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SECOND REVIEW OF THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF A PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS UPDATE[1]

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The updated Debt Sustainability Analysis indicates that Liberia continues to have a low risk of debt distress. Although debt accumulation has accelerated during 2012–13, a more favorable growth outlook and application of a uniform 5 percent discount rate contribute to a slight improvement in the debt profile. The projected present value of the external debt stock would remain low and sustainable with all external debt indicators below the policy-related thresholds. Nonetheless, the faster debt accumulation in the context of the authorities' public investment program is bringing external borrowing close to the limits agreed under the ECF-supported arrangement.

[1] This document is the annual update of the analysis presented at the time of the current ECF request in November 2012 (IMF Country Report No. 12/340).

KEY ASSUMPTIONS UNDER THE BASELINE SCENARIO

1. **The Debt Sustainability Analysis update indicates that Liberia continues to have a low risk of debt distress**. Although recent external debt accumulation has been faster than initially envisaged, on balance the positive impact of a more favorable growth outlook and higher discount rate dominate to yield a slightly improved debt profile. Nominal external debt would rise to 15.4 percent of GDP in 2013–14, from 10.2 percent of GDP in 2011–12, and would peak at 33.1 percent of GDP by 2023. Public sector debt would rise from 11.8 percent of GDP in 2011–12 to 16.7 percent of GDP in 2013–14, peaking at 38.8 percent of GDP in 2023.

2. **The present update reflects a number of changes compared with the previous DSA**.

- ***More favorable growth outlook***. The medium-term growth forecast has been revised upward, reflecting the expansion of the mining sector with a second major project coming on stream by end-2013 and gradually reaching its full potential by 2016; as well as the expected substantial increase in the public investment program. On average, real GDP growth has been revised upward by 1.5 percentage points over the next five years. The more favorable growth outlook improves Liberia's debt profile.

- ***Higher discount rate***. The DSA has been updated using the new unified discount rate of five percent, which also contributes to a more favorable debt profile.[2]

- ***Rapid accumulation of new borrowing***. After initial delays in securing external financing, debt accumulation has accelerated as Parliament recently ratified a number of loans, including US$150 million from the World Bank for the regional West African Power Pool project. In addition, the government has reached agreement on a series of new external loans, including a US$144 million line of credit with India for transmission and distribution in the electricity sector. Accordingly, external borrowing is now projected to be larger than in the previous DSA by 17 percent on average for the entire projection period till 2033 and, provided signed agreements are all ratified, has already reached the limit envisaged for the duration of the ECF-supported program (Text Table 1).

Text Table 1. Liberia: External Borrowing
(In millions of U.S. dollars, unless otherwise specified)

	FY2013–2015
Ratified Loan Agreements	292.2
Signed Agreements, Pending Ratification	221.6
Annual Average NPV/GDP (percent)	4.2

Source: Liberian authorities, and IMF staff calculations.
Note: The program sets the three-year average annual ceiling on public external borrowing to 4 percent of GDP, in NPV terms.

[2] On October 11, 2013, the Executive Boards of the IMF and the World Bank approved the reform of the discount rates resulting in a unique, unified 5 percent rate to be applied both to DSAs and to the calculation of the grant element ("Unification of Discount Rates Used in External Debt Analysis for Low-Income Countries; IMF Policy Papers; www.imf.org).

- ***A lower grant element for future loans***. Although a significant share of ratified loans was contracted on IDA terms (92 percent) in FY2013, Liberia has recently negotiated a few bilateral loans with relative low concessionality levels, including the loans from India and Kuwait. To reflect these developments, staff has revised the terms of projected new borrowing downwards from 60 percent to 47 percent.

PUBLIC AND EXTERNAL DEBT SUSTAINABILITY

3. **Both the external and public sector debt profiles are more favorable than in the previous DSA**. The effects of more positive growth outlook over the medium-term and the higher discount rate dominate the effects of higher level of borrowing assumed at the time of the ECF request. Overall the debt sustainability profile improves slightly compared with the last DSA. Liberia remains at low level of debt distress. (Tables 1 and 2 and Figures 1 and 2).

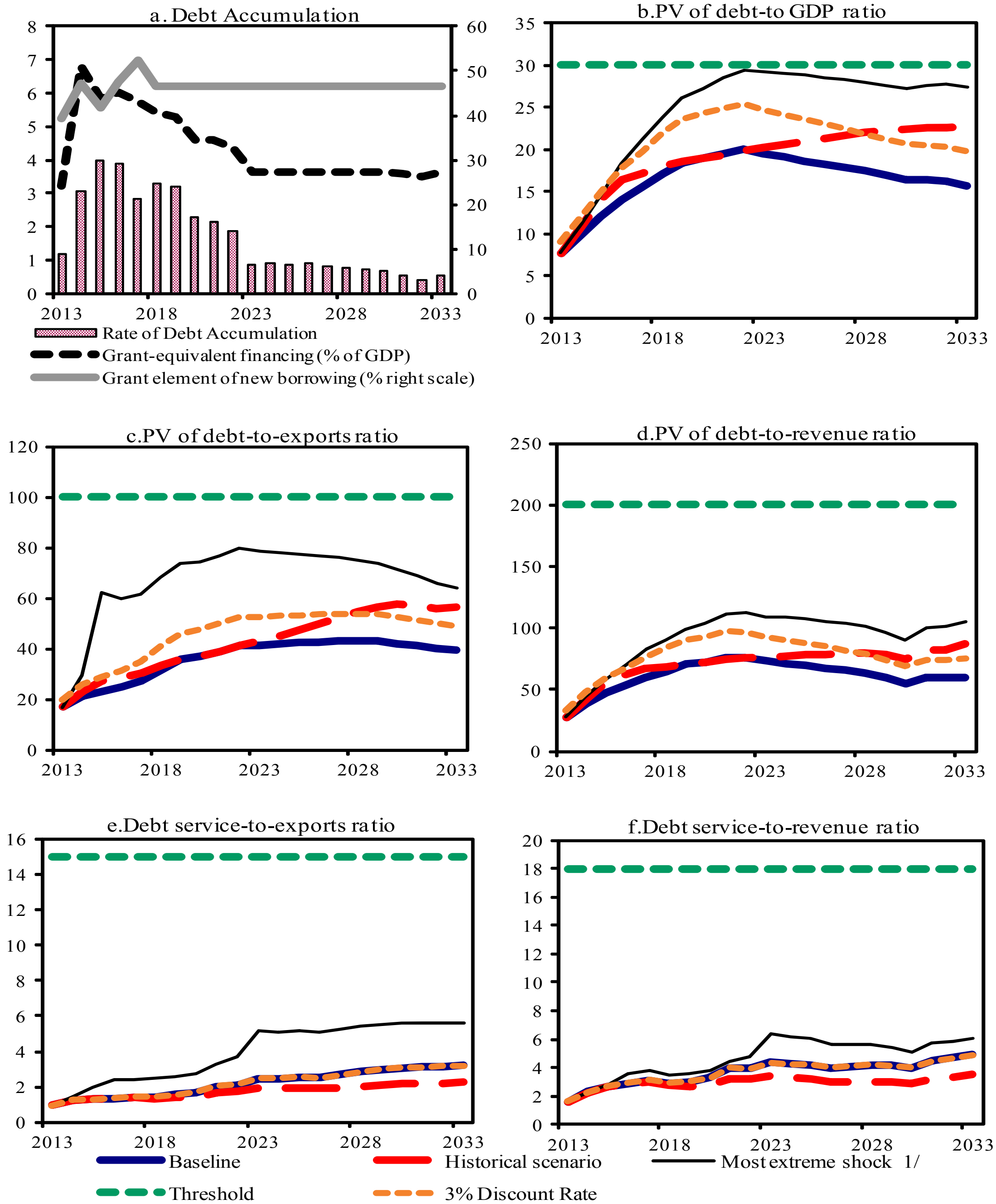
4. **Stress tests indicate that both external and public debt would remain sustainable, even under extreme scenarios** (Table 3 and figures 1 and 2). However, as in the previous DSA, public sector debt would be most sensitive to a negative growth shock. In the alternative scenario with less favorable financing terms, the PV of debt-to-GDP ratio is also close to the indicative target.

CONCLUSION

5. **Although the updated DSA shows that Liberia's debt profile remains sustainable, recent loan agreements bring external debt close to the limits agreed under the ECF-supported arrangement**. The DSA assumes an annual average ceiling of new external public debt of 4 percent of GDP in net present value over the duration of the program to support the government's second poverty reduction strategy, the Agenda for Transformation. In particular, the government is actively seeking financing for strategic projects in energy and transportation sectors in order to address the main binding constraints to broad-based economic growth. However, the new borrowing in FY2013 (4.9 percent of GDP in NPV terms) has exceeded the ECF target (set at an annual average of 4 percent of GDP in NPV terms over FY2013–15). This highlights the need for the authorities to prioritize new financing for strategic projects and on highly concessional terms to ensure public debt remains sustainable, as well as to ensure that public investment is of high quality by strengthening project preparation, procurement, and monitoring.

6. **The authorities welcomed the DSA update and in particular the improved debt profile**. They noted that investment in strategic infrastructure projects will contribute to address Liberia's main binding constraints to broad-based growth in the coming years. Furthermore, some of the main projects have both high rates of economic and social returns and will not compromise the government's capacity to repay as they have embedded price recovery schemes in place, e.g., electricity.

Figure 1. Liberia: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2013–33[1]



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2023. In each figure it corresponds to a terms shock where public sector loans are on less favourable terms.

Table 1. Liberia: External Debt Sustainability Framework, Baseline Scenario, 2010–33[1]

(In percent of GDP, unless otherwise indicated)

	Actual			Historical [6/] Average	Standard [6/] Deviation	Projections									
	2010	2011	2012			2013	2014	2015	2016	2017	2018	2013-2018 Average	2023	2033	2019-2033 Average
External debt (nominal) 1/	**9.5**	**11.8**	**10.2**			**10.9**	**15.4**	**19.4**	**23.4**	**26.7**	**29.7**		**33.1**	**26.1**	
o/w public and publicly guaranteed (PPG)	9.5	11.8	10.2			10.9	15.4	19.4	23.4	26.7	29.7		33.1	26.1	
Change in external debt	-133.1	2.3	-1.6			0.7	4.5	4.0	4.1	3.3	3.0		-1.1	-0.7	
Identified net debt-creating flows	-6.9	-2.1	-1.0			0.4	1.4	1.6	2.5	3.0	2.9		-0.5	-0.6	
Non-interest current account deficit	**32.3**	**34.6**	**33.1**	**25.8**	**12.6**	**41.1**	**49.6**	**40.7**	**26.5**	**19.9**	**18.0**		**21.6**	**27.6**	24.0
Deficit in balance of goods and services	99.0	95.0	84.1			78.8	76.8	57.3	35.3	26.3	24.9		25.4	29.9	
Exports	41.2	44.5	46.6			46.1	46.9	52.4	57.0	57.0	54.0		47.1	40.2	
Imports	140.2	139.5	130.8			124.9	123.7	109.7	92.2	83.3	78.9		72.5	70.1	
Net current transfers (negative = inflow)	-80.8	-73.1	-63.6	-97.7	43.9	-53.1	-44.7	-34.6	-27.1	-23.7	-21.4		-16.6	-12.2	-15.2
o/w official	-28.6	-28.4	-26.8			-25.6	-24.6	-22.1	-19.9	-18.6	-17.4		-13.3	-9.7	
Other current account flows (negative = net inflow)	14.1	12.7	12.6			15.5	17.6	18.0	18.4	17.3	14.5		12.7	9.9	
Net FDI (negative = inflow) 2/	**-29.0**	**-35.5**	**-32.6**	**-23.8**	**10.6**	**-40.1**	**-47.7**	**-38.2**	**-23.0**	**-15.6**	**-13.3**		**-20.5**	**-27.0**	-22.6
Endogenous debt dynamics 3/	**-10.3**	**-1.2**	**-1.5**			**-0.6**	**-0.6**	**-0.9**	**-1.1**	**-1.3**	**-1.8**		**-1.5**	**-1.2**	
Denominator: 1+g+r+gr	1.1	1.2	1.2			1.1	1.1	1.1	1.1	1.1	1.1		1.1	1.1	
Contribution from nominal interest rate	0.0	0.1	0.1			0.1	0.1	0.2	0.2	0.3	0.3		0.4	0.3	
Contribution from real GDP growth	-7.6	-0.6	-0.8			-0.7	-0.7	-1.0	-1.3	-1.6	-2.1		-1.9	-1.4	
Contribution from price and exchange rate changes	-2.7	-0.7	-0.8			…	…	…	…	…	…		…	…	
Residual (3-4) 4/	**-126.2**	**4.4**	**-0.5**			**0.3**	**3.1**	**2.4**	**1.6**	**0.3**	**0.1**		**-0.6**	**-0.1**	
o/w exceptional financing	-9.0	-3.8	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt	...	...	7.3			7.7	9.9	12.1	14.1	15.5	17.2		19.5	15.7	
In percent of exports	...	...	15.7			16.7	21.1	23.1	24.7	27.1	31.8		41.5	39.1	
PV of PPG external debt	**...**	**...**	**7.3**			**7.7**	**9.9**	**12.1**	**14.1**	**15.5**	**17.2**		**19.5**	**15.7**	
In percent of exports	**...**	**...**	**15.7**			**16.7**	**21.1**	**23.1**	**24.7**	**27.1**	**31.8**		**41.5**	**39.1**	
In percent of government revenues	**...**	**...**	**27.8**			**27.9**	**39.0**	**47.6**	**53.7**	**60.1**	**65.1**		**73.0**	**60.0**	
Debt service-to-exports ratio (in percent)	**0.0**	**0.7**	**1.0**			**1.0**	**1.3**	**1.3**	**1.3**	**1.4**	**1.4**		**2.5**	**3.2**	
PPG debt service-to-exports ratio (in percent)	**0.0**	**0.7**	**1.0**			**1.0**	**1.3**	**1.3**	**1.3**	**1.4**	**1.4**		**2.5**	**3.2**	
PPG debt service-to-revenue ratio (in percent)	**0.0**	**1.3**	**1.7**			**1.6**	**2.3**	**2.7**	**2.9**	**3.1**	**2.9**		**4.3**	**4.9**	
Total gross financing need (Millions of U.S. dollars)	40.7	-8.4	15.2			27.1	51.8	72.4	114.7	147.3	174.7		103.9	160.5	
Non-interest current account deficit that stabilizes debt ratio	165.5	32.3	34.7			40.5	45.1	36.7	22.5	16.6	15.0		22.6	28.3	
Key macroeconomic assumptions															
Real GDP growth (in percent)	5.7	7.0	8.1	5.0	7.7	8.2	7.4	7.7	7.9	7.3	8.6	7.9	5.8	5.7	5.9
GDP deflator in US dollar terms (change in percent)	1.9	8.1	7.0	7.5	3.2	4.1	2.9	5.4	5.8	2.2	1.0	3.6	1.2	1.1	1.1
Effective interest rate (percent) 5/	0.0	1.4	0.8	0.7	0.7	1.3	1.4	1.3	1.3	1.2	1.2	1.3	1.1	1.0	1.1
Growth of exports of G&S (US dollar terms, in percent)	-7.8	24.9	21.4	17.7	16.1	11.4	12.4	26.7	24.1	9.7	4.0	14.7	3.8	5.7	5.0
Growth of imports of G&S (US dollar terms, in percent)	-10.2	15.1	8.4	43.1	78.2	7.6	9.4	0.7	-4.0	-1.0	3.9	2.8	6.7	5.1	6.2
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	39.3	47.1	41.9	47.4	52.2	46.7	45.8	46.7	46.7	46.7
Government revenues (excluding grants, in percent of GDP)	22.5	23.7	26.3			27.6	25.4	25.5	26.2	25.8	26.3		26.7	26.2	27.1
Aid flows (in Millions of US dollars) 7/	13.0	40.3	28.3			57.9	156.2	129.6	173.1	198.3	178.3		177.6	329.2	
o/w Grants	13.0	40.3	28.3			45.7	83.7	72.5	71.7	78.6	86.3		129.8	240.7	
o/w Concessional loans	0.0	0.0	0.0			12.2	72.6	57.1	101.4	119.7	92.0		47.8	88.5	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			3.2	6.8	5.9	6.0	5.7	5.4		3.7	3.7	3.9
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			73.7	69.1	60.8	62.2	67.5	63.7		77.4	77.4	75.0
Memorandum items:															
Nominal GDP (Millions of US dollars)	1221.5	1413.8	1635.8			1842.6	2035.7	2310.3	2637.3	2891.1	3173.5		4775.4	8852.9	
Nominal dollar GDP growth	7.8	15.7	15.7			12.6	10.5	13.5	14.2	9.6	9.8	11.7	7.1	6.9	7.1
PV of PPG external debt (in Millions of US dollars)			119.4			138.5	195.4	276.5	366.2	441.3	537.0		917.4	1370.5	
(PVt-PVt-1)/GDPt-1 (in percent)						1.2	3.1	4.0	3.9	2.8	3.3	3.0	0.9	0.6	1.2

Sources: Country authorities; and staff estimates and projections.

1/ Only includes public sector external debt due to lack of data availability of private debt. Fiscal year basis.

2/ Includes private financing flow s, including for iron-ore related investment w hich w as included in FDI in the previous DSA.

3/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, w ith r = nominal interest rate; g = real GDP grow th rate, and ρ = grow th rate of GDP deflator in U.S. dollar terms.

4/ 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.

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

6/ Historical averages and standard deviations are from 2004/05 to 2011/12 due to data availability.

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

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrow ing (difference betw een the face value and the PV of new debt).

Table 2. Liberia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013–33
(In percent)

	Projections							
	2013	2014	2015	2016	2017	2018	**2023**	2033
PV of debt-to GDP ratio								
Baseline	8	10	12	14	15	17	**20**	16
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	8	11	14	16	17	18	**20**	23
A2. New public sector loans on less favorable terms in 2013-2033 2	8	11	15	18	21	24	**29**	27
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	8	10	12	14	16	18	**20**	16
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	8	12	23	24	25	26	**26**	18
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	8	9	12	14	15	17	**19**	15
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	8	14	10	12	14	15	**18**	15
B5. Combination of B1-B4 using one-half standard deviation shocks	8	1	-11	-7	-4	-2	**5**	10
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	8	14	17	20	22	24	**27**	22
PV of debt-to-exports ratio								
Baseline	17	21	23	25	27	32	**41**	39
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	17	23	27	29	30	33	**43**	57
A2. New public sector loans on less favorable terms in 2013-2033 2	17	24	28	32	37	44	**62**	68
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	17	20	23	24	27	31	**41**	38
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	17	30	62	60	62	68	**79**	64
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	17	20	23	24	27	31	**41**	38
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	17	30	19	21	24	29	**38**	37
B5. Combination of B1-B4 using one-half standard deviation shocks	17	2	-24	-14	-9	-4	**13**	30
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	17	20	23	24	27	31	**41**	38
PV of debt-to-revenue ratio								
Baseline	28	39	48	54	60	65	**73**	60
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	28	43	55	62	67	68	**76**	87
A2. New public sector loans on less favorable terms in 2013-2033 2	28	44	57	70	82	91	**109**	105
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	28	38	49	55	62	67	**75**	61
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	28	49	90	91	96	99	**98**	69
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	28	37	47	53	59	64	**72**	59
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	28	56	40	47	53	58	**67**	57
B5. Combination of B1-B4 using one-half standard deviation shocks	28	4	-41	-25	-17	-6	**19**	39
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	28	53	66	75	84	91	**101**	83

Table 2. Liberia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013–33 (concluded)

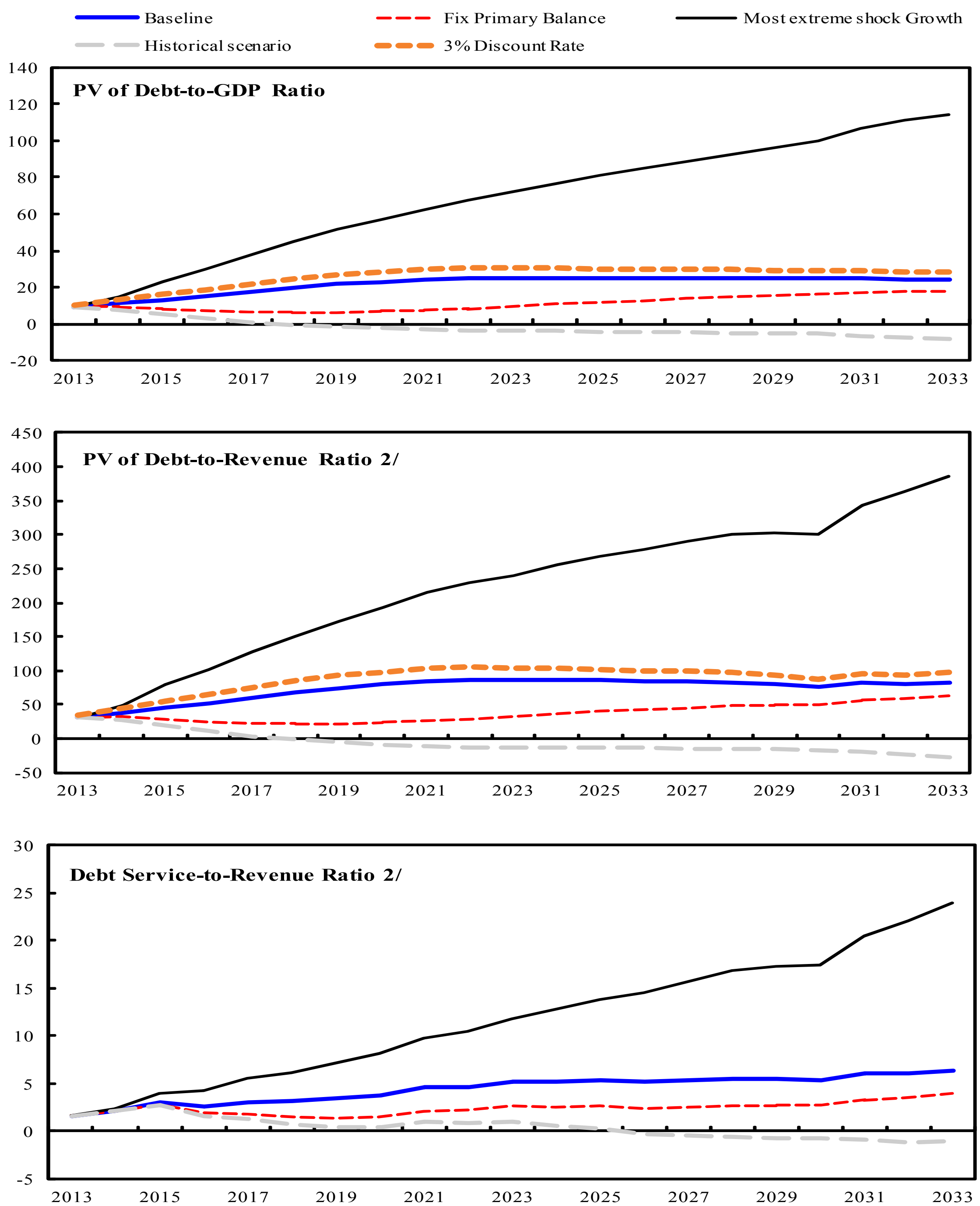
(In percent)

	Projections							
	2013	2014	2015	2016	2017	2018	**2023**	2033
Debt service-to-exports ratio								
Baseline	1	1	1	1	1	1	**2**	3
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	1	1	1	1	1	1	**2**	2
A2. New public sector loans on less favorable terms in 2013-2033 2	1	1	1	2	2	2	**3**	5
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	1	1	1	1	1	1	**2**	3
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	1	1	2	2	2	2	**5**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	1	1	1	1	1	1	**2**	3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	1	1	1	1	1	1	**2**	3
B5. Combination of B1-B4 using one-half standard deviation shocks	1	1	1	1	1	1	**0**	2
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	1	1	1	1	1	1	**2**	3
Debt service-to-revenue ratio								
Baseline	2	2	3	3	3	3	**4**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	2	2	3	3	3	3	**3**	4
A2. New public sector loans on less favorable terms in 2013-2033 2	2	2	3	3	4	4	**6**	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	2	2	3	3	3	3	**5**	5
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	2	2	3	4	4	4	**6**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	2	2	3	3	3	3	**4**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	2	2	3	3	3	3	**4**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	2	2	2	1	2	2	**0**	3
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	2	3	4	4	4	4	**6**	7
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	45	45	45	45	45	45	**45**	45

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Figure 2. Liberia: Indicators of Public under Alternative Scenarios, 2013–33[1]



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2023.
2/ Revenues are defined inclusive of grants.

Table 3. Liberia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2010–33
(In percent of GDP, unless otherwise indicated)

	Actual			Average 5/	Standard Deviation 5/	Estimate	Projections								
	2010	2011	2012			2013	2014	2015	2016	2017	2018	2013-18 Average	2023	2033	2019-33 Average
Public sector debt 1/	11.9	13.7	11.8			12.3	16.7	20.3	24.2	28.4	32.3		38.8	34.4	
o/w foreign-currency denominated	11.9	13.7	11.8			12.3	16.7	20.3	24.2	27.4	30.4		33.6	26.3	
Change in public sector debt	-133.4	1.8	-1.9			0.5	4.4	3.6	3.9	4.2	3.8		-0.5	-0.5	
Identified debt-creating flows	-35.8	-113.6	1.5			0.5	2.6	2.9	3.0	3.5	2.7		-1.4	-0.7	
Primary deficit	-0.5	0.4	3.3	-0.3	2.1	1.4	3.6	5.0	5.3	5.4	4.9	4.3	0.6	0.9	1.3
Revenue and grants	23.6	26.5	28.1			30.1	29.5	28.6	28.9	28.5	29.1		29.4	28.9	
of which: grants	1.1	2.8	1.7			2.5	4.1	3.1	2.7	2.7	2.7		2.7	2.7	
Primary (noninterest) expenditure	23.1	27.0	31.3			31.6	33.1	33.6	34.2	33.9	33.9		30.0	29.9	
Automatic debt dynamics	-2.1	-1.7	-1.8			-1.0	-1.0	-2.1	-2.3	-1.8	-2.1		-2.0	-1.6	
Contribution from interest rate/growth differential	-9.3	-0.8	-1.2			-0.9	-0.9	-1.3	-1.6	-1.8	-2.4		-2.3	-1.9	
of which: contribution from average real interest rate	-1.5	-0.1	-0.1			0.0	0.0	-0.1	-0.1	-0.2	-0.1		-0.1	0.0	
of which: contribution from real GDP growth	-7.9	-0.8	-1.0			-0.9	-0.9	-1.2	-1.5	-1.6	-2.3		-2.2	-1.9	
Contribution from real exchange rate depreciation	7.3	-0.8	-0.6			0.0	-0.1	-0.8	-0.7	0.0	0.3		...	...	
Other identified debt-creating flows	-33.3	-112.4	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 implicit or contingent liabilities	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)	-33.3	-112.4	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, 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	
Residual, including asset changes	-97.5	115.4	-3.4			0.0	1.7	0.7	1.0	0.7	1.1		0.9	0.2	
Other Sustainability Indicators															
PV of public sector debt	...	...	8.9			9.1	11.2	13.0	14.9	17.2	19.7		25.1	24.0	
o/w foreign-currency denominated	...	...	8.9			9.1	11.2	13.0	14.9	16.2	17.8		19.9	16.0	
o/w external	...	...	7.3			7.7	9.9	12.1	14.1	15.5	17.2		19.5	15.7	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	-0.3	0.9	3.8			1.9	4.2	5.8	6.1	6.3	5.8		2.1	2.8	
PV of public sector debt-to-revenue and grants ratio (in percent)	…	…	31.8			30.3	37.8	45.5	51.4	60.4	67.8		85.4	83.0	
PV of public sector debt-to-revenue ratio (in percent)	…	…	33.9			33.0	43.9	51.1	56.7	66.8	74.7		94.1	91.6	
o/w external 3/	…	…	27.8			27.9	39.0	47.6	53.7	60.1	65.1		73.0	60.0	
Debt service-to-revenue and grants ratio (in percent) 4/	0.9	1.6	1.8			1.6	2.1	3.1	2.6	3.1	3.1		5.2	6.4	
Debt service-to-revenue ratio (in percent) 4/	1.0	1.8	1.9			1.8	2.5	3.4	2.9	3.4	3.4		5.7	7.1	
Primary deficit that stabilizes the debt-to-GDP ratio	132.9	-1.4	5.2			1.0	-0.8	1.3	1.3	1.2	1.0		1.1	1.5	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	5.7	7.0	8.1	5.0	7.7	8.2	7.4	7.7	7.9	7.3	8.6	7.9	5.8	5.7	5.9
Average nominal interest rate on forex debt (in percent)	0.0	1.2	0.8	0.6	0.5	1.2	1.3	1.3	1.2	1.2	1.1	1.2	1.1	1.0	1.1
Average real interest rate on domestic debt (in percent)	3.0	-7.4	-5.2	-5.4	6.3	-6.0	...	...	...	...	11.0	2.5	4.1	3.6	4.2
Real exchange rate depreciation (in percent, + indicates depreciat	5.4	-7.4	-5.1	-4.4	4.3	-0.1	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	0.4	11.4	8.2	9.9	4.2	7.3	9.2	10.4	8.6	5.0	3.9	7.4	4.4	4.2	4.2
Growth of real primary spending (deflated by GDP deflator, in perc	0.1	0.2	0.3	0.2	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	…	…	39.3	47.1	41.9	47.4	52.2	46.7	45.8	46.7	46.7	...

Sources: Country authorities; and staff estimates and projections.
1/ The public sector comprises the central government, the Central Bank of Liberia (CBL), public enterprises and other official entities.
2/ 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.
3/ Revenues excluding grants.
4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.
5/ Historical averages and standard deviations are derived over 2004/05 to 2009/10.

Table 4. Liberia: Sensitivity Analysis for Key Indicators of Public Debt, 2013–33

(In percent of GDP, unless otherwise indicated)

		Projections						
	2013	2014	2015	2016	2017	2018	2023	2033
PV of Debt-to-GDP Ratio								
Baseline	9	11	13	15	17	20	25	24
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	9	8	6	3	1	0	-4	-8
A2. Primary balance is unchanged from 2013	9	9	8	7	6	6	10	18
A3. Permanently lower GDP growth 1/	9	12	14	18	22	27	49	121
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	9	15	23	30	37	45	72	114
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	9	10	9	11	14	16	22	22
B3. Combination of B1-B2 using one half standard deviation shocks	9	9	8	14	19	25	45	71
B4. One-time 30 percent real depreciation in 2014	9	14	14	15	16	18	24	27
B5. 10 percent of GDP increase in other debt-creating flows in 2014	9	20	21	22	24	26	31	29
PV of Debt-to-Revenue Ratio 2/								
Baseline	30	38	46	51	60	68	85	83
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	30	27	19	11	3	-1	-13	-27
A2. Primary balance is unchanged from 2013	30	31	29	24	22	22	32	63
A3. Permanently lower GDP growth 1/	30	40	50	61	76	91	165	404
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	30	49	79	102	129	151	240	387
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	30	33	31	38	48	56	76	75
B3. Combination of B1-B2 using one half standard deviation shocks	30	31	27	46	67	86	152	243
B4. One-time 30 percent real depreciation in 2014	30	47	50	51	57	62	81	93
B5. 10 percent of GDP increase in other debt-creating flows in 2014	30	68	73	77	85	91	104	99
Debt Service-to-Revenue Ratio 2/								
Baseline	2	2	3	3	3	3	5	6
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	2	2	3	2	1	1	1	-1
A2. Primary balance is unchanged from 2013	2	2	3	2	2	1	3	4
A3. Permanently lower GDP growth 1/	2	2	3	3	4	4	8	23
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	2	2	4	4	6	6	12	24
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	2	2	3	2	2	3	5	6
B3. Combination of B1-B2 using one half standard deviation shocks	2	2	3	2	3	4	8	15
B4. One-time 30 percent real depreciation in 2014	2	3	4	4	5	5	7	10
B5. 10 percent of GDP increase in other debt-creating flows in 2014	2	2	4	4	4	4	7	8

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

Statement by the Staff Representative on Liberia
Executive Board Meeting
December 11, 2013

1. This statement provides an update on recent developments in Liberia. It does not alter the thrust of the staff appraisal.

2. **Recent economic developments are favorable, although activity slowed down somewhat in July-September 2013**. Weak exports of forestry and rubber and the delayed budget approval contributed to sluggish demand. However, cement production remained strong, suggesting a pick-up in construction ahead of the dry season. Inflation reached 8.5 percent (y/y) in October, resulting from the pass-through of a 12 percent currency depreciation since end-2012. Credit grew steadily at around 20 percent on average from July to October (y/y), while nonperforming loans remained stable at about 19 percent of total loans.

3. **All three prior actions for the review have been met**. The FY2014 budget was signed into law on October 21, 2013 and the allotment schedule distributed on October 25. The largest line Ministries and agencies submitted full cash and procurement plans. Finally, the authorities identified, in consultation with Parliament, US$30 million or 1½ percent of GDP in savings on current spending in the FY2014 budget so that the annual deficit target could be met. These savings were communicated by the Minister of Finance to all line Ministries and Agencies on November 22–25, along with revised cash plans.[1]

4. **Program performance is gradually improving**. Most end-September indicative targets have been met, though government revenue has underperformed and foreign reserves are being rebuilt, albeit at a slow pace (Table 1).

- **Central government revenue fell short of the target by US$15 million (0.7 percent of GDP), reflecting in part the delayed budget approval**. To address this shortfall, starting in December the authorities are reducing import duty exemptions on (i) repatriation of expatriates' personal property; (ii) used cars; (iii) NGOs and charitable organizations; and (iv) concession companies. In addition, a verification-based refund mechanism for duty-free imports of petroleum products will be introduced in January.

- **Net foreign reserves were below the end-September indicative target by US$22 million**. The pace of reserve accumulation has been slow but remains on track to meeting the end-December target. On the one hand, the exchange rate has stabilized somewhat since end-October, thus reducing the reliance on the foreign exchange auction. On the other hand, cooperation between the Ministry of Finance and the Central

[1] Half of the savings (US$15 million) have already been realized: since approval of the FY2014 was delayed, monthly budget allocations remained at 1/12 of the FY2013 appropriation in July-September.

Bank on liquidity management is being enhanced, including through higher sales of U.S. dollars to the Central Bank, closer coordination on T-bill issuance to mop up excess liquidity, and an increase in the share of government revenue collected in Liberian dollars to match Liberian dollar spending.

5. **The pace of reform implementation has picked-up, with solid progress towards meeting the end-December structural benchmarks**. Two of the five benchmarks have already been met: a draft Petroleum law, in line with international best practices, has been submitted to Parliament in September, and the audit for the FY2012 budget has been completed. The remaining three benchmarks are on track to being completed in time: (i) the authorities have shared with staff a final draft of the medium-term debt strategy at end-November; (ii) the collateral registry is expected to be operational with core staff already recruited and office space identified; (iii) and daily sweeping of government accounts should begin as planned at end-December, following successful monthly sweeps since August 2013.

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

(Millions of US dollars, unless otherwise indicated)

	Dec. 12		Status	Mar. 13		June 13		Status	Sep. 13		Dec. 13	
	Program	Actual		Program	Actual	Program	Actual		Program	Prel.	Program	Revised
Performance criteria [1, 2]												
Floor on total revenue collection of the central government [3]	203.0	214.5	Met	325.7	324.9	447.5	446.1	Not met	120.3	105.0	230.3	230.3
Ceiling on new external arrears of the central government (continuous basis)	0.0	0.0	Met	0.0	0.0	0.0	0.0	Met	0.0	0.0	0.0	0.0
Ceiling on new non-concessional external debt of the public sector (continuous basis) [4, 10]	0.0	0.0	Met	0.0	0.0	14.2	0.0	Met	14.2	0.0	14.2	14.2
Ceiling on new domestic borrowing of the central government [5]	15.0	0.0	Met	15.0	0.0	15.0	5.0	Met	15.0	5.0	20.0	30.0
Floor on CBL's net foreign exchange position [6, 7]	210.0	216.3	Met	207.0	212.3	232.0	217.9	Not met	232.0	210.5	237.0	237.0
Ceiling on CBL's gross direct credit to central government [7]	290.0	293.3	Not met	290.0	293.4	268.9	270.3	Not met	268.9	268.4	268.9	264.9
Indicative Targets												
Ceiling on gross external borrowing by the public sector [8]	126.7	0.0	Met	126.7	144.5	118.2	226.3	Not met	118.2	65.9	118.2	118.2
Ceiling on net domestic assets of the CBL [6, 7]	-10.0	-47.6	Met	-19.0	-12.6	-17.0	-21.5	Met	-17.0	-13.4	-17.0	-17.0
Ceiling on new domestic arrears/payables of the central government (continuous basis)	0.0	0.0	Met	0.0	0.0	0.0	0.0	Met	0.0	0.0	0.0	0.0
Floor on social and other priority spending (percent of total actual expenditure, excluding contingencies) [9]	30.0	30.6	Met	30.0	27.6	30.0	25.5	Not met	30.0	32.0	30.0	30.0
Memorandum items:												
Memorandum item: Total spending on education, health, social development services (percent of total actual expenditure, excluding contingencies)	…	…	…	…	…	…	…	…	…	32.0	…	25.0
Memorandum item: Programmed receipt of external budget support grants and committed external loans [2]	4.4	15.0	…	…	30.9	33.5	45.7	…	12.6	2.4	53.3	53.3
Memorandum item: Overall fiscal balance [2]	…	…	…	…	…	…	…	…				

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

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

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

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

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

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

[7] Bridge financing from the CBL is available under the program for shortfalls in programmed receipt of external budget support and committed external financing up to a maximum of US$20 million. In this event, floors will adjust downwards and ceilings adjust upwards by the extent this financing is utilized, up to a maximum of US$20 million.

[8] Three-year average annual ceiling in NPV terms. Revised amount reflects the annual average for the remaining two years of the program given the space not used up to June 2013.

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

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

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FOR IMMEDIATE RELEASE
December 11, 2013

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Concludes the Second Review under the Extended Credit Facility Arrangement with Liberia

The Executive Board of the International Monetary Fund (IMF) today completed the second review under the three-year arrangement under the Extended Credit Facility (ECF) for Liberia. The completion of the review enables the disbursement of an amount equivalent to SDR 7.382 million (about US$11.4 million), bringing the total disbursements under the arrangement to SDR 22.146 million (about US$34.2 million). In completing the review, the Board approved the waiver for the nonobservance of the performance criteria on the floor on revenue collection of the central government, the ceiling on Central Bank of Liberia's gross direct credit to the government, and the floor on foreign reserves of the CBL. The Board also approved the authorities' requests for modification of end-December 2013 and end-June 2014 performance criterion on the ceiling on new domestic borrowing of the central government.

The ECF arrangement for Liberia for the equivalent of SDR 51.68 million (about US$79.7 million) was approved by the IMF's Executive Board on November 19, 2012 (see Press Release No. 12/449).

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

"Liberia's economic growth remains strong and the medium-term outlook is positive, provided new projects in the mining and plantation sectors come on stream. Non-resource real GDP growth is expected to continue to pick up in 2014–15, as the authorities continue to press ahead with the implementation of large energy and road infrastructure projects, in line with their Agenda for Transformation.

"While the authorities remain fully committed to reforms underpinned by the ECF arrangement, institutional and capacity constraints have affected recent program performance. Deviations on government revenue and domestic financing were minor, but foreign reserves fell below the program floor reflecting in part higher intervention in the foreign exchange market to mitigate depreciation pressures. The authorities are taking appropriate action to rebuild an adequate reserves buffer, including by strengthening the foreign exchange auction and enhancing liquidity management.

"Action is being taken to strengthen budget execution while scaling up public investment. The authorities have identified savings in the FY2014 budget to be able to meet their deficit target while protecting capital spending. They are also enhancing cash management, including through establishing a Treasury Single Account. Timely approval of annual budgets, together with careful prioritization and preparation of investment projects, would help remove implementation bottlenecks.

“Financial sector reforms will continue to focus on addressing high credit risks and strengthening the legal and institutional environment to promote intermediation. Enhancing the credit reference system and establishing the collateral registry would directly help reduce credit risk. Other credit initiatives should be market-based, efficient, and recognized as fiscal initiatives financed by the government or donors.

“In light of the recent rapid debt accumulation and large remaining external financing needs, maintaining debt sustainability will require adhering to sound debt management principles, enshrined in the new medium-term debt strategy.”

Statement by Momodou Bamba Saho, Executive Director for Liberia
December 11, 2013

Introduction

The Liberian authorities are appreciative of the Fund's continuous engagement and value the support under the Extended Credit Facility (ECF) arrangement. They also appreciate the extensive exchange of views with staff during discussions for the second review of the ECF arrangement. The authorities broadly agree with the views outlined in the staff report.

Program performance

The Liberian authorities remain committed to pursuing prudent macroeconomic and structural policies within the context of the Fund program. However, end-June 2013 program performance weakened relative to the last review and the earlier Fund supported ECF arrangements because of capacity constraints and challenges in inter-institutional coordination. The authorities met three out of six performance criteria (PC) and two out of the four indicative targets. The floor on revenue collection of the central government (core revenue) was missed by a small margin (US$1.4 million), due to lower-than-projected taxes on international trade, mineral royalties, and agricultural and forestry revenue. The PC on the floor on international reserves of the central bank was missed by US$14.0 million reflecting in part larger sales of U.S. dollars to mitigate exchange rate pressures. The PC on gross central bank financing of government was also missed by US$1.4 million, owing to a temporary overdraft on one of the government accounts at the central bank.

My authorities have taken appropriate policy actions in order to restore compliance with these targets. The overdraft with the central bank was repaid in July 2013 and the authorities are committed to strengthen treasury management and protect priority spending should revenue shortfalls occur in the future. The central bank is committed to rebuilding an adequate reserve buffer of about three months of imports by reducing foreign exchange auction sizes and refraining from launching new U.S. dollar credit schemes while at the same time transferring to reserves repayments from existing placements at maturity.

On the basis of the above corrective actions and the strength of the authorities' future policy commitments, they request waivers for the three missed PCs. The authorities also ask for the completion of the second review of the ECF. The government of Liberia also seeks the Board's approval of their request for modifications of the end-December 2013 and end-June 2014 PCs on the ceiling on new domestic borrowing of the central government.

Recent economic developments

The prudent implementation of the authorities' economic strategy has resulted in an impressive improvement in the country's economic and financial performance in recent years, thus laying the foundation for a sustainable expansion in output. As a result, real GDP growth averaged 7.4 percent between 2010 and 2012 while annual change in consumer prices averaged 8.6 percent. Inflation reached 8.5 percent in October 2013 largely due to higher-than-expected international and domestic food prices and the pass-through of the recent depreciation of the domestic currency. To contain inflationary pressures, the Central Bank of Liberia (CBL) tightened monetary policy by introducing in

July 2013 CBL securities to absorb the excess liquidity in the system. Growth in 2013 is estimated at 8.1 percent driven by stronger than anticipated iron-ore production and the expansion in public and private investment in the first half of 2013.

The overall fiscal deficit including grants for FY2013 was broadly in line with the targets set in the program, although off-budget project execution was below the amounts envisaged. On the external front, the trade and current account balances are projected to widen in 2013 relative to 2011 and 2012 as public investment is being increased. The country's gross international reserves at end-June 2013 declined to 2.7 months of import cover, lower than the 3 months targeted under the program due largely to the central bank's increased intervention in the foreign exchange market.

Medium-term outlook and policies

The authorities' medium-term macroeconomic policies will be anchored on the Agenda for Transformation. In this context, investment in infrastructure and institutions, improved delivery of basic social services and greater employment opportunities especially for the youth will form the centerpiece of this strategy. An immediate policy focus of the authorities is the expansion of electricity generation in order to support manufacturing industries and promote private sector development with a view to sustain growth. Against this back drop, GDP growth in 2014 has been revised upwards to 6.8 percent (from 5.4 percent at the time of the first review) but is expected to rise to 8.6 percent in 2015. The better outlook reflects stronger activity in the mining and non-mining sectors. The medium-term outlook envisages low single digit inflation, declining from 8.5 percent in 2013 to 5.4 percent in 2016.With the pressure on the exchange rate subsiding, the country is expected to maintain gross international reserves at 3 months of import cover in 2016 and beyond.

Fiscal policy

My authorities are committed to maintaining fiscal sustainability over the medium term by pursuing prudent fiscal management, while creating fiscal space to support their development priorities. Accordingly, they will intensify domestic revenue mobilization and scale back costly and poorly-targeted recurrent spending and subsidy programs in the budget in order to safeguard critical investment programs.

The ministry of finance will improve its revenue collection through a number of measures intended to improve tax administration efficiency. In addition, the formation of the Liberia Revenue Authority and the introduction of VAT next year, coupled with the introduction of a progressive tax regime in real estate, will further enhance revenue mobilization and broaden the tax base. The authorities are also taking some aggressive measures on closing loopholes in revenue collections by reducing duty exemptions on used cars, repatriation of expatriates' personal property, NGOs and charitable organizations, and concession companies.

On the expenditure front, the government remains committed to the fiscal rules introduced last fiscal year and they plan to work with the legislature to ensure they can be adhered to in order to create the much needed fiscal space for capital spending. Also, to ensure that budget implementation is in line with these policy commitments, they will strengthen liquidity management and move towards a single treasury account. The authorities, in collaboration with the legislature have identified US$30 million or 1.5 percent of GDP in savings on current spending in the FY2014 budget in order to meet the annual deficit target. Finally, to avoid budget overruns, my authorities will not disburse any funds related to the contingent revenues provided for in the budget by the legislature until the revenues materialize. However, if the contingent revenues materialize within the fiscal year, a supplementary budget will be forwarded to the legislature for approval.

Monetary and exchange rate policies

The focus of monetary policy will be to contain inflation in the low single digits and maintain exchange rate stability. To this end, the central bank's monetary policy framework is being revised to enhance the potency of monetary instruments in sterilizing domestic liquidity, and to promote development of the interbank market. Central bank securities will be actively used to manage liquidity with the interest rate serving as a signaling tool in transmitting the monetary policy stance. To mop up excess liquidity, the CBL and ministry of finance will closely collaborate on treasury bills issuance.

The Liberian dollar has been under pressure in recent months. This has resulted to acceleration in consumer prices. To mitigate the exchange rate pressure, the ministry of finance will increase its sale of U.S. dollars to the CBL in order to boost the bank's foreign exchange reserves. In addition, the authorities have given all tax payers the option to pay their taxes in Liberian dollar at the exchange rate announced and published by the CBL on the day of the transaction. Similarly, importers of petroleum products have the option to pay the sales tax portion of their taxes in Liberian dollars. This action will ensure that tax payers do not buy U.S. dollars for the purpose of paying their taxes. In the medium term, interventions in the foreign exchange market through the weekly foreign exchange auctions would be limited to smoothing excessive exchange rate fluctuations.

Financial sector policy

Despite continued pressure on commercial banks' operational and funding costs which eroded their profitability, the banking system continues to show signs of resilience evidenced by the growth in assets, capital and reserves. The average risk-weighted capital adequacy ratio remains well above the statutory requirement. Also, nonperforming loans declined from 25 percent at end-2012 to 19 percent at end-October 2013.

The CBL introduced strong measures to address the problem of delinquent loans, including publishing the names of delinquent borrowers in local newspapers, barring them from the use of the banking system, and foreclosing their properties based on rulings by the commercial court. The establishment of a commercial court has also brought some relief to the financial system, especially in fast-tracking the hearing of cases. The CBL is also making efforts to enhance its credit reference system which has been helpful in identifying delinquent borrowers.

As part of its efforts to strengthen the risk-based supervision framework, the CBL began the process of developing a stress testing framework during 2012. This framework will enable the CBL to be proactive in responding to potential systemic problem in the banking sector on a timely basis. Finally, the CBL continues to strengthen capacity at the supervision department both through maintaining adequate staffing levels and training.

Debt management policy

Improved public debt management remains a priority to the authorities to maintain external stability and expand fiscal space to invest in electricity, roads, ports and agriculture. The authorities' new Medium Term Debt Management Strategy (MTDS) will guide the government in its borrowing. The MTDS will take a comprehensive view of the debt and fiscal risks including coverage of SOE guarantees and other government guarantees to banks or contingent claims. All such guarantees or claims will pass through the Debt Management Committee. In the mean time, all efforts will be made to ensure that loans contracted are concessional. Non-concessional loans will be limited to critical investments in infrastructure projects that will have a knock-on effect of aiding economic growth and employment creation. Also, the authorities are committed to building the institutional and professional capacity of the Debt Management Unit at the Ministry of Finance.

Conclusion

The rapid response of my authorities in instituting appropriate corrective policy measures to address the program slippages underscore their commitment to the implementation of the ECF program. They remain committed to pursuing sound macroeconomic policies and undertaking structural reforms with a view to sustaining growth at high levels over the medium and long-term. Given the positive growth outlook, the authorities are determined that these prospects are translated to strong economic growth, wealth creation and improvement in the living standards of all Liberians.

Liberia endured years of conflict, which damaged infrastructure and institutions, human capital, agriculture, and hampered economic growth. Since 2005, the authorities focus was mainly on national reconciliation, building of institutions and maintaining the peace. Going forward, the government's development strategy, the Agenda for Transformation, focuses on pursuing inclusive growth and job creation by developing infrastructure, human resource capacity and cementing peace and stability. To this end, there is need to scale up public investment in electricity generation, building of road networks and ports as well as develop agriculture. It is this context that my Liberian authorities would welcome Executive Directors' consideration for a possible increase in the program's limit on new non-concessional borrowing.

My authorities appreciate the support from the IMF and the international community and count on the continuation of such support to realize their development goals.