

and infrastructure. A gradual recovery in economic activity is projected to take hold in 2016, led by a rebound in services.

“The authorities remain committed to the broad objectives of the ECF-supported program. However, program implementation capacity has been hampered since the beginning of the crisis as the authorities focused on the emergency. Implementation of structural reforms has also been delayed by the limited functioning of the public sector due to the Ebola outbreak. Large financing gaps are estimated for 2015–16, and reserves coverage could decline significantly in 2015 in the absence of additional financing. Fund financial assistance, together with debt relief from the CCR Trust, will help boost central bank reserves to meet market demand for foreign exchange, while acting as a catalyst for additional grant financing from other official and private creditors.

“Fiscal policy should continue to remain accommodative to meet spending priorities relating to the epidemic, subject to the availability of financing. Continued improvements in public financial management and transparency in the use of external resources will be key to unlocking further donor budget support. Emergency social safety nets need to be deployed to address rising poverty and food insecurity. Over the medium term, rebuilding a resilient health system should remain a priority.

“Greater exchange rate flexibility is desirable to maintain adequate reserves in the context of a prolonged crisis. Continued close monitoring of monetary and financial sector conditions, as well as enhanced liquidity management, are essential to contain any lingering vulnerabilities in the financial system. Going forward, the central bank plans to develop a framework for the provision of emergency liquidity support to banks, supported by Fund technical assistance, will help enhance the resilience of the banking system.”

**Statement by Chileshe Mpundu Kapwepwe, Executive Director for Liberia and
Tharcisse Yamuremye, Advisor to Executive Director
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I. Introduction

The Liberian authorities appreciate the continued engagement and support from the Fund in the effort to address the extensive socio-economic challenges related to the Ebola Disease Virus (EVD) outbreak. The ongoing Ebola epidemic has taken a heavy toll on the Liberian population and economic activity. The epidemic has disrupted the agricultural sector causing food insecurity and exacerbating poverty. Despite the significant progress in containment of the disease, the World Health Organization (WHO) warns that under-reporting of new Ebola cases and deaths persists. However, recent data indicates a sharp decrease of new infections and schools are now partially opened.

Economic growth is estimated to contract in 2015 and recover in 2016 with a rebound in services sector. The current account deficit is expected to widen driven by a decline in exports and high imports needs, while the reserves coverage could decline by end December 2015, in the absence of additional financing. The situation is also being compounded by the decline in international iron ore prices. The authorities, in collaboration with international community, are working to eradicate the disease in order to rejuvenate economic activity and restore macroeconomic stability. Against this backdrop, they are requesting for disbursement under the Rapid Credit Facility (RCF) and Debt Relief under the Catastrophe Containment and Relief (CCR) Trust to bridge the enormous financing gap resulting from the Ebola outbreak.

II. Request for RCF and Debt Relief under CCR Trust

Despite the difficult environment, the authorities are still committed to implementing the ECF program in line with its post Ebola Economic Stabilizing and Recovery plan. The indicative targets and performance criteria were broadly met despite the deteriorated implementation capacity. On the structural front, notwithstanding the limited functioning of the public sector, some key structural reforms were completed, including the establishment of the Liberia Revenue Authority (LRA), installation of the Civil Service Management module, approval of the Insurance Act, and merging the Ministries of Planning and Economic Affairs.

However, due to lack of a comprehensive review on a regular basis owing to the difficult environment, normal disbursements under the ECF program have stalled. Thus, the disbursement under the Rapid Credit Facility (RCF) and debt relief under the Catastrophe Containment and Relief trust (CCR) will help the authorities to cope albeit partially with urgent budgetary and balance of payment needs. Moreover, in the highly dollarized financial system, these resources will strengthen the CBL's capacity to respond to potential liquidity needs.

III. Macroeconomic Policies and Outlook

Fiscal policy

Fiscal performance has been constrained by the revenue shortfall, reflecting the decline in economic activity. However, the central government's FY2014 fiscal deficit remained broadly unchanged at about 1.2 percent of GDP compared with FY 2013 due to significant under-execution of public investment and the impact of the payroll cleanup on the wage bill. Although, the FY2015 budget deficit is set to expand significantly in response to the Ebola crisis, the revenue performance in the first half of FY2015 is broadly in line with the revised budget.

In response to the Ebola outbreak, the authorities remain committed to pursuing an accommodative fiscal policy while avoiding a rapid increase in debt burden. To mitigate the revenue shortfalls owing to the weak economic activity, the authorities are strengthening tax administration and compliance toward Liberia Revenue Authority (LRA) to boost tax collection even after the economy bounces back. While the authorities are ready to support safety net spending to protect the poorest households, they are also convinced that for a strong inclusive growth it is important to continue implementing the public investment program to build the capacity for economic activity. In addition, the authorities will continue to strengthen public financial management and budget process. To this end, they are committed to swiftly finalizing the audit of the off-budget road contracts at the Ministry of Public Works and enhancing public procurement. In addition, the authorities have launched a process to recruit an international accounting firm to assist the government with the financial management of the Ebola Trust Fund.

Monetary and Financial Sector Policies

Maintaining price stability is a key objective of monetary policy. In this regard, while the declining international oil prices have mitigated inflation pressures, the Central Bank of Liberia (CBL) is improving liquidity management to rein in inflation. Further, the authorities are committed to maintaining a flexible exchange rate policy. However, at the onset of the Ebola crisis, exchange rate pressures have prompted the CBL to intervene to stabilize the market.

Financial sector stability has been threatened by the weak economic activity. Given the uncertainties, real private sector credit growth dropped to 19.6 percent in November 2014 from 40.4 percent at end November 2013. Non-performing Loans (NPLs) reached 18.2 percent in November 2014 compared to 14.8 percent in December 2013.

Cognizant of the important role of the financial sector in boosting economic activity, the CBL announced policy measures in late December 2014 to mitigate the impact of the Ebola outbreak on commercial banks to ensure stability in the financial system. In this regard, the CBL will effect various measures including exercising dispensation on specific regulations in