4.8	3.3	4.6	4.8	4.2	4.1	3.6	3.4
U.S. dollar contribution to broad money growth (in LD)	16.3	39.9	15.0	10.4	9.6	10.2	8.2	7.5	7.0	6.0
Monetary base (LD component, annual change)	16.4	14.8	13.5	9.4	13.2	12.7	12.5	11.8	11.4	11.3
Net credit to government (annual change)	18.6	21.2	3.1	3.1	0.1	-1.4	-3.7	-4.1	-8.2	-14.8
Credit to private sector (annual change)[1]	12.8	34.3	6.9	6.8	7.5	8.5	9.3	9.9	10.1	10.0
Velocity (GDP-to-M2)	4.0	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Money multiplier (M2/M0)	3.1	3.3	3.4	3.3	3.4	3.4	3.4	3.4	3.4	3.4

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

[1] High credit growth in 2023 is due to correction of the bank's assets classification from "other assets" to "credit to the private sector", which is only made for 2023 with no historical correction.

Table 5. Liberia: Financial Soundness Indicators, 2020–24
(Percent)

	Dec-20	Dec-21	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Core FSIs for Deposit Takers										
Regulatory Capital to Risk-Weighted Assets[1]	36.6	31.0	27.0	27.7	21.9	23.9	26.7	35.8	33.9	40.3
Regulatory Tier 1 Capital to Risk-Weighted Assets[1]	33.1	28.0	27.1	27.8	22.0	24.0	26.8	36.0	34.1	40.5
Tier 1 capital to assets	17.2	16.5	13.9	13.8	12.4	12.5	12.6	13.4	12.8	14.0
Non-performing Loans Net of Provisions to Capital	5.6	12.1	7.8	7.0	5.5	6.6	10.3	7.4	7.8	13.9
Non-performing Loans to Total Gross Loans	21.6	22.8	17.7	16.2	16.2	16.0	17.9	18.7	17.7	21.4
Provisions to nonperforming loans	88.2	75.1	83.5	82.5	87.7	85.1	77.2	83.3	82.2	73.4
Sectoral Distribution of Loans to Total Loans										
Residents	100.0	99.5	100.0	99.9	100.0	100.0	100.0	100.0	99.8	100.0
Deposit-takers	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	3.7	0.3	1.2	1.3	1.3	1.3	1.2	1.4	1.3	1.2
General government	2.0	4.3	2.7	2.8	2.9	2.7	2.7	12.3	3.3	4.0
Nonfinancial corporations	78.4	73.0	73.3	70.7	71.2	72.8	74.8	65.1	72.5	71.8
Other domestic sectors	15.9	21.8	22.8	25.0	24.5	23.1	21.3	21.2	22.7	22.9
Nonresidents	0.0	0.5	0.0	0.1	0.0	0.0	0.0	0.0	0.2	0.0
Return on Assets	1.1	3.1	2.1	2.0	2.3	2.7	2.7	3.5	3.5	3.5
Return on Equity	6.6	17.8	12.9	14.1	16.7	19.5	19.4	26.0	25.1	25.3
Interest Margin to Gross Income	52.9	53.8	47.5	48.6	48.8	49.7	52.0	53.1	53.7	55.5
Non-interest Expenses to Gross Income	77.2	62.3	61.5	66.5	63.6	60.6	59.7	55.2	55.6	55.2
Liquid Assets to Total Assets (Liquid Asset Ratio)	28.7	32.7	36.0	37.9	33.4	38.1	30.8	41.2	39.7	39.4
Liquid Assets to Short Term Liabilities	41.7	49.9	48.7	52.3	46.2	50.8	53.8	53.4	49.7	49.3
Net Open Position in Foreign Exchange to Capital	34.9	47.6	45.8	43.4	51.0	50.1	51.5	50.0	53.5	52.4

Sources: Liberian authorities; and IMF staff estimates.

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

Table 6. Liberia: External Financing Requirement and Source, 2022–29
(Millions of U.S. dollars)

	Actuals		Projections					
	2022	2023	2024	2025	2026	2027	2028	2029
Total Financing Requirement	**-861**	**-1,174**	**-1,209**	**-1,365**	**-1,396**	**-1,409**	**-1,394**	**-1,344**
Current account (excluding donor grants)	-863	-1,271	-1,145	-1,142	-1,191	-1,176	-1,230	-1,165
Public debt amotization	-20	-24	-35	-53	-54	-76	-55	-49
Repayments to the IMF	-35	-37	-33	-27	-35	-32	-33	-33
Changes in official reserves	57	157	3	-143	-116	-125	-76	-97
Total Financing Sources	**780**	**1,109**	**1,117**	**1,253**	**1,284**	**1,297**	**1,345**	**1,295**
Capital transfer	145	176	142	148	157	160	162	165
Foreign direct investment	295	428	475	561	581	582	605	470
Project grants	97	117	95	99	105	107	120	123
Public sector debt financing	86	216	130	205	188	216	264	228
Private financing (net)	158	172	275	241	253	231	193	310
Exceptional financing (CCRT debt relief)	0	0	0	0	0	0	0	0
Total Financing Needs	**-81**	**-65**	**-92**	**-112**	**-112**	**-113**	**-49**	**-49**
Total Prospective Financing	**81**	**65**	**92**	**112**	**112**	**113**	**49**	**49**
Budget support	58	65	40	60	60	60	49	49
o/w WB	55	65	40	40	40	40	40	40
o/w Other development partners[1]	3	0	0	20	20	20	9	9
IMF Disbursements	23	0	52	52	52	53	0	0
o/w new ECF program	0	0	52	52	52	53	0	0
Residual Financing Gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:								
Gross official reserves	644	487	483	626	742	868	944	1,041
Months of imports	2.9	2.1	2.0	2.4	2.8	3.1	3.3	3.3
Burden sharing in percent (*IMF Share*)	28.0	0.0	56.4	46.4	46.2	46.9	0.0	0.0

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

[1] Mainly EU budget support

Table 7. Liberia: Schedule of Disbursements under ECF Arrangement, 2024-27
(Millions of SDR)

Availability Date [1]	Amount	% of Quota	Conditions Necessary for Disbursement [2]
September 25, 2024	4.30	1.66	Executive Board Approval of forty-month ECF arrangement.
December 1, 2024	34.30	13.27	Observance of performance criteria for September 30, 2024, and completion of first review.
June 1, 2025	19.30	7.47	Observance of performance criteria for December 31, 2024, and completion of second review.
December 1, 2025	19.30	7.47	Observance of performance criteria for June 30, 2025, and completion of third review.
June 1, 2026	19.30	7.47	Observance of performance criteria for December 31, 2025, and completion of fourth review.
December 1, 2026	19.30	7.47	Observance of performance criteria for June 30, 2026, and completion of fifth review.
June 1, 2027	19.60	7.59	Observance of performance criteria for December 31, 2026, and completion of sixth review.
November 26, 2027	19.60	7.59	Observance of performance criteria for June 30, 2027, and completion of seventh review.
Total for the ECF arrangement	**155.0**	**60.0**	

Source: IMF staff.

[1] Refers to Executive Board approval dates for completed reviews.

[2] Disbursements are also subject to compliance with continuous performance criteria.

Table 8. Liberia: Indicators of Capacity to Repay the IMF, 2024–34

(As of September 2024; SDR millions, unless otherwise indicated)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
						Projections					
Fund obligations based on existing credit											
(in millions of SDRs)											
Repayment of principal	24.4	20.2	25.9	23.8	24.2	24.2	18.1	7.7	4.3	0.9	0.9
Charges and interest	5.2	4.8	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Fund obligations based on existing and prospective credit											
(in millions of SDRs)											
Repayment of principal	24.4	20.2	25.9	23.8	24.2	24.2	23.4	24.2	28.5	31.0	31.0
Charges and interest	5.2	4.8	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Total obligations based on existing and prospective credit											
In millions of SDRs	29.6	25.0	30.7	28.5	29.0	29.0	28.2	28.9	33.3	35.7	35.7
In millions of US$	39.6	33.6	41.3	38.4	39.1	39.1	38.0	39.0	44.9	48.3	47.2
In percent of exports of goods and services	2.4	1.8	2.1	1.8	1.7	1.5	1.4	1.4	1.5	1.5	1.4
In percent of debt service 1/	47.2	33.5	36.9	30.9	34.8	32.7	29.4	28.8	28.6	26.7	24.3
In percent of GDP	0.8	0.7	0.8	0.7	0.6	0.6	0.5	0.5	0.5	0.6	0.5
In percent of Gross International Reserves	8.2	5.4	5.6	4.4	4.1	3.8	3.4	3.3	3.6	3.6	3.3
In percent of quota	11.4	9.7	11.9	11.0	11.2	11.2	10.9	11.2	12.9	13.8	13.8
Outstanding Fund credit											
In millions of SDRs	150.1	202.8	215.5	230.9	206.7	182.4	159.0	134.8	106.3	75.3	44.3
In millions of US$	201.2	272.5	289.8	311.1	278.7	246.3	214.6	182.0	143.5	101.7	58.5
In percent of exports of goods and services	12.1	14.7	14.6	14.3	11.9	9.7	7.8	6.3	4.8	3.2	1.8
In percent of external public debt service 1/	239.6	272.1	259.5	250.0	248.3	206.1	165.9	134.3	91.2	56.2	30.1
In percent of GDP	4.2	5.3	5.3	5.3	4.5	3.7	3.0	2.4	1.8	1.2	0.6
In percent of Gross International Reserves	41.6	43.5	39.0	35.8	29.5	23.7	19.3	15.5	11.4	7.6	4.1
In percent of quota	58.1	78.5	83.4	89.4	80.0	70.6	61.5	52.2	41.1	29.1	17.1
Net use of Fund credit (in millions of SDRs)	-20.1	52.7	12.7	15.4	-24.2	-24.2	-23.4	-24.2	-28.5	-31.0	-31.0
Disbursements	4.3	72.9	38.6	39.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	24.4	20.2	25.9	23.8	24.2	24.2	23.4	24.2	28.5	31.0	31.0
Memorandum items:											
Exports of goods and services (in millions of US$)	1,665	1,849	1,982	2,170	2,352	2,537	2,748	2,869	3,015	3,154	3,301
Debt service (in millions of US$)	84.0	100.1	111.7	124.4	112.3	119.5	129.4	135.5	157.3	180.8	194.7
Nominal GDP (in millions of US$)	4,787	5,126	5,461	5,839	6,245	6,674	7,153	7,648	8,190	8,745	9,338
Gross International Reserves (in millions of US$)	483	626	742	868	944	1,041	1,114	1,177	1,259	1,342	1,430
Quota (millions of SDRs)	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4	258.4

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

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

Table 9. Liberia: Decomposition of Public Debt and Debt Service by Creditor, 2023–25[1]

	Debt Stock (end of period)						Debt Service					
	2023			End Sep-2024			2023	2024	2025	2023	2024	2025
	Million USD	Percent total debt	Percent GDP	Million USD	Percent total debt	Percent GDP	Million USD			Percent GDP		
Total	2,582.0	100.0	58.8	2,703.4	100.0	56.5	254.4	157.8	267.9	5.3	3.3	5.2
External	1,626.5	63.0	37.0	1,733.3	64.1	36.2	76.3	80.8	87.9	1.6	1.7	1.7
Multilateral creditors[2]	1,473.6	57.1	33.6	1,535.9	56.8	32.1	72.2	73.7	79.5	1.5	1.5	1.6
IMF	228.3	8.8	5.2	232.3	8.6	4.9	38.5	38.5	38.5	1.0	1.0	1.0
World Bank	853.6	33.1	19.4	902.6	33.4	18.9	18.6	18.6	18.6	0.4	0.4	0.4
ADB/AfDB/IADB	249.2	9.7	5.7	263.5	9.7	5.5						
Other Multilaterals	142.5	5.5	3.2	137.6	5.1	2.9						
o/w: European Investment Bank	39.0	1.5	0.7	36.0	1.3	0.8						
o/w: Arab Bank for Economic Development in Africa	32.0	1.2	0.9	32.0	1.2	0.7						
Bilateral Creditors	115.0	4.5	2.6	112.0	4.1	2.3	3.0	2.4	3.4	0.1	0.1	0.1
Paris Club	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Paris Club	115.0	4.5	2.6	112.0	4.1	2.3	4.1	3.4	4.3	0.1	0.1	0.1
o/w: Saudia Arabia	40.2	1.6	0.9	40.2	1.5	0.8						
o/w: Kuwait	20.3	0.8	0.5	20.3	0.8	0.4						
o/w: China EXIM	49.5	1.9	1.1	45.6	1.7	1.0						
Bonds	0.0	0.0	0.0		0.0	0.0						
Commercial creditors	37.9	1.5	0.9	85.8	3.2	1.8	0.1	3.7	4.0	0.0	0.1	0.1
o/w: India EXIM	0.0	0.0	0.0	0.0	0.0	0.0						
o/w: African Export Import Bank	31.0			58.0	2.1	1.2						
Other international creditors		0.0	0.0		0.0	0.0						
Domestic	955.1	37.0	21.8	970.1	35.9	20.3	178.1	96.0	174.3	3.7	2.0	3.4
Held by residents, total	955.1	37.0	21.8	970.1	35.9	20.3	178.1	96.0	174.3	3.7	2.0	3.4
Held by non-residents, total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T-Bills	130.7	5.1	3.0	138.3	5.1	2.9	126.5	50.2	92.8	2.6	1.0	1.8
Bonds	689.4	26.7	15.7	703.4	26.0	14.7	32.2	37.0	50.9	0.7	0.8	1.0
Loans	135.0	5.2	3.1	128.4	4.8	2.7	19.4	8.8	30.6	0.4	0.2	0.6
Memo items:												
Nominal GDP	4,390.5			4,787.3								

1/As reported by Country authorities according to their classification of creditors, including by official and commercial (except for Afreximbank which is classified as commercial to be consistent with the DSA classification). Debt coverage is the same as the DSA.

2/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

Table 10. Liberia: Summary Table of Projected External Borrowing Program
January 1, 2024 to December 31, 2024

PPG external debt	Volume of new debt in 2024		PV of new debt in 2024 (program purposes)		PV of new debt in 2024 (including negative GEs)	
	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	**251.6**	**100**	**137.7**	**100**	**137.7**	**100**
Concessional debt, of which	**175.6**	**70**	**65.1**	**47**	**65.1**	**47**
Multilateral debt	175.6	70	65.1	47	65.1	47
Bilateral debt	0.0	0	0.0	0	0.0	0
Other	0.0	0	0.0	0	0.0	0
Non-concessional debt, of which	**76.0**	**30**	**72.7**	**53**	**72.7**	**53**
Semi-concessional	76.0	30	72.7	53	72.7	53
Commercial terms	0.0	0	0.0	0	0.0	0
By Creditor Type	**251.6**	**100**	**137.7**	**100**	**137.7**	**100**
Multilateral	251.6	100	137.7	100	137.7	100
Bilateral - Paris Club	0.0	0	0.0	0	0.0	0
Bilateral - Non-Paris Club	0.0	0	0.0	0	0.0	0
Other	0.0	0	0.0	0	0.0	0
Uses of debt financing	**251.6**	**100**	**137.7**	**100**	**137.7**	**100**
Infrastructure	145.4	58	95.0	69	95.0	69
Social Spending	16.2	6	6.8	5	6.8	5
Budget Financing	60.0	24	23.5	17	23.5	17
Other	30.0	11.9	12.4	9.0	12.4	9.0
Memo Items						
Indicative projections						
Year 2	**184.0**		**76.8**		**76.8**	
Year 3	**0.0**		**0.0**		**0.0**	

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Appendix I. Letter of Intent

Monrovia, January 20 2025

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

Dear Madam Managing Director:

1. In the attached update to the Memorandum of Economic and Financial Policies (MEFP) from September 12, 2024, we reaffirm our strong commitment to the policies needed to achieve our economic program objectives. Following the IMF Board's approval of the 40-month Extended Credit Facility (ECF) arrangement, we take this opportunity to provide you with an update on the recent progress made and new policy measures to ensure the successful implementation of the program.

2. Over the past few months, we have made significant progress towards restoring macro sustainability. Specifically, strong economic activities have continued, accompanied by improvements in inflation and exchange rate stability. The large fiscal consolidation through a combination of enhanced revenue collection and a significant reduction in unproductive spending is progressing as planned. Additionally, we have begun implementing more wide-ranging reforms, including those necessary to address vulnerabilities in the banking sector and tackle governance weaknesses.

3. Liberia's program continues to perform towards its key objectives. All end-September 2024 Performance Criteria (PCs) were met, with the exception of the continuous PC on non-accumulation of external arrears. The newly accumulated external arrears have been fully cleared, and corrective actions have been taken to ensure timely debt service. Regarding other program targets, three out of five end-September indicative targets (ITs) have been comfortably met, while the floors on capital spending and wage bill share paid in Liberian dollars (LRD) were missed by small margins. Two out of four Structural Benchmarks (SBs) for end-September have been met, while the remaining two SBs have been implemented with delays.

4. We have been bolstering the credibility of monetary policy and enhancing financial stability. Despite the recent reduction in the policy rate, the monetary policy has remained somewhat tight. This approach will continue to alleviate price pressures, supported also by a stable exchange rate. We remain committed to supporting a market-driven de-dollarization process, including by gradually increasing the share of public wages paid in LRD, which will also play a key role in rebuilding external buffers.

5. On November 18, 2024, we submitted the draft budget for 2025 to the Legislature, which aims to consolidate fiscal achievements from 2024, with additional effort to further strengthen domestic revenue mobilization. To this end, we have proposed to the Legislature new tax measures, including a general increase in the GST standard rate from 10 to 12 percent. This increase will pave the way to the introduction of the VAT in 2026.

6. **We have adopted our new five-year National Development Strategy (NDS),** which will guide our medium-term reform agenda aimed at expanding domestic production and support job creation. We recognize that achieving these goals requires intensified efforts to enhance governance, transparency, and accountability of public institutions, including ensuring that all identified high-profile officials comply with asset declaration requirements and all awarded public procurement bids are published.

7. **We believe that policies outlined in this Letter of Intent (LoI) and attached Memorandum of Economic and Financial Policies (MEFP) will enable us to achieve our program objectives.** Based on the strength of these policies and considering our performance under the program until September 2024, we request the completion of the first review and a disbursement of SDR 34.30 million.

8. **We would like to take this opportunity to request a waiver for the nonobservance of the continuous PC on non-accumulation of external arrears based on the corrective actions recently taken**, namely: (i) the full repayment of all pending external debt obligations by January 14, 2024 and (ii) strengthened administrative procedures, including sharing of two independent reports among relevant authorities as well as with the IMF Resident Office on a monthly basis—one from the Debt Management Unit of the MFDP on due and prospective debt service payments, and another from the CBL on verified debt service payments.

9. **After the completion of the first review, the program will be monitored through semi-annual reviews,** with quantitative performance criteria and indicative targets described in the attached MEFP and Technical Memorandum of Understanding (TMU). It also includes a series of prior actions and structural benchmarks in areas that are critical to bolster the Liberia economic performance and ensure the success of the ECF-supported program.

10. **The Liberian authorities are committed to providing the IMF with information on the implementation of the agreed measures and the execution of the program, as outlined in the attached TMU.** Should further measures be necessary, we will consult in advance with the IMF on their adoption, in accordance with applicable IMF policies. We are committed to working closely with IMF staff to ensure the program’s success and will provide the IMF with the relevant information necessary for monitoring our progress.

11. **We authorize the IMF to publish the staff report, including this letter, the attached MEFP and the TMU on its website and other media once the IMF Executive Board approves the first review under the ECF-supported program.**

Sincerely yours,

/s/	/s/
Hon. Augustine K. Ngafuan	Hon. Henry F. Saamoi
Minister	Acting Executive Governor
Ministry of Finance and Development Planning	Central Bank of Liberia

Attachments:

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

Attachment I. Memorandum of Economic and Financial Policies

Introduction

1. **The Government of Liberia is fully committed to the 40-month Extended Credit Facility (ECF) Arrangement approved by the IMF Executive Board on September 25, 2024, to support our economic reform agenda.** Program policies focus on: (i) creating fiscal space to facilitate essential public investments while enhancing fiscal sustainability; (ii) safeguarding macro-financial stability by improving financial supervision and rigorously enforcing the regulatory framework; and (iii) advancing the ambitious structural reform agenda, including strengthening the governance of the public sector and the Central Bank of Liberia (CBL), and combating corruption. This memorandum outlines in detail the progress we have made so far toward meeting the objectives of our Fund-supported program and our policy plans to advance the objectives going forward.

A. Recent Economic Developments and Program Performance

2. **The economic expansion continues and the outlook for 2025 remains positive.** We expect economic activity to expand by 4.8 percent in 2024. Growth is projected to reach 5.6 percent in 2025 and 6.0 percent over the medium term, supported by strong growth in mining activities, infrastructure investment with support from development partners and more vibrant economic activities aided by improved electricity supply and rural road connectivity outside Monrovia. Robust growth in mining activities will benefit from substantial expansion of iron ore mining operations and the resumption of operations by other mining companies. Iron ore production is projected to double in the medium term and to triple by 2030. Inflation came down to 8.2 percent in November from an average of 10.2 percent in the first quarter of 2024. The exchange rate remains stable over the period January – November 2024 but recently appreciated, amid tight monetary and fiscal policies. Yet, risks to inflation outlook in the near term remain. Inflation is expected to reach 6.8 percent by end-2024 and further decline to around 5.0 percent in the medium term, supported by prudent monetary and fiscal policies, and stable exchange rate.

3. **The fiscal situation has started to improve, following the 2023 fiscal deterioration**. Based on September 2024 data, fiscal consolidation is progressing as expected with substantial reduction in recurrent spending, namely goods and services, which are expected to stabilize at 3.1 percent of GDP, down from 7.1 percent of GDP in 2023. On the other hand, revenue collection has picked up across all categories. The program target of total tax revenue to GDP ratio of 14.3 percent of GDP (compared to 13.4 percent in 2023) remains within reach. Unfortunately, the execution of the capital budget has been lower than projected, largely due to the late approval of the 2024 supplementary budget and our limited implementation capacity. We also missed the targeted share of the wage bill paid in local currency for end-September 2024 of 25 percent vs the

actual of 20 percent. Going forward, we will increase the local currency share of the wage bill in line with the program objectives. By contrast, the social and priority spending target has been met.

4. **Asset quality concerns in the banking sector persist.** Non-performing loans ratio of the banking sector stood at 21.4 percent at end September 2024, while average capitalization, liquidity and profitability remain satisfactory, with differences across banks. A comprehensive financial audit of the state-owned bank will be finalized by January 31, 2025. This will guide the restructuring of the bank.

5. **The current account balance is improving.** As of end-September 2024, the trade balance has improved, driven by higher gold prices, modest growth in commodity export volumes, increased remittance inflows, and slowdown in imports on the back of fiscal adjustment. Gross official reserves declined marginally from US$487 million (2.1 months of imports) in end-2023 to US$473 million (1.9 months of imports) in September 2024 but are expected to recover somewhat to US$483 million (2.0 months of imports) at end-2024. We aim to rebuild external buffers during the program, gradually increasing reserves to 3.1 months of imports by end-2027. Considering the large import content of external grants and project loans, the effective import coverage of international reserves, excluding imports tied to external financing, will be higher than the standard import coverage indicator suggests. While the expansion and construction projects of iron ore mines, financed by FDIs, are expected to widen the current account deficit during the construction phase, an increase in iron ore exports later will mitigate this impact.

6. **Performance under the program has been generally strong and structural reforms are advancing.** All performance criteria (PCs) for end-September 2024 were met, with the exception of the continuous PC on the accumulation of new external arrears. Three out of five indicative targets were met. However, the floor on capital spending and the share of wage bill paid in Liberian dollars (LRD) were missed. The shortfall in capital spending is partly due to the delay in approving the 2024 supplementary budget, which left insufficient time for implementation. Two out of four structural benchmarks (SBs) for end-September were met. These include the submission of the VAT law to parliament and cabinet adoption of the PFM action plan to implement the new PFM strategy. The two remaining SBs were implemented with a delay. The SB on Treasury Single Account (TSA) reform – completion of a comprehensive survey of all government accounts at commercial banks and CBL that identifies dormant and ineligible accounts in line with the 2021 TSA concept note – was implemented in December 2024. The elimination of uncollateralized CBL loans to banks and the order issued by the CBL to collateralize remaining loans from a CBL legacy on-lending program to two banks were implemented as a prior action (PA) for the first review. The CBL successfully reduced the number of fixed-term contractual personnel in September 2024 meeting the end December SB and adopted an action plan to implement recommendations from the General Auditing Commission's (GAC) compliance audit and external forensic audit reports (end-December SB).

B. Economic and Financial Policies for the Program Period

7. We finalized the National Development Plan (2025-2029), the ARREST Agenda for Inclusive Development (AAID). This is Liberia's fourth medium-term NDP, aimed at promoting sustainable socio-economic growth in the post-conflict era. The structural policy agenda supporting the NDP focuses on Agriculture, Roads, Rule of law, Education, Sanitation, and Tourism (ARREST). These areas form the foundation of our development plan, which was endorsed by the National Steering Committee (NSC) and the cabinet on December 2, 2024, ahead of a formal launch in January 2025. The NDP is based on six pillars: economic transformation, infrastructure development, rule of law, governance and anti-corruption, environmental sustainability, and human capacity development. Its guiding principles include inclusiveness, justice and equality, transparency and accountability, peace and reconciliation, people-centered development, local ownership, and flexibility.

8. An overview of our specific goals are as follows:

- **Agriculture:** We aim to boost productivity by setting up machinery hubs, offering land preparation services to farming groups and cooperatives, and supporting large-scale farmers in key agricultural counties. Our strategy includes investing in modern farm equipment, facilitating large-scale seed multiplication, enhancing the rice processing industry, and improving access to agricultural extension services.

- **Roads:** Our commitment to improving road infrastructure involves significant investment in roads and bridges to enhance connectivity across Liberia and with neighboring countries. This will include paving major highways, constructing feeder roads to improve market access for farmers, and ensuring efficient use of the National Road Fund through the establishment of the National Road Authority.

- **Rule of Law:** We are dedicated to implementing comprehensive reforms, including strengthening our partnerships in economic, security, cultural, and democratic governance; enhancing the capabilities of law enforcement; increasing police presence; fighting against corruption and other serious crimes; empowering the Drug Enforcement Agency; establishing a specialized court for corruption cases; and ensuring community involvement in policy development.

- **Education:** Recognizing education as crucial for Liberia's long-term development, we plan to make Early Childhood Education free and compulsory, strengthen Teachers Training Institutions, allocate resources for students with special needs, increase primary school enrollment, promote gender equality in education, and integrate technical skills development into the secondary school curriculum.

- **Sanitation and Water Safety:** We will reintroduce sanitary inspections, enforce hygiene practices, ensure access to clean drinking water and sanitation facilities, encourage waste recycling, and develop incentive packages for health workers in underserved areas.

- **Tourism:** With Liberia's rich potential for tourism, we will establish a National Tourism and Culture Authority, designate Grand Cape Mount County as a national tourism center, invest in the tourism industry, and work on preserving cultural heritage to boost tourism development.

C. Fiscal Policy

9. We will continue to prioritize fiscal sustainability and prudent debt management. Our fiscal anchor remains a primary surplus of 2.5 percent of GDP, to be achieved by 2027. This is needed to reduce our public debt to 54.4 percent of GDP by 2027. Regarding external and domestic borrowing, we would like to reiterate our strong commitment to a prudent borrowing strategy by focusing on concessional loans or grants. Unfortunately, we have accumulated new external debt service arrears in the amount of US$11.9 million (0.23 percent of GDP) by end-October 2024. The clearance of external arrears and no accumulation of new arrears is required to comply with the conditionality under the ECF arrangement. We have cleared, by January 14, all such outstanding external arrears and now we are current on our debt service obligations **(Prior Action).** We will also strive to clear any remaining domestic debt service arrears. Moreover, to ensure that all external debt service obligations are paid on time, the Debt Management Unit (DMU) and the Central Bank Liberia (CBL) will provide to the IMF Resident Representative office, two independent reports, on a monthly basis starting from December 2024, on (i) due and projected debt service obligations (DMU), and (ii) evidence of actual debt service payments (CBL). This will help to strengthen the collaboration, coordination, as well as timely exchange of data among the key responsible offices within the MFDP and CBL.

10. The Civil Service Agency (CSA) has made a good progress in verifying the remaining 6,387 government employees, following the issued circular on the suspension of the salary payments for these employees. As of November 18, 2024, we have removed from the public sector payroll 1,539 civil servants out of 4,375 verified workers. Since March 2024, we have removed a total of 3,775 civil servants. For 2024, the wage bill savings have been modest at about US$0.5 million (US$2.5 million on annual basis). However, we are going to generate additional savings of about US$1.9 million from other interventions identified by the 2022 GAC compliance payroll audit report and physical headcount and verification being executed by the CSA. These will generate total savings of US$4.4 million on annual basis, which will contribute to keep the wage bill constant in real terms throughout the program horizon.

11. We are committed to continuing fiscal consolidation in 2025, focusing on revenue mobilization. Following a successful fiscal consolidation in 2024, largely from reducing unproductive spending (primarily goods and services), with the 2025 budget, we are aiming to mobilize additional revenues to create the necessary fiscal space to support our ambitious 2025-29 National Development Plan (AAID). On November 18, 2024, we submitted to the Legislature a proposed budget for 2025 (**Prior Action**). The key features are: (i) the total envelope amounts to US$851 million, of which US$19 million are contingent revenues. The published budget book clearly specified the related contingent spending of US$19 million of the following recurrent expenditures categories, namely, goods and services, subsidies, grants, and social services. The prioritization of these spending categories has been fully specified in the 2025 budget law to limit the execution of the contingent spending to the extent of the materialization of the contingent revenue. Such contingent expenditures can be allotted and budgeted to the Ministries, Agencies and Commissions (MACs) only if and when the contingent revenues are actually transferred to the consolidated account, held at the CBL. The total envelope also includes budget supports from the World Bank for US$40 million (IDA loan) and US$20 million (grant) from the European Union (EU).

12. To achieve the total revenue target, we will adopt the following measures:

i. To facilitate the introduction of the Value Added Tax (VAT) in 2026, in line with the 2021 commitment towards ECOWAS, the currently adopted VAT standard rate will be reduced from 18 percent to 15 percent. The President submitted to Legislature, on December 6, 2024, a draft law to increase the GST standard rate from 10 to 12 percent for all goods and services, currently subjected to 10 percent rate (**Prior Action for the first review**). The expected yield is US$10.7 million. Additional revenues of US$3.4 million will come from previous years' States Owned Enterprises dividends. The impact of this adjustment on the consumer price will be marginal.

ii. The authorities will not seek to renew the suspension of the surcharge of US$0.20 on the petroleum pricing structure when it expires on March 20, 2025. This is expected to generate about US$9 million for the remaining three quarters of 2025.

iii. All taxes on imported petroleum products will be paid by importers at the import stage rather than at the lifting stage, like currently. Given the larger impact on volume assessed at the port of entry, this is expected to yield additional US$7 million, through import excises, GST, and Road Fund fuel levy.

iv. The MFDP and LRA will enforce the current legislation requiring the four foreign mining companies, currently operating in Liberia, to pay, on a quarterly basis, the minimum (presumptive) tax, based on the previous year actual total revenue. The enforcement of this measure is expected to generate up to US$19 million.

v. The petroleum products imported by companies with concessions will be subjected to the full payments of tax at the import stage, with the possibility to request a tax refund only for petroleum products strictly used for conducting concession operations. The LRA and MFDP will ensure a close monitoring of the actual amount of petroleum products used for concession operations. The key goal is to ensure that only imported fuel for concession operations are exempted from excises, GST and road fund levy payments. The escrow account recently established at the LRA will be activated by January 15, 2025.

13. The proposed 2025 budget includes a total amount in recurrent spending, excluding interest cost and Public Sector Investment Plan (PSIP), of US$609 million, of which US$19 million are contingent expenditures, as above-mentioned (paragraph 11). This contingent spending can be activated only if and when contingent revenues materialize in the government consolidated account, held at the CBL. Debt service is projected for US$137 million, including both external and domestic obligations. In line with the PFM Act and regulation, we are committed to giving priority to debt service obligations in full and on a timely basis, to avoid accumulating new external debt service arrears (**continuous PC**).

14. Going forward, our efforts to mobilize revenues will continue, including by reducing tax expenditures. We are currently reviewing tax expenditures in favor of business activities that are not contributing to the development of our economy. We will continue to expand and update an inventory of the existing domestic tax and customs duties exemptions at least annually. To monitor the potential revenue losses from such tax expenditures through the annual budget preparation process, the LRA will resume the publication of an annual report on the quantitative assessment of tax expenditures for publication as an annex to the approved national budget for 2025 and onwards (**modified recurrent Structural Benchmarks**).

15. The personal and corporate income tax design will be modernized. We are committed to improving the design of both the Personal Income Tax (PIT) and Corporate Income Tax (CIT). On PIT, we will identify ways to both expand its base and improve its progressivity. On CIT, we will close all existing loopholes related to cross-border transactions with non-residents, including transfer-pricing and profit-shifting practices. Anti-avoidance rules will be also enhanced and strongly enforced. To this end, we will propose to the Legislature amendments to the revenue code by December 31, 2025.

16. The implementation of the Value Added Tax (VAT) will be critical in mobilizing revenues from 2026 onwards. We have submitted to the Legislature amendments to the already approved VAT law (**Prior Action**) to (i) reduce the standard rate from 18 percent to 15 percent in line with ECOWAS average; and (ii) indicate July 1, 2026, as the final deadline to become fully operational.

17. We are also making progress to ensure a swift implementation of VAT in 2026, including the recently adopted VAT regulations. To ensure a smooth transition from the GST and VAT, we are committed to making necessary changes to the secondary legislation by June 30, 2025. With the support of the IMF, WB, and USAID experts, we will (a) upgrade the IT system to support the VAT operations at the LRA, (b) establish a tailored refund system, with strong safeguards to ring-fence allocated resources to be used for VAT refund only (10 percent of the projected VAT revenue in the following year), and (c) provide to the IMF technical experts VAT revenue projections for 2026 by October 2025. To tackle the large and growing tax evasion, the LRA will continue to strengthen its administration with the support from the IMF and our development partners technical experts.

18. The PFM framework needs to be further strengthened. Following the adoption and publication of the new PFM regulation and the PFM medium-term strategy and action plan (end-September 2024 Structural Benchmark), we will embark on a comprehensive review of the PFM Act, with the goal of finalizing the Legislature adoption of the amendments by the end of 2026. The key objectives are (i) to ensure a full alignment between the PFM Act and the recently published regulation; and (ii) to modernize the PFM Act in several areas, including (a) the extensive Legislature's involvement in reshaping the government's budget proposals; and (b) the ample government's discretion in reshaping substantially the approved budget during the execution phase. These policy reforms, to be laid out in a comprehensive policy paper, will be adopted by the MFDP Minister by September 30, 2025, and published on the MFDP website (**Structural Benchmark**). The IMF technical experts will provide the necessary support.

19. Establishing a fully functioning Treasury Single Account (TSA) is progressing. We have completed a comprehensive survey of government accounts at the CBL and commercial banks, and found a total of 1,253 bank accounts open as at December 2024. We started the process of closing dormant bank accounts at the CBL this year and managed to close a total of 227 dormant bank accounts by September 2024. The process of identifying a list of dormant, largely inactive, or ineligible government bank accounts at both the CBL and commercial banks, which are eligible for closure in line with the 2021 TSA concept note, has been completed in December 2024. We will close all dormant and ineligible accounts by end-March 2025. Starting from 2025, we will conduct a regular survey of GoL accounts at CBL and commercial banks semi-annually to keep the inventory of bank accounts on our database up to date and ensure that no ineligible accounts remain open at either CBL or commercial banks.

20. The Treasury Management Committee (TMC) is now operational. TMC meetings will continue to be held, on a monthly basis, with the objective to better forecast the liquidity situation, including the currency denomination of outstanding and projected commitment and available resources in the government accounts at the CBL. The current and forecasted liquidity situation will inform monthly cash plans, which will set monthly allotments and commitment ceilings for each spending MACs. We will continue to share, on a monthly basis, with the IMF both the fiscal report on budget execution and cash plans.

21. To enhance capital spending implementation capacity, we have requested to the IMF to provide technical assistance on the Climate Public Investment Management Assessment (C-PIMA).

The IMF's capacity development mission is scheduled for the second half of February 2025. This will also play a decisive role in building capacity to deliver our climate objectives, as identified in the 2025-29 National Development Plan.

22. The General Auditing Commission (GAC) will audit the GoL financial statements for 2024. In line with the legislation, the government will publish the 2024 financial statement on April 30, 2025, and the GAC will finalize the audit report by September 30, 2025.

D. Monetary, Foreign Exchange and Financial Sector Policies

23. We are committed to maintaining sufficiently tight monetary policy stance to safeguard price stability. The CBL Monetary Policy Committee (MPC) reduced the policy rate by a cumulative 300 basis points to 17.0 percent in the second half of 2024 (cutting by 250 and 50 basis points in August and October, respectively), against the backdrop of moderating inflationary pressures. At the same time, the MPC maintained the reserve requirements ratios (RRR) on LRD and USD deposits (liabilities) at 25 percent and 10 percent, respectively. We also intensified our monetary policy operations to manage the excess LRD liquidity in the banking system. We consider the current policy stance sufficiently tight to contain inflationary pressure and to gradually reduce inflation towards our medium-term inflation objective of 5.0 percent. We will continue to closely monitor economic developments and stand ready to tighten our policy stance should the easing of inflation reverses. We are committed to continuing to absorb excess LRD liquidity using the main policy tool—CBL Bills—as needed to contain excessive growth of domestic monetary aggregates and achieve price stability. This would be complemented by changes in RRR especially on LRD deposits when the need arises. We have resuscitated the Liquidity Working Group (LWG), comprising technical staff of the CBL, LRA and MFDP. The LWG meetings will be held at least once a month to support CBL liquidity management operations among others. The MFDP reaffirmed its commitment to ensuring that MACs keep cash withdrawal at the CBL to a minimum in line with the PFM regulation. This will help to limit excessive growth of currency in circulation. The over-the-counter cash withdrawal will be limited to a maximum of US$25,000 except for national security agencies as specified in the relevant regulation. We remain committed to maintaining an exchange rate that fully reflects market forces and ensuring a smooth functioning of the foreign exchange (FX) market. FX interventions will be limited to leaning against disorderly market conditions, including excessive exchange rate volatility and preserving financial stability.

24. The implementation of the currency changeover is nearly complete. The delivery of the new currency into the country was completed in November 2024. About 60 percent of the new currency have been injected/infused into the economy already and the remaining stock of new currency should be sufficient to replace the few remaining stock of old currency in circulation and to meet the expected demand in the medium term. We also made substantial progress in withdrawing from circulation and destroying at least 83 percent of stock of the old currency. This will ensure availability of good-quality currency in the economy, which is critical for enhancing public confidence in the domestic currency and ensuring financial stability. Considering the progress thus far, the CBL terminated the legal tender status of the old currency in May 2024 and extended the timeline for the exchange of the old currency for the new one to continue at commercial banks and CBL facilities across the country until the end of 2024. Beyond 2024, the exchange of the old currency will only take place at the CBL headquarters until the rest of the old currency is withdrawn from circulation, subject to the approval of the National Legislature.

25. Strengthening our monetary policy framework remains a priority. We are moving ahead with the plan to upgrade our monetary policy framework: transitioning towards a forward-looking and interest rate-based monetary policy framework, with the long-term goal of adopting an inflation-targeting framework. The CBL is now focusing on interest rate as the operating target of monetary policy and de-emphasizing on monetary aggregate targets, instead using them as information variables to guide the conduct of monetary policy. In the second half of 2024, we established a MPC with six members (five internal members and one external member) out of the seven members required by the CBL Act.[1] The MPC is now fully operational and executing its mandate of formulating monetary and exchange rate policies. The recruitment process of the remaining external member is underway and expected to be completed in the first quarter of 2025. The CBL will establish the interest rate corridor system with two operational standing facilities—standing credit and deposit facilities—by March 2025, and the system will be fully operationalized when the TSA reforms are completed, ensuring daily sweeping of GoL revenues into the government consolidated account at the CBL by commercial banks. This is to prevent commercial banks from investing government deposits in CBL bills. We are putting in place the necessary infrastructure to support the effective functioning of the corridor system. The interest rate corridor will help stabilize and anchor short-term interest rates around the policy rate, thereby enhancing monetary policy transmission. We reaffirm our commitment to strengthen monetary policy operations and develop financial markets.

26. We are taking necessary steps to reinforce CBL independence and governance. The CBL Board adopted a comprehensive time-bound action plan for the implementation of (i) the residual recommendations from the GAC compliance and forensic audit reports in December 2024 (**Structural Benchmark**) and (ii) the recommendations from the IMF update safeguards assessment, in consultation with Fund staff. The CBL management will report the implementation progress on these recommendations to its Board on a quarterly basis until the completion of the action plan. The CBL remain committed to observing its internal regulation to limit the CBL's clearance of government checks to US$500,000 during system glitches, when it cannot confirm the revenue inflows in real time. We reiterate our recognition that under the CBL Act, CBL lending

[1] Under section 17(3) of the CBL Act, the MPC is to comprise of the Executive Governor, the Deputy Governors, the Director of Research, Policy and Planning, the Director of Banking Supervision and two external members from the private sector and academic community. Prior to the establishment of the MPC, the CBL Board of Governors (comprising the Executive Governor and four non-executive Governors) was acting in proxy of the MPC.

to the government is generally disallowed except under exceptional circumstances such as war, famine or other natural disasters, subject to the maturity limitation and the aggregate principal ceiling. The CBL reaffirm its commitment to honor neither GoL checks nor GoL payment instructions against underfunded GoL accounts. Such checks will be returned to the government with monetary penalties. We are strengthening the regulatory framework governing check clearing procedure to disallow commercial banks to provide immediate value for GoL-issued checks before presenting such checks for clearing at the CBL.

27. The CBL is committed to improving operational efficiency and reducing operational costs. This is crucial to ensure that the CBL has sufficient resources to execute its mandate effectively. The CBL successfully reduced the number of contractual personnel, mostly employed for the almost complete currency changeover, by 209 in September 2024 as part of the CBL's overall cost-cutting measures. The CBL will develop a comprehensive staff restructuring plan by March 2025 to enhance its operational efficiency and lower operating cost. The staff restructuring plan will be guided by the results/recommendations of the IMF desk review on enhancing operational efficiency and the ongoing CBL's staff needs assessment exercise among others. We expect to have an overall reduction in staff complement whilst, at the same time, reinforcing technical departments that need more expertise. In addition to reducing the operating costs, we will also consider ways to improve our revenue streams. This could include but not limited to active, but prudent, management of foreign reserves, increasing the fee structure for CBL services rendered to financial institutions and government. These measures will help the CBL to enhance its operational efficiency and reduce persistent operating losses.

28. We will continue rebuilding international reserves to at least 3⅓ months of imports cover in the medium term to safeguard external and financial stability. The CBL will continue to accumulate foreign reserves gradually through cautious and opportunistic purchases of FX from the government, given the limited avenue in the market. To support this, the government reconfirmed its commitment to progressively and gradually de-dollarize its operations by increasing the share of the wage bill paid in LRD to at least 30 percent by end-2024 and further to 35 percent by end-2025 (**Indicative Target**), and increasingly effecting other government payments in LRD to the extent possible. This currency switch will generate surplus FX in fiscal operations that the government would then sell to the CBL in exchange for LRD to meet the resulting increase in LRD expenses. We are committed to strengthening collaboration between the CBL and the MFDP through monthly LWG meetings to determine and facilitate regular FX purchases. To achieve reserves accumulation target, the authorities facilitated the CBL's FX purchases of at least US$20 million this year and commit to US$30 million in 2025, and to gradually scale up the pace of the FX purchases in the subsequent years. The CBL reaffirms its commitment to increasingly conduct its domestic transactions in LRD, including paying at least half of its wage bill in LRD. The MFDP will also encourage other public institutions to increasingly conduct domestic transactions in LRD. We are also considering drawing up a formal and detailed de-dollarization plan that will include measures in prudential regulation and administrative areas among others to promote the use of LRD within the economy.

29. We are committed to the approval and operationalization of the Bank-Financial Institutions and Bank-Financial Holding Companies Act (BFIA). We have resubmitted the BFIA to the Executive for the submission to the National Legislature and we are preparing the regulations and operational guidelines needed for the swift implementation of the new Act upon its approval. We commit to ensuring that the new Act will be enacted by the National Legislature by April 30, 2025 (**Structural Benchmark**) to, among others enable us to: (i) enhance the risk-based supervision framework, (ii) anchor the resolution function in legislation, providing the CBL with broad powers for dealing with distressed banks, and (iii) establish a deposit insurance scheme. To operationalize the bank resolution framework, the CBL commits to assign permanent dedicated staff and develop regulations and operational guidelines for bank resolution by April 30, 2025 (**new Structural Benchmark).** Prior to that, we have assigned recently dedicated staff on a part-time basis to already work on the preparation of resolution plans for the troubled banks.

30. Adequate enforcement of the regulatory framework for central bank liquidity assistance is critical to maintain financial stability. We are committed to strictly enforcing the reserve requirements regulation and submit a monthly report for enforcement of reserve requirements and regulatory actions and penalties imposed to delinquent banks **(new recurrent Structural Benchmark)**. In addition, we will discontinue the granting of Emergency Liquidity Assistance (ELA) beyond permissible periods. As a remedial action to the missed SB for September 30, 2024, we have fully collateralized the outstanding ELA exposures and initiated collateralization of all loans to LBDI and Afriland bank related to the 2012-14 legacy CBL on-lending program by issuing an order **(Prior Action)** for full collateralization of these loans by June 2025 (**new Structural Benchmark**). Furthermore, in order to ensure that going forward ELA is provided only for short periods of time to solvent institutions with temporary liquidity needs, subject to a penalty rate and secured with collateral with prudent haircuts, we will conduct a comprehensive review of the ELA regulation in consultation with the Fund, with the goal of adopting the revised ELA regulation that aligns with international best practices by July 31, 2025 (**new Structural Benchmark**).

31. We are going to take swift remedial actions against the CBL financial support provided to two small banks. The independent legal review of the CBL financial support to these banks was completed in December 2024. Going forward, the CBL will prepare and adopt a time-bound action plan, consistent with IMF advice, to implement the relevant recommendations from this legal review by February 28, 2025 **(new Structural Benchmark)**. The principles that will govern the remedial actions are: i) the amendment of the CBL Act to clarify that such unconventional financial support measures are prohibited by the law; and ii) the reversal of any unlawful actions and the rectification, in line with current legislation, of any irregular policies.

32. We are determined to address the high level of NPLs in the system. We have obtained bank-by-bank detailed reporting of NPLs and we will build by February 28, 2025 a stratification by quantity (small, medium and big), collateral (movable, non-movable and without collateral) and type of borrower (retail, small and medium companies, and corporates). We will also collect qualitative data from banks by means of questionnaires by end-April 2025. Building on both inputs, we will analyze the main impediments to NPL resolution and, in consultation with Fund staff, develop a tailored NPL strategy for each bank. In the meantime, we are also going to intensify our supervisory efforts to ensure rigorous compliance of all banks with the current provisioning framework that requires full provisioning of NPLs by banks after one year and the write-off of NPLs that have been more than two years in the loss category. Finally, we aim at having the credit reference bureau with simultaneous access to the movable collateral registry, fully operational by end-December 2025.

33. The state-owned bank (SOB) continues to require close attention and oversight. The external audit to reinstate its financial statements, performed by an international audit firm, is progressing well and we are committed to obtaining the final report and accounts by January 31, 2025. The SOB has approved a strategic plan to address the findings of the independent external review on its NPL portfolio and it is currently implementing it. The bank has actively engaged in the recovery of NPLs with meaningful results achieved in December. However, we observed that the NPL ratio has deteriorated further in recent months, and we will increase our supervisory efforts accordingly. Currently, the SOB is undergoing a restructuring of the Credit Risk Department that involves the hiring of expert technical staff and is committed to approve the appointment of a Chief Risk Officer soon (by end-March 2025) to reinforce and steer the bank's risk management function.

34. We are going to advance firmly with the restructuring of three banks. In order to identify the actual financial status of the two small banks, the CBL have initiated independent diagnostic reviews of the two banks, to be performed by international audit firms (**new Prior Action**). The findings of the diagnostic reviews and the restatement of the financial statements of the SOB will facilitate (i) the development by the three banks of restructuring plans, which will include recapitalization plans when needed, to be submitted to the CBL and, in parallel; (ii) the preparation by the CBL of resolution plans for these banks by March 31, 2025 (**Structural Benchmark**). These actions will allow the CBL to ensure that these three banks are restructured, and to have clear resolution strategies to act swiftly if necessary to preserve financial stability.

E. Debt Sustainability

35. The updated DSA maintains Liberia's risk of debt distress as moderate for external debt and high for total public debt with weak debt-carrying capacity. To strengthen debt sustainability, which weakened in 2023 due to the large fiscal deterioration, we are committed to continuing prudent fiscal policies, preserving the large improvement to be achieved in 2024. To this end, we aim to continue to reduce the primary deficit in the coming years. We will also prioritize concessional financing. Over the long term, we recognize that concessional financing is likely to be on a downward trajectory and will be partially offset by external non-concessional borrowing and domestic borrowing—as the debt market develops—to finance the much-needed public investment and growth. This would imply that our borrowing space will be more limited to maintain the moderate risk of external debt distress. We will continue to focus on improving the debt management capacity and medium-term debt strategy and will be very selective in identifying the externally funded projects that would bring the highest economic return, which could help us adhere to the program ceilings on the PV of new PPG external borrowing.

36. We recognize the need for further strengthening of debt management to safeguard debt sustainability. To this end, we aim to allocate adequate budget resources for debt service payments to avoid occurrence of arrears, both domestic and external. We will also follow up on the recommendations of the IMF CD mission. Namely,

- MFDP will continue to strengthen its capacity to produce debt sustainability analysis on annual basis reflecting current macro projections. In addition, preparing medium-term debt strategy will help us inform the debt financing limits during the budget preparation process and contribute to a more accurate DSA.

- The MFDP will assess the impact of each project loan and guarantee proposed by line ministries on debt sustainability and compliance with debt limit policy under the ECF arrangement before the proposed loans are submitted to the Presidential Office for the ratification. We will review existing acts and regulations that would better specify the DMU's function, including its involvement in the new debt contracting and ratification process early on.

- The Debt Management Committee (DMC) meetings will be regularized. We have resumed regular DMC meetings to discuss proposals for potential borrowing. DMU serves as a secretariat for the DMC. No government borrowing or guaranteeing decision will be valid without the DMC's consideration and approval.

- During the budget presentation, we will engage with the Legislature to explain and provide background information behind the debt service projections to avoid Legislature's decision to reduce and underbudget the amounts allocated for debt service, which would lead to the accumulation of debt service arrears or default.

- To mitigate risks of misinformation and poor budget planning and execution with respect to debt service payments, we will develop and strictly adhere to the Debt Management Policy Manual that would ensure proper documentation and information flow between various departments and agencies.

- We will consider the need for additional staffing and/or training to improve the effectiveness of the DMU.

F. Governance

37. We remain committed to strengthening the capacity of the Liberia Anti-Corruption Commission (LACC) to operate effectively. The LACC completed a comprehensive assessment of its resource requirements. The assessment informs the amount of resources required for the LACC to execute its mandate effectively, detailing also the rationale behind the allocation of resources, thus ensuring transparency and accountability. We will ensure that the LACC has adequate resources. This will be reflected in our national budget, starting with the FY2026 budget. In addition, we will strive to disburse LACC budget allocation at least one quarter in advance. To safeguard LACC's financial independence, we will propose legislative amendments to the Legislature that ensure stability of LACC annual budget allocations by March 2025. The LACC will also enact the necessary implementing regulations to adhere to its mandates as stipulated under the LACC Act. Furthermore, we will advance the effective implementation of the asset declaration framework as mandated by the Law. The LACC will enact implementing regulations of the LACC Act of 2022, which would (i) specify instances, pursuant to section 5.2.o.iii of the LACC Act, where the public disclosure of a person's asset declaration is in the interest of the general public, and (ii) establish, pursuant to section 5.2.o.ii and v of the LACC Act, a risk-based verification process focusing on officials at higher risks of corruption from those listed under Regulation 5/2024 by June 2025 (**new Structural Benchmark**). The regulation will be informed by international best practices related to public disclosure and risk-based verification, including the G20 high-level principles on asset disclosure by public officials and the WB/UNODC StAR Initiative's recommendations on asset declarations.

38. Strengthening governance and accountability remains a priority. The LACC is now fully operational and will strive to intensify the fight against corruption and promote the rule of law. To inform the longer-term policies and address governance deficiencies, we have requested the IMF for a governance diagnostic study (GDS), which is expected to commence in mid-2025. To this end, the LACC, alongside pertinent authorities, will facilitate the provision of all requisite information and support for the execution of the GDS by the IMF. The findings of this study will help identify key governance weaknesses and inform the design of governance reforms going forward. We commit to publishing the GDS report together with a detailed Action Plan to address the identified weaknesses by the end of November 2025. The General Auditing Commission (GAC) will continue to conduct both regular and special audits to identify weaknesses in budget execution, financial reporting and accountability systems as well as potential improprieties in the use of public resources. This will help us to improve financial reporting, accountability, and compliance with existing laws across public institutions. Despite fiscal constraints, the government will strive to provide sufficient resources to integrity institutions, including the GAC.

39. We are improving public procurement and contract transparency. We are committed to implementing the recently adopted new PFM regulation. Among others, the new regulation has provisions for penalties for MACs not submitting procurement plans and to hold non-compliant procurement officers accountable. This will ensure that government spending units strictly comply with the required public procurement procedures. In particular, we will ensure that all MACs submit, on a regular basis, comprehensive procurement plans to the Public Procurement and Concession Commission (PPCC) and publish awarded contracts. Furthermore, we are working to migrate to e-procurement to make procurement process more transparent and seamless. To increase compliance with procurement law and procedures, we will enact necessary amendments to the PPCC Act by introducing various measures as well as increasing its scope and substance (e.g., by including definition of beneficial ownership). We will also step up the implementation of the PPCC Act by educating and training procurement officers.

40. Our new National AML/CFT Strategy and Action Plan (AS-AP) 2024-28 reflects the findings of the recent Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) led mutual evaluation. We have developed a comprehensive workplan and timeline for the implementation of Liberia's multipronged approach to ensure transparency of beneficial ownership of legal persons in general, in line with IMF staff's advice, for the cabinet approval by March 31, 2025 **(Structural Benchmark)**. The workplan includes measures to (i) fully implement the Liberia Beneficial Owner Disclosure Regulations (including the development of a National Central Register of Beneficial Owners); (ii) ensure the collection of accurate and up to date beneficial ownership information by all financial institutions and designated financial businesses and professions; (iii) incorporate beneficial ownership disclosure requirements in procurement requirements; (iv) ensure licensing requirements for all financial institutions and DNFBPs incorporate beneficial ownership considerations; and (v) ensure beneficial ownership requirements are extended to and enforced with respect to the all entities registered by the Liberian International Ship and Corporate Registry and all entities operating in the extractive sector. The Inter-Ministerial Committee (IMC) approved the workplan on May 5, 2024, and we intend to obtain cabinet's endorsement well ahead of schedule. We also intend to strengthen the capacity of Financial Intelligence Agency to carry out its core functions effectively by increasing its budget allocation. The establishment and implementation of legally binding licensing requirements for all designated nonfinancial businesses and professions remain a priority for 2025. To combat the risks of illicit financial flows, we intend to issue the necessary regulations governing wire transfers that comply with obligations under relevant United Nations Security Council Resolutions in 2025.

G. Statistics

41. We will continue to work closely with the IMF capacity development assistance to improve the quality of our statistics for effective program monitoring. Liberia Institute of Statistics & Geo-Information Services (LISGIS) published the first set of annual GDP estimates for 2016-22 (at current and constant prices) in July 2024. The process of finalizing the compilation of the 2023 GDP estimates and back casting of the GDP series for the period 2010-15, under the guidance of the IMF CD assistance, is at an advanced stage. We plan to publish the 2023 GDP estimates, together with the revised GDP estimates for 2016-22, in the first half of 2025. We improved the quality of price statistics (consumer price index (CPI)), by updating the CPI basket with new items and varieties and removing obsolete items from the basket and started publishing the refreshed CPI series from March 2024. The process of developing a producer price index (PPI), especially for utilities, is advancing. We are committed to expanding the CPI coverage to include all counties in Liberia. The plan is to start compiling regional and national CPI in the second half of 2025. We will pursue improvements to fiscal and debt statistics drawing on recent IMF CD assistance to improve the scope and coverage of our statistics, and classifications and comprehensiveness of transactions and stocks. We will follow through with the recommendations of IMF CD assistance on monetary statistics and financial soundness indicators to enhance the quality of these data and ensure that they are available on a timely basis.

42. We will improve coverage and accuracy of the balance of payments statistics by implementing technical recommendations provided by IMF CD assistance on External sector statistics, including but not limited to 1) increasing coverage and compliance in reporting of quarterly international investment survey, 2) resuming hotel survey 3) increasing compliance of banks to report regularly to International Transactions Reporting System, and 4) improving classifications in the remittance system. We will also improve data collection procedures including data validation and follow up actions with banks and enterprises reporting to the survey.

43. We will also improve debt statistics reported by Debt Management Unit (DMU) by implementing recommendations from the IMF, including but not limited to 1) increasing DMU's rights to obtain data from all related entities in a timely and predictable manner; 2) have regular data reconciliation by having meetings with major creditors on debt stock and debt service repayment schedule; 3) ensure DMU's inclusion in all debt related processes; 4) create better institutional setup and debt management frameworks.

H. Program Issues and Monitoring

44. The program will be monitored by quantitative performance criteria, structural benchmarks, indicative targets, and semi-annual reviews (Tables 1, 2, and 3). Performance criteria, indicative targets, and structural benchmarks are defined in the technical memorandum of understanding, which also defines the scope and frequency of data to be reported for program monitoring purposes. We expect the second review to be completed on or after June 1, 2025 based on the end-December 2024 targets and other relevant performance criteria, and the third review be completed on or after December 1, 2025 based on the end-June 2025 targets and other relevant performance criteria.

Table 1. Liberia: Quantitative Performance Criteria and Indicative Targets, September 2024 – December 2025

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

	Sept. 2024				Dec. 2024	Jun. 2025	Dec. 2025
	PC	Adjusted PC	Prel.	Status	PC	PC	IT
Performance Criteria[1]							
Floor on primary fiscal balance, excluding grants [2, 3]	10.0	10.0	100.0	Met	24.0	31.0	58.0
Ceiling on present value of new public and publicly guaranteed external debt contracted [4]	102.0	102.0	0.0	Met	102.0	226.0	226.0
Ceiling on new external arrears of the central government (continuous)	0.0	0.0	11.9	Not Met	0.0	0.0	0.0
Ceiling on the CBL's operational and capital expenses [5, 6]	30.4	30.4	25.5	Met	36.7	17.5	32.5
Floor on the change in the CBL's net international reserves [5, 7]	-12.0	-12.9	-2.3	Met	6.0	15.0	50.0
Ceiling on CBL's gross direct credit to central government	740.1	740.1	740.1	Met	740.1	731.8	713.0
Indicative Targets							
Floor on total revenue collection of the central government [2]	495.0	495	512.0	Met	671.0	380.0	757.0
Ceiling on new domestic arrears related to GOL security repayments to banks (continuous)	0.0	0.0	0.0	Met	0.0	0.0	0.0
Floor on social and other priority spending [2]	57.0	57.0	59.5	Met	76.0	39.4	76.2
Floor on on-budget capital spending [2]	28.0	28	18.0	Not met	53.0	29.0	62.0
Floor on the share of public wage bill paid in Liberian Dollars (percent of total public wage bill)[8]	0.25	0.25	0.20	Not Met	0.30	0.35	0.35
Memorandum Items							
Floor on wage bill of school teacher and non-teacher staff [2]	25.0	25.0	28.3	Met	33.0	17.3	33.2
Floor on wage bill of core and non-core clinical health workers [2]	32.0	32.0	31.2	Not Met	43.0	22.1	43.0

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

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

[2] 2024 and 2025 criteria and targets are cumulative from the beginning of the calendar year.

[3] 2024 and 2025 floors shall be adjusted for deviations of investment spending, and budget support loans from the baseline (see TMU, ¶11).

[4] 2024 targets are cumulative from the beginning of the calendar year. Starting with the Jun 2025 test date, the targets are shown as cumulative from the date of ECF program approval.

[5] These numbers are cumulative from the beginning of the calendar year.

[6] These numbers exclude monetary policy costs.

[7] 2024 and 2025 floors shall be adjusted for (i) deviations of banks' deposits of unfit US$ banknotes at the CBL from the baseline, and (ii) deviations of the value of unfit US$ banknotes shipped to the Federal Reserve from the value credited to the CBL's account (see TMU, ¶20).

[8] This will be monitored on a cash basis only.

Table 2. Liberia: Prior Actions and Structural Benchmarks for 2024-25

Prior Actions for the First Review

Definition	Status
• Cabinet approval of the 2025 budget in line with key program parameters and its submission to the Legislature. This includes the cabinet adoption of supporting revenue measures such as the GST standard rate increase to 12 percent.	**Met**
• Submission to the Legislature of the amendment to the VAT Law with a new standard rate consistent with the medium-term VAT revenue targets.	**Met**
• Initiation of independent diagnostic reviews of the financial health of SIB and Bloom Bank by international audit firms.	**Met**
• The CBL ensures full collateralization of ELA loans and issues an order for LBDI and Afriland Bank to collateralize all other loans from CBL by the end of June 2025.	**Met**
• Clearance of all identified and outstanding external arrears.	**Met**

Structural Benchmarks

Definition	Target Date	Rationale	Status
Domestic Revenue Mobilization			
• Government submission to the Legislature of VAT law that is consistent with the Fund advice.	Sept. 30, 2024	Support VAT implementation	**Met**
Public Financial Management and Governance			
• Adoption by the MFDP of an action plan to implement the new PFM strategy.	Sept. 30, 2024	Strengthen PFM implementation	**Met**
• MFDP to finalize a comprehensive survey of all GoL accounts opened at both commercial banks and CBL. The survey should also identify a list of dormant accounts and ineligible accounts (those that are not exempted from TSA according to the 2021 TSA concept note, section 4 on TSA coverage) for closure.	Sept. 30, 2024	Establish TSA Low	**Not met, implemented with delays**
• Cabinet adoption and publication of a comprehensive policy paper that outlines the existing weaknesses in the PFM Act, following a close consultation with line ministries and the Legislature.	Sept. 30, 2025	**New**/Support PFM reforms Medium	Not started

Table 2. Liberia: Prior Actions and Structural Benchmarks for 2024-25 (continued)

Definition	Target Date	Rationale	Status
Strengthening Central Bank Operations and Developing the Financial Sector			
• Eliminate uncollateralized CBL loans to banks.	Sept. 30, 2024	Enhance financial stability.	**Not met, implemented as PA**
• The CBL Board's adoption of a time-bound action plan, consistent with the Fund advice, for implementation of the recommendations contained in the compliance and forensic audit reports.	Dec. 31, 2024	Enhancing CBL independence	**Met**
• CBL to reduce the number of fixed-term contractual personnel mostly hired to implement the almost completed currency changeover by 170.	Dec. 31, 2024	Eliminate CBL operating losses to ensure its balance sheet sustainability	**Met**
• CBL Board's adoption of a time-bound action plan, consistent with Fund advice, for implementation of the recommendations from the independent legal review of the unconventional CBL support to SIB and Global Bank investor (currently Bloom Bank).	Feb. 28, 2025	**New**/Enhancing CBL independence	Not started
• CBL should (i) obtain restructuring plans developed by problem banks (LBDI, SIB and Bloom bank), and (ii) prepare credible resolution plans for these banks in parallel.	Mar. 31, 2025	Enhance financial stability	In progress
• Adoption by the Legislature the Bank-Financial Institutions and Bank Financial Holding Companies Act (BFIA).	Apr. 30, 2025	**New**/Enhance financial stability	In progress
• CBL to assign specialized staff and adopt regulations and operational guidelines on bank resolution.	Apr. 30, 2025	**New**/Enhance financial stability	In progress

Table 2. Liberia: Prior Actions and Structural Benchmarks for 2024-25 (concluded)			
Definition	**Target Date**	**Rationale**	**Status**
Strengthening Central Bank Operations and Developing the Financial Sector			
• The CBL will ensure full collateralization of all non-ELA loans to commercial banks.	Jun. 30, 2025	**New**/Enhance financial stability	In progress
• The CBL to adopt a revised ELA regulation in line with Fund advice.	Jul. 31, 2025	**New**/Prevent abuses of emergency lending	In progress
Governance			
• Establish a workplan and timeline approved by the Cabinet for the implementation of Liberia's multipronged approach to ensure transparency of beneficial ownership of legal persons in general.	Mar. 31, 2025	Strengthen Governance.	In progress
• LACC will enact a regulation of the LACC Act of 2022 (i) specifying instances, pursuant to section 5.2.o.iii LACC Act, where the public disclosure of a person's asset declaration is in the interest of the general public, and (ii) establishing, pursuant to section 5.2.o.ii and v, a risk-based verification process focusing on officials at higher risks of corruption from those listed under Regulation 7/2023.	Jun. 30, 2025	**New** /Enhance governance and transparency	Not started

Table 3. Liberia: Recurrent Structural Benchmarks

Definition	Target Date	Rationale	Status
• Enhance reporting practices on foreign exchange withdrawals through compilation of reports on foreign exchange withdrawals from CBL and timely submission of these reports to the CBL Board of Governors (BoG) monthly.	Monthly (Within six weeks after the end of month.)	Enhance internal controls.	**Met**
• Enhance reporting practices on foreign exchange withdrawals through semi-annual external audits on the foreign exchange reserves of CBL.	Semiannually (within eight weeks after the end of each half of the year)	Ensure transparency	In progress
• In line with the Enterprise Risk Management Policy, submit quarterly compliance reports to the CBL BoG with details of deviations from CBL's policies and procedures, as well as stated regulatory requirements.	Quarterly (from 2024Q1; Within 30 days after the end of quarter.)	Improve compliance with policies and regulations	**Met**
• The MFDP to prepare monthly fiscal reports and cash plans on a rolling basis. The cash plans will set allotments and commitment ceilings for spending agencies, based on revenue collections. These reports will be shared with IMF staff.	Monthly related to the preceding month (from June 2024). Fiscal report by the 15th and the cash plan by the 30th or the last day of the month.	Strengthen budget execution.	**Met**
• Expand and update, at least annually, the existing domestic tax and customs duties exemptions database. A comprehensive report should be included in government budget document as an annex.	Annually	Enhance tax exemption management	In progress
• The CBL to submit a monthly report for enforcement of reserve requirements and regulatory actions and penalties imposed for delinquent banks.	Monthly related to the preceding month (from February 2025).	**New**/Improve compliance with policies and regulations	In progress

Attachment II. Technical Memorandum of Understanding

A. Introduction

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

B. Program Exchange Rates

2. **For the purpose of the program, foreign currency denominated values will be converted into Liberian currency (Liberian Dollar)** using a program exchange rate of LRD 1.33/US$ and cross rates as reported in the IMF's International Financial Statistics as of July 31, 2024 (except for XUA which comes from published exchange rates on the African Development Fund website) and reproduced below in Text Table 1.

Text Table 1. Liberia: Program Exchange Rates
(As of July 31, 2024)

Currency	Currency Units Per SDR	Liberian Dollars Per Currency Unit	US Dollars Per Currency Unit
US dollars	1.33	195.37	1.00
British Pound Sterling	1.03	250.89	1.28
Japanese Yen	202.45	1.28	0.01
Euro	1.23	211.55	1.08
SDR	1.00	259.54	1.33
XUA	1.00	259.80	1.33
RMB	9.59	27.06	0.14

C. Definitions

Quantitative Performance Criteria (QPC)

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

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

5. **The revenue collection of the budgetary central government includes all tax and non-tax receipts transferred into the GOL revenue accounts at the CBL for the relevant fiscal year**, including income and transfers from state-owned enterprises and public institutions, as well as budget support loans and grants. Tax revenue includes taxes on income, profits, capital gains, goods and services, international trade, and other taxes (including property tax and social contribution by foreign concessions). Non-tax revenue includes property income (dividends and interest income, royalty and rent), administrative fees, fines, penalties and forfeits, as well as other non-tax revenue (voluntary transfers and other grants, sales of other goods and services, withholding on other payments by government (non-resident), and taxes on financial and capital transactions. External loans and grants for off-budget projects managed by the budgetary central government are excluded unless otherwise stated. Revenues retained by government agencies to fund their operations and not appropriated in the budget shall not be considered revenue for program purposes. For the purposes of the program, revenue is measured in U.S. dollars, with GOL revenue account receipts in Liberian dollars converted to U.S. dollars using the period average exchange rate.

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

7. The definition of *public external debt* (both concessional and non-concessional), for the purposes of the program, refers to the debt of the central government (as defined in paragraph 3) owed to non-residents, and it applies not only to the meaning set forth in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 16919-(20/103), adopted October 28, 2020, but also to commitments contracted or guaranteed for which value has not been received. For program monitoring purposes, external debt is considered to be contracted or guaranteed once all conditions for its entrance into effect have been met, including ratification by the legislature and the legal opinion from the Ministry of Justice and any other relevant authorities, if required.

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

9. Non-concessional public external debt is external debt (as defined in paragraph 7) that does not meet the definition of concessionality defined in paragraph 8. External debt and its concessionality will be reported by the Debt Management Unit of the Ministry of Finance and Development Planning and will be measured in U.S. dollars at current exchange rates.

10. Program performance will be assessed against the quantitative performance criteria on:

- Primary fiscal balance excluding grants (floor),
- New arrears on public external debt (ceiling),
- Present value of new public and publicly guaranteed external debt contracted (ceiling),
- CBL’s operational and capital expenditure (ceiling),
- CBL’s net international reserves (floor), and
- CBL’s gross direct credit to government (ceiling).

Primary Fiscal Balance Excluding Grants

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

12. **Adjustor**: If the sum of cumulative budget support grants and concessional budget support loans received up to the relevant quarter in the fiscal year exceeds the amounts stated in Text Table 2 below, the floor for the primary fiscal balance excluding grants in that quarter will be adjusted downward by the amount of the excess. If part of expenditure were for capital injection that are consistent with the financial sector reform plan adopted by the CBL Board in consultation with Fund staff, the floor for the primary fiscal balance excluding grants in that quarter will be adjusted downward by that amount. The 2024 and 2025 floors shall be adjusted up by the sum of shortfalls in on-budget capital spending (as defined in paragraph 27). This adjustor shall not be negative and be capped at US$44 million for 2024 and US$69 million for 2025. Shortfalls are relative to reference values shown as in Text Table 2.

Text Table 2. Liberia: Adjustor to the Primary Balance Excluding Grants, 2024Q3-2025Q4
(Millions of U.S. dollars, Cumulative)

	2024Q3	2024Q4	2025Q2	2025Q4
Budget support loans	0.0	40.0	0.0	60
On-budget Capital Spending	28.0	53.0	34.0	64

New Arrears on Public External Debt

13. **A zero ceiling applies on payment arrears on public external debt**. Public external debt is defined in paragraph 7. For the purpose of the ceiling on the accumulation of external payment arrears, external payment arrears will accrue when undisputed payments such as interest or amortization on debts of the Government (as defined in paragraph 3) to non-residents are not made within the terms of the contract (taking into account any contractual grace periods). This

criterion excludes arrears arising from external payments obligations being renegotiated with creditors and arrears on debts in dispute. The source of the data is primarily the Debt Management Unit of the Ministry of Finance and Development Planning, but where information gaps arise, other fiscal and monetary sources will be used to reconcile the data. This performance criterion will be monitored on a continuous basis.

Present Value of New Public and Publicly Guaranteed External Debt Contracted

14. A ceiling applies to the cumulative present value (PV) of all new external debt contracted or guaranteed by the public sector, including commitments contracted or guaranteed for which no value has been received. Public external debt is defined in paragraph 7. The PV of new external debt is calculated using the IMF "PV Tool" based on the amount of the loan, projected disbursements, the maturity, grace period, payment schedule, and fees. For debts with a grant element equal to or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248- (13/97). The PV of external debts in currencies other than the U.S. dollar will be calculated in U.S. dollar terms at program exchange rates as specified in TMU Text Table 1. For the purpose of this performance criterion, the ceiling on the cumulative PV of new contracted or guaranteed external debt excludes debt contracted from the IMF. The MFDP must immediately report to the IMF staff upon signing any new contracts for external loans or guarantees, as well as when those contracts become effective.

15. Adjustor to the debt ceiling when the deviation is due to change in financing terms. The PV of debt ceiling, referred to in paragraph 14, will be adjusted upwards by up to 5 percent, in case deviations from the performance criterion on the PV of new external debt are prompted by a change in the financing terms (interest, maturity, grace period, payment schedule, upfront commissions, management fees) of a debt or debts.

CBL's Operational and Capital Expenditure

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

CBL's Net International Reserves

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

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

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

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

21. Adjustor to the QPC on the floor on the change in NIR. The QPC floor on the change in NIR shall be adjusted down by the difference between the value of unfit U.S. dollar banknotes shipped to the Federal Reserve and the value credited to the CBL's account. The QPC floor on the change in NIR shall be adjusted up (down) if banks' actual deposits of unfit U.S. dollar banknotes at the CBL are less (greater) than the baseline projections in Text Table 3.

Text Table 3. Liberia: Adjustor to the Floor on NIR, September 2024 – December 2025
(Millions of U.S. dollars)

	2024Q3	2024Q4	2025Q2	2025Q4
Deposits of unfit US$ banknotes by banks*	14.5	16.0	3.0	10

*Cumulative from beginning of year.

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

CBL's Gross Direct Credit to Government

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

Indicative Targets

24. **The program sets indicative targets with respect to the following**:

- Total revenue collection of the budgetary central government (floor),
- New domestic arrears related to the GOL security repayments to banks (ceiling),
- Social and other priority spending (floor),
- Share of central government wage bill paid in LRD (LRD share in GoL compensation payments) (floor),
- On-budget investment spending (floor),

Total Revenue Collection of the Budgetary Central Government

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

New Domestic Arrears Related to the GOL Security Repayments to Banks

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

- *Payment of interest and/or principal on government debt*: expenditure falls into arrears as soon as the scheduled date for payment has passed (subject to any applicable grace period).

Social and Other Priority Spending

27. Social spending is defined as education and health. Education and health spending consist of the cumulative payments up to the relevant quarter and/or semiannually in the fiscal year of the units listed in Text Table 4 (payment vouchers approved by the Ministry of Finance and Development Planning).

Text Table 4. Liberia: Social and Other Priority Spending

Sector	Payment voucher items
Education	Total wage bill and workforce of teacher and non-teacher staff.
Health	Total wage bill and workforce of core clinical health workers (physician, physician assistant, midwife, registered nurses) and noncore clinical health workers (clinical support, EHT, dentist, lab technician and pharmacist).

On-Budget Investment Spending

28. On-budget investment spending is defined as gross investment in nonfinancial assets as stated in the budgetary central government statement of operations table. Investment spending is defined as set out in the Government Finance Statistics Manual 2014 under transactions in nonfinancial assets which is broadly in line with what the GOL includes in its public sector investment program excluding 60 percent of the transfers to the Road Fund[1]. It also excludes off-budget projects related to donor projects. The indicative target is based on the annual gross investment. The target shall be assessed using cumulative spending up to the relevant quarter in the fiscal year.

Share of Central Government Wage Bill Paid in LRD (LRD Share in GoL Compensation Payments)

29. A floor applies to the share of central government wage bill (as a percent of total central government wage bill) paid in Liberian dollars to support the authorities' effort to de-dollarize the economy. For the program purpose, this indicative target is based on the quarterly central government gross wage spending (compensation of employees) on cash basis. The central government gross wage bill is measured in U.S. dollars, with all Liberian dollar wage bill converted

[1] See An Act To Establish A National Road Fund For Road Maintenance in The Republic of Liberia (2016), paragraph 6.1 (d).

at the monthly period-average exchange rate. This share is provided by the authorities through the monthly fiscal monitor report.

D. Data Reporting

30. To allow monitoring of developments under the program, the Ministry of Finance and Development Planning and the CBL will coordinate and regularly report the information requested in Tables 1-3, below, to the staff of the IMF.

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

32. 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.

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

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

Table 1. Liberia: Data Reporting Requirements for Program Monitoring (continued)

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

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

Table 1. Liberia: Data Reporting Requirements for Program Monitoring (continued)			
Reporting Agency	**Table/Report**	**Frequency**	**Timing**
CBL	Daily reporting of gross foreign exchange inflows and outflows and their components: inflows to GOL accounts (revenue accounts, off-budget revenue accounts, clearing accounts); inflows to ODC accounts by types of transactions (final, interbank, clearing / settlement and others); inflows to CBL accounts (interest income, surrender purchases, FX interventions, other inflows); outflows from GOL accounts (on-budget expenditure, off-budget expenditure, clearing accounts); outflows from ODC accounts (withdrawals, clearing, and others); and outflows from CBL accounts (recurrent payments, other payments, FX interventions). Daily reporting of other memo items: total inbound remittances through MTOs, the exchange rate for surrender purchases, published indicative buying and selling rates.	Weekly (preliminary data) and Monthly (reconciled data)	Within five days after the end of the week (preliminary data) and within three weeks after the end of the month (monthly reconciled data)
CBL	Daily foreign exchange transactional level data.	Weekly	Within five days after the end of the week
CBL	Internal Audit Department (IAD)'s verification report on foreign exchange (random check on the accuracy of the daily data at least five times a month, plus on the last day of each month).	Monthly	Within five days after the end of the month
CBL	Daily reporting for monetary operations and accounts of the ODCs at the CBL: Standing Deposit Facility (SDF) (outstanding, requested, recalls, SDF interest rate); Standing Credit Facility (SCF) (outstanding, SCF interest rate); CBL bills (outstanding, maturing, and the amount, tenor and average interest rate of new CBL bill issuances); ODC accounts at the CBL (the average reserve maintenance period (RMP), reserve requirement for RMP, and excess reserves in foreign currency and those in local currency); and currency in circulation (CIC) (currency issuance, currency redemption, USD withdrawal, USD deposit).	Weekly	Within five days after the end of the week
CBL	CBL FX auctions summary of bids and bidders, including data on: number of participants (commercial banks and clients); maximum bid rate and volume; minimum bid rate and volume; average bid rate; largest transaction size (client and commercial bank); smallest transaction size (client and commercial bank).	Weekly	Within five days after the end of the week

Table 1. Liberia: Data Reporting Requirements for Program Monitoring (concluded)			
Reporting Agency	**Table/Report**	**Frequency**	**Timing**
CBL	Amounts offered, demanded and placed in Government of Liberia Treasury bill/ Treasury bond auctions; including minimum bid rate and amount, maximum bid rate and amount, and weighted average bid rates.	Monthly	Within one week after the end of month
CBL	Interest rates: average monthly interest rates on loans and deposits.	Monthly	Within three weeks after the end of month
CBL	A detailed report on liquidity forecasting up to 6 months ahead, including: (i) projected government's cash flows (revenue, expenditure, repayments and disbursements of loans including T-bills) by currency; (ii) projected flows to the CBL's net exchange position, including but not limited to planned U.S. dollar sales in the foreign exchange auction, and planned foreign exchange transactions with the Government; and (iii) projected flows of Liberian dollar liquidity, including but not limited to planned CBL Notes issuance.	Monthly	Within three weeks after the end of month
Real			
CBL	Production data in value and volume.	Quarterly	Within six weeks after the end of the quarter

Table 2. Liberia: Reporting Requirements for the CBL's Cash Budget (Template)

	Week 1		Week 2		…
	Budget	**Actual**	**Budget**	**Actual**	…
Income					
Interest income					
o/w from GOL					
Other income					
Expenditure					
Current expenditure					
Personnel costs					
o/w in Liberian dollar					
Other expenses					
o/w in Liberian dollar					
Interest payments					
Capital expenditure					
o/w currency printing					
In Liberian dollar					

Table 3. Liberia: Reporting Requirements for the CBL's Cash Budget (Template)

	Month 1			Month 2			…
	Budget	**Committed**	**Actual**	**Budget**	**Committed**	**Actual**	…
Income							
Interest income							
o/w from GOL							
Other income							
Expenditure							
Current expenditure							
Personnel costs							
o/w in Liberian dollar							
Other expenses							
o/w in Liberian dollar							
Interest payments							
Capital expenditure							
o/w currency printing							
In Liberian dollar							

Statement by Mr. Ouattara Wautabouna, Executive Director for Liberia, Mr. Afolabi Olowookere, Alternate Executive Director, and Mr. Tamsir Cham, Senior Advisor to the Executive Director February 5, 2025

1. Our Liberian authorities appreciate IMF staff's constructive engagement and broadly agree with their assessment and policy priorities.

2. Liberia's economy is experiencing a solid growth recovery, despite headwinds from multiple shocks, including the lingering effects of the pandemic and spillovers from conflicts. These challenges notwithstanding, the authorities are implementing the necessary reform measures. They have kept the current ECF arrangement on track by focusing their reform efforts on sustaining the recovery and restoring macroeconomic stability. More broadly, they aim to advance fiscal consolidation while securing debt sustainability and building fiscal buffers for public investments, strengthening monetary policy framework, and addressing banking sector vulnerabilities as well structural and governance challenges. As such, the authorities view the Fund support under the ECF arrangement as instrumental in bolstering the country's resilience to exogenous shocks and achieving the objectives outlined in the National Development Plan (2025-2029), the ARREST agenda for Inclusive Development (AAID).

Program Performance

3. Program performance remains broadly satisfactory, with all quantitative performance criteria (QPCs) for end-September 2024 met except the ceiling on new external arrears of the central government (continuous). Three out of the five indicative targets (ITs) for end-September 2024 were also met, including the floor on total revenue collection of the central government, ceiling on new domestic arrears related to Government of Liberia (GoL) security repayments to banks (continuous), and floor on social and other priority spending. However, the floors on capital spending and wage bill share paid in Liberian dollars (LRD) were missed by small margins.

4. Two out of the four structural benchmarks (SBs) for end-September 2024 were met, including the submission of the VAT law to parliament and cabinet adoption of the PFM action plan to implement the new PFM strategy. The remaining two SBs, that is: finalizing a comprehensive survey of all GoL accounts opened at both commercial banks and Central Bank of Liberia (CBL), and elimination of uncollateralized CBL loans to banks, have been implemented amid some delays. Nevertheless, the authorities have taken corrective actions to ensure timely debt service, and the newly accumulated external arrears have been fully cleared. Given the satisfactory program performance and strong commitment, **the authorities seek Executive Directors' support in completing the first review under the ECF arrangement and the Requests for a Waiver of Nonobservance of a Performance Criterion.**

Recent Economic Developments and Outlook

5. Economic activity continues to expand, with real GDP growth estimated at 4.8 percent and 5.6 percent for 2024 and 2025, respectively. Growth is driven by a strong rebound in mining activities due to the resumption of operations by some mining companies. In addition, the increase in infrastructure investment, supported by development partners along with improvements in electricity supply and rural connectivity has also contributed to the growth. In the medium term, growth is expected to reach 6.0

percent, supported by further expansion in mining activities, particularly from a substantial increase in iron ore mining operations. However, outlook is subjected to downside risks, including rising global uncertainty and a potential resurgence of inflationary pressures from possible surges in fuel prices.

6. Inflation decreased to 8.2 at end-November 2024 from 10.2 percent in the first quarter of 2024. It is expected to moderate to around 6.8 percent at end-2024. It is expected to further decline to 5 percent in the medium term on the back of prudent monetary and fiscal policies and stable exchange rate.

7. The current account balance has improved due to a favorable trade balance, which has been enhanced by higher gold prices, modest growth in commodity exports, increased remittance inflows, and reduced imports. To this end, international reserves is expected to improve to about 2 months of imports cover at end-2024.

Fiscal Policy and Debt Sustainability

8. Our Liberian authorities remain committed to fiscal consolidation to ensure fiscal and debt sustainability. The 2025 budget submitted to the Legislature has built upon the fiscal consolidation efforts initiated in 2024, demonstrating a commitment to a more ambitious and sustainable fiscal trajectory. The authorities aim to increase the primary surplus to 1.3 percent of GDP in 2025 and up to 2.5 percent by 2027, reflecting their commitment to enhancing revenue mobilization and maintaining prudent expenditure management. In this regard, they are implementing measures including reducing unproductive spending primarily on goods and service, rationalization of non-priority spending, saving from the removal of ghost workers from the payroll through the Civil Service Agency verification and boosting revenue mobilization to create fiscal buffers and support the country's development agenda. To enforce fiscal discipline, the budget for 2025 reflects a realistic revenue assumption and a well thoughtful spending prioritization. The prioritization of spending categories is explicitly outlined in the 2025 budget law, which aims to limit the contingent spending according to the actual realization of contingent revenues. Therefore, contingent expenditures can only be allotted and budgeted to the Ministries, Agencies and Corporations (MACs) when the contingent revenues have been transferred to the consolidated account, held at the CBL.

9. To strengthen revenue mobilization efforts, the authorities adopted a combination of measures including increasing the goods and service tax (GST) standard rate from 10 to 12 percent for all goods and services. Further, the suspension of the surcharge of US$0.20 on the petroleum pricing structure will not be renewed when it expires on March 20, 2025, and importers will be required to pay all taxes on imported petroleum products at the import stage rather than at the lifting stage. Further, the four foreign mining companies operating in Liberia will be obligated to make quarterly payments of minimum (presumptive) tax, based on the total revenue from the previous year. In addition, companies with concessions will also need to pay full taxes at the import stage for petroleum products they import. The authorities are mobilizing revenues by reducing tax expenditure. They will continue to expand and update existing domestic tax and customs duties exemptions annually. Furthermore, efforts are underway to improve the design of both the Personal Income Tax and Corporate Income Tax to close existing loopholes related to cross-border transactions with non-residents including transfer-pricing and profit-shifting practices. Relatedly, the authorities also plan to implement the Value Added Tax (VAT) in 2026 to boost revenues. They have submitted to the Legislature amendments to the already approved VAT law to reduce the standard rate from 18 percent to 15 percent in line with ECOWAS average and

this will become fully operational by July 1, 2026. Meanwhile, the LRA continues to strengthen its administration with the help of development partners to address the existing tax evasion practices.

10. Despite Liberia's risk of debt distress, which is currently moderate for external debt and high for public debt, the authorities remain committed to maintaining prudent fiscal policies and prioritizing concessional financing. They aim to continue to reduce the primary deficit in the coming years, improve the debt management capacity and medium-term debt strategy, and implement selective process in identifying the externally funded projects that offer the greatest economic return while adhering to the program. Further, the authorities will continue strengthening debt management to safeguard debt sustainability. They will allocate adequate budget resources for debt service payments to avoid occurrence of arrears. They will continue to strengthen capacity to produce debt sustainability analysis (DSA) and prepare medium-term debt strategy to help inform the debt financing limits during budget preparation process and contribute to a more accurate DSA. The authorities will regularize the Debt Management Committee (DMC) and will start holding regular DMC meetings to discuss proposals for potential borrowing and ensure government borrowing or guaranteeing decision go through the DMC for validation and approval.

Monetary, Exchange Rate, and Financial Sector Policies

11. The CBL is committed to ensuring price stability. In this regard, inflation has decelerated and is expected to remain in single digit for end- 2024, a result of CBL efforts in reducing the excess liquidity and exchange rate depreciation. The CBL Monetary Policy Committee (MPC) reduced the policy rate by 300 basis points to 17.0 percent in the second half of the year and maintained the reserve requirements ratios (RRR) on LRD and USD deposits (liabilities) at 25 percent and 10 percent, respectively. At the same time, they intensified monetary policy operations to mop up excess LRD liquidity in the banking system. While the current tight monetary policy stance is appropriate to gradually reduce inflation to the medium-term target, the CBL will continue to closely monitor both domestic and global economic developments and stand ready to further tighten if inflationary pressures emerge. The CBL will employ policy tools such as CBL Bills and changes in RRR on LRD deposits when necessary to manage excess LRD liquidity. Also, they have revitalized the Liquidity Working Group (LWG) to support CBL liquidity management operations and curb excessive growth of currency in circulation. The authorities are also upgrading the monetary policy framework and transitioning to an interest rate-based monetary policy framework with the aim of adopting an inflation-targeting framework.

12. The authorities are committed to maintaining an exchange rate that is determined by the forces of demand and supply while ensuring smooth functioning of the foreign exchange market and guiding against disorderly market conditions and excessive volatility. Given the shallow interbank FX markets, the CBL will enhance FX auctions to better regularize transactions and encourage commercial bank participation. The authorities aim to rebuild international reserves to approximately 3⅓ months of imports cover through cautious and opportunistic purchases of foreign exchange from the government and market options. They also plan to de-dollarize operations by increasing the share of wage bill paid in LRD and conducting more domestic transactions in LRD. The authorities will facilitate regular foreign exchange purchases through the LWG's monthly meetings.

13. The authorities are increasing supervision to enhance financial stability. In this regard, they have resubmitted the new Bank-Financial Institutions and Bank Financial Holding Companies Act

(BFIA) to the National Legislature. They are also preparing the regulations and operational guidelines for the implementation of the new Act to enhance the risk-based supervision framework, anchor the resolution function in legislation to enable CBL deal with distress, and establish a deposit insurance scheme. Further, they plan to enforce the regulatory framework for central bank liquidity assistance, strictly adhering to reserve requirements regulation, submitting monthly report to enforce compliance, and implementing regulatory actions and penalties imposed on delinquent banks. They will discontinue the granting of Emergency Liquidity Assistance (ELA) beyond permissible periods. Furthermore, the authorities will conduct a comprehensive review of the ELA regulation and revise it in consultation with the Fund to ensure that the revised ELA regulation is in line with international standards. Meanwhile, the authorities have fully collateralized the outstanding ELA exposures and initiated collateralization of loans provided to LBDI and Afriland Bank related to the 2012-14 legacy CBL on-lending program.

14. The authorities are taking measures to address the high level of non-performing loans (NPLs) in the banking system. In this regard, they have obtained detailed bank-by-bank reporting of NPLs and are building a stratification based on quantity, collateral, and type of borrower. The CBL will analyze the main impediments to NPL resolution and, in consultation with the Fund, develop a tailored NPL strategy for each bank, in a manner that will not distort the financial system. They are intensifying their supervisory efforts to ensure that all banks rigorously comply with the current provisioning framework that requires full provisioning of NPLs after one year and the write-off of NPLs that have been in the loss category more than two years. They are also planning to have a fully operational credit reference bureau with simultaneous access to the movable collateral registry.

15. The authorities are taking swift remedial measures on the CBL support provided to two troubled banks. Consequently, the remedial actions principle comprises the amendment of the CBL Act to clarify that such unconventional financial support measures are not permitted by the law, and the reversal of any unlawful actions and the rectification, in line with current legislation, of any irregular policies. They continue to pay closer attention to the state-owned bank (SOB). In this regard, the SOB has approved a strategic plan to address the findings of the independent external review on its NPL portfolio and the bank has actively engaged in the recovery of NPLs. Relatedly, the authorities are restructuring the three banks and have initiated an independent diagnostic review of the two small banks by international audit firms. The review and the restatement of the financial statements of the SOB will facilitate the development by the three troubled banks of restructuring plans and the preparation by the CBL of resolution plans for these banks.

Structural Reforms

16. Our authorities are strengthening the PFM framework and are embarking on a comprehensive review of the PFM Act following the adoption and publication of the new PFM regulation and the PFM medium term strategy and action plan. This will ensure full alignment between the PFM Act and the recently published regulation. It will also modernize the PFM Act in areas including the extensive Legislature's involvement in reshaping the government's budget proposals, and the ample government's discretion in reshaping substantially the approved budget during the execution phase. Further, they are establishing a fully functioning Treasury Single Account (TSA) to consolidate government accounts and are operationalizing the Treasury Management Committee (TMC) to meet monthly to better forecast and manage liquidity situation. At the same time, they are enhancing capital spending

implementation capacity and have requested IMF technical assistance on the Climate Public Investment Management Assessment (C-PIMA).

17. In their efforts to fight corruption, and enhance governance, transparency, the rule of law, the authorities are operationalizing the Liberia Anticorruption Commission (LACC). They are advancing the implementation of the asset declaration framework as mandated by the Law and will submit to the Legislature the amendments to the Liberia Anticorruption Act which includes the mandate to public disclosure of a person's asset declaration in the interest of the public. They have requested IMF Governance Diagnostic Study (GDS) and will publish the GDS report together with Action Plan to address the recommendations. Relatedly, the General Auditing Commission (GAC) is undertaking special audits to identify potential weaknesses in the budget execution, financial reporting, and accountability systems as well as potential improprieties in the use of public resources. The authorities are enhancing the public procurement and contract process to strengthen transparency with the help of the new PFM regulation which has provisions for penalties for MACs not in compliance to submission of procurement plans. They are also revising the Public Procurement and Concession Commission (PPCC) Act to increase compliance and increase its scope and substance including definition of beneficial ownership. They are working on establishing an e-procurement system to make procurement process more transparent and smoother.

18. The authorities are strengthening the independence of the central bank. In this regard, they plan to complete a comprehensive time-bound action plan for the implementation of the residual recommendations of forensic of suspense accounts and the GAC compliance audit and the recommendations from the IMF safeguards assessment. The CBL will remain committed to observing its internal regulation to limit clearance of government checks during system glitches when revenue inflows cannot be verified in real time. Further, they are strengthening the regulatory framework governing check clearing procedure to reject commercial banks to give immediate value for GoL-issued checks before presenting such checks for clearing at the CBL. Relatedly, the CBL has reduced the number of contractual personnel mostly employed in the currency changeover and will develop a comprehensive staff restructuring plan to enhance its operational efficiency and lower operating cost. At the same time, it is improving its revenue streams through active, prudent and management of foreign reserves, as well as increasing the fee structure for the services it renders to financial institutions and government.

19. The authorities' new National AML/CFT Strategy and Action Plan (AS-AP) 2024-28 reflects the findings of the recent Inter-Governmental Action Group against Money Laundering in West Africa (GIABA). They have developed a comprehensive workplan and timeline for the implementation of Liberia's multipronged approach to ensure transparency of beneficial ownership of legal persons. The workplan includes measures to fully implement the Liberia Beneficial Owner Disclosure Regulations; ensure the collection of accurate and up to date beneficial ownership information by all financial institutions and designated financial businesses and professions; incorporate beneficial ownership disclosure requirements in procurement requirements; ensure licensing requirements for all financial institutions; and ensure beneficial ownership requirements are extended to and enforced with respect to all entities registered by the Liberian International Ship and Corporate Registry. The workplan is also applicable to all entities operating in the extractive sector. To intensify efforts to combat the risk of illicit financial flows, the authorities will issue the necessary regulations governing wire transfers to ensure compliance with obligations under relevant United Nations Security Council Resolutions.

Conclusion

20. The Liberian authorities remain on track in its reform implementation despite challenging circumstances heightened by the multiple shocks. They re-affirm their commitment to the ECF arrangement. The Fund's support continues to play a critical role to anchor reforms aimed to restore macroeconomic stability. To sustain the reform agenda, the authorities request Executive Directors support in completing the first ECF review and associated requests to help catalyze additional donor support and address underlying structural challenges. They look forward to continued support from the Fund to further