



LIBERIA

November 2025

2025 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A CONTINUOUS PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR LIBERIA

In the context of the Liberia - 2025 Article IV Consultation and Second Review Under the Extended Credit Facility Arrangement and Request for a Waiver of Nonobservance of a Continuous 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 and summarizing the views of the Executive Board as expressed during its October 1, 2025 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on October 1, 2025, following discussions that ended on June 17, 2025, with the officials of Liberia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on September 16, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staff[s] of the IMF and the International Development Association.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for Liberia.

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

Selected Issues
Poverty Reduction Strategy Paper
Joint Staff Advisory Note on the Poverty Reduction Strategy Paper

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

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IMF Executive Board Concludes 2025 Article IV Consultation and Completes Second Review Under the Extended Credit Facility with Liberia

FOR IMMEDIATE RELEASE

- The IMF Executive Board concluded the 2025 Article IV Consultation and completed the second review under the Extended Credit Facility (ECF) Arrangement with Liberia, providing immediate access to SDR 19.3 million (about US\$ 26.5 million).
- Growth is projected at 4.6 percent in 2025 and 5.4 percent in 2026. Medium-term prospects remain favorable with GDP growth expected to stabilize at 5.5 percent, assuming full and timely implementation of the ECF-supported reform program.
- Preserving fiscal consolidation, enhancing financial stability, and addressing key structural weaknesses—particularly limited competitiveness and widespread corruption—remain key challenges.

Washington, DC – October 1, 2025: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation and the second review of the 40-month Extended Credit Facility (ECF) arrangement for Liberia. The Board's decision allows for an immediate disbursement of SDR 19.3 million (about US\$ 26.5 million), bringing total disbursements under the arrangement to SDR 57.9 million (about US\$ 79.4 million). The authorities need more time to consider the publication of the Staff Report prepared for this consultation.¹

Liberia's ECF arrangement—SDR 155 million (60 percent of quota)—was approved by the IMF Executive Board on September 25, 2024, to support the country's effort to restore macroeconomic stability, reduce debt vulnerabilities, preserve financial stability, and strengthen governance.

Program performance has remained broadly satisfactory: five out of six performance criteria were met, with one missed. The Executive Board approved a waiver of nonobservance of the continuous performance criterion on the non-accumulation of new external arrears, based on credible corrective actions taken by the authorities.

Following a strong post-pandemic recovery, economic activity moderated somewhat in 2024. Growth is projected to reach 4.6 percent in 2025 and accelerate to 5.4 percent in 2026, supported by an expansion of mining activities—particularly gold and iron ore—as well as a recovery of agriculture production. Political stability has provided a supported backdrop for the

¹ Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The authorities have requested additional time to decide on the publication of the staff report. A final decision is expected not later than 28 days from the Board consideration date.

ambitious new medium-term development strategy, the ARREST Agenda for Inclusive Development (AAID).

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

“The authorities have made notable progress in implementing sound macroeconomic policies and key structural reforms in the first year of their Fund-supported program. Measures to reduce the large fiscal deficit, mitigate debt vulnerabilities, and strengthen foreign exchange reserves have yielded encouraging results. Swift policy responses to the sudden termination of large grant support—through rationalizing low-priority spending and mobilizing additional domestic revenues— have also safeguarded critical social programs previously financed by USAID.

“Building on this strong start, more ambitious domestic revenue mobilization will be essential to create fiscal space for priority development spending. A comprehensive reform agenda is planned for the coming years, including the transition from the general sales tax to a higher-rate VAT, income tax reforms, and the rationalization of tax exemptions. Continued spending discipline, together with improvements in the composition and quality of public expenditures, will also be crucial.

“The Central Bank of Liberia’s efforts to address weaknesses in three banks and safeguard the banking sector stability are welcome. Steadfast implementation of a stronger regulatory framework will be key, while completing bank restructuring and reducing high non-performing loans will further strengthen stability and support credit intermediation for private-sector-led growth.

“Recent measures to strengthen the regulatory framework of the Liberia Anti-Corruption Commission will enhance transparency, including through the publication of public officials’ asset declarations. The governance diagnostic study will provide a solid foundation for effective governance reforms across sectors, which will be instrumental in attracting foreign investments and supporting higher, more inclusive growth.”

Executive Board Assessment²

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities for their efforts to preserve macroeconomic stability and welcomed the broadly satisfactory performance under the ECF arrangement. Despite improvements in the outlook, risks remain tilted to the downside, including from the ongoing decline in external assistance and global economic uncertainty. Against this background, Directors emphasized the importance of sustained reform efforts to preserve fiscal discipline, enhance financial stability, strengthen public governance, and support private-sector development to raise living standards and reduce poverty.

² At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country’s authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Directors commended the authorities for maintaining a prudent fiscal stance, particularly in light of reduced foreign aid. They were encouraged by the forward-looking fiscal strategy aimed at further increasing tax revenues to meet social and development needs, rebuilding fiscal space, and mitigating debt vulnerabilities. Directors also stressed the importance of ongoing fiscal reforms, notably through improving the quality of public spending and strengthening public financial and investment management. They underlined the importance of mobilizing revenues and catalyzing donor support—especially through grants and concessional financing—to address the large infrastructure gap while safeguarding debt sustainability. More generally, Directors urged the need to maintain a robust debt management policy to prevent the accumulation of new external arrears.

Directors supported the authorities' data-driven monetary policy to safeguard price stability. They encouraged continued efforts to promote de-dollarization, enhance monetary transmission, and strengthen reserves. Directors agreed that while the financial sector remains broadly stable, legacy risks remain. They welcomed the initial policy measures taken to address key weaknesses in several banks and emphasized the importance of steadfast and timely implementation of their restructuring plans. Bolstering the banking sector's supervisory and regulatory toolkit and addressing the high level of non-performing loans will play a key role in preserving financial stability.

To unlock growth potential and enhance climate resilience, Directors encouraged steadfast implementation of structural reforms. They called for intensified efforts to combat corruption by strengthening Liberia's overall governance framework and ensuring institutional integrity. Directors also highlighted the importance of strengthening the AML/CFT framework and the crucial role of the governance diagnostic study in providing a strong foundation for implementing critical policy reforms. To enhance policymaking, measures to improve the quality and availability of statistics were also encouraged.

It is expected that the next Article IV consultation with Liberia will be held in accordance with the Executive Board's decision on consultation cycles for members with Fund arrangements.

Liberia: Selected Economic Indicators			
	2023	2024	2025
	Act.	Est.	Proj.
Output			
Real GDP Growth (%)	4.6	4.0	4.6
Nominal GDP (millions of U.S. dollars)	4,390	4,778	5,160
Price			
CPI Inflation (% average)	10.1	8.2	10.7
Exchange Rate (Liberian Dollar per U.S. Dollar, average)	174.9	191.3	202.2
Money and Credit			
Broad money in U.S. dollars (% change)	18.4	13.7	8.6
Credit to private sector ¹ (% change)	34.3	8.4	8.5
Public Finances² (% GDP)			
Total revenue and grants	20.1	22.3	20.3
Revenue	13.4	14.5	15.2
Grants	6.7	7.8	5.1
Total expenditure	27.1	24.3	21.9
Overall balance, including grants	-7.0	-2.0	-1.8
Primary balance	-6.1	-0.8	-0.5
Total public debt	57.8	57.2	55.9
Public external debt	36.1	36.7	37.2
Public domestic debt	21.8	20.4	18.7
Balance of Payments			
Current account balance (% GDP)	-26.4	-11.2	-14.2
Trade balance (% GDP)	-19.0	-5.2	-5.4
Gross official reserves (In months of next year's imports)	2.5	2.1	2.6
Net international reserves (millions of U.S. dollars)	221	234	280
Sources: Liberian authorities, World Bank; and IMF staff estimates and projections.			
¹ High credit growth in 2023 is due to the re-classification of banks' assets.			
² Include donor projects.			



LIBERIA

STAFF REPORT FOR 2025 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION

September 16, 2025

EXECUTIVE SUMMARY

Context. On September 25, 2024, the Board approved a forty-month arrangement under the Extended Credit Facility to support the authorities' new 5-year development plan Arrest Agenda for Inclusive Development (AAID). The overarching objective of this plan is to preserve macroeconomic stability, by restoring fiscal and debt sustainability, enhancing financial sector stability, and mobilizing additional external resources to address large infrastructure gaps. While Liberia has benefited from significant amounts of external support, the recent termination of the USAID support calls for more efforts to raise revenues and catalyze donor financing. The authorities' policy actions in the first year of the program have yielded satisfactory results. The fiscal primary balance has improved substantially through increasing tax revenues and rationalizing recurrent spending; and reforms in other areas have advanced, although at a slower pace than previously envisaged.

Policy discussions. Program discussions focused on (i) the short- and medium-term impact of the termination of the USAID support and policy responses to mitigate its impact on critical social programs and (ii) continuing revenue mobilization and expenditure rationalization to support government-funded capital projects. The discussion also focused on the CBL agenda to strengthen financial stability, by enhancing supervision and supporting the restructuring of weak banks, as well as governance reforms, including the enhancement of the asset declaration framework and the adoption of the strategy to enhance transparency of beneficial ownership of legal persons. The discussion also focused on the public investment scaling-up strategy to address the large and persistent infrastructure gaps, including climate-resilient infrastructures, which are essential to mitigate macroeconomic and social costs of natural disasters.

Program performance. Program performance has been broadly satisfactory. All but one quantitative performance criteria (PCs) for end-December 2024 were met. The continuous PC on non-accumulation of new external arrears was breached. The corrective actions include the preparation of a comprehensive external debt inventory and a new memorandum between the MFDP and CBL by which the MFDP authorizes, one month in advance, the CBL to pay external obligations on time. Three out of five indicative targets (ITs) were comfortably met. The IT related to the non-accumulation of domestic arrears and the floor on the share of public

wages, paid in local currency, were missed. The performance of the Structural Benchmarks (SBs) has been mixed with a few SBs not met and implemented with delay.

Outlook and risks. Robust growth is expected to continue in 2025 and further accelerate over the medium term. An unanticipated global economic slowdown, along with intensified geopolitical fragmentation and higher commodity volatility, are potential external shock. Additional decline in donor support could add further challenges in achieving the authorities' development goals. On the domestic side, policy implementation slippages would increase downside risks. On the positive side, a continued stable political environment could support the implementation of policy reform measures—e.g., those identified by the ECF-support program—needed for achieving higher economic growth and making external accounts less vulnerable to shocks.

Staff views. Staff support the authorities' requests for the completion of the second review and waiver of nonobservance for the missed continuous PC.

Approved By
Montfort Mlachila
(AFR) and Jarkko
Turunen (SPR)

Discussions were held during June 4-17, 2025, in Monrovia, Liberia. The staff team comprising Mr. Kim (Head), Mr. Cipollone, Mr. Molise, Mr. Koussere (all AFR), Ms. Kota (MCM), Ms. de Carvalho (SPR), Mr. Okwuokei (Resident Representative), and Mr. Deline (Economist, Resident Representative Office) held discussions with Minister of Finance and Development Planning Ngafuan, 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 Mr. Magno provided assistance in the preparation of this report.

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CONTEXT

1. Liberia continues to face significant infrastructure deficits and pressing development needs. The two civil wars (1989-97 and 1999-2003) devastated key infrastructures, depleted human capital, and severely weakened public institutions. Poverty remains widespread, with World Bank estimating that about 60 percent of the population lives below the poverty line. More recently, Liberia also suffered from severe health shocks, including Ebola outbreak during 2014-16 and Covid-19. The economy is still heavily dependent on agriculture and mining—both highly vulnerable to external shocks—for job creation and growth. In January 2025, the government launched the new National Development Plan (NDP)—the ARREST Agenda for Inclusive Development (AAID)—to tackle these development challenges and improve living standards (Box 1).¹

2. However, implementing the new NDP faces considerable hurdles. The NDP's financing plan is ambitious, with an estimated total cost of about US\$8.4 billion—nearly twice the 2024 GDP—to be financed by development partners and the private sector (70 percent) and the government (30 percent). Yet, resource constraints—amid declining external assistance and weak domestic revenue mobilization—and limited implementation capacity pose significant risks to the government's ability to deliver on the new development agenda.

3. The aid shock materialized against a backdrop of already fragile macroeconomic fundamentals. Over the past two decades, the U.S. has been Liberia's second largest development partner, after the World Bank, providing most of its aid through the United States Agency for International Development (USAID) in the form of grants and technical assistance, playing a crucial role in driving the country's reconstruction and laying the foundation for its economic and social development. The permanent cancelation of USAID projects will have considerable economic and social effects. In February 2025, nearly all active USAID projects—totaling US\$434 million (about 7 percent of GDP) over the next four years—were permanently canceled. This decision will have wide-ranging economic impacts, including job losses among local hired staff, reduced opportunities for contractors, and higher non-performing loans (NPLs), and tax revenue losses of about US\$3.5 million in 2025 alone. It will also create major funding gaps in critical development and social programs, likely forcing suspensions or sharp cutbacks in education, health, and agriculture programs, with disproportionate effects on the most vulnerable populations (Annex III).

¹ See Ministry of Finance and Development Planning (MFDP) website <https://www.mfdp.gov.lr>. Staff assesses that the AAID outlines a coherent strategy for poverty reduction and growth, supported by specific policies and an implementation timeline, meeting the standards of a Poverty Reduction and Growth Strategy for an ECF arrangement. The AAID's priorities align with the objectives of the ECF-supported program, and its preparation involved broad and comprehensive stakeholder consultations. The World Bank (WB) also provided a positive assessment letter.

Box. 1 Poverty Reduction and Growth Strategy

The AAID—the fourth post-debt relief NDP, covering 2025-29—benefits from lessons learned in previous plans. The overarching objective is to implement the 2030 vision to reach US\$1,000 income per capita by 2029, by achieving an annual growth rate of 6 percent. The plan is organized around 6 pillars: (i) economic transformation to foster economic diversification from enclave sectors; (ii) infrastructural development to upgrade and expand connectivity within and outside Liberia; (iii) rule of law to build strong and inclusive institutions to ensure peace, access to justice, and human rights; (iv) governance and anti-corruption to tackle the extensive and pervasive corruption and enhance the independence and quality of the civil service; (v) environmental sustainability to promote a responsible management of natural resources and enhance resilience to growing environment challenges and (vi) human capital to develop a skilled, healthy, and empowered population to address high unemployment.



The AAID's policy directions align closely with the key objectives of the 2024 ECF-supported program. Each pillar is built on targeted measures to address macroeconomic imbalances by improving fiscal sustainability while creating fiscal space for priority investment projects. This approach aims to foster higher, private sector-led growth beyond the traditional enclave sectors of mining and agriculture. Consistent with the program, the AAID emphasizes the need to substantially boost domestic revenue to finance infrastructure development. The AAID also aims at rebuilding foreign reserves and anchoring debt sustainability, which will help rebuild confidence among development partners, particularly amid declining international aid. The emphasis on transparency and governance is critical to create a business-friendly environment that attracts investment. Finally, advancing human capital development—through better education outcome, greater access to health service, and leveraging the demographic dividends—is essential to achieving the long-term growth goals of Vision 2030.

However, the risks and challenges are substantial. The AAID envisions an ambitious financing plan of US\$8.4 billion. With development partner support declining and limited prospects for substantial increases in foreign direct investment, relying on non-concessional borrowing to fund the ambitious development social spending could jeopardize macroeconomic stability and external sustainability. In addition, relatively weak implementation capacity calls for a cautious and measured approach.

RECENT ECONOMIC DEVELOPMENTS

4. Liberia's economy continued to grow at a moderate pace, while inflation has eased in recent months. Growth reached 4 percent in 2024, slightly below earlier projections due to delays in mining projects and significant fiscal tightening. Inflation accelerated in the second half of 2024, peaking at 13.1 percent in February 2025 before moderating to 7.5 percent in July 2025. The moderation was driven mainly by a slowdown in prices of domestically produced foods, as well as non-food items. In April 2025, the CBL raised the policy rate by 25 basis points to 17.25 percent and held it unchanged in July to anchor inflation expectations. With prudent monetary and fiscal policy in 2025, inflation is projected to stabilize at around 9 percent by end-2025.

5. Fiscal consolidation proceeded as planned. The primary balance, excluding grants, improved significantly, shifting from a deficit of 4.2 percent of GDP in 2023 to a surplus of 1.3 percent in 2024. This largely reflects substantial expenditure rationalization, with recurrent spending—particularly goods and services—declining from 17.6 percent of GDP in 2023 to 12.8 percent in 2024. Revenue collection improved by over 1.0 percentage point of GDP to 14.5 percent of GDP in 2024, up from 13.4 percent in 2023, driven by new revenue measures and stronger enforcement. Government-funded capital spending increased by about 40 percent compared to 2023, albeit from a very low base. Priority social spending—wages in the education and health sectors—continued to grow in line with the budget.

6. The current account deficit narrowed significantly in 2024. The current account deficit fell sharply to 11.2 percent of GDP in 2024, down from 26.4 percent in 2023, reflecting a substantial reduction in imports and, to a lesser extent, higher commodity exports, including gold. The drop in imports in 2024 reflects the completion of large construction-related stockpiling and cuts to recurrent budget spending in 2024. Looking ahead, the trade balance is expected to continue improving, supported by favorable terms of trade and rising commodity exports. On the financing side, the current account deficit remains largely funded by FDIs and external borrowing. Net international reserves (NIR) edged up to US\$234 million from US\$221 million in 2023, and continued rising in 2025, reaching about US\$259 million by June. The Liberian dollar (LRD) depreciated slightly, by only 3 percent, in the first half of 2025.

7. The banking sector continues to face challenges, amid high non-performing loans (NPL) and recapitalization needs in some banks. Overall, the key sector indicators remain above regulatory requirements, with capitalization, liquidity, and profitability ratios stabilized at satisfactory levels and asset quality showing improvement. Nonetheless, the NPL ratio remains elevated at 16.0 percent of the total loan portfolio as of end of March 2025 with weakness concentrated in a few banks.

PROGRAM PERFORMANCE

8. Performance under the program has been broadly satisfactory (MEFP, Tables 1 and 2). End-December 2024 performance criteria (PCs) have been met, with the exception for the continuous PC on external arrears, with new arrears of US\$7.7 million (0.16 percent of 2024 GDP) that were cleared in June 2025.² All indicative targets (ITs), through December 2024, were also met, aside from a small shortfall in the LRD share of the public sector wage bill and some new domestic debt arrears. However, the LRD share of other government payments rose considerably, with payments for goods and services reaching 35 percent in 2024. The LRD share of public wages increased to 30 percent as of January 2025, and domestic debt arrears were cleared in the first quarter. Based on very preliminary data, monetary- and fiscal-related end of June 2025 PCs and some ITs have been met. The authorities reaffirmed their commitment to raise the LRD share further to 35 percent by the end of 2025. Of the fourteen applicable Structural Benchmarks (SBs), six were met, and five implemented with delays. Of the remaining three, one has been implemented as prior action (PA) for this review, two reset for a later date with the one on asset declaration, recalibrated for December 2025.

9. Delayed payment of external debt service remains a concern, underscoring the need for strong and sustained corrective actions. Despite the authorities' commitment to timely debt servicing and corrective actions implemented in the context of the first review, external arrears accumulated again, largely due to the weak debt management capacity, including poor archiving and reporting systems and communication gaps between the MFDP and CBL. The authorities acknowledged the seriousness of this repeated breach and committed to intensify efforts to prevent further arrears. To this end, they completed a comprehensive external debt inventory, including government guarantees (*Prior Action*). Additionally, the CBL and MFDP signed a Memorandum of Understanding (MoU), under which the MFDP, through the Comptroller and Accountant General (CAG), should notify the CBL, one month in advance, all upcoming external debt payments, provide the necessary documentation, and authorize the CBL to execute payments on the due date or earlier (*Prior Action*). Following the debt inventory, detailed information about all financial terms and repayment schedule for all identified outstanding loans and guarantees will be added to the debt registry and published on the MFDP website (SB for end of October 2025). These corrective measures significantly mitigate the risk of arrears arising from weak debt data; and further improvement will be supported through completion of the end of October 2025 SB to ensure the debt inventory covers all definite and contingent liabilities of the government.

² As of June 2025, Liberia had disputed claims to two official creditors and one commercial creditor totaling about US\$71.19 million, including US\$14.2 million in arrears. The authorities are disputing these obligations on several grounds: (i) the loan contracting process did not comply with domestic legal procedures; (ii) the loan disbursements were not made in accordance with the loan agreement; (iii) the involvement of third parties in certain contracts was unjustified as services were not delivered and no tangible outcomes achieved; and (iv) the authorities had presented new evidence that one creditor's claim was already settled.

OUTLOOK AND RISKS

10. Medium-term prospects remain favorable but might suffer from a steady decline in external aid. Growth is projected to rise to 4.6 percent in 2025 and accelerate further to 5.5 percent by 2027 and beyond. External aid decline will lead to lower job creation, and less ambitious modernization and expansion of critical infrastructures. The authorities need to find alternative resources to mitigate, at least partly, the impact of lower aid inflows, largely by accelerating the mobilization of domestic revenues. However, the medium-term outlook remains driven mainly by strong mining activities, together with a steady recovery in the agriculture sector and continued expansion of the manufacturing and service sectors. A stronger-than-previously envisaged (first review) growth in the mining production and exports will partially offset the negative impact of the aid shock on the medium-term growth. However, continued reliance on extractive industries provides limited support for inclusive growth and constrains progress towards the national development goals of improving living standards. A severe shortage of skilled and highly educated workers will also remain a key obstacle to job creation and poverty reduction. Inflation is expected to decline toward the authorities' target of 5 percent over the medium term. Gross international reserves are projected to increase to around 3.1 months of import by end-2027.

11. Risks to the outlook remain tilted to the downside (Annex I). As in other countries in the region, key external risks include an unanticipated global economic slowdown, heightened geopolitical fragmentation, climate change, and increased commodity price volatility. A further decline in foreign support would also dampen medium-term growth prospects.³ Domestically, weaker political support for reforms could delay the implementation of the policies needed to achieve higher economic growth and poverty reduction. Timely implementation of the reforms, particularly those under the ECF-supported program, remains critical to mitigate potential negative external spillovers.

Authorities' Views

12. The authorities broadly shared the staff's assessment of the outlook, heightened risks and vulnerabilities. However, they highlighted that 2025 growth could surpass staff projections with accelerated rollout of mining projects and emphasized that fully implementing key reforms under the current ECF-supported program could boost medium-term growth beyond the current projection period. They acknowledged the potential threats posed by increased geoeconomic fragmentation, and a continued decline in foreign aid could significantly deteriorate the economic outlook (Box 2). In contrast, they viewed the risks related to internal political tensions and slowdown of ongoing reforms very limited. Regarding the risk

³ Considering Liberia's limited trade ties with the U.S., the direct impact of U.S. tariffs on its economy would likely be minimal.

of higher commodity price volatility, they believe the terms of trade will be more favorable in the medium term, in particular gold and iron ore prices.

Box 2. Liberia – The Economic Impact of a Potential Adverse Scenario

In the current context of high global macroeconomic uncertainty, a potential adverse scenario cannot be ruled out. In the Liberia's case, an adverse scenario could be driven by a few external and domestic factors including: (i) slower-than-projected global economic growth, (ii) elevated trade tensions and higher trade tariffs, (iii) lower commodity prices, (iv) more pronounced donors' aid cuts, and (v) lack of implementation or enforcement of key tax reforms.

Potential outcomes:

Growth. A substantial global economy slowdown, coupled with lower commodity prices and a more pronounced decline in international aid support, would have significant impact on the Liberia's short and medium-term growth, quantified about $\frac{1}{2}$ or 1 percentage points lower than the current baseline. Further delayed implementation and/or weak enforcement of new tax reforms, including higher GST/VAT standard rate and reduction of tax exemptions, in particular in the mining sector, would also have a negative impact on economic growth rate, through lower fiscal space for government-funded capital spending. The additional estimated GDP losses would be about $\frac{1}{4}$ and $\frac{1}{2}$ percentage points. By contrast, heightened international trade disputes might have a somewhat less pronounced growth impact due to the Liberia's commodity-led export base. Moreover, with heightened political and trade tensions, gold prices and production might further increase with a positive impact on the trade balance.

Fiscal and debt. The recently achieved central government primary balance surplus—key factor for preserving debt sustainability—would be eroded and probably turn it into a deficit again already in 2026-27 due to lower mining-related revenues (lower commodity prices) and PIT (higher unemployment) and CIT (lower profit) as well as lower GST/VAT revenues (reduced domestic consumption). A primary deficit would lead to a deterioration of debt sustainability indicators in the short term. Given Liberia's limited financing sources, both domestically (high and costly domestic debt), and externally (no market access and large exposure to IFIs), government-funded investments and social programs would need to be substantially cut with significant negative implications for the country's development, poverty eradication, and living standards.

Balance of payments. In case of a sharp deterioration of the global economy and intensified trade tensions, the Liberia's trade balance would suffer from lower exports while imports would be lower due to high import-content of external aid and borrowing. The overall impact is expected to be either muted or slightly positive, with lower imports more than offsetting lower exports. In such circumstances, both capital and financial accounts would suffer from reduced FDIs and lower financial inflows. Official international reserve might decline as well given the reduced external grants and financial inflows.

POLICY DISCUSSIONS

Discussions focused on policy priorities to cope with the impact of large aid decline while continuing efforts to safeguard macroeconomic stability and boost medium-term growth. Key priorities include creating fiscal space for crucial social policies, previously financed by USAID, and growth-oriented and climate resilient investments. Short-term priorities are (i) implementing additional domestic revenue measures to close the identified fiscal gap, (ii) to bring into the budget critical social projects previously financed by the USAID, (iii) strengthening the CBL independence and governance by acting

on the key GAC and forensic audits recommendations, and (iv) improving banking sector stability by addressing high NPLs and weaknesses in a few banks.

A. Boosting Public Investment for Durable and Resilient Growth

13. Following the termination of U.S. aid, the AAID needs to be reprioritized to better align with the authorities' long-term goal of attaining low middle-income status. The AAID strategy (Box 1), developed before the U.S. aid cut, assumed that the implementation of large-scale public investments and social programs would be funded primarily through private sector and external financing (70 percent), mainly from development partners and IFIs. However, with external assistance now reduced, implementing these infrastructure projects will be even more challenging and may require scaling them down. While staff still considers the AAID strategy well-conceived and appropriately tailored to Liberia's development needs, the identified projects and programs need to be re-prioritized, and the financing envelope re-assessed to substantially increase the contribution from domestic resources. Achieving the overarching objective—to catalyze and accelerate private sector investments in the non-enclave sectors, fostering broad-based growth and job creation—will require a refocused strategy. Stronger and sustained commitment, along with timely implementation of key policies under the ECF-supported program, will be essential to mobilize both domestic and external funding.

14. Investing in critical infrastructure is essential to unlock growth potential and achieve sustainable development. Liberia faces significant infrastructure gaps and is highly vulnerable to natural disasters and climate change, which, unless addressed, would threaten progress on growth and living standards. The AAID proposes scaling up public investments in both standard and climate-resilient infrastructure.

- Scaling up capital spending is necessary, but prudent financing is critical to preserve debt sustainability. Given Liberia's weak debt-carrying capacity, investment should be financed by substantial increases in domestic revenue, complemented by external grants and concessional loans. Strengthening public investment management is also key to ensuring public investment efficiency, maximizing value for money (*Selected Issues Paper I*).
- Liberia is highly vulnerable to climate-related natural disasters and climate change risks. However, it remains ill-prepared to deal with these risks. Its limited infrastructure is vulnerable even to moderate climate shocks, and key sectors like agriculture are particularly exposed to climate change-related setbacks such as erratic and heavy rainfall and frequent flooding. Building climate-resilient infrastructure is crucial for long-term economic stability and resilient growth. Strengthening climate resilience in key sectors, like agriculture and fishery, is essential for safeguarding food security and sustaining livelihoods. Given Liberia's low carbon emission, the focus should be on adaptation measures, with a strong emphasis on prudent financing and investment efficiency (*Selected Issues Paper II*).

B. Enhancing External Competitiveness

15. Despite recent improvements, the current account deficit remains large. This structural deficit reflects a narrow export base, heavy reliance on imported consumption and investment goods, and significant aid and concessional financing. The external sector assessment suggests that Liberia's external sector position is significantly weaker than warranted by medium-term fundamentals and desirable policies (Annex II). The real exchange rate assessment also indicates a significant overvaluation of around 28 percent. However, exchange rate adjustments are expected to have limited impact on Liberia's external competitiveness in the short term given the dual currency system, high dollarization, and narrow export base. Addressing Liberia's external imbalances will thus require gradual de-dollarization, as previously recommended, and improvements in the business environment, governance, and infrastructure investments, especially roads and electricity.

16. Structural policies aimed at addressing barriers to competitiveness and promoting growth outside of the extractive sector should focus on:

- **Addressing infrastructure bottlenecks.** Basic infrastructure is in poor condition (*Selected Issues Paper I*). For example, access to electricity is very limited with the cost well above the regional average. Road networks are underdeveloped, leaving some counties inaccessible by land, especially during rainy seasons. In this context, substantial public investment should be directed toward expanding access to reliable electricity, efficient railways, and well-maintained roads and ports. This would also help catalyze private sector investment and unlock the country's growth potential. Upgrading infrastructure will lower the cost of doing business and enhance the country's competitiveness.
- **Promoting private sector development and improving access to finance.** Low financial intermediation, limited financial products, and the absence of a domestic capital market restrict private sector financing. The private sector often cites lack of access to finance as a key constraint to private sector investment, particularly for small and medium-sized enterprises. Priorities to address these weaknesses include strengthening the legal framework and procedures for insolvency and resolution, advancing development of credit reference bureau, building a modern credit registry, and modernizing the land *cadastre* to support credit growth and deepen financial markets.
- **Strengthening governance and addressing pervasive corruption.** Strengthening legal and regulatory frameworks to combat corruption, enforcing contracts and protecting property rights are vital. These will reduce legal and regulatory uncertainties, thereby creating a more conducive environment for private sector development. The recent adoption of an e-procurement system is a welcome step toward accountability and transparency.
- **Improving implementation capacity.** In the AAID, the authorities identified several factors that hamper implementation capacity, including low literacy, poor access to health services, and high level of vulnerable employment. They recognize the need to harness Liberia's youthful

population by investing in education and innovation. Addressing these persistent challenges will require strong political commitments to prevent undue political interference and sufficient fiscal resources to scale up staff training. This also entails reallocating budget resources—such as reducing unproductive expenditures, including the high salaries for senior public officials—to prioritize investments in both physical and human capital.

17. Reserve adequacy has improved but remains below optimal levels. By the end of 2024, international reserve coverage of imports of goods and services reached 2.1 months, compared to the IMF benchmark of 4 months for credit-constrained economies (Annex II). Liberia's high dollarization (about 80 percent of banks' assets and liabilities are in US dollars) serves as a large private sector self-insurance, and the large import-content of externally financed development projects means that imports will automatically adjust to potential shocks to external financing. Considering these Liberia's idiosyncratic factors, the gradual increase to 3.1 months of imports by end-2027—though somewhat lower than suggested by the Fund's framework—is deemed sufficient to buffer external shocks.

Authorities' Views

18. The authorities acknowledged the challenges of financing the ambitious development agenda. They agreed that improving Liberia's basic infrastructure, including transportation and affordable electricity, is critical for attracting sustainable FDI and diversifying the economy. They also concurred with the need to mobilize more domestic revenue and improve investment efficiency given declining external support. They emphasized the need to implement adaptation and mitigation policies by supporting climate resilient investment to deal with growing climate related risks.

19. On competitiveness, the authorities agreed that more progress is needed. Given the unique dual-currency system and high dollarization, they emphasized the need to enhance productivity by removing bureaucratic, legal, and physical obstacles to business. While acknowledging the overvalued exchange rate, the authorities noted that exchange rate adjustments alone would not solve current account vulnerabilities, due to a narrow export base and heavy import dependence for consumption and investment. Diversification beyond the enclave sectors and building reserves at program-targeted levels were seen as priorities for enhancing resilience to external shocks.

C. Fiscal Policy: Safeguarding Priority Spending Amid Declining Aid Flows

20. The recent termination of USAID support poses significant economic and fiscal challenges for Liberia (Annex III). Historically, USAID grants have averaged about 2 percent of GDP annually, primarily targeting education, health, and agriculture programs outside the national budget. The loss of this funding for targeted development and social programs—which had effectively reached the most vulnerable—would significantly undermine efforts to reduce income inequality and widespread poverty, especially in the absence of comparable programs within the national budget. USAID's presence also contributed to non-trivial budget revenue

through custom duties on imported goods and services and income tax from local staff and contractors. The loss of these revenues, along with additional budget for priority social and development projects, previously funded by the USAID, could weaken the fiscal position by up to 1 percent of GDP. However, thanks to large inventories left behind by USAID and the continued payment of local staff salaries through June, the immediate budgetary impact in 2025 is expected to be modest—about US\$10 million in additional expenditures and US\$3 million in lost revenues.

21. A small fiscal gap has emerged for 2025, which will be closed through additional revenue measures. Delays in implementing some tax measures underpinning the 2025 budget (e.g., GST rate increase, fuel tax point-of-assessment shift) and legal challenges to the turnover-based alternative CIT for mining companies, combined with USAID-related revenue losses, created an estimated US\$10 million revenue shortfall (about 0.2 percent of GDP). At the same time, the staff fully supported the authorities' decision to bring into the budget a few priority social programs, previously funded by the USAID, namely the school-feeding, scholarship programs, and medicines and medical supplies. Together with additional allocation to correct the underbudgeting of government electricity costs, the total additional expenditure is estimated at about US\$10 million. The Fund's assistance through budget support (about US\$12.5 million or 50 percent of the second review disbursement) will help ensure continuity of essential social programs this year, mitigating the impact of the abrupt aid cut on vulnerable populations. The remaining US\$8 million gap (Text Table 1) will be closed through the following measures (*Prior Action*):

- *New concession agreements.* Two new concession agreements related to the new oil block exploration (US\$12 million upon approval in 2025) and a rail concession (US\$11 million upon approval in 2025) have been signed by the government (*Prior Action*) (MEFP, 118). The oil block exploration is not related to the contingent revenue included in the 2025 budget and, therefore, it will not trigger the related contingent expenditures identified in the 2025 budget. The Legislature is expected to ratify both agreements in the coming weeks, with disbursements expected by the end of the year. Given the required Legislature's approval, there is a risk that the downpayment disbursements might take longer than expected, potentially materializing only in early 2026 instead of the last quarter of 2025.
- *Enforcing real estate tax payments on residential and commercial properties, owned by government-appointed officials, senior directors and managers.* A presidential Executive Order (EO), issued on September 5, 2025 (*Prior Action*), calls all government-appointed officials and senior directors and managers to settle their property tax obligations for FY2025 within 60 days after the EO issuance. Following the abovementioned 60-day window, the remaining non-compliance public officials will be shared with the MFDP, LRA, and CSA to proceed with a mandatory enforcement of real estate payments either through salary deductions or withholding benefits. By affecting only very high-income public officials, this measure is strongly progressive. Moreover, it will further strengthen the asset

declaration regime following the Presidential Order issued last February. Estimated additional revenues are at least US\$1.2 million.

- *Collecting additional dividends from a number of State-Owned Enterprise (SOEs), in the amount of US\$0.4 million, confirmed by a directive from the MFDP Minister, to be issued in September 2025 (Prior Action).*
- *Cuts of recurrent spending, largely goods and services, from selected Ministries, Agencies, and Commissions (MACs) in the amount to US\$0.4 million, as indicated in a MFDP Minister's letter to be issued in September 2025 (Prior Action).*

Text Table 1. Tax and Expenditures Measures for the 2025 Budget

	Yield (In US\$ million)	Yield (Percent of 2025 GDP)
	2025	2025
New signed concession agreements (Oil exploration and Railroad) downpayment	6	0.12
Enforcing real estate tax (2024 and 2025) to government-appointed officials	1.2	0.02
SOE dividends (additional)	0.4	0.01
Recurrent spending cuts from MACs, excluding health and education.	0.4	0.01
Total	8.0	0.16
Source: MFDP and IMF staff estimates.		

22. More ambitious domestic revenue mobilization is essential to support priority spending in 2026. The postponement of the VAT implementation to 2027—following the USAID's withdrawal of the related technical support⁴—will leave an unexpected revenue gap in 2026. The full-year impact of the aid cut will also weigh heavily on the 2026 budget. To address these challenges, the fiscal target will be slightly relaxed from 2026 onward, reducing the primary surplus by about ½ percentage points of GDP, compared to original program targets. This downward revision of the fiscal anchor—primary surplus of 2 percent of GDP to be achieved in 2027—will be consistent with the program objective to keep public debt on a steady declining path (DSA). Revenue measures to close the estimated 2026 budget gap of around 0.8 percent of GDP (US\$45 million), to be discussed with the authorities in the context of the preparation of the 2026 budget, could include:

⁴ The Technical Assistance (TA) aimed to provide training for LRA staff and a taxpayer awareness program. The WB has provided temporary funding for the TA for 3 months (June to August 2025), and the EU is seeking for resources to provide funding for this TA through mid-2026.

- *Raising the GST standard rate to 15 percent*, supporting a smooth transition to VAT in 2027 at the same rate.
- *Reducing generous tax expenditures*, particularly those granted to mining concessions. According to the authorities' 2024 tax expenditure report, forgone revenue from such incentives was about US\$240 million (about 5 percent of GDP). Strong political action is required to streamline and re-focus a number of very generous tax exemption measures.
- *Reform PIT and CIT* to broaden the tax base and increase progressivity. With IMF technical assistance, the authorities aim to finalize technical proposals by December 2025. Addressing major tax administration weaknesses will play a critical role in enhancing tax revenues and ensuring a level-playing field for all economic agents.

Text Table 2. Potential Tax Measures for the 2026 Budget

New Tax Measures	Yield (In US\$ million)	Yield (Percent of 2026 GDP)
	2026	2026
Increasing GST rate from 12 to 15 percent universally. This would also facilitate transition to a VAT.	20	0.36
Reform to expand the PIT and CIT base and increase progressivity	10	0.18
Measures to address Tax Expenditures	10	0.18
Enforcing real estate tax by expanding the registered residential and commercial properties	5	0.09
Total	45.0	0.81
Source: MFDP and IMF staff estimates.		

23. Higher spending needs under tighter development partner support warrant improved budget planning, as well as more effective implementation. To support this:

- The comprehensive policy paper to further strengthen PFM legislation has been replaced by two new SBs, aimed at improving budget transparency: (i) publication of a supplementary budget, if any, covering all MACs (starting from the end of October 2025); and (ii) detailed explanations of deviations in expenditure and revenue outturns, compared to the original or supplementary budget, in the GoL annual financial statement.
- Public investment management reforms are underway, addressing weaknesses identified by the recent Public Investment Management Assessment (PIMA): improving project appraisal and cost-benefit analysis mechanisms, insulating the analysis from political interference, expanding budget coverage of government-funded Public Sector Investment Project (PSIP) and externally-financed projects, enhancing procurement transparency and accountability, and establishing a centralized entity to appraise climate-related investment.

- The General Auditing Commission (GAC) will complete special financial audits of 38 MACs, 14 SOEs (e.g., Liberia Maritime Authority and Liberia Electricity Company), 39 development partner-funded projects, and two IT-systems (IFMIS and NASSCORP's system) by end-December 2025. An update of the GAC audit on domestic debt is expected by end-2025. The annual audit report of the 2024 government financial accounts was published in August, as required under the PFM law.
- Semi-annual surveys of GoL accounts at the CBL and commercial banks will continue, aiming to consolidate GoL accounts and thus ensure well-functioning Treasury Single Account (TSA) for effective liquidity management.

24. Contingency plans focus on adjusting expenditure, if the new revenue measures fail to generate the expected additional income. To safeguard program targets, the authorities have committed to further rationalizing recurrent spending, and/or prioritizing capital projects (PSIP), if monthly revenue data indicate potential revenue shortfalls. Monthly fiscal and cash management reports will continue to inform budget allotments, ensuring that total spending remains aligned with available resources.

Authorities' Views

25. The authorities reaffirmed their commitment to maintaining a prudent fiscal stance by rationalizing recurrent spending and mobilizing domestic revenues. Following significant spending cuts in 2024, their goal is to keep recurrent spending flat in real terms. Given constrained domestic financing and declining external support, mobilizing domestic revenues—through VAT adoption, broader and more progressive PIT and CIT, and mining sector taxation—is seen critical to accelerating government-funded capital investments. The authorities acknowledge the significant tax potential in the mining sector, and they reiterated that higher tax revenues will be essential for strengthening debt sustainability while advancing their development agenda.

D. Debt Sustainability: Need for Prudent Debt Management

26. The DSA indicates that the risk of debt distress remained high for the total public debt and moderate for external debt (DSA Annex). The substantial fiscal adjustment in 2024 helped restore overall debt sustainability and preserve the moderate rating for external debt. Following the abrupt termination of USAID funding, external grants are projected to decline, while IFI disbursements—largely IDA credits—are expected to more than offset the fall in the short-term. However, concessional borrowing is expected to gradually decline over the medium term, and non-concessional borrowing will be needed to enable growth-supporting investment projects. Against this backdrop, maintaining a medium-term primary deficit (including off-budget operations), no higher than 1 percent of GDP, is necessary to stabilize the PV of total

public debt. The ECF-supported program ceiling on the PV of new PPG external borrowing,⁵ based on regularly updated loan projections, remains crucial for strengthening debt sustainability by discouraging costly commercial borrowing.

27. Over the long run, non-concessional borrowing will gradually replace grants and concessional borrowing. This shift would reduce the available borrowing space within the medium-risk rating for external debt, highlighting the importance of developing a medium-term debt strategy that weighs the costs and risks of different borrowing options. To prevent a deterioration of debt vulnerabilities, fiscal policy should remain prudent and debt management practices must be significantly improved. In particular, it is critical that the Debt Management Unit (DMU) in the MFDP plays an active role in borrowing decisions, rather than functioning solely as a bookkeeping office as is currently the case.

E. Monetary and Financial Sector Policy: Promoting Price, External and Banking Sector Stability

28. The CBL is appropriately maintaining a tight monetary policy to safeguard price stability (MEFP, ¶16). In April, the CBL raised the policy rate to 17¼ percent and maintained it at that level in July to contain second-round effects from persistently high domestic-produced food prices and potential exchange rate pressures.⁶ It kept the reserve requirement ratios unchanged at 25 percent for LRD deposits and 10 percent for USD deposits, and intensified liquidity operations to drain excess LRD liquidity. Looking ahead, staff recommended maintaining a relatively tight policy stance, consistent with the authorities' medium-term inflation objective of 5 percent. However, the CBL should stand ready to tighten further if inflationary pressures re-emerge, with any adjustments to the policy rate or other policy tools guided by a careful assessment of the underlying drivers of inflation.

29. The authorities reiterated their strong commitment to maintaining a flexible exchange rate regime. The CBL will continue to support a floating exchange rate that reflects market forces (MEFP, ¶18). In this context, ensuring a smooth functioning of the FX market and deepening the interbank FX market remain critical priorities. Staff recommended limiting FX interventions to mitigate excessive exchange rate volatility, which could de-anchor inflation expectations and undermine financial stability. The Liquidity Working Group⁷ (LWG) will continue to meet regularly to support the CBL's liquidity management and GoL's effective cash

⁵ The PV limit is set on a contracting basis, while debt sustainability is assessed on a disbursement basis.

⁶ Persistently high domestically-produced food prices are attributed to poor domestic agricultural production, partly driven by unfavorable weather conditions—including heavy rains and floods in the second half of 2024—and high cost of agricultural inputs.

⁷ The LWG consists of staff from the CBL, Liberia Revenue Authority (LRA) and Ministry of Finance and Development Policies (MFDP).

management, while also helping contain the risk of currency mismatches between the GoL's revenues and spending system, which could destabilize the FX market.

30. Strengthening international reserves is essential to maintaining external and financial stability (MEFP, ¶24). The authorities remain committed to building international reserves to at least 3.1 months of imports by end-2027. In this context, the GoL should continue its efforts to generate US\$ surplus (US\$-denominated revenues minus expenditures) to facilitate FX sales to the CBL, as this remains the most prudent strategy for reserves accumulation given limited market avenues. To support this goal, efforts to increase the LRD share of the GoL wage bill to 35 percent, from the current 30 percent, should be accelerated.

31. Strengthening the monetary policy framework is necessary to improve policy effectiveness and support long-term price stability. The recently adopted interest rate corridor framework—with standing credit and standing deposit facilities—is fully operational.⁸ In the coming months, the CBL will gradually narrow the corridor to better align short-term market interest rates with the policy rate (MEFP, ¶17). To further improve monetary policy effectiveness, the CBL is conducting short-term open market operations through 2-week CBL bills auctions on a fixed-rate with full-allotment. Going forward, and in support of the authorities' medium- to long-term goal of establishing a well-functioning, tailored inflation target framework, key priorities include, *inter alia*, developing financial markets, further enhancing monetary policy operational framework, and building the CBL's analytical capacity. In the same vein, on August 19 2025, the CBL adopted a new collateral guideline for monetary policy, which stated that only LRD holdings of CBL and GoL securities should be eligible as collateral for monetary policy operations. The CBL is also improving its operational efficiency by streamlining recurrent spending. In 2024, the CBL reported a modest operational surplus—the first in two decades—bolstering its financial autonomy and ability to effectively execute its primary mandate.

32. Addressing the high level of NPLs is critical to strengthening bank's asset quality. With Fund support, the CBL recently established a comprehensive NPLs database, categorizing the stock of NPLs by (i) loan size, (ii) collateral assets, (iii) borrower type, and (iv) loan duration. Building on this, the CBL in consultation with Fund staff is developing a tailored action plan for NPL reduction. Going forward, the CBL will strictly enforce existing prudential regulations, requiring full provisioning of NPLs older than one year and writing-off of so-called "legacy" NPLs older than three years.

33. The adoption of the Bank-Financial Institutions and Bank Financial Holding Companies Act (BFIA) represents a major step toward strengthening the banking sector's regulatory framework. In April, the Legislature adopted the new BFIA, which grants the CBL enhanced regulatory and supervisory powers to resolve distressed banks, implement more targeted risk-based supervision, and facilitate the establishment of a deposit insurance scheme

⁸ The CBL recently established an interest rate corridor system, with standing credit and deposit facilities at 250 basis points above and 750 basis points below the policy rate, respectively.

after banking sector weaknesses have been duly addressed (also see ¶137). Following its enactment, the CBL reaffirmed its commitment to developing an effective bank resolution framework and to establishing the institutional structures necessary for its implementation (MEFP, ¶125). The operationalization of this framework is expected by December 2025. In this context, it is essential for the CBL to accelerate the development of regulations and operational guideline for bank resolution and to ensure that specialized staff are assigned to a dedicated bank resolution unit by December 2025 (*Structural Benchmark*).

34. The enforcement of the banking regulatory framework has strengthened, though further efforts are needed. The CBL has made notable progress in enforcing banking regulations, including the reserve requirement regulation, and has begun imposing penalties on non-compliant banks (*recurrent Structural Benchmark*). While granting temporary regulatory forbearance to a few distressed banks that struggle to meet requirements, the CBL has simultaneously intensified its supervisory efforts by applying stricter regulatory measures for those banks.

35. Strengthening the Emergency Liquidity Assistance (ELA) framework remains a priority. The CBL has discontinued the previous practice of extending ELA support to banks beyond permissible time limits. In addition, it has also secured collateral for all its outstanding exposures to commercial banks, especially those related to the 2012-14 legacy CBL on-lending program (*Structural Benchmark for June 2025*). On August 19, 2025, the Board of Governors of the CBL adopted a revised ELA regulation, which clarifies the related timeframe and specifies eligible collateral assets to qualify for exceptional support (*Structural Benchmark for July 2025*). The list of eligible collateral assets is now limited to CBL and government securities. As an interim measure ahead of a more comprehensive review of the CBL Act, the CBL Board adopted a resolution in July prohibiting unconventional support to commercial banks, including grants and guarantees. Going forward, with Fund technical assistance, the CBL will develop a well-tailored crisis management framework.

36. The CBL is addressing critical weaknesses in a few small banks. Independent diagnostic reviews, conducted by international audit firms, were completed in June after some delays. The findings informed the recapitalization of small banks and the preparation of tailored restructuring plans, which should be finalized in September (*Prior Action*). In parallel, the CBL has been developing resolution plans, which are expected to be finalized by December 2025 (*rephased Structural Benchmark*). Additionally, the CBL is reviewing the audit practices of these banks to determine whether corrective actions are needed, in light of significant discrepancies observed in their regular financial audit outcomes (MEFP, ¶130).

37. The authorities have also committed to accelerating the reform of the state-owned bank (SOB). Following a recent audit of its financial statements by an international audit firm, the SOB adopted a strategic plan to implement the audit's key recommendations, particularly regarding its NPL reduction strategy, which targets legacy loans. The SOB has intensified efforts to reduce NPL, with the goal of writing off all legacy NPLs by October 2025. Clearing these legacy NPLs will pave the way for implementing its broader restructuring plan.

Authorities' Views

38. The authorities agreed with staff on the importance of closely monitoring price dynamics, strengthening banking supervision, and completing the restructuring of weak banks. The CBL endorsed staff's assessment of the current policy stance and the need to maintain a relatively tight monetary policy until a sustained decline in inflation is firmly established. They also reaffirmed their long-term commitment to adopting an inflation target regime. Furthermore, the authorities concurred with staff on the need to enhance banking supervision and to enforce relevant regulations rigorously without exceptions. Supporting the recapitalization and restructuring of weak banks remains a key priority for the coming months.

F. Governance: Strengthening Capacity of Integrity Institutions

39. The CBL is strengthening its governance and internal control framework. The CBL Board adopted targeted action plans to implement key recommendations from: (i) the GAC compliance audit, (ii) Kroll's forensic audit, and (iii) an independent legal review of the unconventional support to commercial banks. The CBL has indicated that work is underway to implement key recommendations from Kroll's forensic audit, and from the GAC compliance audit. As an interim measure to address the legal review's findings, the CBL Board adopted, in June 2025 (MEFP, ¶27), a resolution prohibiting unconventional support to commercial banks, including grants and guarantees. Staff stressed the importance of swiftly implementing the remaining recommendations to restore the CBL's credibility and further strengthen its governance and internal controls.

40. The government is enhancing the operational capacity of the Liberia Anti-Corruption Commission (LACC). In line with the 2025 budget, the government has allocated sufficient resources for LACC to fulfill its critical functions (MEFP, ¶34). The LACC has made substantial progress in strengthening its regulatory framework, including provisions to allow the publication of asset declarations, and the use of a risk-based verification process for high-risk public officials.

41. The enforcement of the asset declaration framework has also improved. The President recently issued a directive to withhold one month's salary from public officials who failed to comply with the asset declaration requirement. Following this directive, compliance increased significantly, with nearly 90 percent of required public officials having completed their declarations. To reach full compliance, resolute enforcement by the political leadership (Executive and Legislature) and further strengthening of the sanction regime remain critical. Furthermore, the LACC is engaging in outreach activities to sensitize public officials. Also, to remove legal barriers to publishing asset declarations, the LACC will submit draft amendments to the Legislature by December 2025 (*Structural Benchmark*), repealing Section 10.2 of the Code of Conduct, which currently restricts publication except those requested by court orders. With the WB support, the asset declaration process will be fully digitalized by end-2027.

42. Liberia continues to suffer from a very low capacity to implement effective AML/CFT systems and has sought technical assistance from the Fund. Given the AML/CFT risks relating to

legal persons and specifically with respect to Liberia's operation of an international financial services sector and shipping registry, the authorities agreed to establish a workplan and timeline approved by the Cabinet for the implementation of a multipronged approach to ensure transparency of beneficial ownership of all legal persons, including those in the international business sector (*Structural Benchmark for May 2025*). This benchmark was implemented with delay in August 2025 and staff will continue to monitor Liberia's progress in implementation.

43. The authorities expressed strong support for the Governance Diagnostic Study (GDS). They acknowledged the critical role of governance reforms, including in the rule of law, property rights, transparency, and tax administration, in improving the business climate for domestic and external investors. The GDS scoping mission was completed in July, and the comprehensive assessment is scheduled for September 2025. The authorities reiterated their plan to publish the full report, expected by early 2026.

44. The Public Procurement and Concession Commission (PPCC) has strengthened enforcement of the MACs' annual procurement plan submission. In 2025, the share of MACs submitting comprehensive procurement plans rose significantly, reaching almost 90 percent compliance. Moreover, the recently launched e-procurement platform is now being used by almost 50 percent of MACs for the purchases of goods and services. All awarded contracts continue to be published on the PPCC website as required by the PFM law.

Authorities' Views

45. The authorities reaffirmed their commitment to enhancing governance and accountability. They underscored the critical role of the GDS in prioritizing and guiding reforms to address pervasive corruption. The GoL plans to adopt a time-bound action plan for key reforms aimed at strengthening institutional integrity, public procurement, and fiscal transparency and accountability. Following the recent President's call, the Law Review Commission (LRC) has reviewed several anti-corruption laws, with proposed amendments to be submitted to the Legislature in the coming months.

G. Economic Statistics

46. The authorities are taking steps to improve the quality and reliability of macroeconomic statistics, though further efforts are needed. The Liberia Institute of Statistics & Geo-Information Services (LISGIS) has made some progress in enhancing national accounts and price statistics, but significant weaknesses remain in data coverage, completeness, and timeliness of publication. To address these gaps, the government is committed to providing adequate resources to strengthen LISGIS's capacity to fulfill its mandate (MEFP, ¶40). Looking ahead, it will be critical that the LISGIS and other data-compiling entities, such as the CBL and government entities, strengthen coordination and implement key recommendations from several Fund CD missions to improve the quality of core macroeconomic statistics, particularly external sector and debt statistics. To address gaps in SOE contingent liability data, the MFDP is committed to preparing a comprehensive inventory of all government guarantees across MACs and SOEs.

PROGRAM MODALITIES AND OTHER ISSUES

47. The authorities request a waiver for the nonobservance of the continuous PC on the accumulation of new external arrears. Acknowledging the seriousness of this repeated breach, the authorities cleared the outstanding arrears (US\$7.7 million) by June 2025 and implemented deeper remedial measures as a prior action (14). These measures, together with the new SB for October 2025, on complete borrowing terms and original contracts of all GoL external debt obligations, are expected to improve debt service planning and ensure timely payments going forward.

48. The program remains fully financed, with improved burden sharing. Firm commitments of financing from the WB and EU are in place to ensure the program remains fully financed for the 12 months following the second review. The WB commitments remain broadly unchanged, including planned budget support for US\$40 million (IDA credit) to be disbursed in the fourth quarter of 2025, contingent on the fulfillment of all prior actions. After several years of disengagement, the EU is expected to resume its budget support program, with a US\$22 million grant in the fourth quarter of 2025 as part of a total package of US\$56 million over 2025-27 (Table 6). There are also good prospects for adequate financing over the remaining program period.

49. Capacity to repay. Liberia's capacity to repay the Fund remains adequate but is subject to significant risks due to the high level of Fund exposure (Table 8). Total outstanding Fund credit is projected to peak in 2027 at SDR 231 million, equivalent to 5.3 percent of GDP, 14.9 percent of exports of goods and services, or about 40.3 percent of gross international reserves. While the high exposure to the Fund poses notable risks, Liberia's strong track record of servicing its obligations to the Fund, along with firm commitments to reforms under the ECF-supported program, help mitigate these risks. The debt outlook is expected to remain sustainable over the program horizon.

50. Safeguards assessment. Following the November 2024 safeguards assessment, the CBL has implemented a key priority recommendation to adopt the GAC and forensic audits action plans (SB). However, the implementation of the action plans remains work in progress and more efforts are needed to implement remaining safeguards assessment recommendations. To this end, the upcoming safeguards monitoring mission will assess the status of the action plans and follow up on remaining safeguards recommendations.

51. Program monitoring. Program performance will continue to be assessed against six PCs and five ITs (MEFP, Table 1), which have been extended through June 2026. Macro-critical SBs have also been extended through June 2026 (MEFP, Table 2). New SBs, as well as modifications to three existing SBs, have been proposed to reflect evolving circumstances and the authorities' implementation capacity.

52. Statistical capacity. Addressing weak capacity remains a priority. Data provision has shortcomings, somewhat hampering surveillance (Annex V). However, data on key program indicators is broadly adequate for program monitoring. The authorities are committed to accelerating efforts to close data gaps, with technical assistance from the Fund and other development partners, and improving intra-governmental coordination in data sharing. Current IMF Capacity Development priorities are aligned with the objectives of the ECF-supported program (Annex VI).

STAFF APPRAISAL

53. Liberia's economic outlook has improved since the last Article IV consultation in 2022.

Economic growth reached 4 percent in 2024, despite significant fiscal adjustment, and is projected to accelerate to 5½ percent over the medium term. Public debt is expected to decline gradually, with its present value falling to 35 percent of GDP by 2030 from 46 percent in 2024. Gradual improvements in the current account are expected to continue, and international reserves are projected to reach 3.4 months of imports coverage. However, these projections remain subject to considerable downside risks, including heightened geopolitical fragmentation, increased commodity price volatility, further decline in development partner support, and climate changes.

54. Program implementation has been broadly satisfactory. Following significant fiscal deterioration in 2022-23, ambitious fiscal adjustments were necessary to restore macroeconomic stability and debt sustainability. Compared to 2023, the primary balance, excluding grants, improved substantially—5½ percentage points of GDP—through rationalizing unproductive spending and enhancing revenue collection. The current account deficit has more than halved, and reserve levels have stabilized, making progress to achieve the program objective of restoring sufficient external buffers.

55. Prudent fiscal policy is expected to continue in 2025 and beyond. The 2025 budget, which foresees a steady increase in revenue, is being implemented as planned. Continuous improvements in the primary surplus, which will reach 2 percent of GDP by the end of the program (2027), will help to put the debt ratio to GDP on a gradual declining path. Key fiscal challenges include further expanding fiscal space for investments to address development needs and mitigate climate-related risks, as well as enhancing the effectiveness of such investment. Staff welcomes the authorities' commitment to meeting these challenges through improved domestic revenue mobilization (including the gradual increase in GST rate, the adoption of VAT, personal and corporate income tax reforms, and rationalization of tax exemptions), while making full use of available concessional financing and grants.

56. Strengthening public financial management remains a key priority. Despite recent PFM reforms, significant work is still needed to improve budgetary transparency, liquidity management, and payment discipline. Ongoing reforms supported by SBs—on fiscal reporting, TSA, and debt service management—are well designed to address these weaknesses. Strengthening capital expenditure planning, implementation, monitoring, and ex-post auditing is vital to enhance

investment management. Effective collaboration among the DMU, CAG, and CBL will be critical to ensure timely payment of government obligations while preventing debt service arrears.

57. The banking sector remains generally stable, despite challenges faced by a few banks.

Key financial sector indicators suggest a modest improvement in the overall health of the sector. However, diagnostic reviews of three weak banks identified serious financial difficulties. It is essential for these banks to implement credible and effective restructuring plans, with concrete, time-bound strategies for recapitalization and NPL resolution.

58. The regulatory framework for the banking sector has been strengthened with the adoption of the BFIA. The Legislature's recent approval of the BFIA allows the CBL to proceed with necessary reforms to enhance financial stability. Staff welcomes the CBL's commitment to design and implement an effective resolution framework, initiate a gradual transition to risk-based supervision, and establish a deposit insurance scheme. The recently adopted ELA regulation and stricter enforcement of reserve requirements are expected to promote discipline and discourage banks from seeking liquidity support when facing solvency challenges.

59. Combating corruption and enhancing market competition are critical to fostering private sector development. Governance reforms are advancing and will be reinforced by implementing recommendations from the forthcoming governance diagnostic study. The AAID's focus on governance and rule of law aligns well with program objectives. In the near term, completing asset declarations by high-profile public officials and fully disclosing beneficial ownership information will be an important step forward.

60. Boosting job creation and reducing poverty will require a multipronged strategy. Sustained job creation depends on continued efforts to develop the private sector beyond traditional enclave sectors. Achieving a broad-based and job-rich growth will require increased public investment, particularly in roads and electricity, strengthened rule of law, and improved access to credit.

61. Liberia's track record in implementing IMF policy advice has been mixed. The recommendations from the 2022 Article IV consultation were only partially implemented (Annex I). However, the reforms supported under the current ECF arrangement are closely aligned with previous surveillance recommendations, and satisfactory program performance is expected to place Liberia on a stronger track record of policy implementation.

62. Improving the quality and availability of economic statistics remains a priority. The authorities' ongoing efforts to enhance data quality with Fund's technical assistance are welcome. However, heavy reliance on development partner support even for basic statistics and significant gaps in national accounts and external sector data remain serious challenges requiring urgent attention.

63. Staff supports the authorities' request for a waiver of nonobservance of the PC on accumulation of external arrears and recommend completion of the second review under the

ECF arrangement. The nonobservance of the continuous performance criterion on accumulation of new external arrears was due to inadequate planning and poor coordination within the MFDP when a government guarantee for an infrastructure project was called. Strong corrective actions have since been taken, including the clearance of undisputed external debt arrears and compiling a complete inventory of external debt and guarantees and establishing an arrangement for MFDP to authorize the CBL—at least one month before payment is due—to service external debt on time. The attached authorities' Letter of Intent and Memorandum of Economic and Financial Policies present a strong set of measures to prevent delayed external obligation payment in the future.

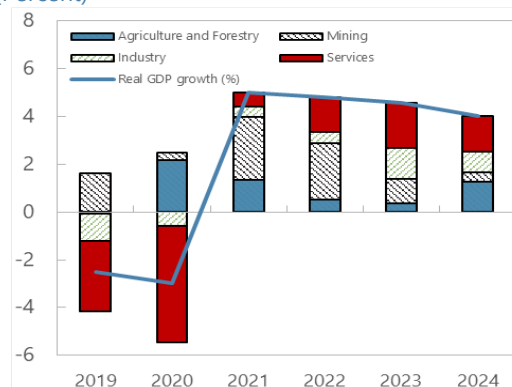
64. The next Article IV consultation with Liberia will be held on a 24-month cycle in accordance with the Decision on Article IV Consultation Cycles (Decision No. 14747-(10/96), as amended).

Figure 1. Liberia: Recent Economic Developments

Growth slowed amid fiscal consolidation and moderating mining activities.

GDP Growth and Contributions by Sector, 2019-24¹

(Percent)



Liberian dollar (L\$) depreciated somewhat in first half of this year, following a brief appreciation in 2024Q4.

Daily Exchange Rates, 2021-25

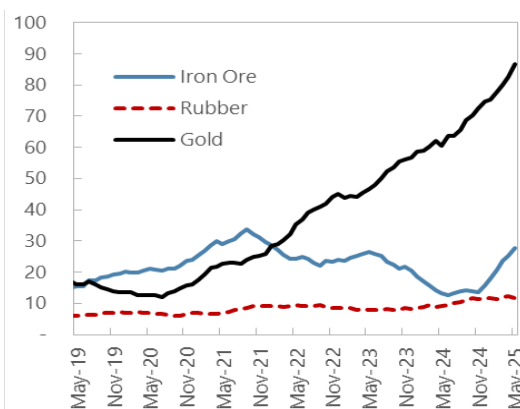
(L\$ per US\$)



Gold exports continued to accelerate, iron ore exports recovered, while rubber remained subdued.

Nominal Exports, 2019-25

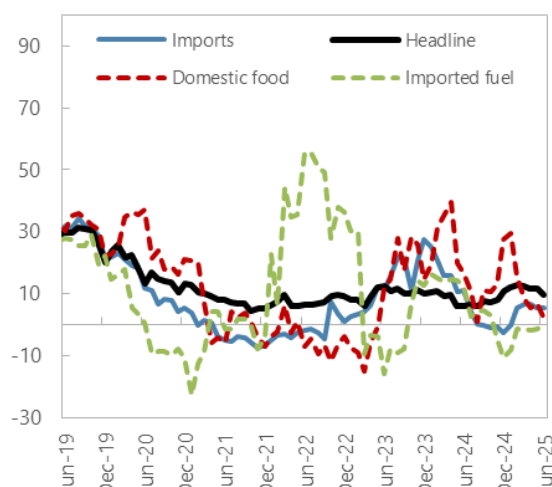
(In millions of US\$, per months, 12-month m.a.)



Headline inflation remained elevated in the upper single digit, driven by the second-round effect of the recent spike in domestic food prices.

Price Developments, 2019-25²

(12-month percent change)



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

¹ 2024 figures are preliminary estimates.

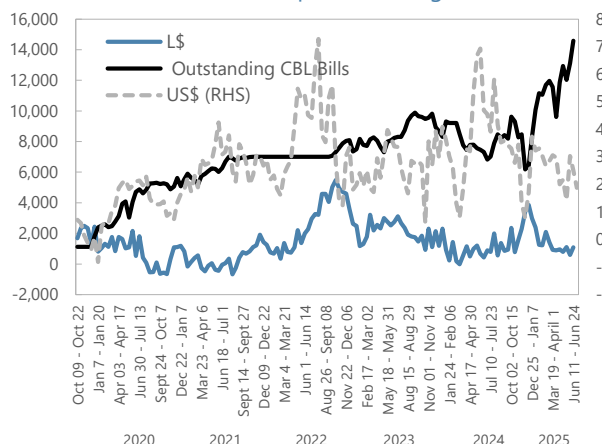
² Effective January 2019, Liberian authorities have rebased inflation using the 2016 Household Income and Expenditure Survey which calculates the 2004 base year using a regional average consumption basket.

Figure 2. Liberia: Monetary Developments

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

Aggregate Excess Reserves and Outstanding CBL Bills, 2019-25

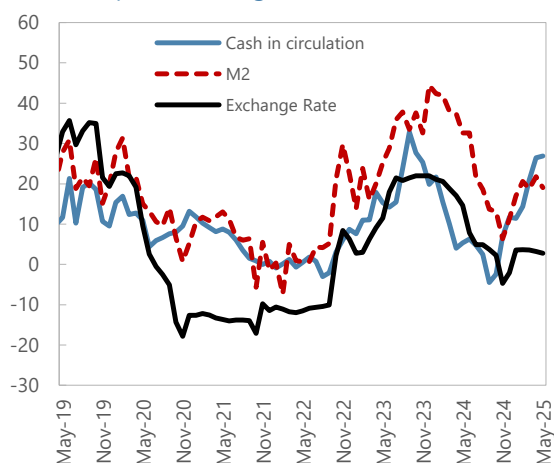
(In millions of US\$ and L\$, period average)



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

Cash in Circulation Growth, 2019-25

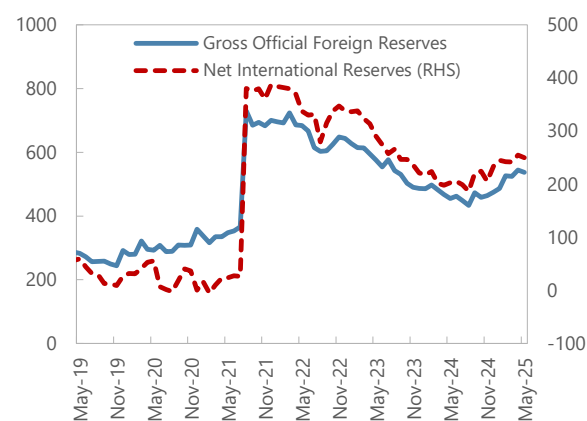
(12-month percent change)



International reserves picked up following a period of sustain decline.

Gross and Net International Reserves, 2019-25

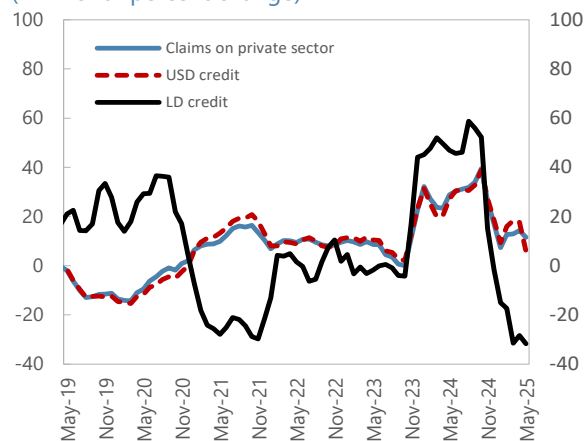
(US\$ millions)



Private sector credit declined and remained largely in US\$¹.

Claims on Private Sector Growth, 2019-25²

(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 Dec-2023 with no historical correction.

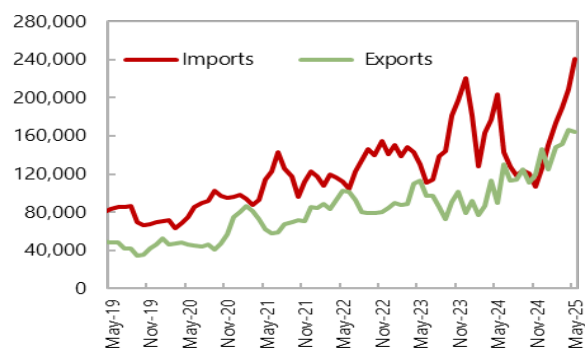
² A significant portion of Liberian credit is expressed in US Dollars, as such, private sector credit growth has been plotted using U.S. dollar values.

Figure 3. Liberia: External Sector Developments

Imports rebounded strongly in the first half of 2025, while export growth continued at a gradual pace ...

Imports and Exports, 2019-25

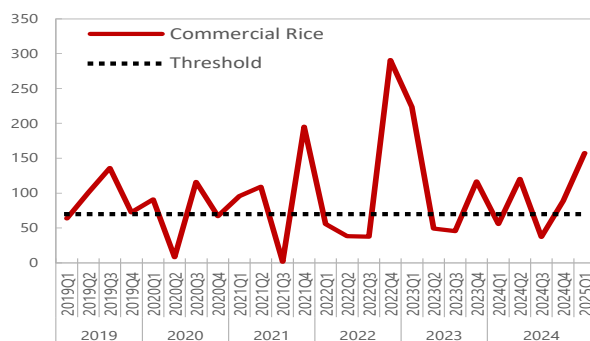
(US\$ 000s, 3-month m.a.)



Rice imports picked up after two years hovering around the minimum threshold.

Quarterly Rice Imports, 2019-25¹

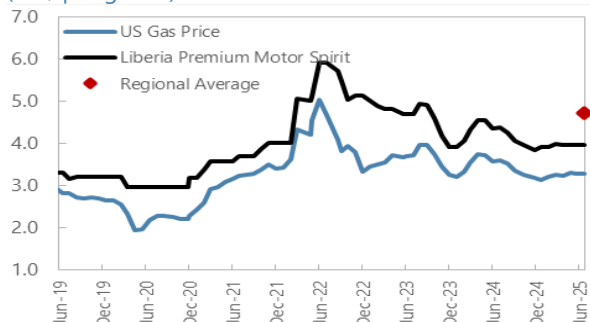
(Volume, metric tons 000s)



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

Imported Fuel Price, 2019-25

(US\$ per gallon)



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

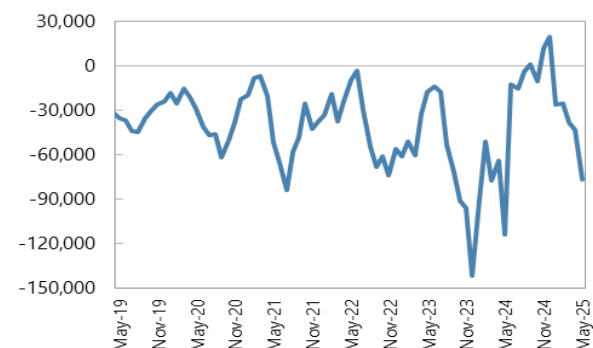
¹ Quarterly average rice imports needed to meet 400g rice per person per day criteria (World Food Program).

² Quarterly average fuel imports considered adequate by Liberia Petroleum Refining Company (LPRC)

... leading to some deterioration in the trade balance at the margin.

Trade Balance, 2019-25

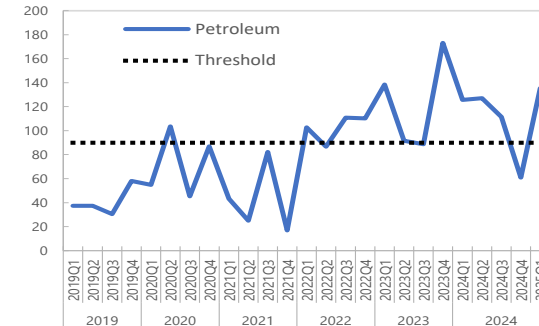
(US\$ 000s, 3-month m.a.)



The volume of petroleum imports increased in the first quarter of 2025.

Quarterly Petroleum Imports, 2019-25²

(Volume, million liters)



Net remittances slowed due to declining inflows, while outflows remained subdued.

Quarterly Remittances, 2019-25

(US\$ millions)

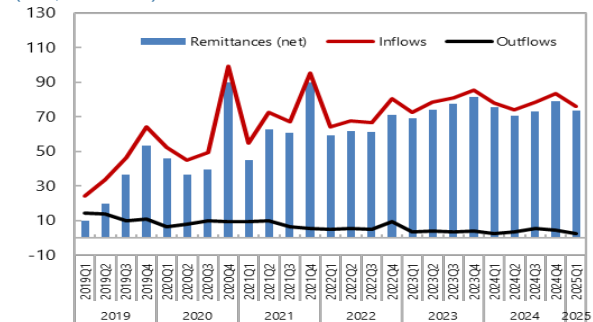
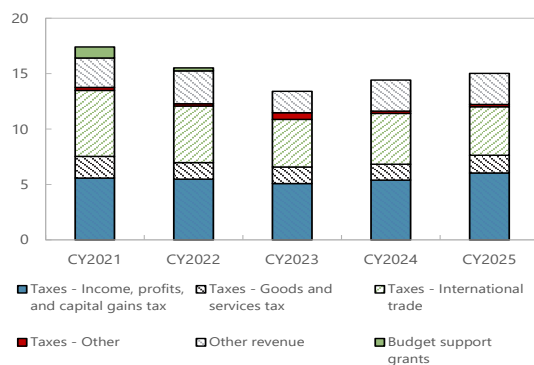
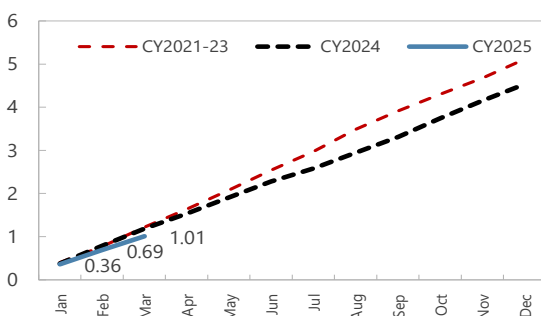
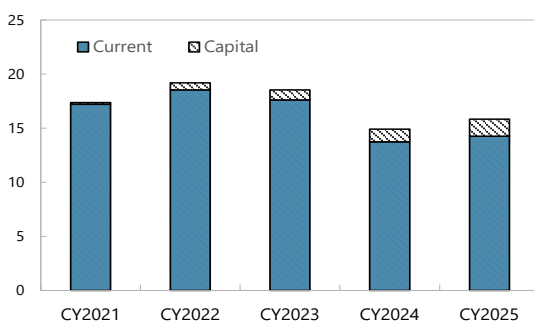


Figure 4. Liberia: Fiscal Performance**Revenue Composition, 2021-25¹**
(Percent of GDP)

Trade taxes have remained weak.

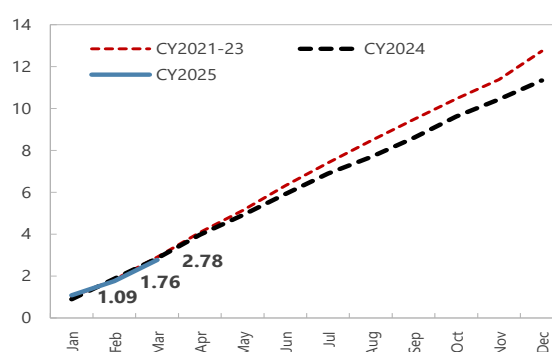
Trade Taxes, 2021-25
(Cumulative, percent of GDP)

On-budget capital expenditure has continued to remain low, largely due to limited capacity...

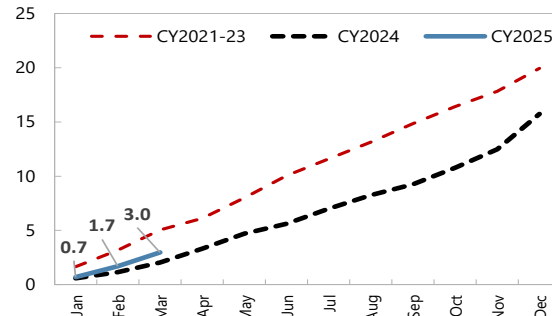
On-Budget Expenditure Composition, 2021-25¹
(Percent of GDP)

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

¹2025 figures are projections.

Domestic Revenue, 2021-25
(Cumulative, percent of GDP)

In 2024, total expenditures rationalization has materialized, as expected.

Total Expenditure, 2021-25
(Cumulative, percent of GDP)

With substantial reduction in recurrent spending, the central government fiscal position has improved, which is expected to continue in 2025.

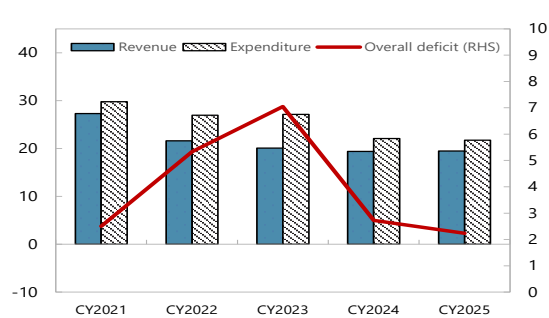
Revenue and Expenditure, 2021-25¹
(Percent of GDP)

Table 1. Liberia: Selected Economic and Financial Indicators, 2022–30

	2022	2023	2024		2025		2026	2027	2028	2029	2030
	Act.	Act.	First Review	Est.	First Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percentage change, unless otherwise indicated)											
Real sector											
Real GDP	4.8	4.6	4.8	4.0	5.6	4.6	5.4	5.6	5.9	5.5	5.5
<i>of which:</i> Mining & panning	14.0	5.7	5.0	2.1	8.6	6.0	11.0	11.5	12.4	10.3	10.2
<i>of which:</i> Agriculture&Forestry	1.3	0.9	3.5	3.4	4.3	3.9	3.9	3.9	3.8	3.8	3.8
<i>of which:</i> Manufacturing	2.2	8.9	7.3	7.1	6.2	5.9	5.9	5.9	5.9	5.9	5.8
<i>of which:</i> Services	4.8	7.1	5.6	5.0	5.3	4.3	4.2	4.2	4.2	4.2	4.2
Nominal non-mining per capita GDP (U.S. dollars)	618	667	708	704	732	723	753	783	815	847	881
Nominal GDP (millions of U.S. dollars)	3,974	4,390	4,787	4,778	5,126	5,160	5,525	5,874	6,292	6,724	7,162
Inflation											
Consumer prices (annual average)	7.6	10.1	7.8	8.2	6.3	10.7	8.0	6.8	5.7	5.2	5.0
Consumer prices (end of period)	9.2	10.0	6.8	10.7	6.0	9.0	7.4	6.1	5.3	5.1	5.0
Population (millions)	5.4	5.5	5.6	5.6	5.7	5.7	5.9	6.0	6.1	6.2	6.4
(Percent of GDP)											
Central government operations ¹											
Total revenue and grants	21.6	20.1	19.1	22.3	20.3	20.3	20.2	20.6	20.4	20.5	20.2
Total revenue	15.2	13.4	14.2	14.5	15.1	15.2	15.8	16.3	16.6	16.8	16.9
Grants ²	6.4	6.7	4.9	7.8	5.2	5.1	4.5	4.3	3.9	3.7	3.3
Total expenditure ²	26.9	27.1	21.9	24.3	23.7	22.1	22.7	22.8	23.1	23.1	21.6
Current expenditure	20.9	20.4	15.8	16.1	16.9	16.4	16.8	16.6	16.7	16.6	15.5
Capital expenditure	6.1	6.7	6.1	8.2	6.8	5.7	5.9	6.1	6.4	6.5	6.2
Overall balance, including grants ²	-5.3	-7.0	-2.8	-2.0	-3.5	-1.8	-2.5	-2.2	-2.7	-2.6	-1.4
<i>of which:</i> Budgetary central government	-3.7	-5.1	-0.5	0.2	0.3	0.3	0.5	0.5	1.0	1.1	1.1
Overall balance, excluding grants ²	-11.7	-13.7	-7.7	-9.8	-8.7	-6.9	-7.0	-6.4	-6.5	-6.3	-4.7
<i>of which:</i> Budgetary central government	-3.9	-5.1	-0.5	0.2	0.0	-0.1	0.1	0.1	0.8	0.9	1.0
Total public debt (nominal)	54.3	57.8	56.8	57.2	56.8	55.9	54.9	54.1	52.4	51.1	48.8
Public external debt ³	35.4	36.1	37.2	36.7	39.0	37.2	37.7	38.8	39.5	40.4	40.1
Public domestic debt ⁴	18.9	21.8	19.6	20.4	17.8	18.7	17.1	15.3	12.9	10.7	8.7
Total public debt (present value)	39.2	39.2	44.7	46.4	43.1	44.1	41.9	40.6	38.6	37.0	35.0
(Percent, unless otherwise indicated)											
Monetary sector											
M2/GDP	25.0	26.8	27.0	28.0	27.2	28.2	28.3	28.3	28.4	28.4	28.5
Credit to private sector (percent of GDP)	14.7	17.9	17.5	17.8	17.8	17.9	18.2	18.8	19.3	20.0	20.7
Credit to private sector (annual percent change)	12.8	34.3	6.8	8.4	8.5	8.5	8.9	9.7	10.1	10.4	10.4
(Percent of GDP, unless otherwise indicated)											
External sector											
Current account balance, including grants	-19.0	-26.4	-21.9	-11.2	-20.0	-14.2	-13.4	-13.3	-13.7	-12.7	-12.5
Current account balance, excluding grants	-21.7	-29.0	-23.9	-14.4	-22.3	-16.5	-15.4	-15.2	-15.3	-14.3	-13.9
Trade balance	-12.6	-19.0	-13.5	-5.2	-11.1	-5.4	-4.2	-3.7	-3.3	-2.1	-1.8
Exports	25.8	25.4	29.1	27.3	30.4	31.3	31.2	30.7	30.8	31.1	31.0
Imports	-38.5	-44.3	-42.6	-32.5	-41.5	-36.6	-35.4	-34.4	-34.1	-33.2	-32.8
Grants (donor transfers, net)	2.7	2.7	2.0	3.1	2.3	2.3	2.0	1.9	1.6	1.5	1.4
Gross official reserves (millions of U.S. dollars)	644	487	483	475	626	595	679	769	820	902	968
In months of next year's imports	2.9	2.5	2.0	2.1	2.4	2.6	2.9	3.1	3.2	3.3	3.4
Net international reserves (millions of U.S. dollars)	338	221	245	234	317	280	345	414	497	611	708

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

Table 2. Liberia: Balance of Payments, 2022–30
(Millions of U.S. dollars, unless otherwise indicated)

	2022	2023	2024		2025		2026	2027	2028	2029	2030
	Act.	Act.	First Review	Est.	First Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Trade balance	-502	-832	-649	-249	-568	-276	-231	-215	-208	-143	-129
Exports, f.o.b.	1,027	1,113	1,392	1,304	1,560	1,613	1,724	1,804	1,940	2,091	2,219
<i>of which</i> : rubber	101	105	177	140	207	147	155	168	181	196	211
<i>of which</i> : Iron ore	286	243	264	191	281	212	244	313	388	462	531
<i>of which</i> : Gold	543	681	855	896	976	1,170	1,239	1,234	1,278	1,337	1,377
Imports, f.o.b.	-1,529	-1,945	-2,041	-1,553	-2,128	-1,889	-1,954	-2,019	-2,148	-2,235	-2,348
Services (net)	-386	-493	-494	-458	-536	-527	-540	-558	-587	-598	-607
Primary income (net)	-248	-272	-321	-299	-355	-362	-396	-438	-486	-535	-576
<i>of which</i> : Investment income (net)	-217	-237	-283	-262	-314	-321	-352	-391	-437	-482	-520
Secondary income	382	440	413	469	435	433	426	430	419	420	419
<i>of which</i> : Remittances (net)	254	302	297	298	295	293	290	293	292	292	292
Current account balance, including grants	-754	-1,157	-1,050	-537	-1,024	-732	-741	-780	-863	-857	-893
Current account balance, excluding grants	-862	-1,274	-1,145	-687	-1,142	-851	-854	-893	-965	-961	-994
Capital and financial account (net)	710	1,037	1,028	551	1,142	783	807	849	947	972	991
Capital account ¹	145	176	142	224	148	144	135	137	140	142	144
Financial account	565	861	886	328	994	638	672	712	807	830	846
Foreign direct investment (net)	295	428	475	470	561	473	459	487	506	517	548
Portfolio investment (net)	0	0	0	0	0	0	0	0	0	0	0
Other investment (net)	270	433	411	-142	433	165	214	225	300	313	299
Official financing: medium and long term (net)	113	215	136	198	193	94	149	172	239	264	185
Private financing (net) ²	157	219	275	-340	241	71	65	53	62	49	114
Overall balance	-44	-120	-22	14	118	51	66	69	84	115	97
Financing	44	120	22	-14	-118	-51	-66	-69	-84	-115	-97
Change in gross official reserves (increase -) ³	57	157	3	12	-143	-121	-83	-90	-51	-82	-66
Net use of IMF credit and loans	-12	-37	19	-26	25	70	17	21	-33	-33	-32
Exceptional financing (CCRT)	0	0	0	0	0	0	0	0	0	0	0
<i>Memorandum items:</i>											
Current account balance (percent of GDP)											
Including grants	-19.0	-26.4	-21.9	-11.2	-20.0	-14.2	-13.4	-13.3	-13.7	-12.7	-12.5
Excluding grants	-21.7	-29.0	-23.9	-14.4	-22.3	-16.5	-15.4	-15.2	-15.3	-14.3	-13.9
Trade balance (percent of GDP)	-12.6	-19.0	-13.5	-5.2	-11.1	-5.4	-4.2	-3.7	-3.3	-2.1	-1.8
Donor transfers (net, percent of GDP)	2.7	2.7	2.0	3.1	2.3	2.3	2.0	1.9	1.6	1.5	1.4
Foreign direct investment (net, percent of GDP)	7.4	9.8	9.9	9.8	10.9	9.2	8.3	8.3	8.1	7.7	7.6
Public sector external debt (MT and LT percent of GDP)	35.4	36.1	37.2	36.7	39.0	37.2	37.7	38.8	39.5	40.4	40.1
Gross official reserves	644	487	483	475	626	595	679	769	820	902	968
<i>of which</i> : Undrawn SDR allocation of August 2021	249	211	211	205	211	197	198	198	199	199	199
Gross official reserves (months of next year's imports)	2.9	2.5	2.0	2.1	2.4	2.6	2.9	3.1	3.2	3.3	3.4

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), 2022–30¹
(Millions of U.S. dollars)

	2022	2023	2024		2025		2026	2027	2028	2029	2030
	Act.	Act.	First Review	Est.	First Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	858	882	926	1,075	1,039	1,046	1,118	1,211	1,286	1,375	1,450
<i>of which</i> : Revenue, excl. grants	606	589	690	702	772	783	871	960	1,044	1,128	1,211
Taxes	488	504	585	567	646	639	671	735	801	867	931
Income, profits, and capital gains taxes	218	223	286	262	318	320	331	362	395	423	450
Goods and services tax	59	66	73	72	85	83	89	104	112	123	134
International trade tax	203	188	215	222	232	227	242	258	275	297	319
Other taxes ²	8	27	11	12	11	9	10	10	18	25	28
Other revenue	118	85	105	135	126	144	157	150	162	176	189
Unidentified revenue measures	0	0	0	0	0	0	43	75	81	86	92
Grants ³	252	293	236	373	267	263	247	251	243	247	238
Expense	829	898	756	771	866	845	931	977	1,051	1,115	1,107
Compensation of employees	298	311	299	299	317	317	339	361	386	413	440
Use of goods and services	384	434	263	290	324	309	337	361	391	414	364
Interest	37	42	58	49	67	65	71	72	72	73	73
Subsidies and grants ⁴	92	93	115	114	135	120	126	125	133	137	147
Social benefits	18	18	21	19	24	34	56	59	68	78	83
Net operating balance	29	-16	170	304	173	201	187	234	235	260	343
Gross investment in nonfinancial assets	241	293	292	390	350	294	326	361	403	435	442
Overall balance = Net lending/borrowing	-212	-309	-132	-96	-177	-93	-139	-127	-168	-175	-99
excl. grants	-464	-602	-368	-469	-444	-356	-386	-378	-410	-422	-338
Primary balance	-174	-267	-63	-37	-110	-28	-67	-55	-95	-102	-26
excl. grants	-427	-560	-300	-410	-377	-291	-315	-306	-338	-349	-265
Financing	-220	-309	-132	-96	-177	-93	-139	-127	-168	-175	-99
Transactions in financial assets	20	-40	0	0	0	0	0	0	0	0	0
Deposits	20	-40	0	0	0	0	0	0	0	0	0
Loans (policy lending)	0	0	0	0	0	0	0	0	0	0	0
Transaction in liabilities	240	269	132	96	177	93	139	127	168	175	99
Loans	175	252	98	85	162	62	105	129	180	177	113
External (net)	91	129	112	104	183	71	139	162	213	238	155
Disbursements ³	114	153	147	147	235	148	206	233	270	288	219
Amortization (-)	-23	-24	-35	-43	-53	-77	-67	-71	-56	-49	-64
Domestic (net)	84	123	-15	-18	-20	-9	-33	-33	-33	-61	-42
<i>of which</i> : CBL	80	123	0	-18	-20	-9	-33	-33	-33	-61	-42
Disbursements	80	123	0	-18	0	13	0	0	0	0	0
Amortization (-)	0	0	0	0	-20	-21	-33	-33	-33	-61	-42
Debt securities	66	18	40	11	15	31	34	-2	-12	-2	-14
Bank ⁴	80	8	25	7	9	20	25	13	1	1	-10
Nonbank	-14	10	15	4	6	12	9	-15	-13	-3	-4
Accounts payable	-1	0	-6	0	0	0	0	0	0	0	0
Adjustments and discrepancies	9	0	0	0	0	0	0	0	0	0	0
<i>Memorandum items:</i>											
Total public debt	2,158	2,539	2,718	2,732	2,913	2,883	3,032	3,177	3,297	3,433	3,496
External	1,406	1,584	1,782	1,755	1,999	1,919	2,085	2,278	2,484	2,716	2,869
Domestic ⁵	752	955	937	976	914	964	947	899	813	717	627
Nominal GDP	3,974	4,390	4,787	4,778	5,126	5,160	5,525	5,874	6,292	6,724	7,162

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), 2022–30¹
 (Percent of GDP, unless otherwise indicated)

	2022	2023	2024		2025		2026	2027	2028	2029	2030
	Act.	Act.	First Review	Est.	First Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	21.6	20.1	19.4	22.5	20.3	20.3	20.2	20.6	20.4	20.5	20.2
<i>of which</i> : Revenue, excl. grants	15.2	13.4	14.4	14.7	15.1	15.2	15.8	16.3	16.6	16.8	16.9
Taxes	12.3	11.5	12.2	11.9	12.6	12.4	12.2	12.5	12.7	12.9	13.0
Income, profits, and capital gains taxes	5.5	5.1	6.0	5.5	6.2	6.2	6.0	6.2	6.3	6.3	6.3
Goods and services tax	1.5	1.5	1.5	1.5	1.7	1.6	1.6	1.8	1.8	1.8	1.9
International trade tax	5.1	4.3	4.5	4.6	4.5	4.4	4.4	4.4	4.4	4.4	4.5
Other taxes ²	0.2	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.4	0.4
Other revenue	3.0	1.9	2.2	2.8	2.5	2.8	2.8	2.6	2.6	2.6	2.6
Unidentified revenue measures	0.0	0.0	0.0	0.0	0.0	0.0	0.8	1.3	1.3	1.3	1.3
Grants ³	6.4	6.7	4.9	7.8	5.2	5.1	4.5	4.3	3.9	3.7	3.3
Expense	20.9	20.4	15.8	16.1	16.9	16.4	16.8	16.6	16.7	16.6	15.5
Compensation of employees	7.5	7.1	6.2	6.3	6.2	6.1	6.1	6.1	6.1	6.1	6.1
Use of goods and services	9.7	9.9	5.5	6.1	6.3	6.0	6.1	6.1	6.2	6.2	5.1
Interest	0.9	1.0	1.2	1.0	1.3	1.3	1.3	1.2	1.2	1.1	1.0
Subsidies and grants ⁴	2.3	2.1	2.4	2.4	2.6	2.3	2.3	2.1	2.1	2.0	2.1
Social benefits	0.5	0.4	0.4	0.4	0.5	0.7	1.0	1.0	1.1	1.2	1.2
Net operating balance	0.7	-0.4	3.6	6.4	3.4	3.9	3.4	4.0	3.7	3.9	4.8
Gross investment in nonfinancial assets	6.1	6.7	6.1	8.2	6.8	5.7	5.9	6.1	6.4	6.5	6.2
Overall balance = Net lending/borrowing	-5.3	-7.0	-2.8	-2.0	-3.5	-1.8	-2.5	-2.2	-2.7	-2.6	-1.4
excl. grants	-11.7	-13.7	-7.7	-9.8	-8.7	-6.9	-7.0	-6.4	-6.5	-6.3	-4.7
Primary balance	-4.4	-6.1	-1.3	-0.8	-2.2	-0.5	-1.2	-0.9	-1.5	-1.5	-0.4
excl. grants	-10.7	-12.8	-6.3	-8.6	-7.4	-5.6	-5.7	-5.2	-5.4	-5.2	-3.7
Financing	-5.5	-7.0	-2.8	-2.0	-3.5	-1.8	-2.5	-2.2	-2.7	-2.6	-1.4
Transactions in financial assets	0.5	-0.9	0.0	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	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	0.0
Transaction in liabilities	6.0	6.1	2.8	2.0	3.5	1.8	2.5	2.2	2.7	2.6	1.4
Loans	4.4	5.7	2.0	1.8	3.2	1.2	1.9	2.2	2.9	2.6	1.6
External (net)	2.3	2.9	2.3	2.2	3.6	1.4	2.5	2.8	3.4	3.5	2.2
Disbursements ³	2.9	3.5	3.1	3.1	4.6	2.9	3.7	4.0	4.3	4.3	3.1
Amortization (-)	-0.6	-0.5	-0.7	-0.9	-1.0	-1.5	-1.2	-1.2	-0.9	-0.7	-0.9
Domestic (net)	2.1	2.8	-0.3	-0.4	-0.4	-0.2	-0.6	-0.6	-0.5	-0.9	-0.6
<i>of which</i> : CBL	2.0	2.8	0.0	-0.4	-0.4	-0.2	-0.6	-0.6	-0.5	-0.9	-0.6
Disbursements	2.0	2.8	0.0	-0.4	0.0	0.2	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	-0.6
Debt securities	1.7	0.4	0.8	0.2	0.3	0.6	0.6	0.0	-0.2	0.0	-0.2
Bank ⁴	2.0	0.2	0.5	0.1	0.2	0.4	0.5	0.2	0.0	0.0	-0.1
Nonbank	-0.4	0.2	0.3	0.1	0.1	0.2	0.2	-0.3	-0.2	0.0	-0.1
Accounts payable	0.0	0.0	-0.1	0.0	0.0	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	0.0
<i>Memorandum items:</i>											
Total public debt	54.3	57.8	56.8	57.2	56.8	55.9	54.9	54.1	52.4	51.1	48.8
External	35.4	36.1	37.2	36.7	39.0	37.2	37.7	38.8	39.5	40.4	40.1
Domestic ⁵	18.9	21.8	19.6	20.4	17.8	18.7	17.1	15.3	12.9	10.7	8.7
Nominal GDP	3,974	4,390	4,787	4,778	5,126	5,160	5,525	5,874	6,292	6,724	7,162

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, 2022–30¹
(Millions of U.S. dollars)

	2022	2023	2024		2025		2026	2027	2028	2029	2030
	Act.	Act.	First Review	Est.	First Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	617	589	680	692	792	805	893	982	1,053	1,137	1,220
<i>of which</i> : Revenue, excl. grants	606	589	680	692	772	783	871	960	1,044	1,128	1,211
Taxes	488	504	575	557	646	639	671	735	801	867	931
Income, profits, and capital gains taxes	218	223	284	260	318	320	331	362	395	423	450
Goods and services tax	59	66	70	69	85	83	89	104	112	123	134
International trade tax	203	188	212	219	232	227	242	258	275	297	319
Other taxes ²	8	27	9	10	11	9	10	10	18	25	28
Other revenue	118	85	105	135	126	144	157	150	162	176	189
Unidentified revenue measures	0	0	0	0	0	0	43	75	81	86	92
Grants	11	0	0	0	20	22	22	22	9	9	9
Expense	737	773	643	613	703	716	786	821	880	936	993
Compensation of employees	298	311	299	299	317	317	339	361	386	413	440
Use of goods and services	291	310	150	132	161	180	193	205	219	235	250
Interest	37	42	58	49	67	65	71	72	72	73	73
Subsidies and grants ³	92	93	115	114	135	120	126	125	133	137	147
Social benefits	18	18	21	19	24	34	56	59	68	78	83
Net operating balance	-120	-184	37	80	90	89	107	161	173	202	228
Gross investment in nonfinancial assets	25	40	62	69	72	75	80	95	112	129	148
Overall balance = Net lending/borrowing	-145	-224	-25	11	18	14	27	66	62	72	80
excl. grants	-156	-224	-25	11	-2	-8	5	44	53	63	71
Primary balance	-108	-182	33	60	85	80	99	138	134	146	153
excl. grants	-119	-182	33	60	65	58	76	116	125	137	144
Financing	-154	-224	-25	11	18	14	27	66	62	72	80
Transactions in financial assets	20	-40	0	0	0	0	0	0	0	0	0
Deposits	20	-40	0	0	0	0	0	0	0	0	0
Loans (policy lending)	0	0	0	0	0	0	0	0	0	0	0
Transaction in liabilities	174	184	25	-11	-18	-14	-27	-66	-62	-72	-80
Loans	109	167	-9	-21	-33	-46	-61	-64	-50	-70	-66
External (net)	25	44	5	-3	-13	-37	-27	-31	-16	-9	-24
Disbursements	48	68	40	40	40	40	40	40	40	40	40
Amortization (-)	-23	-24	-35	-43	-53	-77	-67	-71	-56	-49	-64
Domestic (net)	84	123	-15	-18	-20	-9	-33	-33	-33	-61	-42
<i>of which</i> : CBL	80	123	0	-18	-20	-9	-33	-33	-33	-61	-42
Disbursements	80	123	0	-18	0	13	0	0	0	0	0
Amortization (-)	0	0	0	0	-20	-21	-33	-33	-33	-61	-42
Debt securities	66	18	40	11	15	31	34	-2	-12	-2	-14
Bank	80	8	25	7	9	20	25	13	1	1	-10
Nonbank	-14	10	15	4	6	12	9	-15	-13	-3	-4
Accounts payable	-1	0	-6	0	0	0	0	0	0	0	0
Adjustments and discrepancies	8	0	0	0	0	0	0	0	0	0	0
<i>Memorandum items:</i>											
Total public debt	2,158	2,539	2,718	2,732	2,913	2,883	3,032	3,177	3,297	3,433	3,496
External	1,406	1,584	1,782	1,755	1,999	1,919	2,085	2,278	2,484	2,716	2,869
Domestic ⁴	752	955	937	976	914	964	947	899	813	717	627
Nominal GDP	3,974	4,390	4,787	4,778	5,126	5,160	5,525	5,874	6,292	6,724	7,162

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, 2022–30¹
(Percent of GDP, unless otherwise indicated)

	2022	2023	2024		2025		2026	2027	2028	2029	2030
	Act.	Act.	First Review	Est.	First Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	15.5	13.4	14.2	14.5	15.5	15.6	16.2	16.7	16.7	16.9	17.0
<i>of which</i> : Revenue, excl. grants	15.2	13.4	14.2	14.5	15.1	15.2	15.8	16.3	16.6	16.8	16.9
Taxes	12.3	11.5	12.0	11.7	12.6	12.4	12.2	12.5	12.7	12.9	13.0
Income, profits, and capital gains taxes	5.5	5.1	5.9	5.4	6.2	6.2	6.0	6.2	6.3	6.3	6.3
Goods and services tax	1.5	1.5	1.5	1.4	1.7	1.6	1.6	1.8	1.8	1.8	1.9
International trade tax	5.1	4.3	4.4	4.6	4.5	4.4	4.4	4.4	4.4	4.4	4.5
Other taxes ²	0.2	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.4	0.4
Other revenue	3.0	1.9	2.2	2.8	2.5	2.8	2.8	2.6	2.6	2.6	2.6
Unidentified revenue measures	0.0	0.0	0.0	0.0	0.0	0.0	0.8	1.3	1.3	1.3	1.3
Grants	0.3	0.0	0.0	0.0	0.4	0.4	0.4	0.4	0.1	0.1	0.1
Expense	18.5	17.6	13.4	12.8	13.7	13.9	14.2	14.0	14.0	13.9	13.9
Compensation of employees	7.5	7.1	6.2	6.3	6.2	6.1	6.1	6.1	6.1	6.1	6.1
Use of goods and services	7.3	7.1	3.1	2.8	3.1	3.5	3.5	3.5	3.5	3.5	3.5
Interest	0.9	1.0	1.2	1.0	1.3	1.3	1.3	1.2	1.2	1.1	1.0
Subsidies and grants ³	2.3	2.1	2.4	2.4	2.6	2.3	2.3	2.1	2.1	2.0	2.1
Social benefits	0.5	0.4	0.4	0.4	0.5	0.7	1.0	1.0	1.1	1.2	1.2
Net operating balance	-3.0	-4.2	0.8	1.7	1.7	1.7	1.9	2.7	2.8	3.0	3.2
Gross investment in nonfinancial assets	0.6	0.9	1.3	1.4	1.4	1.4	1.4	1.6	1.8	1.9	2.1
Overall balance = Net lending/borrowing	-3.7	-5.1	-0.5	0.2	0.3	0.3	0.5	1.1	1.0	1.1	1.1
<i>excl. grants</i>	-3.9	-5.1	-0.5	0.2	0.0	-0.1	0.1	0.8	0.8	0.9	1.0
Primary balance	-2.7	-4.2	0.7	1.3	1.7	1.5	1.8	2.3	2.1	2.2	2.1
<i>excl. grants</i>	-3.0	-4.2	0.7	1.3	1.3	1.1	1.4	2.0	2.0	2.0	2.0
Financing	-3.9	-5.1	-0.5	0.2	0.3	0.3	0.5	1.1	1.0	1.1	1.1
Transactions in financial assets	0.5	-0.9	0.0	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	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	0.0
Transaction in liabilities	4.4	4.2	0.5	-0.2	-0.3	-0.3	-0.5	-1.1	-1.0	-1.1	-1.1
Loans	2.7	3.8	-0.2	-0.4	-0.6	-0.9	-1.1	-1.1	-0.8	-1.0	-0.9
External (net)	0.6	1.0	0.1	-0.1	-0.2	-0.7	-0.5	-0.5	-0.3	-0.1	-0.3
Disbursements	1.2	1.5	0.8	0.8	0.8	0.8	0.7	0.7	0.6	0.6	0.6
Amortization (-)	-0.6	-0.5	-0.7	-0.9	-1.0	-1.5	-1.2	-1.2	-0.9	-0.7	-0.9
Domestic (net)	2.1	2.8	-0.3	-0.4	-0.4	-0.2	-0.6	-0.6	-0.5	-0.9	-0.6
<i>of which</i> : CBL	2.0	2.8	0.0	-0.4	-0.4	-0.2	-0.6	-0.6	-0.5	-0.9	-0.6
Disbursements	2.0	2.8	0.0	-0.4	0.0	0.2	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	-0.6
Debt securities	1.7	0.4	0.8	0.2	0.3	0.6	0.6	0.0	-0.2	0.0	-0.2
Bank	2.0	0.2	0.5	0.1	0.2	0.4	0.5	0.2	0.0	0.0	-0.1
Nonbank	-0.4	0.2	0.3	0.1	0.1	0.2	0.2	-0.3	-0.2	0.0	-0.1
Accounts payable	0.0	0.0	-0.1	0.0	0.0	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	0.0
<i>Memorandum items :</i>											
Total public debt	54.3	57.8	56.8	57.2	56.8	55.9	54.9	54.1	52.4	51.1	48.8
External	35.4	36.1	37.2	36.7	39.0	37.2	37.7	38.8	39.5	40.4	40.1
Domestic ⁴	18.9	21.8	19.6	20.4	17.8	18.7	17.1	15.3	12.9	10.7	8.7
Nominal GDP	3,974	4,390	4,787	4,778	5,126	5,160	5,525	5,874	6,292	6,724	7,162

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, 2022–30
(Millions of U.S. dollars; unless otherwise indicated)

	2022	2023	2024		2025		2026	2027	2028	2029	2030
	Act.	Act.	First Review	Est.	First Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Central Bank Survey)											
Net foreign assets	-19	-103	-62	-65	10	-26	53	132	228	355	465
Foreign assets	749	634	647	629	793	751	849	950	1,015	1,111	1,191
of which: Gross reserves	730	627	640	611	785	745	842	944	1,009	1,104	1,184
Foreign liabilities	768	737	709	694	782	777	795	818	787	756	726
of which: Short-term foreign liabilities	263	228	201	197	273	271	288	309	278	245	214
Net domestic assets	339	461	449	445	400	422	369	314	248	154	80
Net domestic credit	565	692	689	666	665	655	620	583	547	482	440
Net claims on government	565	689	689	662	669	653	620	586	553	492	450
Claims on private sector	9	7	7	13	7	12	11	10	9	8	7
Claims on commercial banks (net)	-9	-4	-7	-9	-9	-10	-11	-13	-15	-17	-19
Capital account	-156	-165	-165	-156	-164	-157	-157	-157	-157	-157	-159
Other items (net)	-70	-65	-75	-64	-101	-76	-94	-112	-142	-171	-201
Monetary base (M0)	320	358	387	380	410	396	422	446	476	509	545
Monetary base (LD component, billions of LD)	36	41	45	45	50	51	57	64	71	79	87
(Depository Corporation Survey)											
Net foreign assets	107	79	128	168	205	214	299	381	481	612	726
Net domestic assets	888	1,099	1,165	1,171	1,187	1,240	1,264	1,284	1,303	1,295	1,314
Net claims on government	667	808	833	784	822	795	787	767	734	674	622
Claims on private sector	586	786	840	852	911	925	1,007	1,104	1,216	1,342	1,482
Claims on nonbank financial institutions	11	14	15	17	15	17	18	19	20	21	22
Capital account	-359	-371	-371	-401	-371	-401	-401	-401	-401	-401	-401
Other items (Net)	-16	-139	-151	-82	-189	-97	-147	-205	-267	-341	-411
Broad money (M2)	995	1,178	1,293	1,339	1,392	1,454	1,563	1,665	1,784	1,907	2,040
LD component	309	290	318	340	355	383	427	472	517	566	620
LD currency in circulation	153	156	163	177	170	178	188	198	211	227	245
LD denominated deposits	157	134	155	163	185	205	239	274	306	338	374
U.S. dollar component (deposits only)	685	888	975	999	1,036	1,071	1,136	1,192	1,267	1,341	1,420
Memorandum items:											
Gross official reserves	644	487	483	475	626	595	679	769	820	902	968
Net international reserves	338	221	245	234	317	280	345	414	497	611	708
Broad money (annual change) in U.S. dollars	15.3	18.4	9.8	13.7	7.6	8.6	7.5	6.5	7.1	6.9	7.0
Broad money (annual change) in LD	22.6	44.4	13.7	11.4	14.9	22.5	15.6	13.2	12.2	10.5	10.6
LD contribution to broad money growth (in LD)	6.3	4.5	3.3	3.6	4.8	6.9	5.2	4.8	4.1	3.8	3.9
U.S. dollar contribution to broad money growth (in LD)	16.3	39.9	10.4	7.7	10.2	15.6	10.4	8.4	8.1	6.7	6.7
Monetary base (LD component, annual change)	16.4	14.8	9.4	10.3	12.7	13.5	12.5	11.7	11.1	10.5	10.5
Net credit to government (annual change)	18.6	21.2	3.1	-2.9	-1.4	1.4	-1.0	-2.6	-4.2	-8.2	-7.8
Credit to private sector (annual change) ¹	12.8	34.3	6.8	8.4	8.5	8.5	8.9	9.7	10.1	10.4	10.4
Velocity (GDP-to-M2)	4.0	3.7	3.7	3.6	3.7	3.5	3.5	3.5	3.5	3.5	3.5
Money multiplier (M2/M0)	3.1	3.3	3.3	3.5	3.4	3.7	3.7	3.7	3.7	3.7	3.7

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, 2022–25
(Percent)

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Core FSIs for Deposit Takers										
Regulatory Capital to Risk-Weighted Assets ¹	27.0	27.7	21.9	23.9	26.7	35.8	33.9	40.3	34.3	34.7
Regulatory Tier 1 Capital to Risk-Weighted Assets ¹	27.1	27.8	22.0	24.0	26.8	36.0	34.1	40.5	34.4	34.8
Tier 1 capital to assets	13.9	13.8	12.4	12.5	12.6	13.4	12.8	14.0	12.0	10.9
Non-performing Loans Net of Provisions to Capital	7.8	7.0	5.5	6.6	10.3	7.4	7.8	13.9	28.5	4.2
Non-performing Loans to Total Gross Loans	17.7	16.2	16.2	16.0	17.9	18.7	17.7	21.4	26.9	16.0
Provisions to nonperforming loans	83.5	82.5	87.7	85.1	77.2	83.3	82.2	73.4	61.5	90.7
<i>Sectoral Distribution of Loans to Total Loans</i>										
Residents	100.0	99.9	100.0	100.0	100.0	100.0	99.8	100.0	100.0	100.0
Deposit-takers	0.0	0.0	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	1.2	1.3	1.3	1.3	1.2	1.4	1.3	1.2	0.2	2.7
General government	2.7	2.8	2.9	2.7	2.7	12.3	3.3	4.0	2.1	4.9
Nonfinancial corporations	73.3	70.7	71.2	72.8	74.8	65.1	72.5	71.8	76.3	70.9
Other domestic sectors	22.8	25.0	24.5	23.1	21.3	21.2	22.7	22.9	21.3	21.4
Nonresidents	0.0	0.1	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0
Return on Assets	2.1	2.0	2.3	2.7	2.7	3.5	3.5	3.5	3.5	4.4
Return on Equity	12.9	14.1	16.7	19.5	19.4	26.0	25.1	25.3	24.9	30.8
Interest Margin to Gross Income	47.5	48.6	48.8	49.7	52.0	53.1	53.7	55.5	56.7	57.1
Non-interest Expenses to Gross Income	61.5	66.5	63.6	60.6	59.7	55.2	55.6	55.2	57.4	50.3
Liquid Assets to Total Assets (Liquid Asset Ratio)	36.0	37.9	33.4	38.1	30.8	41.2	39.7	39.4	39.0	43.7
Liquid Assets to Short Term Liabilities	48.7	52.3	46.2	50.8	53.8	53.4	49.7	49.3	50.5	54.2
Net Open Position in Foreign Exchange to Capital	45.8	43.4	51.0	50.1	51.5	50.0	53.5	52.4	62.6	75.4

Sources: Liberian authorities; and IMF staff estimates.

¹The 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

Table 6. Liberia: External Financing Requirement and Source, 2022–30
(Millions of U.S. dollars)

	Actuals			Projections					
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Financing Requirement	-857	-1,178	-741	-1,063	-1,039	-1,086	-1,105	-1,125	-1,153
Current account (excluding donor grants)	-862	-1,274	-687	-851	-854	-893	-965	-961	-994
Public debt amortization	-17	-24	-35	-64	-67	-71	-56	-49	-61
Repayments to the IMF	-35	-37	-32	-27	-35	-32	-33	-33	-32
Changes in official reserves	57	157	12	-121	-83	-90	-51	-82	-66
Arrears repayment	0	0	0	0	0	0	0	0	0
Total Financing Sources	776	1,113	695	903	925	972	1,056	1,076	1,104
Capital transfer	145	176	224	144	135	137	140	142	144
Foreign direct investment	295	428	470	473	459	487	506	517	548
Project grants	97	117	149	96	90	92	93	95	92
Public sector debt financing	83	174	193	118	176	203	255	274	206
Private financing (net)	157	219	-340	71	65	53	62	49	114
Exceptional financing (CCRT debt relief)	0	0	0	0	0	0	0	0	0
Total Financing Needs	-81	-65	-46	-159	-114	-114	-49	-49	-49
Total Prospective Financing	81	65	46	159	114	114	49	49	49
Budget support	58	65	40	62	62	62	49	49	49
o/w WB	55	65	40	40	40	40	40	40	40
o/w WB budget support loans	48	65	40	40	40	40	40	40	40
o/w WB budget support grants	8	0	0	0	0	0	0	0	0
o/w Other development partners ¹	3	0	0	22	22	22	9	9	9
IMF Disbursements	23	0	6	97	52	53	0	0	0
o/w new ECF program	0	0	6	97	52	53	0	0	0
Residual Financing Gap	0	0	0	0	0	0	0	0	0
Memorandum items:									
Gross official reserves	644	487	475	595	679	769	820	902	968
Months of imports	2.9	2.5	2.1	2.6	2.9	3.1	3.2	3.3	3.4
Burden sharing in percent (<i>IMF Share</i>)	28.0	0.0	12.3	61.1	45.3	45.9	0.0	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, 2025–35
(As of September 2024; SDR millions, unless otherwise indicated)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Fund obligations based on existing credit											
(in millions of SDRs)											
Repayment of principal	20.2	25.9	23.8	24.2	24.2	21.5	14.5	11.1	7.7	7.7	3.4
Charges and interest	4.7	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Fund obligations based on existing and prospective credit											
(in millions of SDRs)											
Repayment of principal	20.2	25.9	23.8	24.2	24.2	21.5	24.2	28.5	31.0	31.0	26.7
Charges and interest	4.7	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Total obligations based on existing and prospective credit											
In millions of SDRs	24.9	30.5	28.4	28.8	28.8	26.1	28.8	33.1	35.6	35.6	31.3
In millions of US\$	33.2	40.8	38.0	38.7	38.8	35.2	38.1	43.9	47.2	44.2	38.8
In percent of exports of goods and services	1.8	2.1	1.8	1.7	1.6	1.4	1.4	1.6	1.6	1.5	1.2
In percent of debt service 1/	30.1	35.2	31.9	37.7	35.9	28.5	25.9	25.8	25.0	22.3	20.5
In percent of GDP	0.6	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.4
In percent of Gross International Reserves	5.6	6.0	4.9	4.7	4.3	3.6	3.7	4.0	4.1	3.6	3.0
In percent of quota	9.6	11.8	11.0	11.2	11.2	10.1	11.1	12.8	13.8	13.8	12.1
Outstanding Fund credit											
In millions of SDRs	202.8	215.5	230.9	206.7	182.4	160.9	136.7	108.2	77.2	46.2	19.5
In millions of US\$	270.6	288.1	309.5	277.5	245.5	217.0	181.3	143.5	102.4	57.4	24.2
In percent of exports of goods and services	14.5	14.5	14.9	12.5	10.3	8.6	6.9	5.2	3.6	1.9	0.8
In percent of external public debt service 1/	245.2	248.3	260.0	270.6	227.5	175.9	123.4	84.3	54.3	29.0	12.8
In percent of GDP	5.2	5.2	5.3	4.4	3.7	3.0	2.4	1.7	1.2	0.6	0.2
In percent of Gross International Reserves	45.4	42.5	40.3	33.8	27.2	22.4	17.8	13.2	8.9	4.7	1.9
In percent of quota	78.5	83.4	89.4	80.0	70.6	62.3	52.9	41.9	29.9	17.9	7.6
Net use of Fund credit (in millions of SDRs)											
Disbursements	52.7	12.7	15.4	-24.2	-24.2	-21.5	-24.2	-28.5	-31.0	-31.0	-26.7
Repayments	72.9	38.6	39.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	20.2	25.9	23.8	24.2	24.2	21.5	24.2	28.5	31.0	31.0	26.7
Memorandum items:											
Exports of goods and services (in millions of US\$)	1,865	1,982	2,073	2,218	2,381	2,535	2,646	2,765	2,872	2,984	3,120
Debt service (in millions of US\$)	110.4	116.0	119.1	102.5	107.9	123.4	147.0	170.3	188.6	198.0	189.3
Nominal GDP (in millions of US\$)	5,160	5,525	5,874	6,292	6,724	7,162	7,695	8,245	8,824	9,442	10,107
Gross International Reserves (in millions of US\$)	595	679	769	820	902	968	1,020	1,087	1,156	1,228	1,305
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: Summary Table of Projected External Borrowing Program
January 1, 2024 to April 30, 2025

PPG external debt	Volume of new debt since 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	291.1	100	160.8	100	160.8	100
<i>Concessional debt, of which</i>	215.1	74	86.8	54	86.8	54
Multilateral debt	215.1	74	86.8	54	86.8	54
Bilateral debt	0.0	0	0.0	0	0.0	0
Other	0.0	0	0.0	0	0.0	0
<i>Non-concessional debt, of which</i>	76.0	26	74.0	46	74.0	46
Semi-concessional	76.0	26	74.0	46	74.0	46
Commercial terms	0.0	0	0.0	0	0.0	0
By Creditor Type	291.1	100	160.8	100	160.8	100
Multilateral	291.1	100	160.8	100	160.8	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	291.1	100	160.8	100	160.8	100
Infrastructure	167.0	57	108.9	68	108.9	68
Social Spending	54.2	19	23.2	14	23.2	14
Budget Financing	39.9	14	16.3	10	16.3	10
Other	30.0	10.3	12.4	7.7	12.4	7.7

Annex I. Risk Assessment Matrix¹

Sources	Likelihood	Potential Impact	Policies to Minimize Impact
External			
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium	High. On the one hand, export price volatility could delay natural resource sector recovery, by delaying investment, which could lower medium-term growth and fiscal revenue. On the other hand, rising petroleum and global food prices affects Liberia's BoP negatively and the populations, given high import dependency.	Build fiscal and external buffers to mitigate impacts on BoP and fiscal balances. Diversify the structure of the economy and export markets, and deploy, if needed, targeted social assistance programs to protect vulnerable populations from adverse impacts of volatile imported commodity prices. Allow pass-through of import prices to domestic prices.
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	High	Low. Liberia's integration into international supply chains is minimal, but inflationary pressures from the disruptions could push up inflation and exacerbate social hardship.	Maintain adequate international reserve buffers. Make room for social support by reprioritizing expenditure, mobilizing domestic revenues, and seeking additional development partner funding.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Medium	High. Heavy rainfall and floods can erode and inundate agricultural land surfaces as well as coastal zones. It can also spread vector-borne disease.	Invest in climate adaptation, including resilient sanitation systems, protection of coastal zones, and extension services.

¹The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

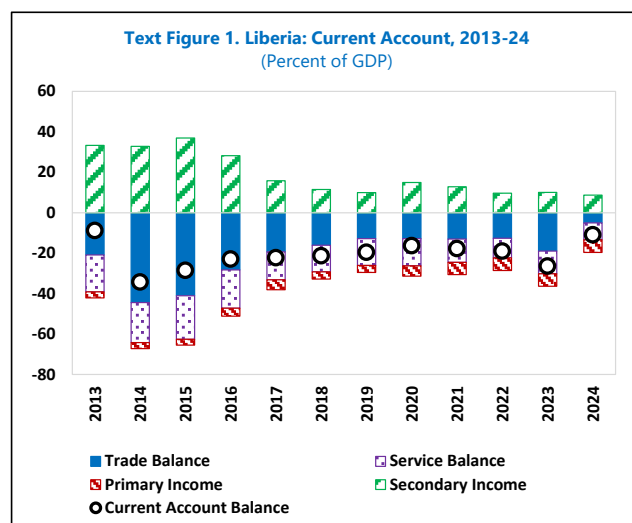
Liberia Specific			
Sources	Likelihood	Potential Impact	Policies to Minimize Impact
Generalization of foreign aids reduction.	High	High. Slowdown of aid flow would weaken growth, through the reduction of foreign exchange inflow, investment in physical and human capital, and projection of the vulnerable population, putting more pressures on public finances with large adverse social implications.	Budget reprioritization, mobilization of domestic financing, and reduction of aid-dependency.
Heightening of political tensions in the country	Medium	High. Political tensions can create economic instability, as uncertainty may deter investment, ultimately hampering growth and job creation. Political gridlock would delay the adoption and implementation of critical reforms.	Build policy buffers for the potential materialization of this risk and ensure close dialogue between the Executive and the Legislative to form a common understanding on the economic agenda.
Rising inflationary pressures.	Low	High. Rising inflation, especially without strong income growth, would erode consumers' purchasing power, risking further deterioration of the living conditions, especially, for the most vulnerable segments of the population.	The CBL needs to stand ready to tighten its monetary policy, and the government to provide targeted social assistance programs to protect the affected population.
Slowdown of ongoing reforms	Medium	Medium. Delays in the implementation of the reform to strengthen the financial sector regulation and to address weak banks would risk financial sector instability. Delays in reform measures to improve DRM and PFM would worsen the constraint to fund priority spending.	Continue and even accelerate the structural reforms, including by strengthening PFM institutions, revenue administration, and financial sector supervision/regulation.

Annex II. External Sector Assessment

In 2024, Liberia's external position improved, though it remained significantly weaker than levels implied by medium-term fundamentals and desirable policies. The current account (CA) deficit stood at 11.2 percent of GDP and was fully financed through non-debt-creating inflows (grants), foreign direct investment (FDI), and development partner loans, thereby avoiding additional pressure on foreign exchange reserves. As anticipated, official reserves declined modestly, mainly due to IMF loan repayments. The CA improvement was largely driven by significant fiscal consolidation, favorable terms of trade—particularly rising gold prices and lower prices for imported commodities—and the completion of large infrastructure projects and inventory accumulation that took place in 2023. Addressing Liberia's long-term external imbalances will require the development of competitive domestic industries to reduce reliance on imports and expand exports. In the short term, exchange rate adjustments are expected to have limited impacts due to the dual currency system, high dollarization, and a narrow export base. To enhance external sustainability, it will be critical to gradually move toward de-dollarization, as previously recommended, while prioritizing improvements in the business environment, governance, and infrastructure investments, especially roads and electricity.

Current Account¹

1. Liberia's CA deficit declined sharply in 2024, but important vulnerabilities remain given high external trade dependence on commodities. The current account deficit dropped from 26.4 percent of GDP in 2023 to 11.2 percent of GDP in 2024. This improvement was driven by a large expenditure-based fiscal consolidation, favorable terms of trade, and frontloaded imports in 2023 amid elections. Despite this progress, Liberia's trade balance remains highly susceptible to global commodity price fluctuations. Over the past five years, food, petroleum, mineral fuel and lubricants have accounted for roughly half of total imports, while iron ore, gold, rubber, and other commodities comprised about 80 percent of total exports. Notably, Liberia's reliance on gold exports has increased sharply, rising from an average of 22 percent of total exports in 2016-20 to 56 percent in 2024, supported by higher production and rising global prices. Remittances, on the other hand, continue to be a stable source of net current inflows, while development partner grant transfers have been on a declining trend for over a decade, with the exception of the temporary increase during the Covid-19 pandemic period.



¹ Data for the BoP's primary and secondary income accounts are Fund staff estimates.

2. The EBA-Lite CA model suggests that Liberia’s external sector position remains significantly weaker than the level consistent with medium-term fundamentals and desirable policies.² In 2024, the cyclically adjusted CA balance was estimated at -11.5 percent of GDP, compared to the CA norm of -3.7 percent of GDP, resulting in a large CA gap of 7.8 percent of GDP. This gap persists despite a positive policy gap that largely reflects the fiscal consolidation efforts relative to the rest of the world. The substantial negative residual—unexplained by gaps in fundamentals or desirable policies captured on the model—points to deep-rooted structural impediments and other country-specific factors that constrain sustained external adjustment.

Liberia: EBA-lite Model Results, 2024		
	CA model 1/ (in percent of GDP)	REER model 1/ (in percent of GDP)
CA-Actual	-11.2	
Cyclical contributions (from model) (-)	0.3	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	-11.5	
CA Norm (from model) 2/	-3.7	
Adjusted CA Norm	-3.7	
CA Gap	-7.8	-7.5
o/w Relative policy gap	0.2	
Elasticity	-0.3	
REER Gap (in percent)	28.6	27.6
1/ Based on the EBA-lite 3.0 methodology		
2/ Cyclically adjusted, including multilateral consistency adjustments.		

Capital and Financial Accounts³

3. Liberia’s capital account—primarily composed of development partner project grants—remains a key non-debt-creating source of financing. In 2024, the capital account financed a larger share of the CA deficit (42 percent, up from 15 percent in 2023). Despite the increase in 2024, capital transfers are expected to resume the downward trend observed since mid-2000s. As Liberia’s economy develops, project grants are expected to decline further, a

² International Investment Position data is not available.

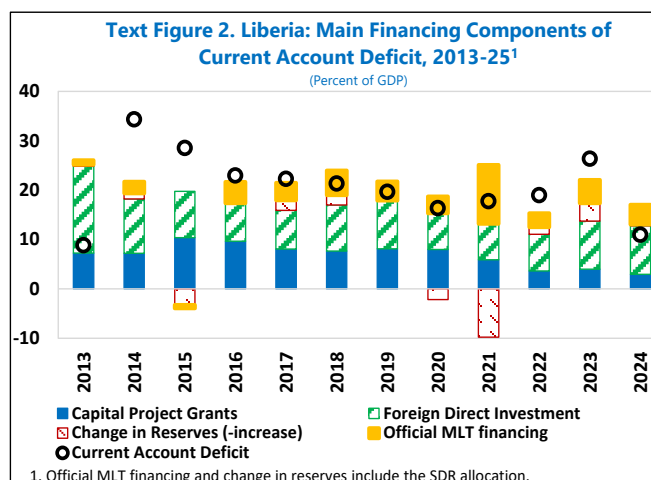
³ Data for the BoP’s Capital and Financial accounts are Fund staff estimates. Caution is warranted when assessing Liberia’s external sector data, especially the capital and financial accounts, due to data quality issues. Despite extensive technical assistance (TA) from the Fund on external sector statistics, significant data gaps remain. Improvements in data collection and processing, along with further capacity building and the full implementation of TA guidance, are needed to enhance the quality and reliability of the data. The assessments presented in this ESA are based on the best information currently available.

trend likely to be accelerated by the scaling down of foreign aid from major development partners.

On the financial account side, Liberia continues to benefit from significant FDI inflows and development partner loans.

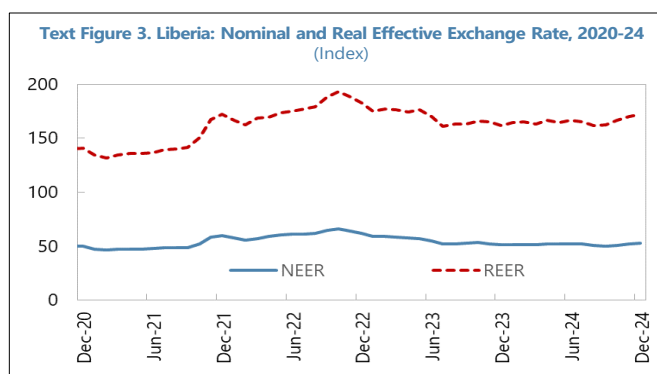
Net FDI remained strong at 9.8 percent of GDP in 2024—above the five-year average of 9 percent. This level of FDI financed 87 percent of the CA deficit, a substantial increase compared to the five-year average of 42 percent,

but mostly driven by the temporary narrowing of the CA deficit. Advancing structural reforms to improve the investment climate will be key to attracting more FDI flows.



Real Exchange Rate

4. The real effective exchange rate (REER) depreciated by 2.0 percent in 2024, driven by a 6.4 percent depreciation of the nominal effective exchange rate (NEER). Compared to its past five-year average, the REER was higher by about 16 percent.



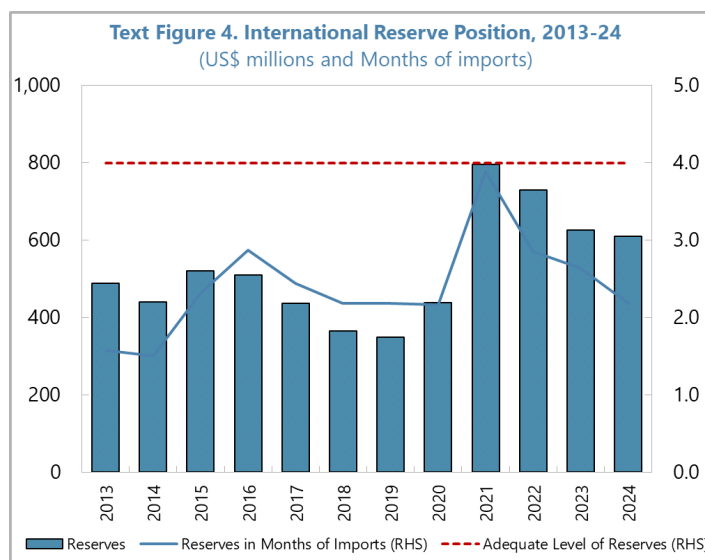
5. The EBA-Lite CA model indicates that Liberia's REER remains substantially overvalued relative to the level implied by fundamentals and desirable policy settings. Given Liberia's dual currency system and high degree of dollarization—along with its narrow export base, heavy import dependency, and widespread indexation (including of domestic wages)—the CA's responsiveness to exchange rate movements is low. According to the model, closing the CA gap would require a REER depreciation of about 28.6 percent. Given this constraint, a more effective and realistic approach to reducing the CA deficit would be to strengthen the competitiveness of the export sector through infrastructure investment, structural reforms, and improvements in the overall business environment.

FX Intervention and Reserves Level

6. Liberia’s foreign exchange reserves declined slightly in 2024 despite a notable improvement in the CA deficit. At end-2024, reserves stood at US\$475 million—equivalent to 10 percent of GDP and covering 2.1 months of goods and services imports (Figure 4). This falls short of the adequate level (4 months of imports) according to the IMF’s reserve adequacy framework for credit-constrained economies. However, this framework does not fully account for key country-specific factors, including Liberia’s dual currency system, very high dollarization, and the reliance of imports on earmarked development partner financing. Taking these factors into consideration, staff recommends a reserve target of around 3.1 months of imports. The authorities did not intervene in the FX market in 2024.

Overall Assessment and Policy Implications

7. Based on the EBA-Lite CA model, staff assesses Liberia’s external sector position in 2024 as substantially weaker than what is consistent with medium-term fundamentals and desirable policies. The significant narrowing of the CA deficit in 2024 reflects largely temporary factors, such as the completion of a large road construction project in 2023, rising gold prices, lower prices of imported commodities, and fiscal consolidation. Despite these improvements, the CA deficit is expected to remain sizable over the next few years driven by high import for large-scale mining investment and import-heavy nature of development partner-financed projects. REER depreciation is unlikely to provide sufficient correction, given structural limitations.



8. Liberia has so far relied on substantial FDI and development partner support to finance its CA deficit without drawing down reserves or adding significantly to external debt. However, inflows from grants and concessional loans are uncertain and cannot be relied upon indefinitely. Strengthening Liberia’s external position will require the development of a competitive export sector. Achieving sustainable, private sector-led growth will depend on advancing structural reforms, scaling up investment in infrastructure, strengthening human capital development, and improving governance and anti-corruption efforts. Efforts to reduce dollarization should continue, as de-dollarization will allow the exchange rate to function more effectively as a shock absorber.

Annex III. Economic Implications of U.S. Aid Cut for Liberia

This annex analyzes the effects of the termination of U.S. aid to Liberia. Over the past 15 years, USAID has provided approximately \$100 million annually to support a wide range of social and development projects across key sectors. The termination of nearly all active projects presents significant economic and social challenges. The negative impacts are expected to fall disproportionately on vulnerable populations, exacerbating income inequality and poverty. These challenges highlight the urgent need to secure alternative funding sources for critical social and development programs and to reduce Liberia's excessive reliance on development partner support.

A. Overview of the USAID Support for Liberia

1. **The U.S. has been Liberia's second-largest development partner, after the World Bank.** Most U.S. aid has been delivered through USAID as grants provided outside the national budget. This support has been instrumental in helping Liberia recover from its turbulent past and in fostering a more stable and resilient society. U.S. aid supported not only immediate relief efforts but also laid the foundation for sustainable development, promoting peace and stability in communities once fractured by violence.
2. **As of early 2025, 28 of the 30 USAID active projects have been confirmed for termination.** The active USAID portfolio comprised a wide range of initiatives across key sectors, with a total funding commitment of about \$434 million over four years. Only two projects—the Central Medical Store (CMS) management and one-off funding for the food security monitoring—will continue, while the remaining 28 projects are being permanently cancelled.

B. Immediate Economic Implications of Aid Cuts

3. **Although U.S. aid to Liberia was provided off-budget, its permanent cancellation is expected to have direct and significant impacts on the national budget.** Funding shortfalls in critical public services—such as healthcare, education, and social infrastructure—will require immediate government intervention to sustain essential services and investments. The termination of USAID assistance, equivalent to about 2 percent of GDP, will strain the economy, leading to job losses, a weakened housing market, and reduced business opportunities. These challenges heighten the risks of rising non-performing loans (NPLs) and declining tax revenues, with the LRA estimating an annual tax loss of approximately US\$3.6 million.
4. **The withdrawal of U.S. aid is also expected to have considerable distributional effects across Liberia's economy.** The greatest burdens will fall on vulnerable populations, who rely heavily on externally funded public services. Specifically:
 - In the education sector, the aid cut is likely to exacerbate inequality in human capital development. Children from low-income households, who depend on support for teacher

salaries, textbooks, and free school meals, will face reduced access to quality learning and lower school attendance.

- In *the health sector*, the reduction in funding will further destabilize an already fragile health system, particularly in rural areas. Lower immunization rates, shortages of essential medicines and weakened disease prevention efforts will increase the economic cost of illness through higher morbidity, mortality, and lost productivity. Without compensatory budget allocations, the loss of off-budget health investments will undermine human capital accumulation.
- In *the agricultural sector*, small farmers—vital for rural livelihoods and national food security—will be significantly affected. Many depend on aid-funded programs, subsidies, and capacity-building programs to boost productivity and adapt to climate change. The removal of this support could slow agricultural output growth, disrupt local food markets, and increase reliance on imports, thereby worsening trade imbalances and intensifying food inflation pressures.

C. Long-term Economic Consequences

5. The long-term analysis uses a Debt, Investment, Growth (DIG) and Labor Model, extended to introduce segmented labor markets, efficiency wages, and open unemployment, and an informal non-agricultural sector.¹ These features allow us to better assess the impact of various fiscal policy measures, under different financing options, on labor market outcomes, inequality, and poverty. The model analyses the impact on growth, public debt, and distributional consequences of big-push public investment programs involving both physical and human capital.

Stylized Responses to Aid Cuts

The model is calibrated to Liberia's economic conditions to assess the medium to long-term macroeconomic and distributional effects of permanent cancellation of external aids under alternative financing and resource mobilization scenarios.

- The *baseline* scenario assumes continued aid inflows and sustained public investment.
- Under the *nonconcessional financing scenario*, development spending resumes despite aid shortfalls, relying exclusively on domestic and external commercial borrowing without any domestic revenue mobilization.
- The *domestic revenue mobilization (DRM) scenario* introduces a more fiscally prudent response, where the programs previously funded by aids are initially financed by externally nonconcessional borrowing, gradually replaced by additional domestic revenues mobilization

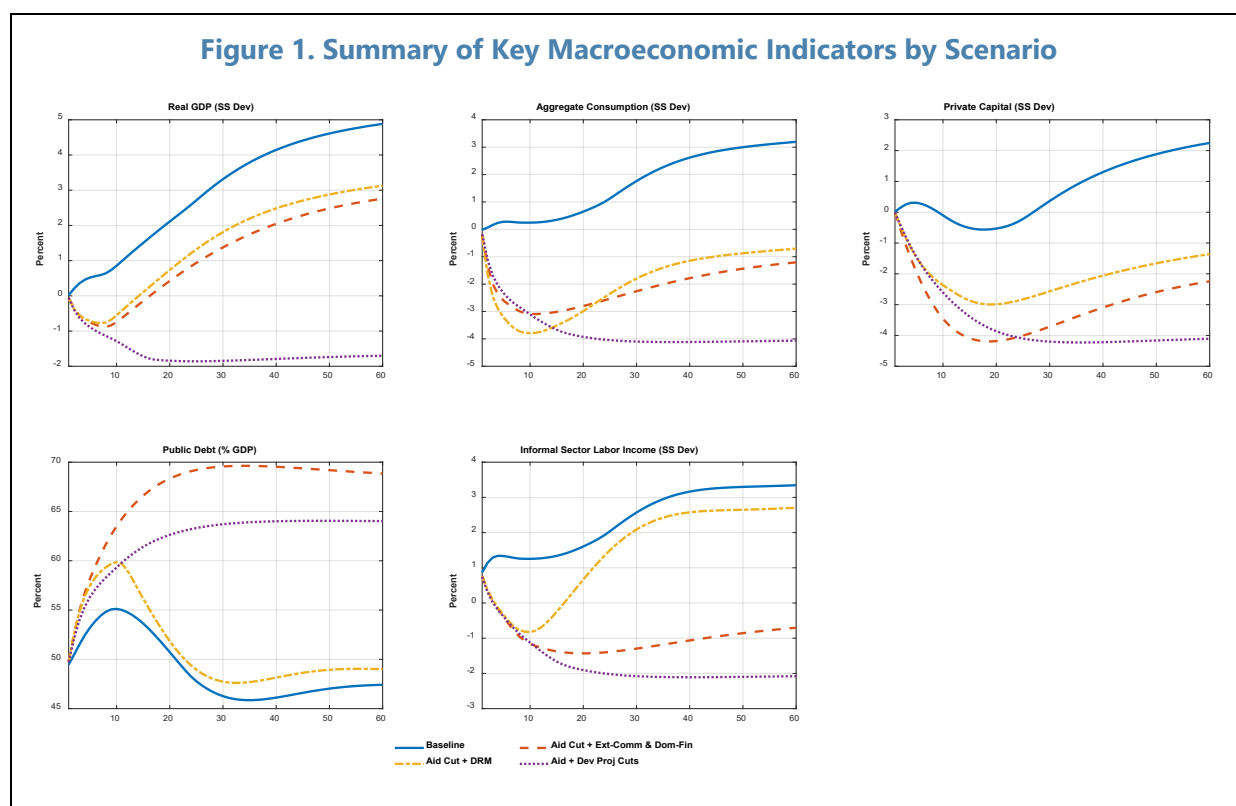
¹ The model assumed that the Labor market is segmented into low-skilled and high-skilled workers distributed in three sectors: Formal, agriculture and non-agriculture informal sectors. Low-skilled workers from the informal sector cannot move to other sectors. ([DIG in Developing countries with Segmented Labor Markets](#))

including tax base expansion and new user-fees for new infrastructure alongside with higher consumption tax and reduced government transfers.

- Under the *uncompensated cut scenario*, no compensatory financing or revenue measures are adopted, and development spending is scaled back in full.

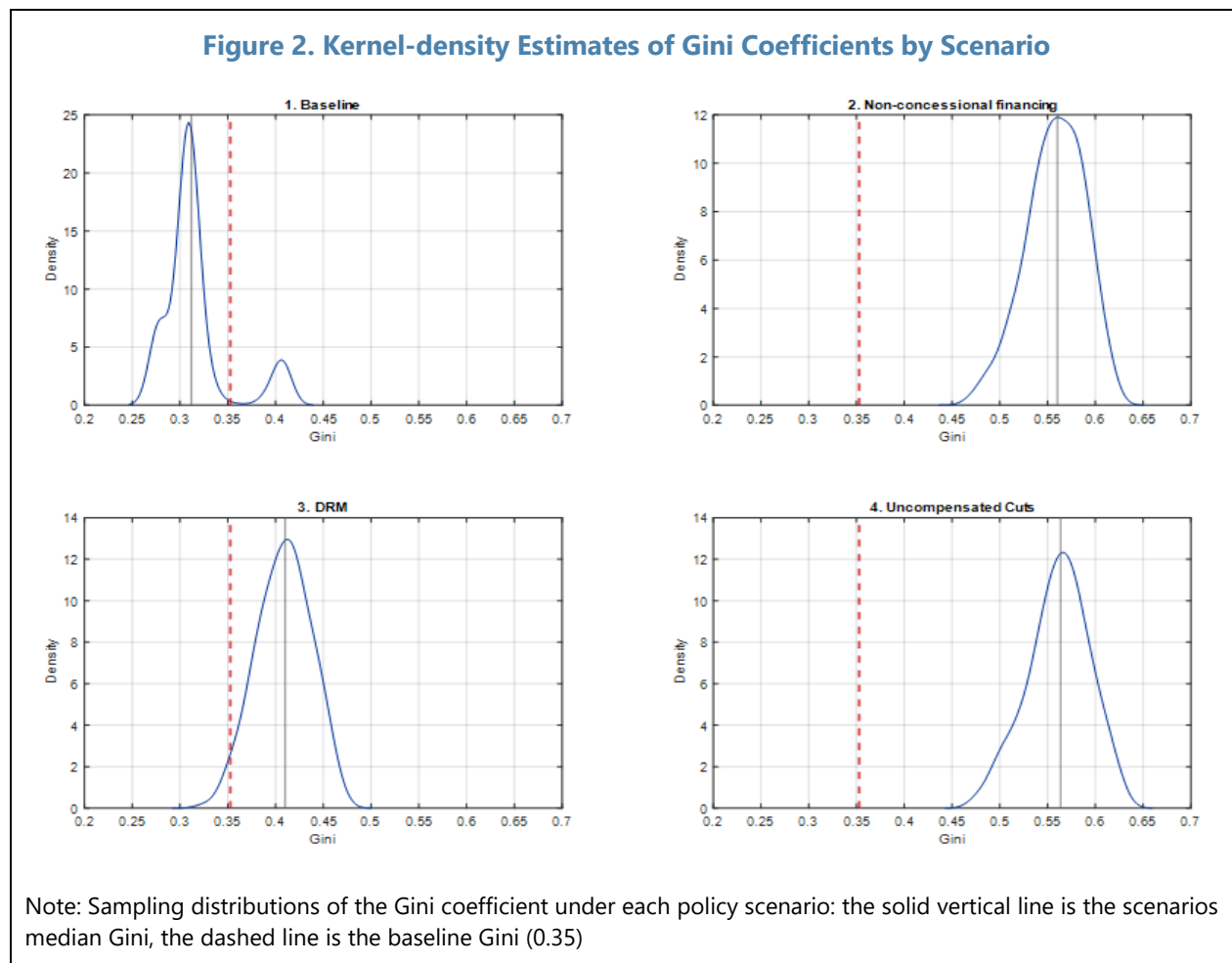
Model Simulation Results

6. Model simulations suggests that while the economic cost of aid cuts is unavoidable, the DRM scenario minimizes the negative economic impacts. Compared to the baseline scenario—characterized by accelerating growth, declining debt, and improving income equality—all alternative scenarios show significant deterioration in growth, consumption, investment, public debt, and informal sector incomes. Among these, the DRM scenario yields the most favorable outcomes across all macroeconomic variables (Figure1). Mobilizing domestic revenue through the least distortionary tax measures helps sustain development spending, while minimizing reliance on nonconcessional borrowing. This approach supports debt stabilization and avoids significant crowding-out of private-sector investment.



7. The loss of aid significantly undermines the projected improvement in income equality under the baseline scenario. With continued foreign aid, the government focuses on expanding access to basic and advanced education and narrowing infrastructure gaps that limit productivity and upward mobility for low-income households. This strategy was projected to steadily improve the Gini coefficient from its historical average of 0.35 to around 0.30 over the next

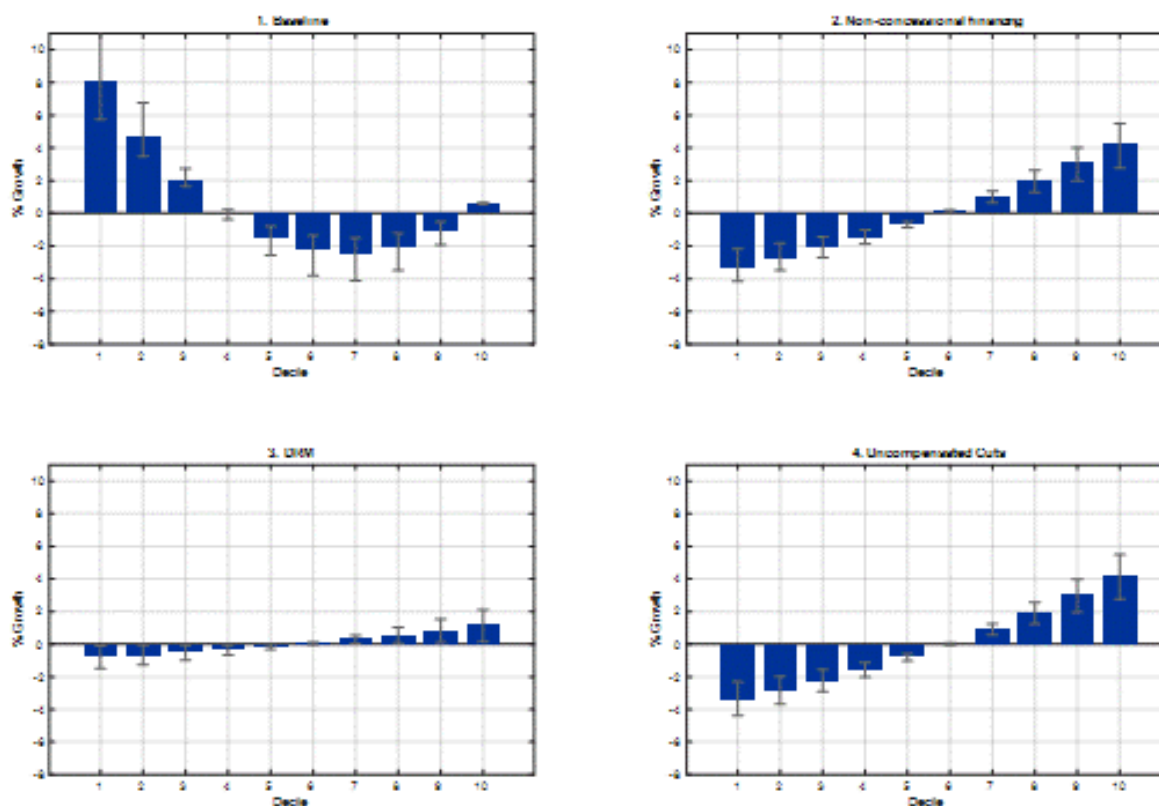
20 years (Figure2).² This projected improvement is driven by strong income growth among the bottom two deciles (Figure 3). However, the loss of aid and resulting policy adjustments weakens support that vulnerable populations would greatly benefit from, causing the Gini coefficient to worsen by as much as 60 percent—rising from 0.35 to over 0.55.



8. The DRM scenario delivers a more equitable outcome distribution, compared to other alternative scenarios. By strengthening tax administration and broadening the revenue base, DRM generates additional revenues that can be used to finance essential services, such as education and healthcare, which are critical for mitigating income inequality. Improved access to these services for lower-income groups supports a more equitable income distribution than under the other scenarios. In contrast, fiscal space for development and social spending would be constrained under the non-concessional borrowing scenario due to high debt service and financing costs, while the uncompensated cut scenario would exacerbate inequality by immediate curtailing development and social spending, thereby undermining upward mobility and social equity.

² The Liberia's Household Income and Expenditure Survey (HIES) conducted in 2016 is used for this simulation.

Figure 3. Income Growth Changes Among Various Deciles



D. Conclusion

9. The analysis indicates that while the impacts of permanent aid cuts are significant, a sound policy response could substantially mitigate the negative effects. Relying on nonconcessional borrowing to offset aid losses is not sustainable, whereas financing more of the shortfall through DRM leads to more favorable macroeconomic and distributional outcomes. By contrast, the uncompensated cut scenario will derail the authorities' development and poverty reduction agenda, given the critical role of some USAID-funded social and development programs. These findings underscore the importance of bringing high-impact programs under the national budget and continuing efforts to create fiscal space for public investment and social protect—particularly through DRM—while mitigating debt vulnerabilities.

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Annex IV. Status of Key Recommendations for the 2022 Article IV Consultation

Fiscal Sector	
Domestic revenue mobilization.	Implemented at a slow pace. New revenue measures were (re)adopted, including higher GST standard rate, import surcharges, and higher fuel excise tax, as well as measures to address the large tax expenditures. Unfortunately, a couple of them were suspended (import surcharges and fuel excise taxes) and one implemented with a long delay (GST standard rate increase). Various capacity development missions were provided, but with slow or inadequate implementation. Revenue performance in FY2024 was broadly in line with the 2024 ECF-supported program.
Rationalize unproductive spending and contain the growth of the public wage bill.	Implemented. In FY 2024, unproductive public spending has been reduced substantially (more than 4 percentage points of GDP) while the wage bill growth remaining in line with inflation. Following the General Audit Commission (GAC) special report on civil servants, which identified 10 percent of potential “ghost” staff, the Civil Service Agency (CSA) has initiated a verification process, which unfortunately has not led to a significant payroll cleaning up. The previously adopted biometric verification system has been discontinued across all Ministries and Agencies.
Adopt a sound borrowing plan that is anchored on debt sustainability.	No progress. The government does not have a borrowing plan. The MFDP Ministers and/or Deputies continued to borrow both externally and domestically without conducting any assessment of the impact of the contracted loans on debt sustainability, which has actually deteriorated until the new ECF arrangement. The capacity at the Debt Management Unit has continued to deteriorate in a context of growing debt services obligations. Debt service obligations have been either missed or delayed on a regular basis
Rationalize spending to increase the size and quality of health and education sector spending.	Not implemented Health and education sector budgets have not increased. The Legislature budget is very large, absorbing a sizable amount of public resources (from US\$60 to 90 million per year for only 103 members between the Senate and House) which are difficult to justify and reconcile with the widespread poverty and lack of infrastructure throughout the country. The Legislature spending reporting system is non-existent and a large amount of resources are allocated to the Legislature well above and beyond the approved budget allocation. Unfortunately, there is not much political appetite to address this poor budget allocation of resources in favor of education and health sectors.
Monetary and Exchange Rate Sector	
Modernizing the monetary policy framework.	Ongoing The CBL adopted measures to establish interest rate corridor which will facilitate the transition to a forward-looking and interest-based monetary policy framework. Implementation is still lacking.

Allow greater flexibility in the exchange rate.	Implemented The CBL has not intervened in the foreign exchange market in recent months, with only a few exceptions to mitigate large currency fluctuations. The recent stabilization of the Liberian dollar reflects the improved monetary and fiscal policy since the adoption of the new ECF arrangement.
Eliminate the CBL's fiscal financing.	Not implemented coherently. In FY 2023, the CBL again provided budget financing to the GoL for a significant amount (US\$83 million). With the new administration, the FY2024 was executed without CBL budgetary financing. The FY2025 budget has been prepared assuming no CBL financing. Revamped and improved cash management should be able to contain GoL overspending beyond available resources. Risks remain.
Rebuilding international reserves.	Ongoing Following the sharp depletion of reserves in FY2023, the CBL has been rebuilding the stock of reserves, even though at a very gradual pace, considering the still large CBL operational budget and inability of the GoL policy to increase the Liberia dollar share, still at 20 percent, of public wages. In last quarter of FY2024, the Liberian dollar share for payments to vendors has increased.
Addressing the large NPLs stock in the banking system.	No progress The NPLs stock has remained very large and no progress from banks to address them. Bank-by-bank detailed information of NPLs is still lacking and incomplete. The CBL's enforcement of related regulations regarding e.g. budget provisioning on writing-off of loans in loss category, has remained weak.
Financial Sector	
Enacting the Bank-Financial Institutions Act to strengthen bank supervision, and establish the resolution and deposit insurance frameworks.	Completed. The Legislature has adopted the BFIA in early 2025. Now, the CBL will prepare the necessary regulations to implement the key components of the BFIA, including the bank resolution framework.
Addressing the high NPLs in the banking system.	Limited progress. The NPLs stock has remained very large with no progress to address them. Bank-by-bank detailed information of NPLs should be validated against statistical reporting. Enforcement of the NPL-related regulations, particularly provisioning and writing-off of loans in loss category, remains weak.
Dealing with weak banks.	Some progress. CBL has performed on-site inspection on weak banks, followed by an independent asset quality review, conducted by independent audit firms. The findings will lay the groundwork to prepare both restructuring (commercial banks) and resolution (CBL) plans.

Governance	
Upgrade the anti-corruption and AML/CFT frameworks in line with international standards.	In progress In line with the LACC Act and the Code of Conduct were adopted, and the related commission established. However, the actual LACC operations have been limited so far. The new PFM regulation, if implemented coherently, will help to limit corruption for public operations. Public procurement legislation has been overlooked by many institutions, including the Minister of Finance and Development Policy, leading to higher corruption perception and significant mismanagement of public resources.
Adoption of the new AML/CFT Legislation and effective implementation to tackle corruption.	In progress The new AML/CFT legislation has been approved in 2023. The 2023 mutual evaluation report by the regional entity (GIABA), identified a number of critical weaknesses and deficiencies, placing Liberia on the FATF grey list. The authorities are committed to lay out a comprehensive workplan and timeline to address identified shortfalls, including stronger prosecution and sanctions for any legal breaches and ensure fully compliance of beneficial ownership requirements for legal persons.
Statistics	
Continue to improve statistics in all areas.	Limited implementation. The quality of fiscal and monetary data has marginally improved. However, national accounts and price statistics are still poor, while BOP data are incomplete.

Annex V. Data Issues

Table 1. Liberia: Data Adequacy Assessment for Surveillance

Table 1. Liberia: Data Adequacy Assessment for Surveillance							
Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	B	B	C	B	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	C	B	C	B		
Granularity 3/	C		B	C	B		
			B		B		
Consistency			C	C		C	
Frequency and Timeliness	C	A	B	C	B		
Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank. 1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics. 2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I). 3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.							
A	The data provided to the Fund are adequate for surveillance.						
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.						
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.						
Rationale for staff assessment. While there are notable weaknesses in certain areas and the median rating rests at a borderline B, Staff assesses that Liberia's official statistics are broadly adequate for surveillance due to several factors: recent improvements in the coverage of fiscal statistics, the timely sharing of inflation statistics with the team, and enhanced coverage of monetary statistics, all of which facilitate better economic analysis. However, authorities must intensify their efforts to improve debt service data by clearly identifying interest and amortization costs for both domestic and external debt and SOE guaranteed and non-guaranteed debt and External Sector Statistics, especially the BoP's primary and secondary income accounts and the financial account, in addition to the IIP.							
Changes since the last Article IV consultation. Significant strides have been made in training staff on data improvement and management since the last assessment, reflecting a strong commitment to enhancing statistical capacity in Liberia. A technical assistance (TA) initiative conducted in 2025 focused on the integrity of the tax registry, empowering the Liberian Revenue Authority to gain a clearer understanding and classification of its taxpayer base, which has substantially bolstered the integrity of tax data. Additionally, for the External Sector Statistics (ESS), another TA has engaged with the Central Bank of Liberia (CBL) to help refine data classification regarding Mobile Money Operations, banking transactions, and non-financial corporations. These efforts are expected to contribute to enhance the accuracy and reliability of economic data in Liberia.							
Corrective actions and capacity development priorities. key priorities for enhancing the statistical framework consist in improving economic data accuracy and reliability. First, further improvement in data collection methods is essential to ensure comprehensive and timely data is available. Centralizing national account statistics within the Integrated Financial Management Information System (IFMIS) will facilitate better integration and accessibility of financial data. enhancing the compilation of Balance of Payments (BOP) statistics is vital for understanding the country's economic interactions with the rest of the world, which can inform trade and investment policies. And STA is assisting Liberia in modernizing the CPI, including CPI weights, and in developing the Producer Price Index. Taking further measures to ensure that all outstanding public debt is comprehensively mapped, without exception, and that debt service payments are closely monitored will help prevent arrears and enhance public financial planning.							
Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. "" Staff uses estimates for primary and secondary accounts of the BoP, in addition to the financial and capital accounts. The estimates are IMF estimates/non-official "							
Other data gaps. Social and labor statistics in Liberia exhibit significant deficiencies, with indicators on poverty, food insecurity, and inequality being particularly outdated and limited in scope. The absence of comprehensive data on Liberia's substantial informal sector further represents a major statistical blind spot that hinders complete economic analysis and targeted intervention planning.							

Table 2. Liberia: Data Standards Initiatives

Liberia participates in the Enhanced General Data Dissemination System (e-GDDS) and first posted its metadata in October 2005 but is yet to disseminate the data recommended under the e-GDDS.

Table 3. Liberia: Table of Common Indicators Required for Surveillance
As of 9/3/2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Liberia ⁸	Expected Timeliness ^{6,7}	Liberia ⁸
Exchange Rates	29-Aug-25	1-Sep-25	D	D	D	D	...	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Jul-25	Aug-25	M	W	M	...	1M	...
Reserve/Base Money	Jul-25	Aug-25	M	M	M	M	2M	3W
Broad Money	Jul-25	Aug-25	M	W	M	M	1Q	1M
Central Bank Balance Sheet	Jul-25	Aug-25	M	W	M	M	2M	3W
Consolidated Balance Sheet of the Banking System	Jul-25	Aug-25	M	W	M	M	1Q	1M
Interest Rates ²	Jul-25	Aug-25	D	W	M	M	...	3W
Consumer Price Index	Jul-25	Aug-25	M	M	M	M	2M	2W
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	Aug-25	Aug-25	M	M	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	Jun-25	Jul-25	M	M	Q	M,Q	1Q	3W
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Jun-25	Aug-25	M	M	Q	M,Q	2Q	1W
External Current Account Balance	Jun-25	Aug-25	M	M	Q	A,Q	1Q	3W
Exports and Imports of Goods and Services	Jun-25	Aug-25	M	M	M	M	12W	1M
GDP/GNP	Dec-23	Jan-25	A	A	Q	A	1Q	12M
Gross External Debt	Jun-25	Aug-25	M	M	Q	...	2Q	...
International Investment Position	Dec-22	Jul-23	...	...	A	...	3Q	...

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

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

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex VI. Capacity Development Strategy

Background

1. Liberia has achieved macroeconomic stability under ECF-supported programs, but structural reforms have been lagging. After the Pro-Poor Agenda for Prosperity and Development (PAPD) (2018-2023), the new development plan for Liberia, ARREST Agenda was launched in January 2025. Resource constraints, macroeconomic imbalances, and external shocks, however, are challenging the authorities' efforts to improve the living standards of the population. In light of these challenges, the new Extended Credit Facility (ECF) program approved in September 2024 has played a crucial role in supporting Liberia's economic recovery and stabilization efforts. By providing financial assistance and policy guidance, the ECF program aims to enhance the government's capacity to address resource constraints and macroeconomic imbalances while promoting structural reforms that are vital for achieving sustainable growth. However, recent trend of declining foreign aid for capacity development (CD), including the sudden withdrawal of USAID aid highlights the urgent need to revisit the CD strategy, including reducing the heavy reliance on foreign aid.

Capacity Development Strategy and Priorities

2. Limited absorptive and implementation capacity remains a key challenge to the effectiveness of CD activities in Liberia. While the authorities attach significant importance to Fund CD assistance, key agencies-recipients of the IMF's CD assistance continue to face capacity challenges in implementing the TA recommendations. Mitigation measures have been to enhance information sharing, follow-ups, and coordination across experts in the field, HQ back-stoppers, other development partners providing TA; and the authorities. The country team is in close communication with all parties involved not only during the surveillance or program discussions, but throughout the year. Moreover, flexibility in the modality of CD activities (e.g., long- versus short-term experts, training versus TA) has helped improve absorptive and implementation capacity.

3. The Capacity Development priorities for Liberia focuses on supporting the objectives of the authorities' development plan (ARREST Agenda) and the ECF-supported program. To restore macroeconomic stability, a robust cash management and control systems have been introduced at the Ministry of Finance and Development (MFDP) and strengthening the monetary policy framework/monetary policy operations as well as strengthening the financial system are considered most urgent at the current juncture. Mobilizing domestic revenue remains one of the priorities in the CD strategy as financing of development and sustainable growth continues to face challenges. While building capacity in these areas remains their priority in the CD strategy, developing capacity in bank supervision/regulation has become a priority, as the weaknesses in the banking sector has elevated risks to financial stability in the past years.

Liberia: Capacity Development Priorities and Objectives	
Priorities	CD Objectives
Tax Policy	Introduce VAT, strengthen business taxation, review and recommend tax policy measures to improve revenue potential, and enhance the credibility of tax revenue projections. Strengthening the mining fiscal regime.
Public Financial Management	Strengthening expenditure controls and cash management, including by aligning commitments to cash and fully integrating all revenues and expenditures in the Integrated Financial Management Information System (IFMIS), making TSA fully functional; and conducting timely and complete annual financial statements and audits. Strengthening medium term budget preparation.
Revenue Administration	Revenue mobilization and broadening the tax base through streamlining of tax exemptions enhancement (including enhancing the reporting system for tax expenditures), cleaning up the taxpayer database, simplifying tax returns for small businesses, and improving governance and the use of data should be prioritized, not only for revenue mobilization, but also for performance management and combating corruption.
Bank Supervision and Regulation / Bank Resolution	Strengthening financial stability through updating the bank supervision framework, establishing banks resolution framework, updating the ELA and collateral regulations.
Central Bank Operations	Developing and strengthening monetary policy operations and tools by introducing new instruments, improving liquidity forecasting.
Improve quality of statistics	TA will focus on helping the authorities to improve: - compilation of the CPI (including expanding coverage and updating CPI weights), developing a Producer Price Index, and establishing national accounts including rebasing GDP. - quality of FSIs. - compilation of trade statistics, transfers and the capital account.

4. Liberia is an intensive user of capacity development support. During 2023-24, a total of 31 technical assistance missions took place, to close capacity gaps and to improve the authorities' ability to implement their reform programs. They covered a wide range of areas, reflecting Liberia's plethora of needs, but generally concentrated on public financial management, revenue administration, banking supervision, and national account statistics.

5. Capacity building is closely aligned with the ECF-supported program. For example, reforms of the monetary policy framework, amendments to the BFIA, the introduction of risk-based supervision, the establishment of the TSA, the tabulation of tax exemptions, and

improvements to customs administration were all important reform measure and often subject to program conditionality. Building better economic statistics remains essential to guide effective economic policy making.

6. Capacity building also addresses data provision, which hampers effective surveillance despite some progress. The authorities lack technical capacity to produce quality macroeconomic data in a timely manner. The authorities have been benefitting from a range of CD support, covering national accounts statistics, the balance of payments, financial soundness indicators, and government finance statistics. While steady progress is being made, the process is intrinsically time consuming. High staff turnover in government institutions pose additional challenges.

Appendix I. Letter of Intent

Monrovia, September 16, 2025

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

Dear Madam Managing Director:

1. We wish to express our ongoing and firm commitment to implementing the economic and financial policies supported by the Extended Credit Facility (ECF) arrangement. In the attached Memorandum of Economic and Financial Policies (MEFP), we provide an update on the recent developments, our progress since the completion of the first review on February 5, 2025, and the policies we are implementing in the coming months. The ECF program remains critical to achieving our objectives under the ARREST Agenda for Inclusive Development (AAID).

2. Since the first review was completed, we have made good progress in maintaining macro sustainability. Economic activities have remained robust; public finances have improved beyond program targets; inflation is decreasing; and the exchange rate has remained stable. We continue to implement structural reforms to address macro-critical vulnerabilities in the banking sector and governance weaknesses. The sudden withdrawal of off-budget development assistance from the United States Agency for International Development (USAID) early this year was a major setback to our economic reforms. We have allocated budgetary resources to continue critical programs in education and health sectors in 2025. However, we anticipate the impact of the aid cut to be more severe in 2026.

3. In January 2025, we officially launched our fourth post-conflict five-year National Development Plan (NDP). This NDP—ARREST Agenda for Inclusive Development—aims at promoting sustainable socio-economic growth and poverty reduction. It builds on lessons from previous plans, while aligning with the vision 2030. We recognize that the sudden withdrawal of foreign aid presents a significant challenge to achieving the NDP goals. We will seek alternative financing sources and intensify domestic revenue mobilization to ensure successful implementation of the NDP.

4. We have taken further steps towards achieving the goals of the ECF arrangements. We met all end-December 2024 Performance Criteria (PCs), except for the continuous PC on non-accumulation of external arrears. We acknowledge the seriousness of this breach. We have cleared all outstanding, undisputed, external arrears and have taken corrective actions to prevent any future arrears. We met three out of five end-December indicative targets (ITs), while those on

domestic arrears and share of wage bill paid in Liberian dollars (LRD) were missed. Six out of fourteen applicable Structural Benchmarks (SBs) were met, five were implemented with delays, while three were not implemented. Among the unimplemented SBs, one was implemented as a prior action for the second review, and the remaining two are proposed to be modified and reset for a later date. The adjustments to the two SBs, including new SBs, will help advance macro-critical reforms in the fiscal and financial sectors, and governance.

5. We would like to take this opportunity to request a waiver for the nonobservance of the continuous PC on non-accumulation of external arrears. We acknowledge the seriousness of this repeated breach and have taken definitive corrective actions. We cleared the outstanding arrears of US\$7.7 million in June 2025 and have implemented measures including conducting an inventory of our external debts and guarantees, as well as signing a Memorandum of Understanding with the CBL to enhance debt service planning and ensure timely payments moving forward.

6. We remain committed to maintaining fiscal discipline to ensure debt sustainability. Most of the revenue measures approved in the 2025 budget have been implemented, though some delays occurred. The goods and services (GST) rate was raised from 10 to 12 percent; the fuel surcharge was re-introduced; and the oil tax assessment point was shifted from lifting to importation. However, the 2 percent turnover-based alternative corporate income tax (CIT) for all concessions is being challenged in court, with no ruling expected in 2025. Additionally, the expected revenue from removing oil import duty exemption for a mining company did not materialize due to an existing concession agreement. We are implementing additional revenue measures, which, along with US\$12.5 million budget support under the ECF, will help create fiscal space to continue critical social programs previously funded by USAID and domestically funded capital spending.

7. To support our ongoing economic reforms, we request the completion of the Second Review under the ECF arrangement, allowing for the associated disbursement of SDR 19.30 million (about US\$26 million) of which US\$12.5 million will be made available for budget support. We believe that the economic and financial policies set forth in the MEFP are adequate to achieve the program goals. We request a waiver for the nonobservance of the continuous PC on non-accumulation of external arrears based on the following corrective actions: (i) the full payment of all pending external debt obligations by June 30, 2025, (ii) strengthened debt management procedures, including an inventory of external debt and (iii) an MoU jointly signed by Ministry of Finance and Development Planning (MFDP) and the Central Bank of Liberia (CBL) to pre-authorize the CBL to execute external debt service payments on their due dates.¹

¹ The clearance of all outstanding, undisputed, external arrears excludes the arrears, amounting to US\$14.15 million, on disputed debt to official and commercial creditors. Repayments on the restructured debt to the Government of Norway are being carried out in accordance with the repayment scheduled agreed bilaterally.

8. We remain committed to providing the Fund's staff with all the necessary information to complete the program reviews and monitor performance in a timely manner, as outlined in the attached Technical Memorandum of Understanding (TMU). Program monitoring will continue on a semi-annual basis. We will implement additional measures as needed to achieve our program objectives. We will consult with the Fund in advance regarding the adoption of these measures and any substantive revisions to the policies outlined in the MEFP, in accordance with the Fund's policies on such consultations.

Finally, in line with our commitment to transparency and accountability, we consent to the publication of this letter, its attachment, and the staff report, to inform the domestic and international community about our progress, policy actions and intentions.

Sincerely yours,

_____/s/_____
 Hon. Augustine K. Ngafuan
 Minister
 Ministry of Finance and Development Planning

_____/s/_____
 Hon. Henry F. Saamoi
 Executive Governor
 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 remains 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. The program focuses on: (i) creating fiscal space for essential public investments while enhancing fiscal sustainability; (ii) safeguarding macro-financial stability through stronger financial supervision and enforcement of regulations; and (iii) advancing structural reforms, including improved governance. This memorandum details the progress made since the first ECF review, approved on February 5, 2025, and outlines our policy plans going forward.

A. Recent Economic Developments and Program Performance

2. Macroeconomic stability is gradually being restored. After a temporary slowdown to 4.0 percent in 2024—due to delays in mining projects and necessary fiscal consolidation—growth is projected to rebound to 4.6 percent in 2025 and accelerate further to 5.1 percent over the medium term, driven by strong mining activity, a recovery in agriculture, and continued growth in manufacturing and services. Inflation started rising in the second half of 2024, peaking at 13.1 percent in February 2025 before moderating to 7.5 percent in July. The moderation in inflation has been driven primarily by a deceleration in domestic food inflation, alongside a slowdown in non-food inflation. To anchor inflation expectations, the Central Bank of Liberia (CBL) raised the policy rate by 25 basis points to 17.25 percent in April and held it unchanged in July. After briefly appreciating in the 2024Q4, the Liberian dollar depreciated with low volatility. Inflation is expected to hover around 9.0 percent by end-2025 and gradually fall towards the CBL's medium-term target of 5.0 percent, supported by prudent policies and stable global food and oil prices.

3. Public finances have improved markedly since 2024. A sharp reduction in unproductive expenditures and a recovery in tax revenues led to a strong fiscal turnaround, with the primary balance improving from a deficit of 4.2 percent of GDP in 2023 to a surplus of 1.3 percent in 2024. We have implemented three of the five new revenue measures in the approved FY2025 budget: (i) increase in the goods and services (GST) rate from 10 to 12 percent, (ii) expiration of the petroleum surcharge suspension, and (iii) a change in the oil tax assessment point from lifting to importation, implemented with some delay due to the need for stakeholder outreach. The remaining two measures proved unfeasible—one due to a Supreme Court challenge (the alternative minimum corporate income tax (CIT)) and the other constrained by a stability agreement (upfront oil import duty with a refund option). The debt-to-GDP ratio is projected to decline to 54.8 percent in 2027, supported by continued prudent fiscal policy.

4. The banking sector remains stable, notwithstanding some persistent vulnerabilities. As of March 2025, the non-performing loan (NPL) ratio of the banking sector stood at 16.0 percent.

While average capitalization and liquidity levels exceed regulatory requirements, challenges persist in the state-owned bank and two small banks. Most banks are compliant with the reserve requirements, which the CBL is actively enforcing, leading to penalties for a few non-compliant institutions.

5. The external current account has improved significantly. The current account deficit improved to 11.2 percent of GDP in 2024, from 26.4 percent in 2023, driven mainly by favorable terms of trade and the normalization of one-off surge in construction-related imports in 2023. The current account deficit is expected to decline further over the medium term, supported by significant expansion in the extractive and processing capacity of the mining sector, continued favorable terms of trade and ongoing fiscal consolidation. Gross official reserves stood at US\$475 million (2.1 months of imports) at end-2024, slightly above the program target. We aim to rebuild external buffers during the program, gradually increasing reserves to 3.1 months of imports by end-2027.

6. Performance under the program has been broadly satisfactory. We met five of six performance criteria (PCs) for end-December 2024, with a breach of the continuous PC on the non-accumulation of new external arrears. The external debt arrears amounting to US\$7.7 million (December 2024) were cleared by June 30. We are currently disputing official and commercial claims amounting to US\$71.2 million, on the grounds that (i) the loan contracting process did not comply with domestic legal procedures; (ii) the loan disbursements were not made in accordance with the loan agreement; (iii) the involvement of third parties in certain contracts was unjustified as services were not delivered and no tangible outcomes achieved; and (iv) one creditor's claims had already been settled. Two of the five indicative targets (ITs) were missed—new domestic debt arrears and the share of the wage bill paid in Liberian dollars—due to weak debt and liquidity management. We are committed to addressing these weaknesses urgently (see ¶11). Of the fourteen applicable Structural Benchmarks (SBs), six were met, five were implemented with delays, and three were not implemented. One of the unimplemented measures was completed as a prior action (PA) for the second ECF review, while deadlines for the remaining two were revised to reflect their criticality and feasibility. Despite challenging domestic and global conditions, including a sudden stop in aid flows, preliminary data suggest that the end-June monetary- and fiscal-related PCs have been met and most of the ITs have also been achieved.

B. Economic and Financial Policies for the Program Period

7. We officially launched Liberia's fourth medium-term National Development Plan (2025-2029), the ARREST Agenda for Inclusive Development (AAID). The plan aims to promote sustainable socio-economic growth and reduce poverty in the post-conflict era, aligning closely with the objectives of the ECF-supported program. The structural reform agenda focuses on Agriculture, Roads, Rule of law, Education, Sanitation, and Tourism (ARREST), and is built around six pillars: economic transformation, infrastructure development, rule of law, governance and anti-corruption,

environmental sustainability, and human capacity development. Guiding principles include inclusiveness, justice and equality, transparency and accountability, peace and reconciliation, people-centered development, local ownership, and flexibility. The plan is estimated to cost US\$8.4 billion, with 30 percent expected from the government, and the remainder from development partners, Non-Governmental Organizations and the private sector. However, the sudden withdrawal of foreign aid presents a significant challenge to achieve the NDP goals. This funding gap may necessitate re-prioritization within the plan, potentially delaying some initiatives. Securing alternative financing sources will be crucial to ensure the successful implementation of the NDP and to meet development targets.

C. Fiscal Policy

8. We remain committed to prudent fiscal policies to enhance debt sustainability during our program. As part of the 2025 budget, we adopted a number of measures to boost revenue by about 1 percent of GDP. These include a GST rate increase and the reintroduction of fuel excises, both implemented with a few months' delay. The shift of oil tax assessment point from lifting to importation was fully implemented starting in September. To fully enforce this, Liberia Revenue Authority (LRA) issued a directive to oil importers regarding the shift in tax assessment of oil imports to the importation stage. However, the application of the 2 percent turnover-based alternative CIT to all concessions has been delayed due to a legal challenge currently before the supreme court, with no ruling expected in 2025. Additionally, anticipated revenue from removing oil import duty exemption for a mining company proved unfeasible due to an existing concession agreement. To offset the impact of such slippages—an estimated US\$10 million, net of some tax efficiency gains—we introduced compensatory measures (**Prior Action**):

- The government's signing of two concessional agreements (**Prior Action**), which generates revenue in terms of down payment under the agreements—one for oil block exploration and another for a mining concession and railway access agreement. The President approved the mining concession and railway access agreement in August 2025, and the concessional agreement related to the oil block exploration was signed by the Ministers of Finance and Development Planning and Justice by September 16, 2025. The Legislature is expected to ratify these agreements in the coming weeks, with disbursements expected by the end of the year.
- Strict enforcement of property tax collections on residential and commercial properties (both arrears as well as FY2025 tax liabilities), with strict compliance required from all appointed government officials, directors and mid-level managers. To this end, the President issued an Executive Order (September 05), requiring these officials to settle their property tax obligations within 60 days of its issuance (**Prior Action**). After this 60-day period, the list of non-compliant officials will be submitted to the MFDP, LRA, and CSA for mandatory enforcement of real estate tax payments, which may be carried out through salary deductions and/or withholding of benefits.

- A targeted recurrent spending cuts, mainly goods and services, from a number of Ministries, Agencies, and Commissions (MACs), excluding social spending, and largely targeting benefits for senior public officials. To enforce this, the MFDP will issue a directive to the MACs regarding these budget re-allocations in September (**Prior Action**).
- Additional dividend collections and contributions from state-owned enterprises (SOEs) and public entities, to be enforced by the MFDP's directive to be issued in September (**Prior Action**).

These measures are expected to generate at least US\$8 million over the second half of 2025. These additional revenue measures, together with US\$12.5 million in budget support under the ECF, will help create fiscal space to continue critical social programs previously funded by USAID, including the school feeding program, training and scholarship program, and health and food security projects.

9. The full impact of the USAID withdrawal will be felt more acutely from 2026 onward.

In 2025, the effects have been less severe than initially anticipated, as USAID continued paying local staff working on several projects through May-June 2025, and existing food and medicine stocks are sufficient to cover either partially (school feeding program) or completely (medicine supply) the 2025. However, the impact from 2026 will be significantly greater and should be carefully assessed and quantified during the upcoming 2026 budget preparation. The sudden stop of USAID support is also slowing structural reforms, particularly the introduction of VAT. To offset the impact of these delays, we are considering raising the GST standard rate in 2026 toward the 15 percent VAT rate and introducing additional revenue measures, including stricter enforcement of real estate property taxes. We are also reviewing legislature amendments—such as Section 16 of the revenues code—to reduce the number of items exempted under various investment incentives. Should the supreme court rule in the government's favor, the 2 percent turnover-based alternative CIT will be enforced for all eligible businesses, including concessions, retroactively from January 2025. Despite these challenges, we remain confident in achieving a primary surplus of 2 percent of GDP by 2027, ensuring a steady decline in public debt consistent with the program objectives.

10. Significant fiscal resources are expected in the fourth quarter of 2025. We are working closely with the World Bank and the European Union to meet all required triggers for the disbursement of US\$40 million budget support loans and approximately US\$20 million in grants, respectively. Currently, these loans and grants are expected to be disbursed during November-December 2025. Discussions with an international energy company for new oil exploration (US\$12.8 million) and the Liberia Maritime Authority regarding the registration of new Chinese vessels (US\$6 million) have also been constructive. While the exact timing of final agreements remains uncertain, we are confident that these one-off revenues will be realized no later than the fourth quarter of 2025.

11. We remain committed to a prudent borrowing strategy, prioritizing concessional loans or grants. We accumulated new external arrears amounting to US\$7.7 million in December 2024, which were fully cleared by June 30, 2025. To prevent future arrears, we completed a comprehensive inventory of conformed and disputed government's external debt and government guarantees for external borrowing, clearly identifying obligations with and without supporting debt contracts (**Prior Action**). Any missing information, such as borrowing terms and repayment schedules, will be supplemented, and efforts to recover original contracts will be completed by October 2025 (**Structural Benchmark**). We are current on all undisputed external debt service obligations. To ensure timely payments, the updated debt inventory will be actively used. In support of this, the MFDP and CBL signed a Memorandum of Understanding (MOU) under which the MFDP, through the Comptroller and Accountant General (CAG) will, one month in advance, notify the CBL of all upcoming external debt payments, provide the necessary documentation, and authorize the CBL to execute payments on the due date (**Prior Action**, see ¶32). The DMU will provide the CAG with all supporting information ahead of the one-month notice period.

12. We will continue our efforts to enhance domestic revenue mobilization, including tackling generous tax expenditures granted to concessions in recent years. Based on 2024 data, the Liberia Revenue Authority (LRA) recently published a quantification of tax expenditures related to business activities, estimating foregone revenue at approximately US\$227 million. The LRA and MFDP will continue refining its methodology and resume annual publication of tax expenditure reports as part of the approved budget, in line with our commitments under the ECF-supported program (recurrent **Structural Benchmarks**). To further strengthen oversight, the LRA, MFDP, and National Investment Commission (NIC) will jointly monitor the actual quantity of petroleum products used by concessions for core operations. This ensures that only fuel genuinely used for concession activities benefit from tax exemptions (e.g., excises, GST and road fund levy).

13. Following the USAID withdrawal, the introduction of the Value Added Tax (VAT) has been postponed from mid-2026 to 2027. The World Bank and other donors may continue funding two VAT experts, previously supported by the USAID, who will help support the LRA staff training, including 10 LRA trainers. VAT registration for businesses will start in late July 2026 and conclude by December 2026. We will continue harmonizing our primary and secondary legislation with the VAT law and other relevant regulations and aim to adopt all necessary legal amendments by June 2026 (**Structural Benchmark**) to ensure a smooth transition to VAT collection from January 2027.

14. We are committed to modernizing both personal and corporate income tax systems. For personal income tax (PIT), reforms will focus on expanding the tax base and improving progressivity. For corporate income tax (CIT), we aim to close loopholes related to cross-border transactions, particularly transfer pricing and profit shifting. To this end, we will propose amendments to the revenue code to the Legislature by December 31, 2025.

15. Strengthening public financial management (PFM) remains a policy priority. Key initiatives underway include:

- Publishing annual and quarterly budget performance reports in line with Open Budget Initiative standards. Full and supplementary budgets will be posted on the MFDP website within one month of legislative budget approval and include tables detailing allocation, and changes to it, across all MACs (recurrent **Structural Benchmark**).
- Developing an action plan to implement key recommendations from the IMF's Climate Public Investment Management Assessment (C-PIMA), which will support our climate objectives under the AAID.
- Auditing the 2024 financial statement, prepared on April 30, 2025, as required by law. The GAC will complete its audit report by September 30, 2025. In addition, the GAC is conducting special audits covering 38 MACs, 14 SOEs (e.g. Liberia Maritime Authority and Liberia Electricity Company), 39 donor-funded projects, and 2 IT systems—IFMIS and NASSCORP (pension agency). An update of the GAC audit on domestic debt will be published by August 2025.
- Continuing semi-annual surveys of Government of Liberia accounts held at the CBL and commercial banks. Given the large number of GoL accounts, the CAG will regularly identify dormant, as defined by banking regulations, or ineligible accounts, based on the 2021 Treasury Single Account (TSA) concept note, and close them accordingly. Comprehensive reports of these surveys, including justifications for any remaining ineligible accounts, will be submitted to the IMF.

D. Monetary, Foreign Exchange and Financial Sector Policies

16. We remain committed to safeguarding price stability. The CBL Monetary Policy Committee (MPC) raised the policy rate by 25 basis points to 17.25 percent in April 2025 and maintained it at that level in July to help anchor inflation expectations and mitigate second-round effects stemming from persistently high food prices, particularly imports. We retained the reserve requirements ratios (RRR) on LRD and USD deposits (liabilities) at 25 percent and 10 percent, respectively, and intensified our liquidity management operations to absorb excess LRD liquidity in the banking system. We consider the current policy stance sufficiently tight to contain inflationary pressures. Going forward, we will continue to closely monitor economic developments and maintain a relatively tight policy stance until the decline in inflation towards our medium-term inflation objective of 5 percent is well established. The CBL Bills will remain our main policy tool for achieving price stability. This will be complemented, as needed, by adjustments to the RRR, particularly on LRD deposits.

17. We are taking key steps to strengthen our monetary policy framework. Since last year, the CBL has begun short-term open market operations through 2-week CBL bills auctions, conducted on a fixed-rate full-allotment basis. In parallel, we are conducting longer-term operations

through 1-month and 3-month CBL bills auctions, using flexible-rate fixed-quantity auctions. The MPC is now fully constituted and operational, following the appointment of a second external member in March, bringing the total membership to seven.¹ Also in March, the CBL re-introduced the interest rate corridor system, comprising an overnight standing credit facility (SCF) and a standing deposit facility (SDF). These facilities are now processed automatically through the upgraded Scriptless Security Settlement System (Depo/X), enhancing operational efficiency. We plan to gradually narrow the width of the corridor to better stabilize and anchor short-term interest rates around the policy rate. The facilities will remain freely accessible, with no quantity limits, except for the SCF, where access is subject to eligible collateral (mainly, CBL bills and GoL securities) and applicable haircuts. The CBL will continue to develop our financial markets, enhance the CBL's data and analytical capacity with IMF technical assistance, and further strengthen the monetary policy operational framework. These efforts will provide a solid foundation for improving monetary policy transmission and transitioning toward an inflation-targeting regime over the medium to long term.

18. We reaffirm our commitment to maintaining a flexible exchange rate regime. Foreign exchange (FX) rates will continue fully reflecting market forces and supporting the smooth functioning of the FX market. FX interventions will be limited to addressing excessive exchange rate volatility that risks de-anchoring inflation expectations and/or disrupting market stability. When such interventions are necessary, we will continue to coordinate closely with IMF staff to ensure an appropriate policy response. We remain committed to maintaining an exchange rate system free of restrictions and multiple currency practices.

19. The regular meeting of Liquidity Working Group (LWG) continues. The LWG comprises technical staff of the CBL, LRA and MFDP. The LWG meetings are being held at least once a month to support, among others, (i) CBL liquidity management operations, and (ii) GoL effective cash management. These will ensure that the currency composition of government spending is closely aligned with that of its revenues, thereby mitigating the risk of currency mismatches between the GoL's revenues and spending in Liberia's dual currency system.

20. The implementation of the currency changeover has been completed. The Legislature approved the currency reform for the years 2021-22 and 2024, excluding 2023 due to the election cycle. Delivery of the new currency was finalized in November 2024, and about 76.9 percent of the new currency has been infused into the economy. The remaining stock is expected to be sufficient to meet medium-term demand for quality currency notes. We have also withdrawn and destroyed approximately 94.4 percent of the old currency. The CBL officially terminated the legal tender status of the old currency in May 2024, and the exchange period at commercial banks and CBL facilities concluded later that year.

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.

21. We have taken further steps to reinforce CBL independence and governance. The CBL Board adopted a comprehensive time-bound action plan to implement (i) the remaining 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. Since then, CBL management has updated its Board on the implementation status of these recommendations on a quarterly basis. This reporting will continue until all actions are completed by end-December 2025. We reaffirm our understanding that under the CBL Act, CBL lending to the government is generally prohibited, except under exceptional circumstances such as war, famine or other natural disasters, and must comply with limitations on maturity aggregate principal ceiling. This interpretation was formalized through a Board resolution (see ¶127).

22. The CBL remains committed to strengthening its internal control systems to enhance transparency and mitigate operational risks. In line with this commitment, the CBL will continue to enforce its internal regulatory framework, which limits the clearing of government checks to a maximum of US\$500,000 during system glitches that prevent real-time confirmation of revenue inflows. In addition, the over-the-counter cash withdrawals are capped at US\$25,000, except for national security agencies, in accordance with applicable regulations. We reaffirm our policy of rejecting any GoL-issued checks or GoL payment instructions drawn against underfunded GoL accounts. Such checks will be returned to the government and subject to monetary penalties. We are strengthening the regulatory framework for check clearing procedures to prohibit commercial banks from providing immediate value for GoL-issued checks before presenting them to the CBL for clearing.

23. The CBL is improving its operational efficiency by reducing costs and optimizing resource use. For the first time in over a decade, the CBL reported a profit of LRD 0.5 billion in FY2024. This was largely due to the repayment of loans that were considered as impairment losses on financial assets, in contrast to 2023 when the GoL consolidated loan was significantly impaired. The reduced impairments, along with the prohibition of financial guarantees to the GoL and a small bank, contributed to improved financial performance and lower risk exposure. Enhancing operational efficiency is essential to ensure that the CBL has sufficient resources to fulfill its mandate effectively. The CBL successfully reduced its contractual workforce by 209 staff in September 2024 as part of the CBL's initial measures to enhance efficiency and lower staff costs. The CBL developed a comprehensive staff restructuring plan in March 2025 to further enhance efficiency. This plan draws on the IMF's desk review of operational efficiency and the CBL's ongoing staff needs assessment. Going forward, an overall reduction in staffing through the termination of contractual positions is anticipated, while reinforcing key technical departments where expertise is needed. This includes hiring qualified staff for the Research, Policy and Planning, the Regulation and Supervision and the forthcoming resolution function, and the Financial Market Departments, as well as additional personnel to strengthen Payment System and IT departments in support of CBL's digitalization plans. Alongside cost reductions, we are also pursuing initiatives to improve revenue generation.

This includes more active—but prudent—management of foreign reserves and a potential revision of the fee structure for CBL services for financial institutions and the government. These measures aim to enhance operational efficiency and reverse the pattern of operating losses experienced prior to 2024.

24. Rebuilding international reserves is essential to safeguarding external and financial stability. The CBL will continue to accumulate foreign reserves gradually, primarily through cautious purchases of FX mainly from the government and scheduled amortization of government debt to the CBL, given the limited opportunities in the open market. To support this effort, the government has increased the share of the wage bill paid in LRD to 30 percent since the fourth quarter of 2024. We reaffirmed our commitment to progressively de-dollarize government operations by further raising the LRD share of wage bill to 35 percent by end-2025—provided this does not cause significant market disruptions (**Indicative Target**)—and by increasingly executing other government payments in LRD where feasible. This currency shift will generate surplus FX in fiscal operations, which the government can sell to the CBL in exchange for LRD to meet its domestic obligations. To facilitate reserve accumulation, the CBL and the MFDP will continue regular coordination through monthly LWG meetings to plan and execute FX purchases. In 2024, this coordination enabled the government to sell US\$20 million in FX to the CBL. Looking ahead, the government is committed to FX sales to the CBL to facilitate reserve accumulation (US\$10 million if needed) in 2025 and US\$20 million in 2026, with plans to gradually scale up FX purchases in the subsequent years. The CBL also reaffirms its commitment to conduct more of its domestic transactions in LRD, including paying at least half of its wage bill in LRD. The MFDP will encourage other public institutions to adopt similar practices. Additionally, we are considering the development of a formal and detailed de-dollarization plan, which would include prudential regulatory and administrative measures to further promote the use of LRD.

25. The National Legislature’s approval of the Bank Financial Institutions and Financial Holding Company Act (BFIA) at end-April 2025 is an important milestone. This will facilitate: (i) strengthening the risk-based supervision framework, (ii) developing resolution framework in line with the comprehensive resolution powers for dealing with distressed banks, and (iii) establishing a crisis management framework. We are committed to finalizing the operationalization of the resolution function by December 2025 (**Structural Benchmark**). Additionally, the CBL commits to assign permanent, dedicated staff and develop regulations and operational guidelines for bank resolution by December 30, 2025 (**Structural Benchmark**). In the interim, we assigned CBL staff to work on the preparation of resolution plans for the troubled banks and the deposit insurance scheme on a part-time basis.

26. Strict enforcement of banking sector regulations remains a top priority. The CBL will continue to rigorously enforce reserve requirement regulations and publish a monthly compliance report detailing regulatory actions and penalties imposed to non-compliant banks (recurrent **Structural Benchmark**). We will no longer provide Emergency Liquidity Assistance (ELA) beyond

permissible periods. We have secured collateral for all outstanding exposures to commercial banks, including CBL loans to LBDI and Afriland bank related to the legacy CBL on-lending program during 2012-14 (**Structural Benchmark**). Furthermore, with the support of Fund TA, we have prepared the new ELA regulation to ensure that any future ELA is provided only under strict conditions. Under the new framework, ELA will be available exclusively to solvent institutions facing temporary liquidity shortages for short durations, at a penalty rate and fully secured by eligible collateral subject to prudent haircuts. We will also establish a detailed collateral eligibility framework and a government guarantee mechanism, which will be formalized through an agreement between the CBL and the MFDP. We adopted the full set of the revised ELA regulation and associated frameworks on August 19 and 21, 2025, (**Structural Benchmark**).

27. We are enforcing corrective actions in response to the CBL's financial support to two small banks. Following the independent legal review completed in December 2024 and IMF advice, the CBL adopted a time-bound action plan on February 26, 2025, to implement the review's recommendations (**Structural Benchmark**). The corrective actions are guided by two key principles: (i) amending the CBL Act to explicitly prohibit such unconventional financial support measures; and (ii) reversing any unlawful actions and rectifying irregular policies in accordance with current legislation. After the Attorney General's opinion issued in March 2025, which found no legal basis to recover the US\$8 million grant to SIB, the CBL management began exploring options to recover at least part of the grant, including through a gift tax, and the CBL Board adopted a resolution on June 27, 2025, which prohibits similar forms of supports in the future, including guarantees, direct funding, or any form of assistance to financial institutions unless the support qualifies as emergency liquidity assistance (ELA) or is part of pre-approved monetary policy operations—such as open market operations or standing facilities—and is fully collateralized by high-quality collateral in line with the recently adopted collateral framework on monetary operations and ELA. Going forward, we are committed to undertaking a more comprehensive amendment of the CBL Act. Furthermore, we will ensure that the CBL is fully protected from any direct financial obligations arising from the potential materialization of the guarantees related to Bloom Bank's legacy NPL resolution.

28. The CBL is also tackling the banking system's high NPL stock. To ensure effective resolution, the CBL has stratified the stock of non-performing loans according to: (i) size (small, medium, large), (ii) collateral type (movable, non-movable, or unsecured), (iii) borrower type (retail, small and medium companies, and corporates) and (iv) duration. In April 2025, we collected qualitative data from banks through questionnaires. These inputs are being used to analyze the main impediments to NPL resolution. We have also drafted the NPL resolution strategy, which will be further developed in consultation with Fund staff. In the meantime, we will enforce strict compliance with the existing provisioning framework, which requires full provisioning of NPLs by banks after one year and the write-off of NPLs classified as "loss" for more than two years by October 2025 (**Structural Benchmark**). Work is progressing towards a fully operational credit reference bureau and a collateral registry system—covering both movable and immovable assets—by end-April 2026, in line with the World Bank-supported LIFT project.

29. We are closely supervising the state-owned bank (SOB). The external audit by an international firm, which reinstated its financial statements, was finalized in April 2025. The SOB's Board of Directors has approved a strategic plan to address the findings of the independent external review of its NPL portfolio, and the bank has been actively implementing this plan. Notably, the bank has made tangible progress in recovering NPLs since June 2025. However, the CBL's new NPL stratification database shows that a significant portion of the SOB's balance sheet remains burdened by legacy NPLs—loans classified in the loss category for over 2 years. In accordance with the current regulatory framework, these legacy NPLs are required to be fully written off by October 2025, which will support the effective implementation of the bank's broader restructuring plan (see below).

30. We are making steady progress on the restructuring of the other two banks. To assess the true financial condition of the two small banks, the CBL commissioned independent diagnostic studies of these banks. These studies, performed by international audit firms, were finalized in August 2025. The findings informed the restructuring plans that will be submitted to the CBL by these banks in September 2025, which include a credible recapitalization strategy (**Prior Action**). In addition, the CBL will develop credible resolution plans for any non-viable banks by December 2025 (**Structural Benchmark**). These plans will clearly specify the necessary actions that will be taken to preserve financial stability, should resolution become necessary. Given significant discrepancies observed between the regular financial audit outcomes and the independent diagnostic studies of these banks, the CBL will also assess the quality of the audit processes performed by their external auditors, in accordance with domestic regulations on the auditing and publication of financial statements. Based on the findings, the CBL will propose, if needed, amendments to the domestic regulation to specify the conditions under which the appointment of external auditors may be terminated.

E. Debt Sustainability

31. Placing public debt on a firmly sustainable path remains our medium-term objective. The updated DSA assesses Liberia's risk of debt distress as moderate for external debt and high for total public debt. We remain committed to prudent fiscal policies and expect a steady improvement of the primary balance over time. As concessional financing is expected to decline over the longer term, we recognize the need to fill the financing gap through a mix of external non-concessional borrowing and domestic borrowing to support the critical public investment and foster growth. Strengthening our debt management capacity, enhancing public investment management, and improving medium-term debt strategy will continue to be key priorities. We will take a pragmatic approach to selecting externally funded projects, ensuring they deliver maximum economic returns, while strictly adhering to the program ceilings on the PV of new PPG external borrowing (see Table 1, QPC).

32. We will continue strengthening debt management to avoid arrears, improve our borrowing profile, and safeguard debt sustainability. We remain committed to allocating adequate resources in our national budget for debt servicing. To ensure timely external debt service payments, the MFDP and CBL have signed an MOU authorizing the CBL to automatically settle GoL external debt obligations as they become due (**Prior Action**). To operationalize this arrangement, the MFDP (DMU) has committed to providing detailed monthly projected GoL external debt service schedule, at the beginning of the fiscal year, covering the whole fiscal year. The schedule should be consistent with the terms and profile in the existing inventory of GoL debt stock and the approved budget. In addition, the MFDP will provide the CBL with an updated schedule for upcoming external debt payments a month in advance. The CAG has committed to ensuring that sufficient funds are maintained in the GoL debt account at the CBL to cover all debt payments due each month and to providing the necessary documentation for the CBL to execute the payments to avoid arrears. The CBL, in turn, has committed to facilitating timely payments of GoL external debt obligations and promptly alerting the MFDP if account balances are insufficient.

33. We will advance with urgency the implementation of the recommendations of the IMF CD mission on debt management as follows:

- Strengthen the capacity to produce debt sustainability analysis annually, reflecting latest macro projections. In addition, the MFDP will prepare a medium-term debt strategy to guide the debt financing limits during the budget preparation and improve the quality of the DSA.
- Conduct impact analyses of all planned project loans and GoL guarantees in advance, to assess their implications for debt sustainability and compliance with the debt limit policy under the ECF arrangement, before submitting proposals to the Presidential Office for approval and subsequent ratification by the Legislature. We will also review existing legislation and regulations to clarify the DMU's mandate, particularly its role in decision-making on new borrowing and ratification processes.
- Ensure the Debt Management Committee (DMC) meets regularly to deliberate on potential borrowing proposals. The DMU should review and approve all GoL borrowing or guarantees, as the DMC secretariat actively participate in its meetings.
- Engage proactively with the Legislature early in the budget process to explain debt service projections, in order to avoid reductions in budget allocations for debt service that could lead to arrears or default.
- Develop and adhere strictly to the Debt Management Policy Manual, ensuring proper documentation and effective information flow between all relevant departments and agencies.
- Consider additional staffing and/or training to improve the effectiveness of the DMU.

F. Governance

34. We will ensure the Liberia Anti-Corruption Commission (LACC) has adequate resources to effectively carry out its mandate. In the 2025 budget, we increased the allocation to the LACC to US\$3.1 million, up from US\$2.7 million in 2024. However, due to liquidity constraints, we were unable to disburse the full allocation in advance in the first quarter of 2025. As of May 2025, the LACC has received around US\$0.7 million, representing 21 percent of the approved FY2025 budget. Going forward, we will ensure the LACC receives its budgeted allocations a quarter in advance, as required by law, and we will strive to increase its share in the national budget over time. To further safeguard LACC's financial independence, we will propose legislative amendments by December 2025 to stabilize its annual budget allocations. In parallel, the LACC will enact the necessary implementing regulations to fully comply with its mandates under the LACC Act.

35. The implementation of the asset declaration regime was strengthened by a Presidential Order issued in February 2025. On February 12, 2025, the President issued a directive to withhold one month salary of public officials identified by the LACC as failing to submit their asset declarations. By end-March, approximately US\$90,000 had been withheld, which will be used to purchase 1,483 chairs for public schools. Of the initial 457 officials published as non-compliant, the final adjusted number (after removing ineligible individuals) was 347. Following the directive, 265 public officials submitted their declarations, while 82 remain non-complaint. We will continue to raise awareness about asset declaration requirements and plan to conduct an interview or a survey with the 82 non-compliant officials to understand the reasons for their refusal to comply. Since the Presidential Order, compliance has improved significantly. As of end-March 2025, 89 percent of 1,193 eligible public officials had submitted their asset declarations, up from about 71 percent at end-2024. With the ongoing World Bank support, we aim to digitize the asset declaration process by 2027 to further strengthen transparency and accountability.

36. The LACC will make further progress toward enacting implementing regulations of the LACC Act of 2022. We have made progress in developing implementing regulations, 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 in line with international best practices, including the G20 high-level principles on asset disclosure by public officials and the WB/UNODC StAR Initiative's recommendations on asset declarations. We will submit an amendment to the legislature to eliminate the provision in the Code of Conduct regulation of December 2022 (Section 10.2) by end-December 2025 (**Structural Benchmark**), which limits asset declaration publications to instances authorized by court order. We have requested IMF technical assistance to align our asset declaration verification procedures with best practices.

37. The Governance Diagnostic Study (GDS) will play a key role in advancing our governance and accountability agenda. Strengthening governance and ensuring accountability remains top priorities. The LACC, together with the MFDP and other relevant authorities, will support the upcoming GDS by the IMF by facilitating access to all necessary information. We are committed to publishing the GDS report, along with a detailed Action Plan to address the identified weaknesses, upon the completion of the study. The General Auditing Commission (GAC) is also contributing to this effort by conducting various special audits (38 MACs, 14 SOEs, 39 donor-funded projects, and 2 systems) in addition to its regular audits. These audit reports, scheduled for publication in the second half of 2025, will highlight weaknesses in budget execution, financial reporting and accountability as well as potential improprieties in the use of public resources. We acknowledge that the implementation of past audit recommendations has been unsatisfactory, and we are determined to address this challenge vigorously to improve financial reporting, accountability, and compliance with existing laws across public institutions. The government remains committed to providing sufficient resources to integrity institutions, including the GAC, to enable them to fulfill their mandate effectively.

38. The e-procurement system, launched in February 2025, marks a significant step toward strengthening public procurement and enhancing contract transparency. All MACs are mandated to use the e-procurement system. Currently, five large spending entities (Finance, Health, Education, Public Works, the Revenue Authority), as well as the Public Procurement and Concession Commission (PPCC) are using the platform to award contracts. We aim to onboard an additional 50 MACs by end-June 2025 and register 1000 vendors by end-2025. The PPCC, in collaboration with the MFDP, is working to ensure that no procurement is conducted outside the e-platform for MACs already onboarded. Efforts are also underway to build capacity among MACs and vendors to use the system effectively. On procurement plans, about 90 percent of MACs submitted comprehensive plans to the PPCC early this year as required by law. However, progress on the revised amendments to the PPCC Act—submitted to parliament in October 2024—has stalled due to a leadership crisis in the House of Representatives. We have re-engaged with the Legislature to advocate for passage of the revised legislation within 2025.

39. We are committed to enhancing the transparency of beneficial ownership (BO) of legal persons. A comprehensive workplan and timeline, outlining Liberia’s multipronged approach to BO transparency, was developed in March 2025 (**Structural Benchmark**) and endorsed by the Cabinet on August 11, 2025. The workplan covers reforms across the domestic corporate sector, the extractive industry, financial institutions, and Designated Non-Financial Businesses and Professions (DNFBPs). As part of implementation, we have already begun collecting BO data from licensees through the Liberian Business Registry. We aim to fully operationalize the online Beneficial Ownership Registry by end-2025. The CBL will continue supervising licensees and assessing their policies and procedures for identifying the ultimate beneficial owners of corporate customers. To address capacity gaps in the banking sector—particularly among institutions that are not part of international financial groups—the CBL plans to conduct targeted training. We will

also conduct outreach before developing a regime for collecting BO information for Liberian International Business Companies and the Liberian Shipping Registry, and we will work to fully bring DNFBPs under the BO framework. To combat the risks of illicit financial flows, we intend to issue regulations in 2025 governing wire transfers, ensuring compliance with relevant United Nations Security Council Resolutions. Finally, we remain committed to strengthening the capacity of the Financial Intelligence Agency (FIA) by increasing its budget allocation to enable it to perform its core functions more effectively.

G. Statistics

40. We are making some progress in improving the quality of our statistics, with the IMF capacity development support. Liberia Institute of Statistics & Geo-Information Services (LISGIS) has completed the compilation and the revision of the 2016-23 annual GDP estimates (at current and constant prices). We plan to publish the 2023 GDP estimates, together with the revised GDP estimates for 2016-22, in the second half of 2025. The compilation (backcasting) of the 2010-15 GDP estimates will be completed in the second half of this year, with the aim of publishing these series by the end of the year. We have developed a producer price index (PPI) for utilities—electricity and water—and started publishing this data in January this year. Going forward, we plan to expand the coverage to include other sectors. We remained committed to enhancing the quality of consumer price index (CPI) and expanding its coverage to include all counties in Liberia. The plan is to start compiling regional and national CPI in the first half of 2026, after the completing the ongoing household income and expenditure survey (HIES).

41. We will prioritize strengthening the capacity of LISGIS to effectively fulfill its mandate. To achieve this, the government is committed to providing adequate resources to enhance LISGIS's operational capabilities. This will ensure sustainable funding to support its core statistical functions, including regular data collection.

42. We will continue improving the quality of other key macroeconomic statistics. We will draw on recent IMF CD assistance to improve the scope, classifications, and coverage of fiscal and debt statistics. Specifically, we will enhance the debt statistics reported by Debt Management Unit (DMU) by implementing by: (i) obtaining from all MACs, and maintaining an updated registry with contracts and sovereign guarantees underlying conforming and disputed public and publicly guaranteed external debt; (ii) conducting debt reconciliation on semi-annual basis by communicating with external debt creditors on debt stock and debt service repayment schedule and cross-checking with existing data in the debt inventory; and (iii) ensure DMU's inclusion in all debt related discussions, processes and decisions; iv) strengthening the institutional setup and debt management frameworks. The recommendations of IMF CD assistance on monetary statistics and financial soundness indicators will support our efforts to enhance the quality and timeliness of this data.

43. Strengthening external sector statistics will be a key focus going forward. We will improve the coverage and accuracy of the balance of payments statistics by implementing recommendations provided by IMF CD assistance. We aim to: (i) increasing coverage, compliance, and accuracy of the quarterly international investment survey, (ii) resuming hotel survey (iii) increasing bank's compliance with reporting to the International Transactions Reporting System (ITRS), (iv) improving the CBL framework for classification of external sector transactions. We will also improve data collection procedures, including data validation and follow up actions with banks and enterprises reporting to the CBL. Regarding the investment survey, the CBL will coordinate with other government institutions, including the LRA, MFDP, and Ministry of Mines, to obtain the financial statements of the largest non-financial corporates (NFCs). The CBL will also take necessary steps to implement the Python programs developed by IMF TA to improve the processing and compilation of balance of payments data. We will consider amending the CBL act to clarify the reporting obligations of the NFCs to the CBL.

H. Program Issues and Monitoring

44. The program will continue to be monitored by quantitative performance criteria, structural benchmarks, indicative targets, and semi-annual reviews (Tables 1, 2, and 3). The technical memorandum of understanding defines the performance criteria, indicative targets, and structural benchmarks as well as the scope and frequency of data to be reported for program monitoring purposes. We expect the third review to be completed on or after December 1, 2025, based on the end-June 2025 targets and relevant performance criteria, and the fourth review be completed on or after June 1, 2026, based on the end-December 2025 targets and relevant performance criteria.

Table 1. Liberia: Quantitative Performance Criteria and Indicative Targets, September 2024 – June 2026
(Millions of U.S. dollars, unless otherwise indicated)

	Sept. 2024				Dec. 2024				Jun. 2025	Dec. 2025	June. 2026
	PC	Adjusted PC	Actual	Status	PC	Adjusted PC	Prel.	Status	PC	Proposed PC	Proposed IT
Performance Criteria¹											
Floor on primary fiscal balance, excluding grants ^{2,3}	10.0	10.0	100.0	Met	24.0	24.0	31.0	Met	31.0	50.0	52.0
Ceiling on present value of new public and publicly guaranteed external debt contracted ⁴	102.0	102.0	0.0	Met	102.0	102.0	69.4	Met	226.0	226.0	330.0
Ceiling on new external arrears of the central government (continuous)	0.0	0.0	11.9	Not Met	0.0	0.0	7.7	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	36.7	36.0	Met	17.5	32.5	16.0
Floor on the change in the CBL's net international reserves ^{5,7}	-12.0	-12.9	-2.3	Met	6.0	5.6	16.1	Met	15.0	32.0	14.0
Ceiling on CBL's gross direct credit to central government	740.1	740.1	740.1	Met	740.1	740.1	740.1	Met	731.8	731.2	714.6
Indicative Targets											
Floor on total revenue collection of the central government ²	495.0	495	512.0	Met	671.0	671.0	696.0	Met	380.0	767.0	430.0
Ceiling on new domestic arrears related to GOL security repayments to banks (continuous)	0.0	0.0	0.0	Met	0.0	0.0	9.5	Not meet	0.0	0.0	0.0
Floor on social and other priority spending ²	57.0	57.0	59.5	Met	76.0	76.0	78.8	Met	39.4	83.2	46.5
Floor on on-budget capital spending ²	28.0	28	18.0	Not met	53.0	53.0	69.0	Met	29.0	67.0	34.0
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	0.30	0.20	Not Met	0.35	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	33.0	37.2	Met	17.3	38.3	21.4
Floor on wage bill of core and non-core clinical health workers ²	32.0	32.0	31.2	Not Met	43.0	43.0	41.6	Not Met	22.1	44.9	25.1

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, 2025 and 2026 criteria and targets are cumulative from the beginning of the calendar year.

³ 2024, 2025 and 2026 floors shall be adjusted for deviations of investment spending, and budget support loans from the baseline (see TMU, 111).

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, 2025 and 2026 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, 120).

⁸ This will be monitored on a cash basis only.

Table 2. Liberia: Prior Actions and Structural Benchmarks for 2024-26

Prior Actions for the Second Review	
Definition	Status
MFDP to conduct a comprehensive inventory of external debt and guarantees, formalize an MOU between the CBL and the MFDP under which the CBL can pay external liabilities due without needing further MFDP authorization, and clear all identified outstanding undisputed external arrears. ¹	Met
Adopt and start implementing new revenue measures that are expected to generate at least US\$8 million during the second half of 2025. ²	Not Met
The CBL should obtain restructuring plans developed by problem banks (LBDI, SIB and Bloom bank).	Not Met
¹ Repayments to Norway related to past arrears were rescheduled and have started clearing in March 2025. Arrears on disputed official and commercial debt are not part of the PA. ² Adoption means issuing pertinent directives, circulars, or regulations and, in case legislative action is needed, approving draft legislation in cabinet. The evidence of implementation includes a formal recognition of the tax obligations from the new measures. These measures include two new concession agreements, Enforcement of Real Estate Tax, cuts on recurrent spending from MACs, dividends collection from a number of SOEs (See details in ¶22).	

Table 2. Liberia: Prior Actions and Structural Benchmarks for 2024-26 (continued)

Definition	Target Date	Rationale	Status/Comment
Domestic Revenue Mobilization			
Enact/adopt necessary amendments to other parts of the Revenue Code and other legislation as needed (e.g., PFM law) required for the implementation of VAT, in consultation with the Fund (specific areas for amendment will be specified with FAD's support)	Jun. 30, 2026	Support VAT implementation	New
Public Financial Management and Governance			
Cabinet adoption and publication of a comprehensive policy paper that outlines the existing weaknesses in the PFM Act, following close consultation with line ministries and the Legislature.	Sept. 30, 2025	Support PFM reforms Medium	Not met, replaced with recalibrated SB
MFDP to provide the complete borrowing terms, including detailed repayment schedules, and copies of the original contracts of all GoL external debt obligations.	Oct. 31, 2025	Strengthen debt management	New
MFDP to enhance annual financial statements to include detailed explanation of deviations in spending and revenues compared to the approved budget or supplementary budget.	Mar. 30, 2026	Enhance fiscal transparency and accountability	New (recalibrated)
Strengthening Central Bank Operations and Developing the Financial Sector			
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	Enhancing CBL independence	Met
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	Not met, adjustment proposed and (i) implemented as PA
Adoption by the Legislature the Bank-Financial Institutions and Bank Financial Holding Companies Act (BFIA).	Apr. 30, 2025	Enhance financial stability	Met

Table 2. Liberia: Prior Actions and Structural Benchmarks for 2024-26 (concluded)

Definition	Target Date	Rationale	Status/Comment
Strengthening Central Bank Operations and Developing the Financial Sector			
CBL to assign specialized staff to a dedicated bank resolution unit and adopt regulations and operational guidelines on bank resolution.	Apr. 30, 2025	Enhance financial stability	Not Met , reset for Dec. 31, 2025.
The CBL will ensure full collateralization of all non-ELA loans to commercial banks.	Jun. 30, 2025	Enhance financial stability	Met
The CBL to adopt a revised ELA regulation in line with Fund advice.	Jul. 31, 2025	Prevent abuse of emergency lending	Not Met , implemented with a delay
CBL to report to the Fund on the enforcement of the NPL regulations requiring all banks to have full provisioning for NPLs older than one year and writing off NPLs older than three years.	Oct. 31, 2025	Enhance financial stability	New
CBL should prepare resolution plans for SIB and Bloom Bank in consultation with Fund staff.	Dec. 31, 2025	Enhance financial stability	New (recalibrated)
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	Not met , implemented with a delay
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	Enhance governance and transparency	Not met , recalibration is proposed
LACC submits the legal amendment to eliminate the provision in the Code of Ethics that limits the publication of asset declarations to instances authorized by judicial order.	Dec. 31, 2025	Enhance governance and transparency	New (recalibrated)

Table 3. Liberia: Recurrent Structural Benchmarks

Definition	Target Date	Rationale	Status/Comment
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	Not met , implemented with delays.
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	Not met , implemented with delays.
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	Not met , implemented with delays.
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).	Improve compliance with policies and regulations	Met
MFDP to publish supplementary budget 30 days following the Legislature's approval, with all necessary tables, showing any change, compared to the approved budget, to all MACs budget allocation.	Starting October 30, 2025, within 30 days following the approval of supplementary budget	Enhance fiscal transparency and accountability.	New (recalibrated)

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 (including amendments to the legislation and/or regulatory framework) 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. **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.

8. 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.

9. 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

10. 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.

11. 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\$60 million for 2025. Shortfalls are relative to reference values shown in Text Table 2.

Text Table 2. Liberia: Adjustor to the Primary Balance Excluding Grants, 2025Q2-2026Q2 (Millions of U.S. dollars, Cumulative)			
	2025Q2	2025Q4	2026Q2
Budget support loans	0.0	60	0.0
On-budget Capital Spending	29.0	67	34

New Arrears on Public External Debt

12. 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 30 days of the contractual due date or within the contractual grace periods, whichever is later or, in the case of sovereign guarantees, when payments due by the Government are not executed within the terms established in the sovereign guarantee. 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

13. 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, informing them of the terms, conditions and assurances underlying those obligations. The MFDP must also immediately report to the IMF staff when those contracts become effective (e.g., by means of ratification) and when disbursements are received.

14. 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

15. 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

16. 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).

17. 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.

18. 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.

19. 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).

20. 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, December 2024 – June 2026 (Millions of U.S. dollars)			
	2025Q2	2025Q4	2026Q2
Deposits of unfit US\$ banknotes by banks*	3.0	10	5
*Cumulative from beginning of year.			

21. 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

22. 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

23. 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), and
- On-budget investment spending (floor).

Total Revenue Collection of the Budgetary Central Government

24. 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

25. 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 to banks:* 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

26. 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

27. 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 Fund¹. 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)

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

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

D. Data Reporting

29. 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.

30. 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.

31. 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.

32. 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	The amount of new domestic debt contracted or guaranteed by the Government, classified by creditor, instrument type, currency, as well as the corresponding terms (e.g., maturity profile and interest rate).	Monthly	Within three weeks after the end of the month
MFDP	A detailed report on monthly payments on domestic debt classified by creditor, instrument type, and currency.	Monthly	Within three weeks after the end of the month
MFDP	A table providing the end-of-period stock of domestic debt arrears accumulated and payments made on arrears during the program period.	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

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

Reporting Agency	Table/Report	Frequency	Timing
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.
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
CBL	Detailed report on the Balance of Payments	Quarterly	Within 45 days after the end of the quarter
CBL	Detailed report on International Investment Position	Semi-annually	Within 45 days after the end of the semester
CBL	Report on the progress of improving the classification framework of surveys and ITRS for the compilation of Balance of Payments Statistics	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 on loans and sovereign guarantees in the pipeline, including details on the terms, conditions and assurances.	Monthly	Within three weeks after the end of the month
MFDP	A detailed report on monthly disbursements of external debt by loan, category, creditor, and project; 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, creditor, and project, including the due date, grace period, and confirmation number of payment informed by CBL. The report will also inform the outstanding stock of external debt per loan instrument.	Monthly	Within three weeks after the end of the month
MFDP	Detailed report with projections for conforming and disputed external debt service payments over the next five years, including the current year, with a monthly frequency, and over the next 40 years, including the current year, with an annual frequency.	Monthly	Within three weeks after the end of the month
MFDP	Detailed report on the external debt inventory, accompanied by relevant facts from the reconciliation process. Relevant facts include, but are not restricted to, identified discrepancies between pre-existing and newly obtained information.	Quarterly	Within 45 days after the end of the quarter
CBL	Detailed report on external debt service payments, including Swift transaction confirmation number	Monthly	Within three weeks after the end of the month
CBL	Detailed report on received external debt disbursements, including Swift transaction confirmation number	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

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

Reporting Agency	Table/Report	Frequency	Timing
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	Loan classification (current, OLEM, substandard, doubtful, loss) and provisioning for each class, including bullet loans	Monthly	Within three weeks after the end of the month
CBL	Loan classification (outstanding, new loans, loan repayment, written off loans)	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							



LIBERIA

September 16, 2025

STAFF REPORT FOR 2025 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by the International Monetary Fund and the International Development Association.¹

Liberia: Joint Bank-Fund Debt Sustainability Analysis ²	
Risk of external debt distress	Moderate
Overall risk of debt distress	High
Granularity in the risk rating	Limited space to absorb shocks
Application of judgment	No

The Debt Sustainability Analysis assesses Liberia at moderate risk of external debt distress and at high risk of total public debt distress, with limited space to absorb shocks. Despite these risks, staff consider public debt to be sustainable. Around 90 percent of Liberia's external debt is on highly concessional terms and held by multilateral lenders. Most domestic debt is owed to the Central Bank of Liberia (CBL) under favorable terms. Still, domestic debt is mostly denominated in U.S. dollars posing further vulnerabilities. Debt projections are predicated on continued prudent fiscal policy, including avoidance of non-concessional external borrowing in the nearer term and continued fiscal consolidation. The primary fiscal deficit declined from 6.1 percent of GDP in 2023 to 1 percent of GDP in 2024, where it will broadly remain throughout the projection period. Such fiscal path plays a vital role in stabilizing the PV of total public debt considering the gradual projected increase in non-concessional borrowing to partly compensate for the sharp decline in donor support over the medium- and long-term. Key downside risks include negative shocks to growth, terms of trade, foreign direct investment, and a potential reversal of fiscal discipline. This DSA is being conducted in the context of the Article IV consultation for 2025 and the second review under the ECF-supported program approved in September 2024.

¹Debt coverage has remained the same as in the previous DSA.

²Liberia's debt-carrying capacity as determined by the Composite Indicator (CI) is assessed as weak. At 2.62 the CI score based on the April 2025 WEO data and the 2023 Country Policy and Institutional Assessment (CPIA) points to weak ranking. To change the debt carrying capacity to medium two consecutive signals are needed.

PUBLIC DEBT COVERAGE

1. The DSA includes central government debt, central government guaranteed debt, and central bank debt contracted on behalf of the government (Text Table 1).³

- The external and the domestic debt of the central government is fully covered in the DSA. The external debt in 2024 includes US\$1,559 million debt to multilateral lenders, US\$112.7 million debt to official bilateral lenders, and US\$84.2 million debt to commercial lenders. The domestic debt consists mostly of US\$641.6 million in government borrowing from the CBL and US\$203.5 million in sovereign bonds held by commercial banks as of end-2024. The US\$641.6 million debt from the CBL largely reflects legacy debt that was restructured, securitized, and fully recognized in 2019.⁴ Of the US\$203.5 million debt with banks, local currency debt accounts for about one-fifth.
- The State-Owned Enterprise (SOE) debt is generally guaranteed by the government or reflects funds borrowed externally by the government and on-lent to SOEs and as such is captured by the DSA. Liberian SOEs are unable to secure external funding without government guarantees given the lack of market access. However, there could be SOE debt owed to domestic banks that escape the DSA. The government is making some efforts to improve SOE debt transparency. While data reliability remains a serious concern, the MFDP in its publication of annual and quarterly Debt Management Reports included some information on SOE debt, covering guaranteed and non-guaranteed, as well as direct and on-lent liabilities.⁵ The President is also initiating reforms of the Bureau of State Enterprises (BSE), which will also help improve the financial reporting of SOEs.
- The CBL debt is all external and is included in the DSA. The IMF credit to the CBL is recorded as external debt and amounts to US\$195.8 million as of end-2024, a decline from the US\$228.3 million position as of end-2023 largely due to net repayments, whether on-lent to the government or not. On-lent funds that are repaid by the CBL but not yet reimbursed by the government are recorded as domestic debt.

³The definition of external and domestic debt uses a residency criterion.

⁴The stock of GoL domestic debt due to the CBL has increased by nearly half between end-2021 and end-2023 following the CBL on-lending of SDR resources in 2022-23 and CBL direct lending to the government in 2023.

⁵In May 2025, the Government published its Annual Public Debt Management Report, with coverage of detailed debt data (on-lent, guaranteed and non-guaranteed) reported by 12 SOEs representing 95 percent of SOE consolidated liabilities by end-December 2024. The report includes the information on issuance dates, maturity dates, interest rates, issuance currency, disbursed amounts, repaid principals, and current stocks are provided for loans contracted with commercial banks and on-lent debt. However, the recent IMF mission (June 04-17, 2025) established that the data on SOE guaranteed debt owed to domestic creditors, as published in the recent annual and quarterly Debt Management Reports (e.g., in May 2025), is unreliable, based on the discussions with some SOEs (e.g., LEC). As such, this data is not included under domestic debt stock.

- Local governments have no access to external financing. Hence, it is only domestic borrowing by SOEs and local governments, as well as private sector external borrowing that escapes the DSA. The amounts involved are deemed to be small.
- The DSA includes a contingent liability stress test, consistent with the Guidance Note on the Bank-Fund LIC DSF. Due to concerns about the reliability and comprehensiveness of Liberia's debt statistics—including those related to Public-Private Partnerships (PPP)—the stress test applies default shock values. The sectoral shocks are modeled as one-off increases in the debt-to-GDP ratio to reflect potential liabilities arising from financial market disruptions, SOE guaranteed or non-guaranteed debt recognition, and PPP distress or cancellations. These shocks amount to 5 percent, 2 percent, and 12.7 percent of GDP, respectively. An additional shock of 0.5 percent of GDP is included to account for other potential liabilities that may not have been reflected in official statistics.

Text Table 1. Coverage of Public Sector Debt

Subsectors of the public sector	Sub-sectors covered
1 Central government	X
2 State and local government	
3 Other elements in the general government	
4 o/w: Social security fund	
5 o/w: Extra budgetary funds (EBFs)	
6 Guarantees (to other entities in the public and private sector, including to SOEs)	X
7 Central bank (borrowed on behalf of the government)	X
8 Non-guaranteed SOE debt	

1 The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
		Used for the Analysis (in Percent of GDP)	Reasons for deviations from the default settings
	Default		
2 Other elements of the general government not captured in 1.	0.5 percent of GDP	0.5	
3 SoE's debt (guaranteed and not guaranteed by the government)	2 percent of GDP	2.0	
4 PPP	35 percent of PPP stock	12.7	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)		20.2	

BACKGROUND

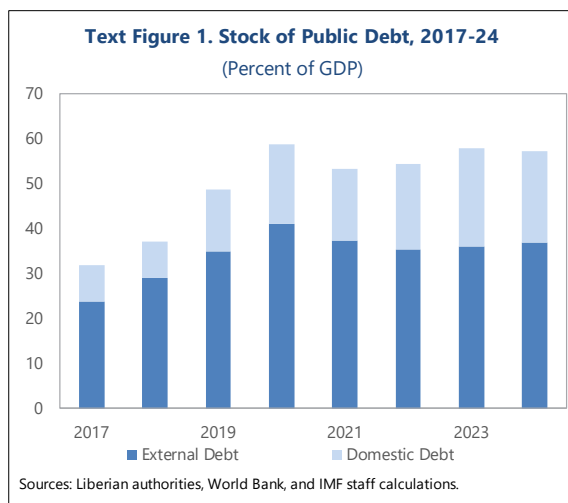
2. This DSA is being conducted in the context of the Article IV consultation for 2025 and the second review under the ECF-supported program approved in September 2024.

The last Low-Income Country DSA (LIC-DSF) was considered by the Executive Board in September 2024 as part of the request of a successor ECF arrangement.⁶ Liberia continues to be subject to the IDA Sustainable Development Finance Policy (SDFP).

⁶This DSA is prepared jointly by the staff of the IMF and the World Bank, in collaboration with the authorities of Liberia. The current DSA follows the revised Debt Sustainability Framework (DSF) for LICs and Guidance Note (2017) in effect as of July 1, 2018. The last joint DSA can be found in IMF Country Report No. 24/309, October 2024.

3. In 2024, total public debt reached US\$2,732 million (57.2 percent of GDP), up from US\$2,539 (57.8 percent of GDP) in 2023.

In present value terms, the initial public debt-to-GDP ratio was 46.4 percent in 2024, up from 45.7 percent in the previous DSA, reflecting mainly downward revisions in GDP growth projections and less favorable terms in concessional loans. After the completion of the HIPC/MDRI initiative in 2010, debt accumulated rapidly as the government scaled up infrastructure spending and responded to a series of adverse shocks, including the Ebola outbreak and the Covid-19 pandemic. Public debt increased strongly in 2019 and 2020 also because of the recognition of the legacy debt, mainly monies owed by the government to the CBL.



4. External debt at end-2024 reached 26 percent of GDP in present value terms, in line with previous DSA projections. Text Table 2 compares the external debt stock in the DSA with World Bank's Debt Reporting System (DRS) data. The main source of difference between the two datasets is the treatment of debt to the IMF, as the DRS includes SDR allocations as external debt, while the DSA does not.

Text Table 2. Comparison of the External Debt in DSA and DRS
(Millions USD)

	DRS Data ^{1,2}	DSA Data	Difference ³
	2023	2023	
External Debt	2,001	1,584	-417
Bilateral	116	121	5
o/w: China	53	54	2
o/w: Kuwait	20	20	0
o/w: Saudi Arabia	40	40	0
Multilateral	1,884	1,448	-436
o/w: African Dev. Fund	201	249	49
o/w: IDA	828	828	0
o/w: IMF	727	228	-499
o/w: Intl Fund Arg (IFAD)	39	37	-2
o/w: OPEC Fund for Intl Development	19	14	-4
o/w: European Invest Bank	38	39	1
o/w: BADEA / ABEDA	31	32	1
o/w: ECOWAS / CEDEAO	2	20	19

¹ 2023 is the last year for which DRS data is available.

² DRS only includes external debt data.

³ The main difference is because the DRS dataset includes the SDR allocations as debt to IMF.

5. The stock of domestic debt increased only marginally in 2024, by 2.2 percent, reflecting a substantial improvement of government finances. The US\$21.4 million increase largely reflects a rise in CBL's claims on government for the CBL's repayment of previous IMF budget support, on behalf of the government, in line with the 2019 restructured and consolidated loan agreement between the government and CBL.⁷

⁷The 2019 restructured and consolidated loan agreement includes a provision allowing the CBL to repay the IMF budget support obligations on behalf of the government as they fall due. These repayments are then recorded by the CBL as direct claims on the government, increasing domestic debt. Under the terms of the agreement, the government is scheduled to begin repaying the CBL starting in 2029.

6. At end-2024, 57 percent of Liberia's public debt was held by multilateral lenders (Text Table 3). The World Bank and the IMF are among the largest external creditors, with outstanding debt stock 35.3 and 7.2 percent of Liberia's total public debt, respectively. Liberia's domestic debt is entirely held by residents with the CBL being the largest among them, holding 24.0 percent of the total public debt. At the same time most of the domestic debt is denominated in U.S. dollars, reflecting Liberia's high degree of dollarization and pointing towards higher vulnerabilities due to foreign exchange exposures. Total debt service in 2024 reached US\$158 million (down by 37.6 percent from 2023 levels), of which 74.6 percent is external debt service.

Text Table 3. Decomposition of Public Debt and Debt Service by Creditor, 2020-24¹

	Debt Stock (end of period)						Debt Service					
	2023			2024			2023	2024	2025	2023	2024	2025
	US\$ Million	Percent of total debt	Percent GDP	US\$ Million	Percent of total debt	Percent GDP	US\$ Million			Percent of GDP		
Total	2,539	100.0	57.8	2,732	100.0	57.2	253	158	361	5.3	3.3	7.0
External	1,584	62.4	36.1	1,755	64.3	36.7	75	106	110	1.6	2.2	2.1
Multilateral creditors ²	1,448	57.0	33.0	1,559	57.1	32.6	65	79	70	1.4	1.7	1.4
IMF	228	9.0	5.2	196	7.2	4.1	37	27	35	0.8	0.6	0.7
World Bank	828	32.6	18.9	965	35.3	20.2	18	25	26	0.4	0.5	0.5
ADB/AfDB/IADB	249	9.8	5.7	267	9.8	5.6	3	5	5	0.1	0.1	0.1
Others	143	5.6	3.2	130	4.8	2.7	8	23	3	0.2	0.5	0.1
o/w: European Investment Bank	39	1.5	0.9	35	1.3	0.7	5	4	4	0.1	0.1	0.1
o/w: Arab Bank for Economic	32	1.3	0.7	31	1.2	0.7	0	1	1	0.0	0.0	0.0
Bilateral Creditors	121	4.8	2.8	113	4.1	2.4	8	6	8	0.2	0.1	0.2
Paris Club	0	0.0	0.0	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Non-Paris Club	121	4.8	2.8	113	4.1	2.4	14	11	11	0.3	0.2	0.2
o/w: Saudia Arabia	40	1.6	0.9	40	1.5	0.8	1	2	6	0.0	0.0	0.1
o/w: Kuwait	20	0.8	0.5	19	0.7	0.4	1	1	0	0.0	0.0	0.0
o/w: China	50	2.0	1.1	48	1.7	1.0	6	3	4	0.1	0.1	0.1
Bonds	0	0.0	0.0	0	0.0	0.0	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Commercial creditors	15	0.6	0.3	84	3.1	1.8	1	27	30	0.0	0.6	0.6
o/w: African Export Import Bank	8	0.3	0.2	56	2.1	1.2	0	16	15	0.0	0.3	0.3
Domestic	955	37.6	21.8	976	35.7	20.4	178	52	251	3.7	1.1	4.9
Held by residents, total	955	37.6	21.8	976	35.7	20.4	178	52	259	3.7	1.1	5.0
Held by non-residents, total	0	0.0	0.0	0	0.0	0.0	0	0	0	0.0	0.0	0.0
T-Bills	131	5.1	3.0	135	5.0	2.8	71	10	142	1.5	0.2	2.8
Bonds	40	1.6	0.9	39	1.4	0.8	56	4	28	1.2	0.1	0.5
Loans	784	30.9	17.9	802	29.3	16.8	52	38	89	1.1	0.8	1.7
Memo items:												
Nominal GDP	4,390			4,778								

1/As reported by Country authorities, except for the classification of African Export Import Bank, which the DSA classifies as a commercial creditor. 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).

MACROECONOMIC ASSUMPTIONS

7. Macroeconomic assumptions are consistent with the projections in the staff report and in line with recent economic developments and the government's policy commitments.

The DSA assumes that the government is making substantial efforts to restore a medium-term prudent and sustainable fiscal policy. By adopting revenue measures and a supplementary

budget in 2024, the 2024 budget outcomes are in line with the ECF-supporting program. The implementation of the structural reform agenda has also advanced as planned. On this basis, the key macroeconomic parameters are assumed to evolve as follows (Text Table 4):

Text Table 4. Underlying DSA Assumptions
(Percent and percent of GDP)

	2023	2024	2025	2026	2027	2028-42 Average
Real GDP Growth Rate						
2024 DSA	4.6	5.1	5.8	5.9	6.0	5.0
Current	4.6	4.0	4.6	5.4	5.6	4.8
Real GDP Growth Rate per Capita						
2024 DSA	2.1	2.6	3.4	3.5	3.7	2.8
Current	2.3	1.8	2.4	3.2	3.3	2.9
Current Account Balance						
2024 DSA	-26.4	-22.6	-22.0	-21.3	-19.4	-18.9
Current	-26.4	-11.2	-14.2	-13.4	-13.3	-14.8
Growth Rate of Exports of Goods and Services						
2024 DSA	8.6	19.5	9.6	6.7	9.5	5.7
Current	8.7	15.7	16.5	6.3	4.6	5.0
Inflation						
2024 DSA	10.0	6.6	5.7	5.0	4.8	4.7
Current	10.0	10.7	9.0	7.4	6.1	4.8
Fiscal Balance						
2024 DSA	-6.2	-2.5	-3.0	-1.6	-1.2	-1.2
Current	-7.0	-2.0	-1.8	-2.5	-2.2	-1.5

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

- Recent and medium-term real GDP growth** remains positive. Real GDP growth is estimated to have moderated to 4.0 percent in 2024, down from 4.6 percent recorded in 2023. The growth deceleration primarily reflects a broad-based slowdown in the services sector, which was weighed down by substantial fiscal consolidation, including reductions in government consumption, and moderating mining and manufacturing activities. In contrast, agricultural output increased somewhat, partially offsetting the drag from other sectors. The medium-term growth projections have been revised downward somewhat from the last DSA, reflecting a more cautious outlook amid declining external donor support and heightened global economic uncertainty in the wake of changing trade policies in major economies. Real GDP growth is now projected to average around 5.6 percent over the medium term, supported by (i) a ramp-up in iron ore mining investment and production, with one mining company investing the equivalent of over a quarter of GDP over the period 2023-25, with the aim of increasing production by more than five-fold in the medium to long term, and turning its mine into one of the largest in Sub-Saharan Africa;⁸ (ii) sustained growth in the gold sector; (iii) a continued recovery in agriculture; (iv) infrastructure

⁸The large-scale iron ore mining investment project—which encompasses construction of a high-grade iron ore processing plant (concentrator) and significant infrastructure development including road construction, expansion of the existing railway and port infrastructure—took place over the period 2023-25, with production under the expansion phase anticipated to commence in the second half of 2025.

investment via development partners, including a sizeable investment in electricity generation (e.g., construction of a 20 MW solar plant by 2025 and the planned expansion of the Mount Coffee hydropower facility from 88 MW to about 130 MW by 2028); and (v) faster reform of the state electricity company to support domestic production⁹. To account for potential delays in the implementation of reforms, the projections take a conservative approach in factoring these developments into the growth outlook, as well as prospects for exports and fiscal revenues.

- **Long-term real GDP growth** (2028-42) is projected at 4.8 percent. Growth will be driven by rapid expansion in the labor force, continued accumulation of physical capital, and productivity gains—priorities at the center of the new government’s reform agenda, with support from the IMF’s and the World Bank’s engagements. The stock of capital is growing from a low base so that investment will bring high productivity gains, including in transport, energy, and telecommunication. The new government structural reform agenda and improved macroeconomic management should foster private sector development and further support productivity growth. The large-scale mining and infrastructure projects will support growth well beyond the medium term, especially through private sector development that they should spur. Failure to raise recently low productivity growth back to the post-civil-war average is the main risk to the growth outlook. This could happen if reforms to raise education levels and hence the quality of the country’s labor force, improve the efficiency of public investment, and strengthen the business environment faltered. Climate-related setbacks are another risk.
- The **current account (CA) deficit, including grants**, declined sharply in 2024 due to favorable terms of trade, progress in fiscal consolidation and stock-filling of imported intermediate goods in 2023 for a large road construction project completed in 2024. With the one-off effects gone and favorable terms of trade shocks dissipating, the current account deficit is expected to rise to 14.2 percent of GDP in 2025 and average around 15 percent over the projection period. Stronger import-intensive mining investments remain headwinds in the near term. In the medium term and beyond, the current account will be supported by gradually expanded production and export capacity once investment activities come to fruition. The external sector assessment finds that despite improvements in 2024, Liberia’s external position remains substantially weaker than the level implied by fundamentals and desirable policies. While the CA deficit is expected to remain financed by foreign direct investment (FDI) flows, project grants, and concessional loans provided by IFIs and bilateral donors, rising global interest rates and tighter global financial conditions, shifts in donor priorities, and increased competition for concessional resources could challenge the availability of external financing.
- In 2024, **exports of goods and services** were lower than projected in the last DSA mostly because of lower iron-ore production. Higher gold prices explain more favorable prospects for

⁹A substantial share of the envisaged investments in the energy (electricity) sector is funded by the World Bank under various projects, including the Liberia Renewable Energy Solar Power Intervention Project (RESPITE) to build a 20 MW solar plant and expand the Mount Coffee hydropower facility, and the Liberia Electricity Sector Strengthening and Access Project (LESSAP) to increase electricity access and the operational efficiency of the Liberia Electricity Corporation (LEC). The financing of these projects is secured and incorporated in the external financing assumptions.

export growth in the near term. Imports of goods in 2024 fell sharply to 32.5 percent of GDP from 44.3 percent of GDP in 2023 and down 10.1 percentage points from the last DSA. Going forward, imports are expected to rise in nominal terms, but at a slower pace than anticipated in the last DSA as higher global uncertainty delays foreign investment plans and related imports.

- **Inflation** increased marginally from 10.0 percent in 2023 to 10.7 percent in end-2024, due to elevated food prices. After picking up to an average of 12.5 percent in the first quarter of 2025, inflation is projected to gradually decline to around 5.0 percent in 2029-30. The anticipated easing of inflation is underpinned by the envisaged prudent monetary and fiscal policies, especially the ongoing fiscal consolidation. Additionally, a projected slowdown in international commodity prices—especially for imported food and crude oil—is expected to further support the gradual deceleration of inflation over the medium term.
- The **fiscal balance** of the government, including project aid, has improved substantially in 2024 from a deficit of 7.0 percent in 2023 to 2.0 percent of GDP in 2024, due to better revenue collection (1.2 percentage points of GDP), largely non-tax revenues, and spending rationalization, in particular for unproductive spending. In line with the ECF-supported program the authorities managed to reduce spending on goods and services by more than 3.8 percentage points of GDP. The lower-than-projected actual IDA disbursements in 2024, due to a postponement of two projects, contributed to better fiscal outcomes in 2024. Going forward, the projected medium-term fiscal path has not changed substantially, reflecting the continued commitments under the ECF and projected external grants and loan disbursements. Against this background, following the sharp improvement in 2024, the primary deficit is expected to remain below 1.6 percent of GDP until 2030. This projection also includes additional public expenditures to take over several essential social programs previously financed through grants from the USAID.¹⁰ Over the long term, the primary fiscal deficit is projected to fall further to below 1.0 percent of GDP so that public debt ratios stabilize at prudent levels.
- **Gross official reserves** declined marginally to US\$475 million (2.1 months of imports) at end-2024, from US\$487 million (2.5 months of imports) in 2023, due to the repayments to the Fund. The authorities are committed to gradually building reserves to around 3.3 months of imports in the medium term to withstand external shocks.

8. The assumptions for the financing mix and borrowing terms are as follows:

¹⁰ This additional spending will be financed through new sources of revenues, including: strict enforcement of real estate tax collections—particularly from government-appointed officials; upfront payments from new concession agreements; and offsetting savings from targeted cuts in recurrent spending.

- External borrowing.** Liberia relies mostly on external borrowing to meet its medium-term public gross financing needs. US\$818 million in new external borrowing is projected for 2025-27, corresponding to around 67 percent of total new borrowing in the period. Over the medium and long term, concessional financing with grant-equivalent terms is expected to decline substantially, with the grant element of new external borrowing expected to fall from 45.2 percent at its peak in 2028 to 18.2 percent in 2045. This will require external financing with non-concessional terms to maintain investment and support growth.

Text Table 5. External Borrowing Assumptions
(Millions of USD)

	2025	2026	2027
Total	255	268	296
Multilateral	235	238	258
IMF	97	52	53
IDA	94	141	160
AfDB	24	25	25
Other multilaterals	20	20	20
Bilateral	0	0	0
of which: Paris Club	0	0	0
Commercial	20	30	38

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

- Domestic borrowing.** During 2025-27, new domestic borrowing is projected around US\$402 million, accounting for about one-third of total borrowing needs. The mix between external and domestic borrowing is expected to gradually shift toward domestic borrowing in the medium to long run, as the government develops and deepens its domestic debt market and given that financing provided by development partners is unlikely to keep pace with the expansion of the Liberian

Text Table 6. Summary of Public Borrowing Plan
(Millions USD)

	2025	2026	2027
Gross financing needs ¹	447	383	390
Financing sources	447	383	390
External ²	255	268	296
Concessional	148	206	233
Budget financing	40	40	40
Project financing	108	166	193
Non-concessional	107	62	63
Domestic	192	115	94
Other sources	0	0	0

¹Gross financing needs presented in this table are consistent with the DSA and macro framework for the second review of the current ECF arrangement.

²All the external borrowings are long-term.

Sources: Liberian authorities; World Bank; and IMF staff projections.

economy. Domestic borrowing is projected in the form of short-, medium-, and long-term foreign currency denominated treasury bills and bonds. This assumes no central bank financing, in line with the amended and restated CBL Act of 2020, which prohibits central bank lending to the government except for limited amount under exceptional circumstances (e.g., natural disaster, war, or famine). Due to the shorter maturity of some of these debt

instruments, more frequent roll-overs or further external borrowing would be required. Text Table 6 summarizes the public borrowing plan of Liberia in the short-term.

9. This DSA is further grounded in zero outstanding debt payment obligations. As of end-December 2024, the GoL had accumulated external debt arrears amounting to US\$7.7 million, breaching one of the performance criteria established in the ECF arrangement, and US\$9.5 million in domestic debt arrears, failing to meet an indicative target.¹¹ However, all outstanding, undisputed, external arrears were cleared by end-June 2025.¹²

REALISM OF THE BASELINE ASSUMPTIONS

10. To support Liberia's growth performance, the current DSA is crucially predicated on safeguarding public capital spending. In the long term, Liberia will face a marked decline in concessional financing with grant-equivalent elements. Everything else equal, this would imply large declines in public investment and hence economic growth and development. To avoid this outcome, the current DSA keeps public investment around 6.4 percent of GDP (slightly below the levels projected in the previous DSA) while containing recurrent spending. Following the 2024 fiscal consolidation and the reiterated authorities' commitments to the 2024 ECF fiscal program, the overall fiscal balance has improved compared to the previous DSA (see Text Figure 2). The gaps left by the decline in concessional financing are assumed to be filled partly by external commercial financing, which a developing Liberia should gain access to in the longer run. The resulting rising share of non-concessional financing will narrow the margin of economic growth over interest rates on Liberia's debt, but it will remain decisively positive, exerting a downward trend on debt ratios.

11. A shift away from concessional toward commercial external financing safeguards investment but prudent fiscal policies are necessary to improve the debt trajectory in PV terms (see Text Figure 2).

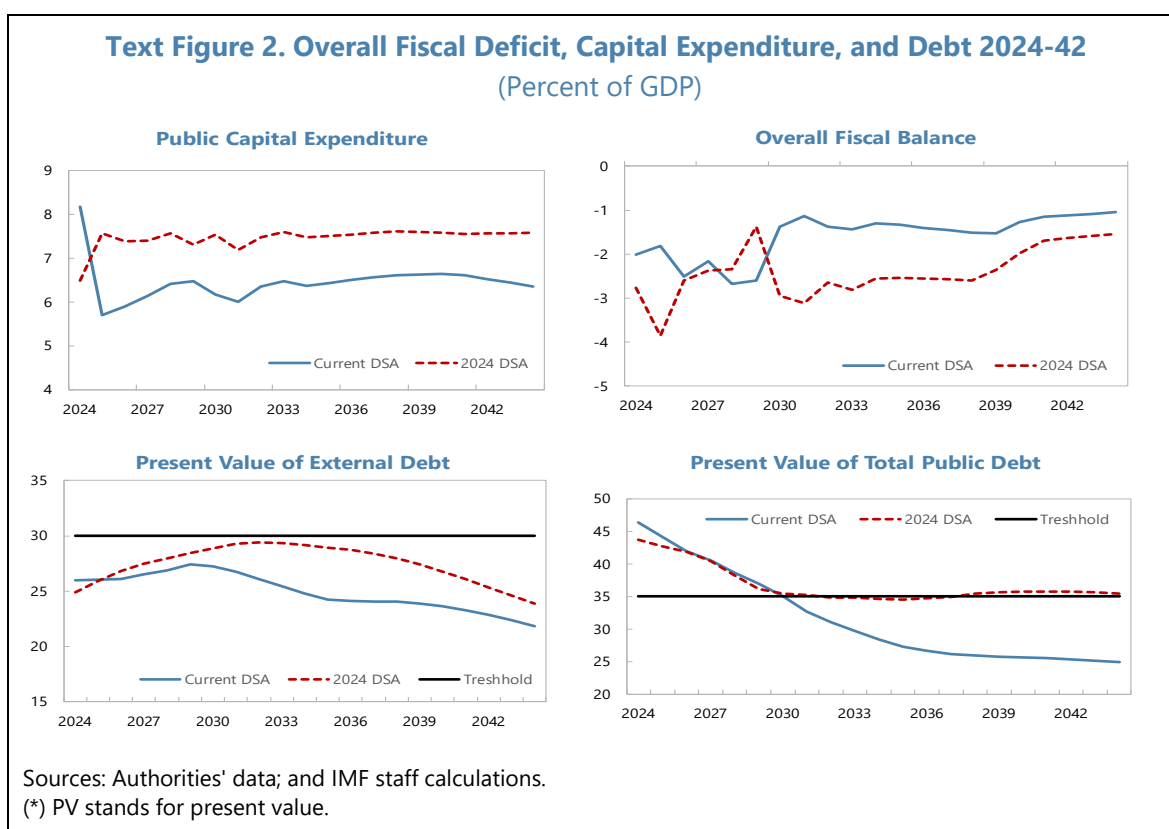
- In the current DSA, external debt relative to GDP rises from its end-2024 level of 36.7 percent (26.0 in PV terms) to around 40 percent (27.2 in PV terms) in 2030, before gradually declining to 26.3 percent (21.2 in PV terms) by 2045. The initial trajectory of the debt is similar to the previous DSA, where external debt in 2024 was projected at 37.5 percent of GDP (24.6 in PV terms). However, the projected primary deficit is lower in the current DSA, more than offsetting

¹¹The US\$9.5 million domestic debt arrears were due to local banks and were cleared in the first half of 2025. During the mission, authorities confirmed that arrears are included in the stock of debt reported by MFDP. The GAC is also updating their previous auditing on domestic arrears, to be published by end-December 2025.

¹²As of June 2025, Liberia had disputed claims two official creditors and one commercial creditor totaling about US\$71.19 million, including US\$14.2 million in arrears. All, except for one which the authorities dispute on the grounds that payments have been made, are incorporated in the stock of debt of this DSA, totaling US\$13.2 million. The authorities are disputing these obligations on the grounds that: (i) the loan contracting process did not comply with domestic legal procedures; (ii) the loan disbursements were not made in accordance with the loan agreement; and (iii) the involvement of third parties in certain contracts was unjustified as services were not delivered and no tangible outcomes achieved.

the effect of higher endogenous debt dynamics, such as higher borrowing costs from less concessional loans, and lower nominal GDP growth on the PV of debt.

- Like in the previous DSA, the fiscal adjustment path has been calibrated to achieve a gradual declining trajectory for the total public debt-to-GDP ratio in PV terms. Total public debt starts at 57.2 percent of GDP in the current DSA (58.8 previously), with a higher starting PV value (46.4 percent of GDP) than in the previous DSA (45.7 percent of GDP) due to higher debt service costs and lower nominal GDP growth. While in nominal terms public debt is projected to decline gradually to 29.9 percent in 2045, in PV terms the decline is less pronounced, crossing down the 35-percent-of-GDP threshold for moderate debt distress risk only in 2031 and stabilizing in the long-run around 25 percent of GDP.¹³ Achieving this debt path requires fiscal consolidation that brings primary deficit ratio within a decade from 6.1 percent of GDP in 2023 (inclusive of project aid) to 0.5 percent of GDP in 2025, while remaining on average below 1.6 percent until 2030, and gradually reducing to 1.0 percent and remaining at this level throughout the projection period. The gradual shift in the medium- to long-term from grants and concessional to commercial external and domestic debt requires maintaining the primary balance at or below 1 percent of GDP to first stabilize and then reduce the debt burden in terms of GDP.



¹³The debt outlook is premised on somewhat optimistic growth outlook, driven primarily by stronger-than-anticipated mining growth, and a downward revision in WB disbursements.

12. The realism tools suggest that the baseline scenario is credible compared to Liberia's historical and cross-country experiences (Figure 3).

- The CA deficit has been and will remain the main contributor to external debt accumulation while net FDI, inflation, and real GDP growth will play important mitigating roles (Figure 3). The residual, which has played a mitigating factor in the previous years, includes project grants (recorded in the capital account) and current transfers (remittances) that are not captured by the official statistics.
- The unexpected reductions in PPG external and public debt in the past five years beyond changes in debt explained by the usual macroeconomic debt-creating forces were 14.7 and 3.8 percent of GDP, respectively, compared to unexpected increases of 5.3 and 3.3 percent of GDP in LICs. The main drivers of the unexpected drop in external debt-to-GDP were the lower current account deficits and higher prices compared to their projected paths.

13. Improvement in the primary balance over the next three years is in line with historical data on LIC adjustment programs (Figure 5). The second DSF realism tool assesses the realism of the fiscal projection. Figure 5a highlights that the anticipated adjustment in the primary balance of about ½ percentage points of GDP is in the middle of the distribution. The growth projections for 2025-26 are somewhat higher compared to the growth paths suggested by the fiscal multiplier realism tool (Figure 5b). This reflects (i) generally low fiscal multipliers given Liberia's small domestic production base; (ii) sharply reduced uncertainties and lower risk premia brought about by fiscal discipline; (iii) catalytic role of program commitments vis-à-vis other multilateral, as well as bilateral lenders; (iv) idiosyncratic factors, including gradual acceleration in mining activities. For the long term (2030-45), the primary deficit is projected to remain below 1 percent of GDP, which is enough to first stabilize and then allow a gradual decline of the PV of public debt-to-GDP ratio.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

14. Liberia's debt-carrying capacity based on the Composite Indicator (CI) is assessed as weak (Text Tables 7 and 8). The CI captures the impact of different factors through a weighted average over 2018-2027 of the World Bank's CPIA score, the country's real GDP growth, remittances, international reserves, and world growth. Liberia's debt-carrying capacity based on the CI, which is based on the April 2025 WEO and the average CPIA, is assessed as weak. The CI score is 2.62, compared to 2.64 in the previous DSA. In addition, Liberia remains assessed as "weak quality of debt monitoring" in line with the country's debt-recording capacity, although Liberia is improving debt reporting as per the World Bank debt transparency heatmap.

15. Standard scenarios stress tests and contingent liability tests are conducted and discussed below. Both tests apply the default settings.

Text Table 7. Composite Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.4	3.0	1.1	44%
Real growth rate (in percent)	2.7	3.8	0.1	4%
Import coverage of reserves (in percent)	4.1	24.5	1.0	38%
Import coverage of reserves^2 (in percent)	-4.0	6.0	-0.2	-9%
Remittances (in percent)	2.0	9.1	0.2	7%
World economic growth (in percent)	13.5	3.0	0.4	16%
CI Score			2.59	100%
CI rating			Weak	

Final classification	Classification based on current vintage	Classification based on previous vintage	Classification based on two previous vintages
Weak	Weak 2.59	Weak 2.50	Weak 2.62

Text Table 8. Debt Carrying Capacity and Thresholds

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23
TOTAL public debt burden threshold	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	140
GDP	30
Debt service in % of	
Exports	10
Revenue	14

EXTERNAL DSA

16. **Liberia remains at moderate risk of external debt distress in the baseline scenario.** The debt-to-GDP ratio in PV terms remains slightly below the threshold over the projection horizon (Figure 1). On the other hand, the debt service-to-revenue ratio starts slightly above the threshold in the first year of the projection and gradually improves thereafter. The debt-to-exports and debt service-to-export ratios show more favorable trajectories as they remain below the threshold throughout the projection horizon. Compared to the previous DSA, lower fiscal deficits and a trajectory of non-concessional borrowing projected to be more aligned with GDP growth over the medium- and long-term explain the improved profile of the PV of debt-to-GDP ratio in that horizon. Table 1 indicates that the debt-to-GDP ratio in 2024 increased by more than what the

current account, FDI, and other debt creating components, such as interest rates, suggest. The unexplained residual may be due to discrepancies in official statistics.

17. Standard stress tests show that a deterioration of the macroeconomic outlook might push some external debt risk indicators above their thresholds (Table 3). Under the alternative scenario with key variables at their historical averages, all indicators breach the threshold in the longer-term horizon, while the PV of external debt-to-GDP remains above the threshold throughout most of the projection horizon. Debt service-to-exports indicator suggest a lower risk of debt distress, as it remains below the threshold in most alternative stress scenarios.

18. The granularity assessment further suggests that Liberia has limited space to absorb shocks (Figure 4). While the PV of the debt-to-exports and debt service-to-export ratios remain, over the projected period, within the range indicating substantial space to accommodate adverse shocks, the PV of debt-to-GDP falls into the range suggesting limited space to absorb shocks. Meanwhile, the PV of debt service-to-revenue begins in the limited space range but moves into the region that indicates some space to absorb shocks over time. Overall, this suggests that Liberia has limited space to absorb shocks. The outcome of the granularity assessment remains qualitatively unchanged from the last DSA.

19. There are important risks beyond those captured in the standard stress tests. Until 2029, Liberia is expected to contract an unusually large amount¹⁴ of external debt, including some on non-concessional terms. As these loans disburse over time, external debt relative to GDP will rise close to the threshold for high risk in subsequent years. Remaining in the moderate risk region requires much lower contracting going forward. The authorities should coordinate with the development partners, get an overview of projects under consideration, and prioritize appropriately while remaining within the overall envelope. They should also improve their debt carrying capacity—an upgrade to a “medium” classification would loosen thresholds against which indicators are assessed for DSA risk rating purposes.

PUBLIC DSA

20. Under the expected fiscal consolidation assumptions, the PV of the public debt to GDP ratio will decline from 46.4 percent in 2024 to 27.3 percent in 2035 and remain below the 35 percent threshold for the rest of the projection period (Table 2). The PV of public debt to GDP ratio in 2024, projected at 43.7 percent at the time of the previous DSA, turned out to be notably higher at 46.4 percent, largely due to lower 2024 GDP. In the baseline, the PV of the public debt-to-GDP ratio crosses down the 35 percent DSA benchmark in 2031. Automatic debt dynamics remains favorable throughout the forecasting horizon due to largely concessional debt terms, although counterbalanced by Liberia’s high development needs. On balance, the PV of public debt-to-GDP ratio is projected to decline steadily, falling below 28 percent of GDP by 2035 and remaining well below the DSA threshold throughout the remainder of the forecasting horizon

¹⁴Roughly US\$1,225 million expected to be disbursed between 2025-2029, which constitute around 26 percent of 2024 nominal GDP. The amount does not include IMF disbursements.

(Table 2 and Figure 2). The debt-service-to-revenue and grants ratio is expected to increase from 14.8 percent in 2024 to 34.5 percent in 2025, due to the shortened GoL repayment profile of the US\$83 million of CBL budgetary financing in 2023. After 2027, this ratio will gradually decline and reach 12.9 percent by the end of the projection period. Although no explicit threshold exists for the PV of debt-to-revenue and debt service-to-revenue ratios, further efforts in revenue mobilization and PFM reforms are necessary to alleviate borrowing needs and reduce debt service pressure.

21. The risks associated with domestic debt dynamics are assessed to be contained.

However, this is contingent upon the continued implementation of prudent fiscal policies and sustained access to external financing, which is subject to uncertain global financial conditions. Although the domestic public debt-to-GDP ratio temporarily exceeds the peer's median for a brief period, it is projected to decline gradually over time. The projected reduction in domestic debt primarily reflects the government's settlement of legacy obligations with the CBL. Both solvency and liquidity indicators are expected to remain well below their historical averages and the corresponding medians for peer countries (Figure 6).

22. Under standard sensitivity analysis scenarios, Liberia would be rated at a high risk of public debt distress throughout the next decade. Among the bound tests, a real GDP shock generates the largest breach of the benchmark on the PV of debt-to-GDP ratio, which would remain well above the related benchmark. Liberia's high dependency on exports, FDI and concessional lending also reflects on the vulnerability of the debt trajectory to shocks in the terms-of-trade and global financial conditions. According to the bound tests, the calibrated shocks in those sectors would lead to a deterioration of the PV of the debt-to-GDP ratio and a breach of the threshold throughout the projection horizon (Table 4). Additionally, the contingent liability stress test, which captures the combined shock of SOE's external debt default, PPPs' distress, and financial market vulnerabilities that are not included in the covered data, would lead to an increase in the PV of public debt-to-GDP ratio to 57 percent in 2026, followed by a steady decline thereafter.

23. There are important risks outside this standard sensitivity analysis. In addition to the risks on external debt contracting discussed above, the medium-term growth projections very much depend on a few large mining projects and the modernization of the economy by implementing the ARREST Agenda for Inclusive Development (AAID). Moreover, Liberia's debt service will remain large for this decade. The government could again incur payment arrears when financing gets tight and violate public financial management (PFM) regulations, which require a strict prioritization of debt service payments, as envisaged in the PFM legislation. The government should strengthen its PFM including cash planning, to avoid getting cornered by financing difficulties.

RISK RATING AND VULNERABILITIES

24. Liberia is assessed to be at moderate risk of external debt and high risk of overall debt distress. All external debt sustainability indicators remain below their indicative high-risk threshold regions in the baseline scenario but within the region of moderate risk of external debt

distress. The PV of public debt-to-GDP ratio exceeds the 35-percent threshold during 2025-29, which entails an assessment of high risk of public debt distress. In 2030, this ratio is projected to reach its indicative threshold and fall below thereafter, reinsuring that public debt is sustainable under prudent fiscal policy implementation. Beyond 2031, the model-based signal still indicates that Liberia would remain at moderate risk of debt distress.

25. Despite the high risk of overall debt distress, public debt is assessed as sustainable.

Currently around 90 percent of external debt is on highly concessional terms and held by multilateral lenders, whereas the bulk of domestic debt is owed to the CBL at favorable terms. Although the share of non-concessional debt is set to edge up, considerably limiting room for maneuver, and the interest rate-to-growth differential to narrow in the longer run, the differential will remain negative, thereby exerting strong downward pressure on debt ratios throughout the forecasting horizon. Together with a continued fiscal rationalization which will keep the primary deficit in the range of 1.6-0.3 throughout the projection period, the automatic debt dynamics will ensure a gradual and steady decline in the ratio of the PV of public debt-to-GDP into moderate risk rating territory starting from 2031. Beyond that, public debt projections are predicated on continued gradual fiscal adjustment path that protects public investment while keeping debt in check in the face of rising debt service costs. In the long run, once the financing mix settles, these factors will also stabilize the ratio of public debt service to fiscal revenues.

26. The DSA underscores that maintaining a prudent fiscal policy and prioritizing borrowing at concessional terms or even better grants are crucial for safeguarding debt sustainability and bringing public debt to moderate debt distress risk. To maintain external debt at moderate risk of debt distress and to bring the public debt to a moderate risk of debt distress by 2031 (e.g. PV of public debt to GDP ratio below the 35 percent threshold), it is essential to ensure a prudent and conservative approach in contracting both new domestic (commercial bank financing) and external debt. Ensuring transparency and timely disclosure of new debt contracts is essential in monitoring debt developments. Therefore, debt management capacity should be enhanced without any further delays, by also developing and implementing a credible and coherent medium-term debt strategy. The annual debt strategy should include a detailed borrowing plan that can reduce the risks associated with timely debt service and overall debt sustainability.

27. The balance of risks to the outlook is tilted to the downside. A sizable drop in nominal GDP (either due to a sharp depreciation of Liberian dollar (LRD) or a weaker than anticipated real GDP growth rate) is a significant risk to external borrowing space and the risk rating of external debt. A larger-than-projected global economic slowdown, caused by lower external demand amid increased global uncertainties and rising trade protectionism, could have adverse impacts on the Liberian economy, primarily through exports, FDI and international donors' support channels. Further deterioration in payment culture, e.g. accumulating new domestic and external arrears or constantly missing payment deadlines, can lead to loss of confidence and tighter financing constraints. To this end, the DSA envisages a sustainable and durable fiscal position, aimed at reversing the large fiscal expansion in previous years. Tax mobilization is urgently needed to create the necessary fiscal space to implement the AAID as well as to put Liberia in a better position to

mitigate future adverse shocks, even of a mild nature. Of course, any fiscal slippages in the future could substantially reduce Liberia's borrowing space. Finally, if major climate risks materialize before adaptation measures are in place, economic activity could falter.

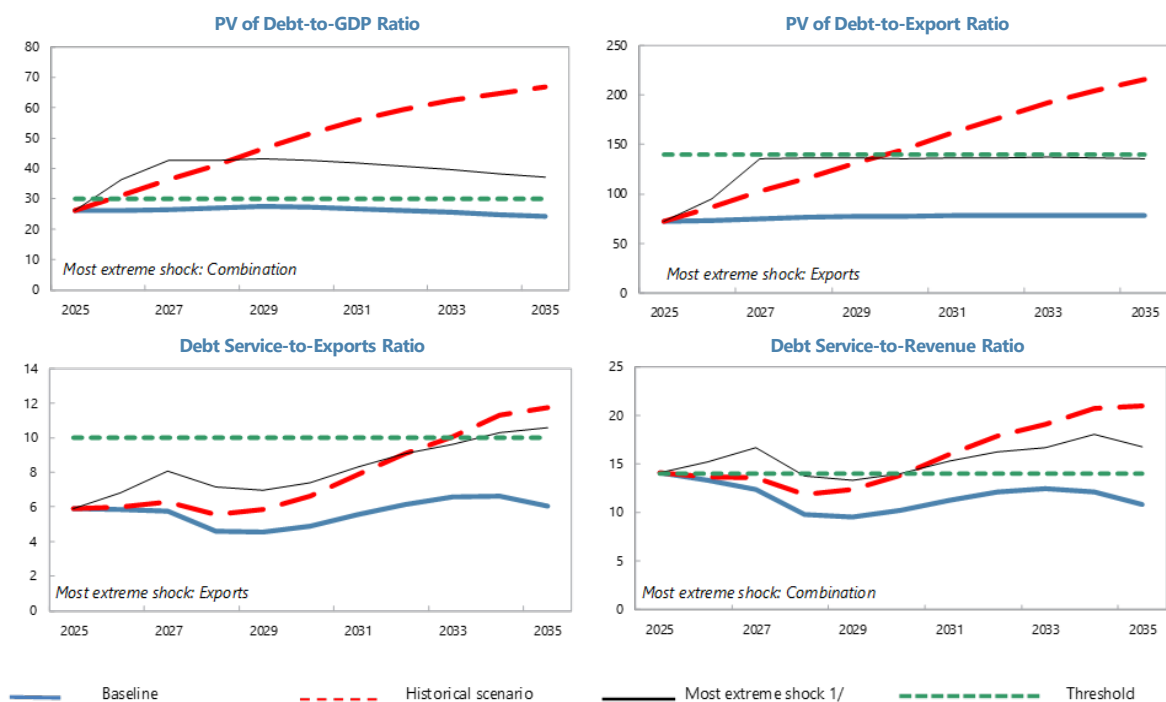
AUTHORITIES' VIEWS

28. The authorities broadly agreed with this DSA and the ratings for debt distress risks. It accurately reflects the level of Liberia's current indebtedness and likely developments going forward. They thought that the fact that domestic public debt consisted mainly of legacy obligations to the CBL was an important mitigating factor. Debt owed to the CBL is within Liberia's public sector and its terms are favorable, with relatively low interest rates and long maturities. The government remains committed to macroeconomic stability and fiscal discipline, which will keep public debt in check.

29. The authorities were wary of the constraints that debt sustainability requirements may place on critical infrastructure investment. Mostly because of the destructions during the long civil wars, Liberia faces large infrastructure gaps that it needs to narrow to achieve its development objectives. At the same time, the authorities are committed to improving the ratings for both external and total public debt from currently high to moderate in the years to come. To lessen the trade-offs, the authorities intend to strictly prioritize reliance on concessional external loans and grants for now. They will work with the community of development partners to prioritize projects and space out disbursements optimally. They will also aim to improve their debt carrying capacity, which will require proceeding with ambitious reforms, allowing Liberia to gradually take on more debt without unduly increasing risks.

30. The authorities were hopeful that donor support would drop off less than projected in this DSA in the long run. In the long run, Liberia should have easier access to both external financing at non-concessional terms and domestic financing as capital markets are developing. The government would have to tap into them to maintain reasonable levels of public investment. However, were development partners able to maintain concessional financing at higher-than-projected levels for longer, recourse to non-concessional and commercial borrowing could be much lower than currently projected, opening up valuable fiscal space.

Figure 1. Liberia: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2025–35



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price 2/	Yes	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	28	28
Avg. grace period	7	7

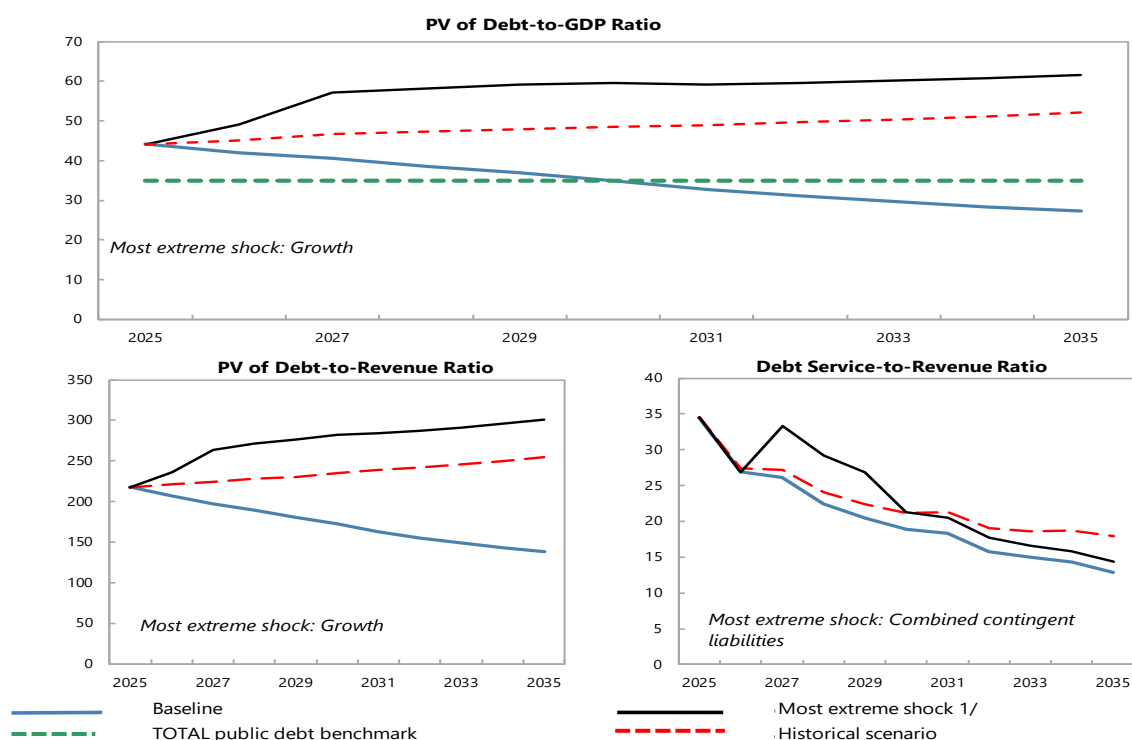
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Liberia: Indicators of Public Debt Under Alternative Scenarios, 2025–35



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	85%	85%
Domestic medium and long-term	10%	10%
Domestic short-term	5%	5%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
Avg. maturity (incl. grace period)	28	28
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	6.4%	6.4%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	6.4%	6.4%

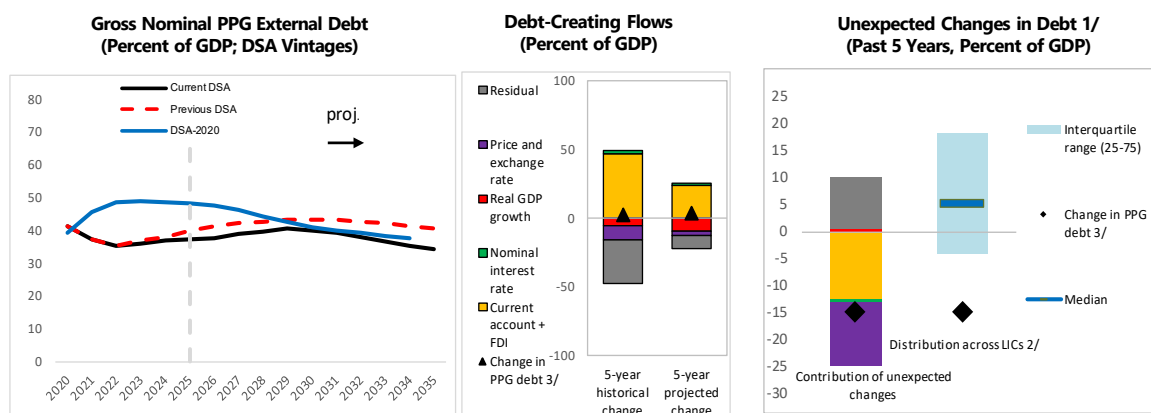
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

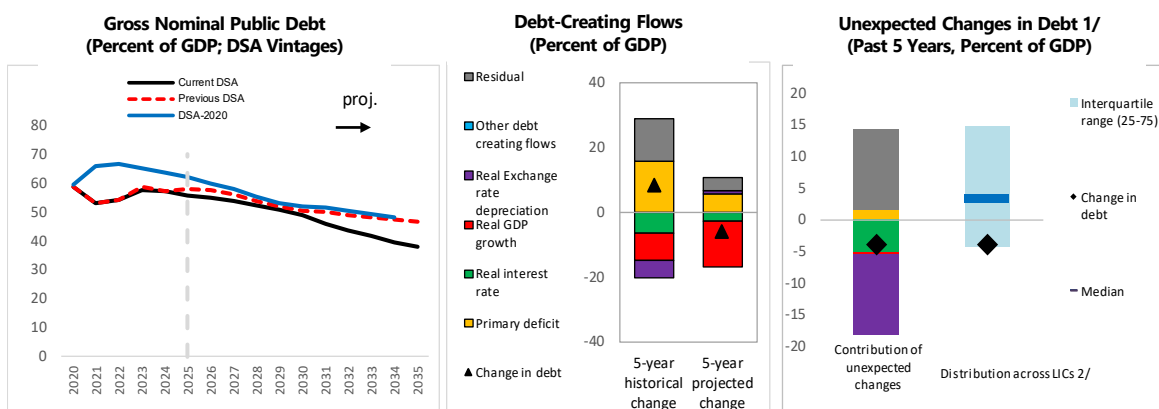
1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Liberia: Drivers of Debt Dynamics – Baseline Scenario

External Debt



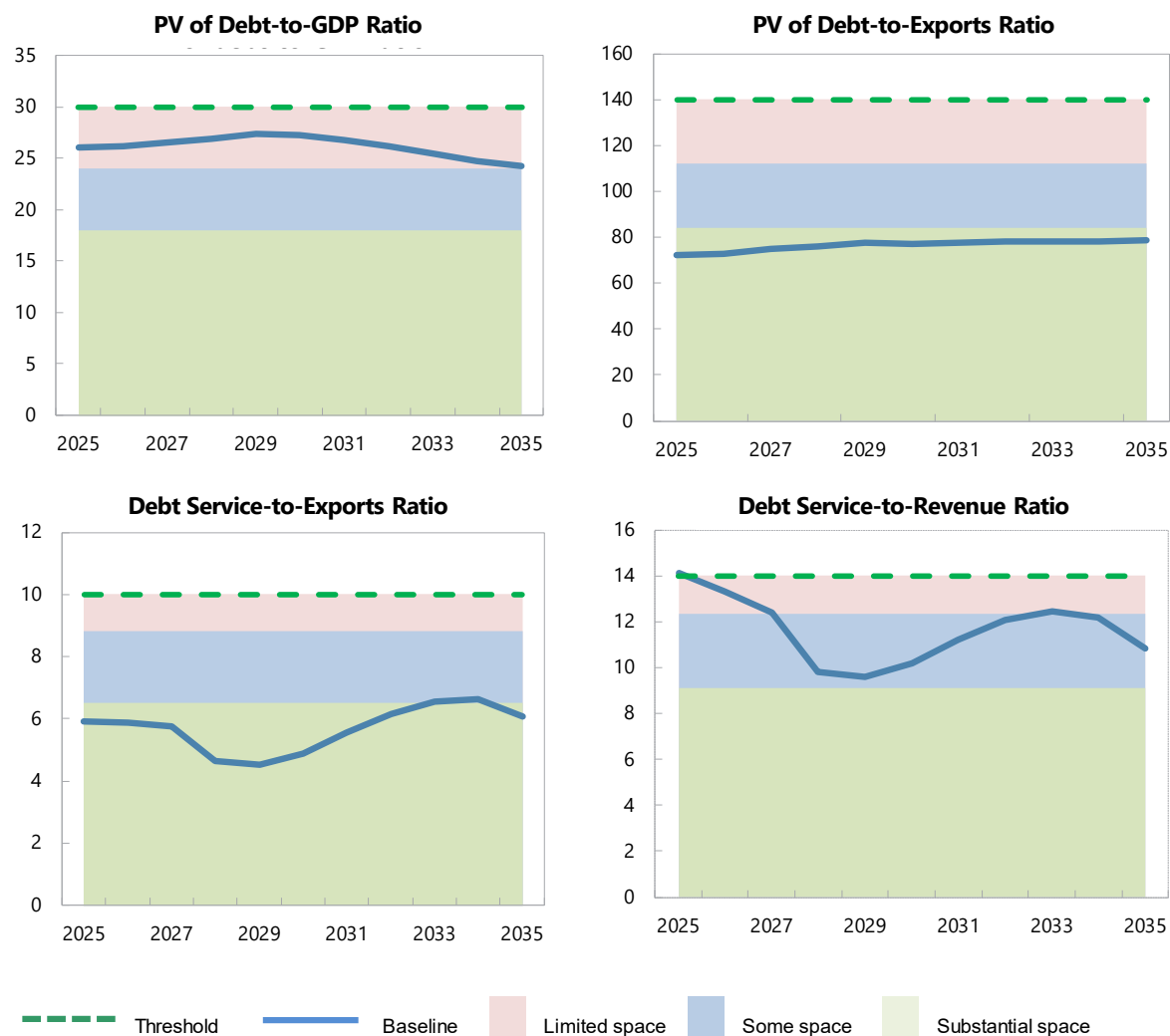
Public Debt



1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

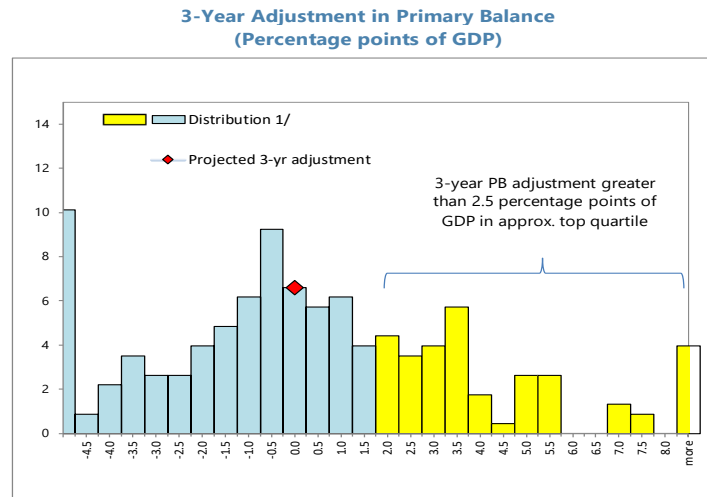
3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Liberia: Qualification of the Moderate Category, 2025–35¹

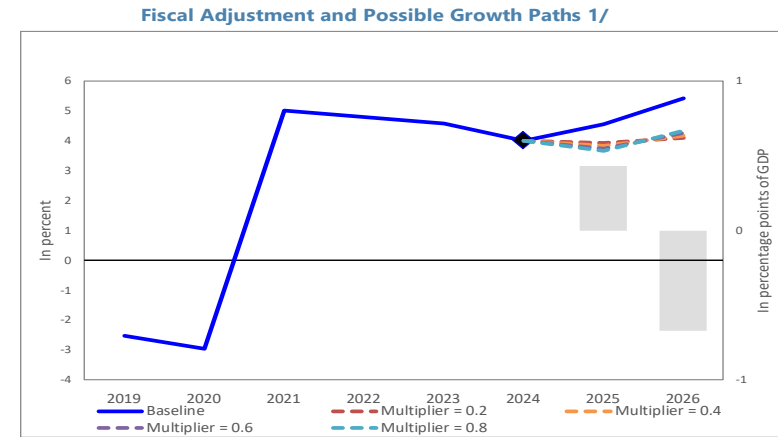
Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Figure 5. Liberia: Realism Tools

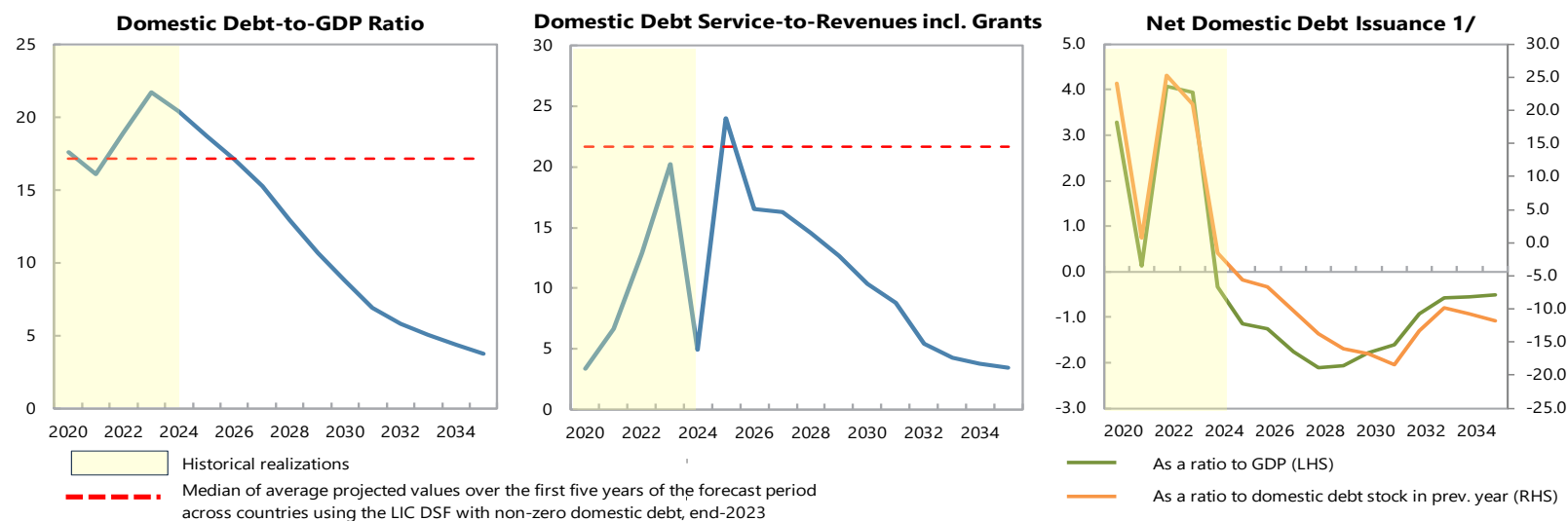


1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Figure 6. Liberia: Indicators of Domestic Public Debt, 2020-35
(Percent)



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	65%
Short-term	35%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	6.4%
Avg. maturity (incl. grace period)	3
Avg. grace period	1
Domestic short-term debt	
Avg. real interest rate	6.4%

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.

Table 1. Liberia: External Debt Sustainability Framework, Baseline Scenario, 2022–45
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/ Historical Projections	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/ of which: public and publicly guaranteed (PPG)	35.4	36.1	36.7	37.2	37.7	38.8	39.5	40.4	40.1	34.2	26.3	31.1	37.9
	35.4	36.1	36.7	37.2	37.7	38.8	39.5	40.4	40.1	34.2	26.3	31.1	37.9
Change in external debt	-1.8	0.7	0.7	0.5	0.5	1.0	0.7	0.9	-0.3	-1.1	-1.1		
Identified net debt-creating flows	7.2	13.3	-1.5	3.5	3.2	3.0	3.5	3.0	2.7	6.6	-1.1	10.5	4.0
Non-interest current account deficit	18.7	26.0	10.4	13.8	13.2	13.0	13.5	12.4	12.0	14.5	-0.6	20.2	13.2
Deficit in balance of goods and services	22.3	30.2	14.8	15.6	14.0	13.2	12.6	11.0	10.3	12.8	0.0	31.7	12.3
Exports	32.1	31.5	33.5	36.1	35.9	35.3	35.3	35.4	35.4	30.9	0.0		
Imports	54.4	61.7	48.3	51.7	49.8	48.5	47.9	46.4	45.7	43.6	0.0		
Net current transfers (negative = inflow)	-9.6	-10.0	-9.8	-8.4	-7.7	-7.3	-6.7	-6.2	-5.8	-4.6	0.0	-16.0	-6.1
of which: official	-2.7	-2.7	-3.1	-2.3	-2.0	-1.9	-1.6	-1.5	-1.4	-1.0	0.0		
Other current account flows (negative = net inflow)	6.0	5.9	5.4	6.6	6.9	7.2	7.5	7.6	7.6	6.4	-0.6	4.6	7.1
Net FDI (negative = inflow)	-7.4	-9.8	-9.8	-9.2	-8.3	-8.3	-8.1	-7.7	-7.6	-6.9	0.0	-8.5	-7.7
Endogenous debt dynamics 2/ Contribution from nominal interest rate	-4.1	-3.0	-2.1	-1.2	-1.6	-1.7	-1.9	-1.6	-1.7	-1.0	-0.6		
Contribution from real GDP growth	0.3	0.3	0.8	0.4	0.3	0.3	0.2	0.4	0.4	0.5	0.6		
Contribution from price and exchange rate changes	-1.6	-1.5	-1.3	-1.6	-1.9	-2.0	-2.1	-2.0	-2.1	-1.5	-1.1		
Residual 3/ of which: exceptional financing	-2.8	-1.9	-1.6	...	...	...	...	...	...	...	...	-8.4	-4.2
	-9.0	-12.6	2.2	-3.0	-2.7	-1.9	-2.8	-2.1	-3.1	-7.7	0.0		
	-	-	-	-	-	-	-	-	-	-	-		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	26.0	26.1	26.1	26.5	26.9	27.4	27.2	24.2	21.2		
PV of PPG external debt-to-exports ratio	...	...	77.4	72.1	72.8	75.1	76.2	77.3	77.0	78.5	...		
PPG debt service-to-exports ratio	5.0	5.4	6.6	5.9	5.9	5.7	4.6	4.5	4.9	6.1	...		
PPG debt service-to-revenue ratio	10.6	12.8	15.3	14.1	13.3	12.4	9.8	9.6	10.2	10.8	...		
Gross external financing need (Million of U.S. dollars)	511.7	789.9	134.5	350.1	384.5	395.6	445.1	422.2	438.5	955.1	208.9		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.8	4.6	4.0	4.6	5.4	5.6	5.9	5.5	5.5	4.5	4.5	1.5	5.2
GDP deflator in US dollar terms (change in percent)	8.1	5.6	4.6	3.3	1.6	0.6	1.2	1.3	0.9	2.4	2.4	3.0	1.8
Effective interest rate (percent) 4/	0.9	1.0	2.5	1.1	0.7	0.8	0.6	1.0	1.1	1.5	2.2	1.1	1.1
Growth of exports of G&S (US dollar terms, in percent)	13.0	8.7	15.7	16.5	6.3	4.6	7.0	7.3	6.5	4.6	...	8.0	6.3
Growth of imports of G&S (US dollar terms, in percent)	8.8	25.4	-14.8	15.6	3.2	3.4	5.9	3.6	4.8	6.2	...	-0.8	6.1
Grant element of new public sector borrowing (in percent)	...	...	...	38.6	43.8	44.2	45.2	43.2	41.6	28.1	18.2	...	37.8
Government revenues (excluding grants, in percent of GDP)	15.2	13.4	14.5	15.2	15.8	16.3	16.6	16.8	16.9	17.3	17.8	14.5	16.7
Aid flows (in Million of US dollars) 5/	366.5	445.4	519.8	330.8	363.0	385.3	404.7	411.9	355.6	350.9	369.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	7.0	6.6	6.5	6.0	5.7	4.8	3.2	1.9	...	5.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	69.8	70.8	69.8	69.9	68.2	70.3	63.5	57.5	...	67.7
Nominal GDP (Million of US dollars)	3,974	4,390	4,778	5,160	5,525	5,874	6,292	6,724	7,162	10,107	19,693		
Nominal dollar GDP growth	13.3	10.5	8.8	8.0	7.1	6.3	7.1	6.9	6.5	7.0	7.0	4.7	7.1
Memorandum items:													
PV of external debt 7/	...	...	26.0	26.1	26.1	26.5	26.9	27.4	27.2	24.2	21.2		
In percent of exports	...	...	77.4	72.1	72.8	75.1	76.2	77.3	77.0	78.5	...		
Total external debt service-to-exports ratio	5.0	5.4	6.6	5.9	5.9	5.7	4.6	4.5	4.9	6.1	...		
PV of PPG external debt (in Million of US dollars)	...	...	1239.8	1344.6	1442.6	1557.0	1690.5	1841.6	1951.4	2450.5	4176.2		
(PVt-PVt-1)/GDPI-1 (in percent)	...	...	...	2.2	1.9	2.1	2.3	2.4	1.6	1.2	0.8		
Non-interest current account deficit that stabilizes debt ratio	20.5	25.3	9.8	13.4	12.6	11.9	12.8	11.4	12.4	15.6	0.6		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - p(1+g) + E\alpha(1+r)]/(1+g+p+g)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate; p = growth rate of GDP deflator in U.S. dollar terms; E = nominal appreciation of the local currency, and α = share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

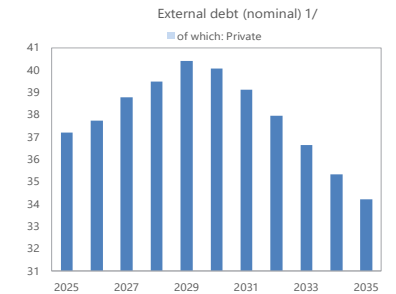
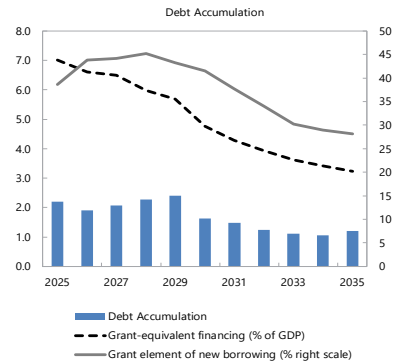


Table 2. Liberia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022–45
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
Public sector debt 1/ of which: external debt	54.3 35.4	57.8 36.1	57.181 36.743	55.9 37.2	54.9 37.7	54.1 38.8	52.4 39.5	51.1 40.4	48.8 40.1	38.0 34.2	29.9 26.3	45.2 31.1	47.8 37.9
Change in public sector debt	1.0	3.5	-0.6	-1.3	-1.0	-0.8	-1.7	-1.3	-2.3	-1.7	-0.9		
Identified debt-creating flows	-1.4	1.5	-2.4	-2.5	-2.3	-2.5	-2.1	-1.6	-2.7	-1.2	-0.9	1.6	-2.0
Primary deficit	4.4	6.1	1.0	0.5	1.2	0.9	1.5	1.5	0.4	0.7	0.35	3.4	0.8
Revenue and grants	21.6	20.1	22.3	20.3	20.2	20.6	20.4	20.5	20.2	19.8	19.4	27.1	20.2
of which: grants	6.4	6.7	7.8	5.1	4.5	4.3	3.9	3.7	3.3	2.5	1.6		
Primary (noninterest) expenditure	26.0	26.2	23.3	20.8	21.5	21.6	22.0	22.0	20.6	20.5	19.8	30.5	21.0
Automatic debt dynamics	-5.8	-4.6	-3.4	-3.1	-3.5	-3.5	-3.7	-3.1	-3.0	-1.9	-1.3		
Contribution from interest rate/growth differential	-5.4	-3.7	-2.2	-3.1	-3.5	-3.5	-3.7	-3.1	-3.0	-1.9	-1.3		
of which: contribution from average real interest rate	-3.0	-1.3	0.0	-0.6	-0.6	-0.5	-0.7	-0.4	-0.4	-0.2	0.1		
of which: contribution from real GDP growth	-2.4	-2.4	-2.2	-2.5	-2.9	-2.9	-3.0	-2.7	-2.7	-1.7	-1.3		
Contribution from real exchange rate depreciation	-0.4	-1.0	-1.2	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	2.4	2.1	1.7	1.2	1.3	1.7	0.5	0.3	0.4	-0.5	0.0	1.7	0.3
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	46.4	44.1	41.9	40.6	38.6	37.0	35.0	27.3	24.5		
PV of public debt-to-revenue and grants ratio	...	...	208.0	217.7	207.2	196.8	189.0	180.8	172.9	137.7	126.3		
Debt service-to-revenue and grants ratio 3/	20.3	28.7	14.8	34.5	26.9	26.1	22.5	20.5	18.8	12.9	13.8		
Gross financing need 4/	8.8	11.9	4.3	7.5	6.6	6.3	6.1	5.7	4.1	3.2	3.0		
Key macroeconomic and fiscal assumptions													
Nominal GDP (local currency)	3,974	4,390	4,778	5,160	5,525	5,874	6,292	6,724	7,162	10,107	19,693		
Real GDP growth (in percent)	4.8	4.6	4.0	4.6	5.4	5.6	5.9	5.5	5.5	4.5	4.5	1.5	5.2
Average nominal interest rate on public debt (in percent)	2.0	2.0	3.0	2.4	2.3	2.4	1.9	2.1	2.0	1.8	2.6	1.6	2.0
Average nominal interest rate on external debt (in percent)	0.9	1.0	2.5	1.1	0.7	0.8	0.6	1.0	1.1	1.5	2.2	1.1	1.1
Average nominal interest rate on domestic debt (in percent)	4.5	3.9	3.9	4.7	5.4	5.8	5.2	5.4	5.2	4.2	5.8	3.0	4.9
Average real interest rate (in percent)	-5.8	-2.5	0.0	-1.1	-1.2	-1.1	-1.3	-0.8	-0.7	-0.5	0.2	-1.5	-0.9
Average real interest rate on domestic debt (in percent)	-3.3	-1.6	-0.7	1.4	3.8	5.1	4.0	4.0	4.2	1.8	3.4	0.1	3.0
Average real interest rate on external debt (in percent)	-5.8	-2.5	0.0	-1.1	-1.2	-1.1	-1.3	-0.8	-0.7	-0.5	0.2	-1.5	-0.9
Exchange rate (LC per US dollar)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Nominal depreciation of local currency (percentage change in LC per dollar)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate (US dollar per LC)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Nominal appreciation (increase in US dollar value of local currency, in percent)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real exchange rate depreciation (in percent, + indicates depreciation)	-0.9	-1.9	-2.1	...	...	...	...	...	...	...	...	-0.2	...
Inflation rate (GDP deflator, in percent)	8.1	5.6	4.6	3.3	1.6	0.6	1.2	1.3	0.9	2.4	2.4	3.0	1.8
US Inflation rate (GDP deflator, in percent)	7.1	3.6	2.4	2.2	1.9	1.9	1.9	1.8	1.9	2.0	2.0	2.7	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-5.8	5.3	-7.5	-6.5	8.7	6.1	7.9	5.5	-1.0	4.5	2.8	-1.9	4.0
Primary deficit that stabilizes the debt-to-GDP ratio 5/	3.4	2.6	1.6	1.9	2.2	1.7	3.2	2.9	2.6	2.4	1.3	2.5	2.6
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

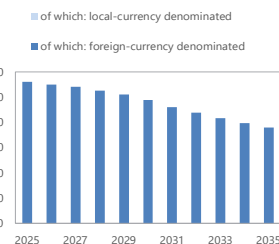
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (i.e., a primary surplus), which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

Public sector debt 1/



of which: held by residents

of which: held by non-residents

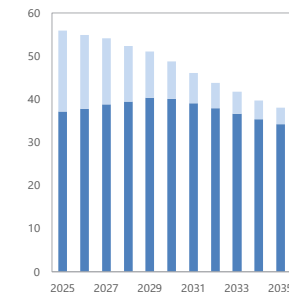


Table 3. Liberia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025–35
(Percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of debt-to-GDP ratio											
Baseline	26	26	27	27	27	27	27	26	25	25	24
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	26	31	36	41	46	51	56	59	62	65	67
B. Bound Tests											
B1. Real GDP growth	26	29	33	34	34	34	34	33	32	31	30
B2. Primary balance	26	28	31	31	32	32	31	31	30	29	28
B3. Exports	26	30	37	37	38	37	36	36	35	34	32
B4. Other flows 3/	26	33	40	40	40	39	38	37	36	35	34
B5. Depreciation	26	33	29	30	31	31	30	29	29	28	27
B6. Combination of B1-B5	26	36	42	43	43	43	42	41	40	38	37
C. Tailored Tests											
C1. Combined contingent liabilities	26	37	38	38	39	39	38	37	36	35	35
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	26	26	27	27	27	27	27	26	25	25	24
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	72	73	75	76	77	77	78	78	78	78	79
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	72	87	103	117	131	145	162	177	192	205	216
B. Bound Tests											
B1. Real GDP growth	72	73	75	76	77	77	78	78	78	78	79
B2. Primary balance	72	79	88	89	91	90	91	91	92	92	92
B3. Exports	72	95	136	136	137	136	137	137	137	137	135
B4. Other flows 3/	72	91	112	112	112	111	112	112	112	111	110
B5. Depreciation	72	73	66	67	69	69	69	70	70	70	71
B6. Combination of B1-B5	72	95	96	112	113	112	112	112	113	112	111
C. Tailored Tests											
C1. Combined contingent liabilities	72	103	107	109	111	110	111	111	111	112	112
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	72	73	75	76	77	77	78	78	78	78	78
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	6	6	6	5	5	5	6	6	7	7	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	6	6	6	6	6	7	8	9	10	11	12
B. Bound Tests											
B1. Real GDP growth	6	6	6	5	5	5	6	6	7	7	6
B2. Primary balance	6	6	6	5	5	5	6	6	7	7	7
B3. Exports	6	7	8	7	7	7	8	9	10	10	11
B4. Other flows 3/	6	6	6	6	5	6	6	7	7	8	9
B5. Depreciation	6	6	6	4	4	5	5	6	6	6	5
B6. Combination of B1-B5	6	6	7	6	6	6	7	8	8	9	9
C. Tailored Tests											
C1. Combined contingent liabilities	6	6	7	5	5	6	6	7	7	7	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	6	6	6	5	5	5	6	6	7	7	6
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	14	13	12	10	10	10	11	12	12	12	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	14	14	14	12	12	14	16	18	19	21	21
B. Bound Tests											
B1. Real GDP growth	14	15	16	12	12	13	14	15	16	15	14
B2. Primary balance	14	13	13	11	10	11	12	13	13	13	12
B3. Exports	14	14	14	12	11	12	13	14	14	15	15
B4. Other flows 3/	14	13	13	12	11	12	13	14	14	15	15
B5. Depreciation	14	17	16	12	11	12	14	15	15	15	12
B6. Combination of B1-B5	14	15	17	14	13	14	15	16	17	18	17
C. Tailored Tests											
C1. Combined contingent liabilities	14	13	14	12	11	12	13	14	14	14	12
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	14	13	12	10	10	10	11	12	12	12	11
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Liberia: Sensitivity Analysis for Key Indicators of Public Debt, 2025–35
(Percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	44	42	41	39	37	35	33	31	30	28	27
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	44	45	47	47	48	48	49	50	50	51	52
B. Bound Tests											
B1. Real GDP growth	44	49	57	58	59	60	59	60	60	61	62
B2. Primary balance	44	45	47	46	44	42	40	38	37	35	34
B3. Exports	44	45	50	47	45	43	41	39	37	36	34
B4. Other flows 3/	44	49	54	51	49	47	44	42	41	39	37
B5. Depreciation	44	48	45	42	39	36	33	30	28	26	24
B6. Combination of B1-B5	44	46	48	45	43	42	39	38	36	35	33
C. Tailored Tests											
C1. Combined contingent liabilities	44	57	55	53	52	49	47	45	43	42	40
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	44	45	47	49	51	53	53	55	56	58	59
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	218	207	197	189	181	173	163	155	149	143	138
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	218	221	224	228	230	235	239	242	246	250	254
B. Bound Tests											
B1. Real GDP growth	218	236	263	271	276	282	284	287	292	296	301
B2. Primary balance	218	224	230	224	217	209	200	191	184	177	171
B3. Exports	218	223	240	231	222	214	203	194	187	179	171
B4. Other flows 3/	218	240	260	251	241	232	221	212	204	195	186
B5. Depreciation	218	240	222	209	194	181	166	153	142	131	121
B6. Combination of B1-B5	218	227	230	215	209	203	194	186	179	173	167
C. Tailored Tests											
C1. Combined contingent liabilities	218	280	269	261	252	244	234	225	217	209	202
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	218	220	230	242	252	261	267	274	283	291	299
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	35	27	26	22	20	19	18	16	15	14	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	35	27	27	24	22	21	21	19	19	19	18
B. Bound Tests											
B1. Real GDP growth	35	29	32	29	28	27	27	25	24	24	23
B2. Primary balance	35	27	28	25	23	21	19	17	16	15	15
B3. Exports	35	27	27	24	22	20	19	17	16	16	16
B4. Other flows 3/	35	27	27	24	22	20	20	17	16	17	17
B5. Depreciation	35	27	28	24	22	21	20	18	18	17	15
B6. Combination of B1-B5	35	27	28	24	22	21	20	18	17	16	15
C. Tailored Tests											
C1. Combined contingent liabilities	35	27	33	29	27	21	20	18	17	16	14
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	35	27	27	25	25	25	25	23	22	22	22
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.



LIBERIA

September 16, 2025

STAFF REPORT FOR 2025 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION— INFORMATIONAL ANNEX

Prepared By

The African Department
(In consultation with other departments)

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RELATIONS WITH THE FUND

(As of August 31, 2025)

Membership Status: Joined: March 28, 1962.

Article XIV

General Resources Account:	SDR Million	%Quota
Quota	258.40	100.00
Fund holdings of currency	226.08	87.49
Reserve Tranche Position	32.33	12.51

SDR Department:	SDR Million	%Allocation
Net cumulative allocation	371.64	100.00
Holdings	213.04	57.32

Outstanding Purchases and Loans:	SDR Million	%Quota
RCF loans	36.18	14.00
ECF arrangements	138.33	53.53

Latest Financial Arrangements:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Sep. 25, 2024	Jan. 24, 2028	155.00	38.60
ECF	Dec. 11, 2019	Dec. 10, 2023	155.00	85.00
ECF	Nov. 19, 2012	Nov. 17, 2017	111.66	111.66

Outright Loans:

Type	Date of Commitment	Date Drawn	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RCF	Jun 05, 2020	Jun 09, 2020	36.18	36.18
RCF	Feb 23, 2015	Feb 27, 2015	32.30	32.30

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

	2025	2026	2027	2028	2029
Principal	10.30	25.93	23.79	24.24	24.24
Charges/Interest	1.16	4.59	4.59	4.60	4.59
Total	11.46	30.52	28.38	28.83	28.83

Implementation of HIPC Initiative:

Enhanced Framework

Commitment of HIPC assistance	
Decision point date	March 2008
Assistance committed	
by all creditors (US\$ Million) ¹	2,739.20
<i>Of which:</i> IMF assistance (US\$ Million)	721.10
(SDR equivalent in millions)	440.90
Completion point date	June 2010
Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	440.90
Interim assistance	30.14
Completion point balance	410.76
Additional disbursement of interest income ²	10.99
Total disbursements	451.89

Delivery of Debt Relief at the Completion Point:

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

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

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

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

Implementation of Catastrophe Containment and Relief (CCR):

<u>Date of Catastrophe</u>	<u>Board Decision Date</u>	<u>Amount Committed (SDR million)</u>	<u>Amount Disbursed (SDR million)</u>
N/A	Feb 23, 2015	25.84	25.84
N/A	Apr 13, 2020	11.63	11.63
N/A	Oct 2, 2020	11.19	11.19
N/A	April 1, 2021	11.48	11.48
N/A	Oct 6, 2021	3.10	3.10
N/A	Dec 15, 2021	7.94	7.94

Safeguards Assessment**The CBL is making some progress in implementing the key recommendations from the November 2024 safeguards assessment including the outstanding ones from the 2020 safeguards assessment.**

Following the November 2024 safeguards assessment, the CBL has implemented a key priority recommendation to adopt the GAC and forensic audits actions plans. Specifically, the CBL has improved its risk management and compliance functions by, *inter alia*, streamlining the roles and responsibilities of the internal audit department, strengthening the oversight framework for risk management and compliance, and enhancing internal audit functions; and established clear operational roles in managing reserves. As an interim measure, the CBL Board adopted a resolution to prohibit unconventional support to commercial banks, including grants and guarantees, which are not explicitly prohibited in the CBL Act. However, the implementation of the action plans remains work in progress and more work is needed to move other safeguards assessment recommendations forward. To this end, the upcoming safeguards monitoring mission will assess the status of the action plans and follow up on remaining safeguards recommendations.

Exchange Rate Arrangement

Liberia's official currency is the Liberian dollar (LRD). However, the U.S. dollar is also legal tender and widely co-circulates with Liberian dollar within the economy. The country's de jure exchange rate regime classification is 'managed floating' while the de facto exchange rate arrangement has been 'floating' since January 2022. Liberia maintains an exchange rate system that is free of restrictions and multiple currency practices, consistent with the obligations under Article VIII of the IMF's Articles of Agreement. The CBL permits the exchange rate to be determined by the market forces in the foreign exchange (FX) market. The CBL limits FX interventions to address disorderly market conditions and prevent excessive exchange rate volatility from dis-anchoring inflation expectations and undermining financial stability.

Article IV Consultation

The last Article IV consultation was concluded on August 24, 2022.

Resident Representative

Joel Okwuokei was appointed as IMF Resident Representative to Liberia in September 2024.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- World Bank Group:

http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode_exact=LR

- African Development Bank:

<https://www.afdb.org/en/countries/west-africa/liberia/>



LIBERIA

September 25, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A CONTINUOUS PERFORMANCE CRITERION—SUPPLEMENTARY INFORMATION

Prepared By

African Department

This staff statement provides information that became available after the issuance of the Staff Report to the Executive Board on September 18, 2025. It updates the status of the pending prior actions (PAs) and a preliminary assessment of program performance against end-June 2025 performance criteria (PCs) and indicative targets (ITs). The staff's recommendations and the thrust of the staff appraisal remain unchanged.

- 1. Prior Actions.** Two PAs remained outstanding when the staff report was submitted to the Board on September 18. The first—CBL's receipt of the restructuring plans developed by the three weak banks (LBDI, SIB, and Bloom Bank)—was met on September 19, 2025. The second—the adoption and commencement of the implementation of new revenue measures to generate at least US\$8 million in the second half of 2025—was met on September 24, 2025. With these actions, the authorities completed all PAs for the second review.
- 2. Program Performance.** Preliminary data submitted by the authorities indicates strong program performance against the end-June 2025 PCs and ITs. Based on these preliminary data, all six PCs for end-June 2025 appear to have been met: on the fiscal side, program targets for the primary fiscal balance, present value of new public external debt, and government borrowing from the CBL all appear to have been observed; and on the monetary and external side, the program ceiling on CBL's operational and capital expenditures and the NIR target floor appear to have been met, while all undisputed external debt obligations have been settled on time. Of the five ITs, three appear to have been observed: fiscal revenues, capital spending and social and other priority spending all exceeded program floors. However, the continuous IT on the non-accumulation of new domestic debt arrears and the IT on the share of the public wage bill paid in Liberian dollars (LRD) look to have been missed by a small margin. Staff will review performance fully in the course of the next review.

**Statement by Mr. Ouattara Wautabouna, Executive Director for Liberia and
Mr. Tamsir Cham, Senior Advisor to the Executive Director
October 1, 2025**

Introduction

1. Our Liberian authorities value IMF staff's constructive engagement and broadly concur with their assessment and policy priorities.
2. Liberia's economy is experiencing a moderate growth recovery, despite headwinds from multiple shocks, including the funding freeze and spillovers from conflicts. In addition, the authorities have kept the ECF arrangement on track by implementing their reform agenda to sustain the recovery and restore macroeconomic stability. They aim to advance fiscal consolidation, build fiscal buffers for public investments, strengthen monetary policy framework, address banking sector vulnerabilities and structural and governance challenges while securing debt sustainability. They view Fund support under the ECF arrangement as key 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 six performance criteria (PCs) for end-December 2024 met, except the continuous PC on the non-accumulation of new external arrears. While the authorities cleared the external debt arrears amounting to US\$7.7 million by June 30, they are currently disputing official and commercial claims amounting to US\$71.2 million because of the following (i) the loan contracting process did not comply with domestic legal procedures; (ii) the loan disbursements were not made in accordance with the loan agreement; (iii) the involvement of third parties in certain contracts was unjustified as services were not delivered and no tangible outcomes achieved; and (iv) one creditor's claims had already been settled. Meanwhile, two of the five indicative targets (ITs) were missed including new domestic debt arrears and the share of the wage bill paid in Liberian dollars due to weak debt and liquidity management. The authorities are committed to addressing these weaknesses urgently.
4. On the fourteen applicable Structural Benchmarks (SBs), six were met, five were implemented with delays, and three were not implemented. While one of the unimplemented measures was completed as a prior action (PA) for the second ECF review, the deadlines for the remaining two were revised to reflect their criticality and feasibility. Notwithstanding domestic and global challenges including a sudden stop in aid flows, preliminary data suggest monetary and fiscal-related PCs for end-June have been met and most of the ITs achieved. Given the satisfactory program performance and strong commitment, **the authorities seek Executive Directors' support in concluding 2025 Article IV**

consultation and completing the second review under the ECF arrangement and the Requests for a Waiver of Nonobservance of a Performance Criterion.

Recent Economic Developments and Outlook

5. Liberian economy continues to recover moderately from the multiple challenges with growth estimated at 4.0 percent in 2024 notably due to delays in mining activities and fiscal consolidation efforts. Growth is projected to increase to 4.6 percent in 2025 and accelerate to 5.1 percent in the medium term supported by robust mining activities, a recovery in agriculture, and sustained growth in manufacturing and services.

6. Inflation, which accelerated in the second half of 2024 and reached 13.1 percent in February 2025, has however moderated to 7.5 percent in July 2025. The decline in inflation has been driven primarily by deceleration of domestic food inflation coupled with slowdown in non-food inflation. Inflation is projected to hover around 9 percent by end-2025 and gradually decline towards the CBL's medium term target of 5.0 percent to be supported by prudent policies and stable global food and oil prices.

7. The current account deficit declined to 11.2 percent of GDP in 2024, from 26.4 percent in 2023, driven mainly by favorable terms of trade and a sharp one-off decline in the demand for imports in the construction sector. The current account deficit is expected to narrow in the medium term due to significant expansion in the extractive and processing capacity of the mining sector, projected favorable terms of trade and ongoing fiscal consolidation. To this end, gross international reserves stood at 2.1 months of imports at end-2024, which is slightly above the program target.

Fiscal Policy and Debt Sustainability

8. Our Liberian authorities remain committed to continuing prudent fiscal policies to enhance fiscal and sustainability. To address the fiscal slippages, the authorities are implementing targeted recurrent spending cuts in goods and services from certain Ministries, Agencies and Commissions (MACs) while excluding social spending and targeted benefits for senior public officials. The USAID withdrawal impact has been contained to some extent in 2025 because the Agency continues to pay local staff and provide food and medicine stocks enough to cover the entire year. However, the impact of the withdrawal will be higher from 2026, thereby requiring the authorities to carefully assess and make necessary provisions in the 2026 budget. In this regard, the authorities adopted several enhancing measures to strengthen revenue collection by increasing goods and services tax (GST), reintroducing fuel excises, and the partial implementation of the shift of oil tax assessment point from lifting to importation.

9. Moreover, they introduce complementary measures including signing of two concessional agreements generating revenue from down payment under the agreements for oil block exploration, and mining concession and railway access agreements. Further, the authorities plan to impose strict enforcement of property tax collections on residential and

commercial properties with strict compliance required from appointed government officials. Relatedly, they are reducing number of items exempted under various investment incentives and enforcing the minimum corporate income tax (CIT) of 2 percent of turnover to be applied for all eligible businesses. They are also collecting additional dividends from state-owned enterprises (SOEs) and public entities.

10. The authorities are strengthening domestic revenue mobilization by tackling the generous tax expenditures provided to concessions over recent years. In this regard, the Liberia Revenue Authority (LRA) will assess the revenue forgone associated to tax expenditures in favor of business activities. Further, they will enhance the monitoring of the actual amount of petroleum products used by concessions for their core operations to ensure that only imported petroleum products strictly used in their core operations are exempted from all applicable taxation. They also plan to revise the revenue code to substantially reduce the items eligible for tax exemptions under investment incentive schemes.

11. Further, they will modernize the personal income tax (PIT) and corporate income tax (CIT) by expanding the base and improving progressivity; and close all existing loopholes related to cross-border transactions with non-residents including transfer pricing and profit shifting practices. While the Value Added Tax (VAT) roll-out has been postponed to 2027, the authorities continue harmonizing the primary and secondary legislation with the VAT law and regulations with the aim of adopting all needed law amendments by June 2026 to ensure smooth transition to VAT collection effective January 2027.

12. The authorities remain committed to a prudent borrowing strategy, focusing on concessional loans or grants. They acknowledged the accumulation of new external arrears amounting to US\$7.7 million which were fully cleared in June 2025. In their efforts to prevent future arrears, they have completed a comprehensive inventory of conformed and disputed government's external debt and government guarantees for external borrowing clearly identifying obligations with and without supporting debt contracts. In this regard, any missing information, such as the borrowing terms and repayment schedule, will be supplemented, together with the recovery of the original contracts, by September 2025. That said, the authorities are current on all undisputed external debt service obligations. Going forward, they will leverage on the updated debt registry to ensure timely payments of debt obligations. The MFDP and CBL signed a Memorandum of Understanding (MOU) under which the MFDP, through the Comptroller and Accountant General (CAG), will, one month in advance, communicate to the CBL of all upcoming external debt payments due with supporting documents and authorize the CBL to effect payments on the due date. Meanwhile, the Debt Management Unit (DMU) will provide CAG with all supporting information and documentation prior to the one-month notice period.

Monetary, Exchange Rate, and Financial Sector Policies

13. The CBL remain committed to safeguarding price stability. The CBL Monetary Policy Committee (MPC) raised the policy rate by 25 basis points to 17.25 percent in April 2025 to

help anchor inflation expectations and mitigate second-round effects stemming from persistently high food prices. Further, the CBL intensified liquidity management operations to absorb excess LRD liquidity. That said, they are closely monitoring economic developments and maintaining a tight policy stance to guide inflation towards the 5 percent medium-term target. Meanwhile, the CBL Bills will remain the main policy tool for achieving price stability.

14. The CBL is strengthening its monetary policy framework, including conducting short-term open-market operations, using flexible-rate fixed-quantity auctions to conduct longer-term operations. At the same time, they are establishing and operationalizing interest rate corridor system with standing credit facility (SCF) and standing deposit facility (SDF). They will continue to develop their financial markets, build the CBL's data and analytical capacity, and further enhance the monetary policy transmission and facilitate a transition toward an inflation-targeting regime in the medium to long term. That said, the authorities reaffirm their commitment to maintaining a flexible exchange rate regime with limited interventions to prevent excessive exchange rate volatility from de-anchoring inflation expectations and mitigate disorderly market conditions to preserve financial stability.

15. The CBL is committed to strengthening supervision to ensuring financial stability. They are strictly enforcing the reserve requirements regulation and will submit a monthly report for enforcement of reserve requirements and regulatory actions and penalties imposed on delinquent banks. Further, they have discontinued the granting of Emergency Liquidity Assistance (ELA) beyond permissible periods, fully collateralized all outstanding exposures to commercial banks, including CBL loans to LBDI and Afriland bank related to the 2012-14 legacy CBL on-lending program. Going forward, they will provide ELA only for short periods to solvent institutions with temporary liquidity needs, subject to a penalty rate and secured with collateral with prudent haircuts.

16. The authorities remain committed to addressing the high level of non-performing loans (NPLs) in the banking system. They built a stratification of NPLs by size (small, medium, and big), collateral type (movable, non-movable and without collateral), type of borrower (retail, small and medium companies, and corporates), and duration. They also collect qualitative data from banks by means of questionnaires and analyze the main impediments to NPL resolution and, in consultation with Fund staff, they will develop a tailored NPL strategy for each bank. They are committed to ensuring 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. They plan to establish a fully operational credit reference bureau with simultaneous access to the movable collateral registry. While the Bank Financial Institutions and Financial Holding Company Act (BFIA) was approved by the National Legislature, they are committed to finalizing the operationalization of the resolution function to enable them to enhance the risk-based supervision framework.

17. The CBL continues to pay greater attention to the three troubled banks. In this regard, an external audit on state-owned bank (SOB) has been performed and finalized by an international audit firm. Further, the SOB's Board of Directors approved a strategic plan to

address the findings of the independent external review on its NPL portfolio and has been actively implementing this plan. In addition, CBL is progressing well in the restructuring of two banks and initiated independent diagnostic reviews of these banks. The findings informed the restructuring plans that were submitted by these banks to CBL, which include a credible recapitalization plan. To this end, CBL will prepare credible resolution plans for non-viable banks to guide CBL's actions to be taken if necessary to preserve financial stability.

18. The authorities are also strengthening central bank independence. In this context, the CBL Board adopted a comprehensive time-bound action plan for the implementation of the residual recommendations from the General Auditing Commission (GAC) compliance and forensic audit reports and the recommendations from the IMF update safeguards assessment. They will continue to adhere to internal regulations 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. Further, they will continue to adhere to the CBL Act, in which CBL lending to the government will be disallowed except under exceptional circumstances including war, famine, other natural disasters, subject to maturity limitation and the aggregate principal ceiling. Meanwhile, CBL is improving its operational efficiency by reducing operational costs and reported a profit of LRD 0.5 billion in FY 2024 for the first time in over a decade.

Structural Reforms

19. The authorities are strengthening the public financial management (PFM) system. In this regard, they will publish annual and quarterly budget performance reports in line with Open Budget Initiative standards and will post the full supplementary budgets on the MFDP website within one month of legislature budget approval. They are also developing an action plan to implement key recommendations from the IMF's Climate Public Investment Management Assessment (C-PIMA) to support the authorities' climate agenda. They are conducting various special audits including the 2024 financial statement, MACs, SOEs, and donor-funded projects to identify weaknesses in budget execution, financial reporting and accountability systems as well as potential improprieties in the use of public resources which will be published. They also aim to address past audit recommendations to improve financial reporting, accountability, and compliance with existing laws across public institutions.

20. The authorities are strengthening the Anti-Corruption Commission and have increased allocations to the Liberia Anti-Corruption Commission (LACC) to carry out its mandates. They are strengthening accountability and transparency through asset declaration. Furthermore, they are implementing asset declaration which was further strengthened by a Presidential Order issued in February 2025 to withhold one month salary of public officials identified by the LACC as failing to submit their asset declaration. In addition, the authorities will continue to create asset declaration awareness and plan to conduct interviews with non-compliant officials to understand why they refused to comply with the law. They plan to digitize the asset declaration process by 2027. Meanwhile, the authorities are committed to the IMF Governance Diagnostic Study and will publish the report together with a detailed Action Plan to address the identified weaknesses.

21. The authorities are strengthening public procurement and enhancing contract transparency with the recent launching of e-procurement. While all MACs are mandated to use e-procurement, five large spending MACs including Finance, Health, Education, Public Works, LRA and Public Procurement and Concession Commission (PPCC) are now using the platform to award contracts. The authorities plan to bring in additional 50 MACs and register 1000 vendors by end 2025. They are also enhancing e-procurement and nearly 90 percents of MACs submitted comprehensive procurement plans to PPCC early this year and have submitted revised amendments to the PPCC Act to parliament.

22. The authorities are enhancing the transparency of beneficial ownership of legal persons. In this regard, they developed a comprehensive workplan for the implementation of Liberia's multipronged approach to ensure transparency of beneficial ownership of legal persons endorsed by cabinet. The workplan outlines reforms for the domestic corporate sector, the extractive industry, financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs). They are collecting beneficial ownership data from licensees through the Liberian Business registry. While the authorities plan to fully operationalize the online Beneficial Registry by end-2025, the CBL continues its supervision of licenses and assessment of policies and procedures for the identification of ultimate beneficial owners of corporate customers. The authorities will conduct outreach prior to developing a regime for the collection of beneficial ownership information for the Liberian International Business companies and the Liberian Shipping Registry.

Conclusion

23. 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 concluding the 2025 Article IV consultation and completing the second 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 help realize their growth and development objectives.