



LIBERIA

June 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR LIBERIA

In the context of the Request for Disbursement under the Rapid Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 5, 2020, following discussions that ended on May 22, 2020, with the officials of Liberia on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 1, 2020.
- A **Debt Sustainability Analysis** prepared by the staff of the International Monetary Fund and the International Development Association.
- A **Statement by the Executive Director** for Liberia.

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

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

*Also included in Staff Report

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

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IMF Executive Board Approves a US\$50 Million Disbursement to Liberia to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The IMF approved the disbursement of US\$50 million (1.7 percent of GDP) under the Rapid Credit Facility to support the authorities' response to the COVID-19 pandemic.
- The economic impact of the pandemic is hitting the poorest with little social safety net, and food security of those relying on uncertain daily income is a pressing concern.
- The authorities have responded by taking revenue and expenditure measures to support emergency food aid for the poor; improving monitoring and control of spending; and safeguarding scarce foreign exchange reserves.

WASHINGTON, DC – June 5, 2020 The Executive Board of the International Monetary Fund (IMF), today, approved the disbursement of SDR36.17 million (US\$50 million; 1.7 percent of GDP) to be drawn under the Rapid Credit Facility (RCF). This, together with debt relief approved in April 13, will help meet Liberia's urgent balance of payment needs, mostly stemming from fiscal needs necessary to respond to the pandemic.

The pandemic is hitting Liberia at a time, when economic activity was already declining. Real GDP growth for 2019 is estimated at -2.5 percent as private sector confidence remained weak, while inflation remains high. In addition, vulnerability to exogenous shocks remained high as both fiscal and external buffers were low. The full extent of the impact of COVID-19 is not known, but growth is now projected at -2.5 percent for 2020, largely due to lockdown at home and abroad which are negatively impacting domestic demand, net remittances, capital inflows, and the banking sector. In the absence of support, the poorest will feel the impact the most as there is little social safety net, and the food security of those relying on uncertain daily income is a pressing concern. The pandemic opens a balance of payment need of US\$150 million (5.1 percent of GDP) in 2020, which largely arises from a domestic revenue shortfall projected at US\$119 million.

Preliminary data suggest that performance under the Extended Credit Facility (ECF)-supported program has been weak, though the authorities are fully committed to address the weaknesses. Most of the end-December fiscal targets and structural benchmarks were met but the monetary program went off track by a large margin mainly for two reasons: an acute shortage of Liberian dollar banknotes at a period of high cash demand resulting in higher foreign exchange intervention than programmed; and acute shortages of U.S. dollar liquidity in the banking sector. The authorities are addressing these weaknesses—aiming to bring the program back on track in time to complete the first review—but are faced with the challenging task of managing the COVID-19 crisis at the same time.

Following the Executive Board's discussion of Liberia, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement:

“The COVID-19 pandemic came at a time when a consensus on the need for broad-based reform in Liberia had finally emerged, but when macroeconomic conditions remained challenging. The pandemic is expected to hit Liberia hard, and will likely disproportionately affect the most vulnerable as social safety nets are rudimentary, food insecurity is rising, and the healthcare system is underdeveloped.

“The authorities remain committed to protecting the most vulnerable amidst a significant revenue shortfall. The initial response to the pandemic, including the emergency food aid program, is welcome, but more remains to be done. Specifically, the passage of the agreed FY2021 budget with high-quality revenue measures is key to addressing the COVID-19 crisis. It is also important to expeditiously finalize the comprehensive off-budget COVID-19 response plan with development partners. The authorities have taken measures to raise domestic revenue, including legislative approval of an excise tax on fuel and adoption of a resolution to channel all revenues acquired by two large state-owned entities to the government’s consolidated account. They have also made significant improvements in the monitoring, control, and transparency of expenditure, including by tabulating and publishing detailed weekly reconciled spending reports, by requiring all budgetary entities to utilize the centralized financial management system, and by committing to the timely publication of an audit of crisis spending.

“To address the shortage of Liberian dollars and the growing need for more U.S. dollar liquidity, the authorities have contracted the printing of additional Liberian dollar bank notes and are formulating measures for inclusion in the FY2021 budget to augment US dollar liquidity.

“The authorities have also made steady progress in reaching benchmarks set under the Extended Credit Facility arrangement and remain committed to reforms under the arrangement to stabilize macroeconomic conditions and lay the foundation for inclusive and durable growth once the crisis subsides.”

More information

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)
<https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker>

IMF Executive Board calendar
<https://www.imf.org/external/NP/SEC/bc/eng/index.aspx>



LIBERIA

June 1, 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

EXECUTIVE SUMMARY

Context. The COVID-19 pandemic came at a time when a consensus on the need for broad-based reform had finally emerged, but macroeconomic conditions continued to be challenging in Liberia. With the impact of COVID-19, growth is now projected at -2.5 percent for 2020, 3 percentage points below the pre-COVID baseline, largely due to lockdowns at home and abroad. The impact will hit the poorest as there is little or no social safety net and the food security of those relying on uncertain daily income is a pressing concern. The full scale of the COVID spread is unknown, but the health care system is underdeveloped and likely to be overwhelmed should cases rise.

Request for Fund Support. In the attached letter of intent, the authorities request financial support amounting to 14 percent of quota (SDR36.176 million; US\$49.1 million; 1.7 percent of GDP) under the Rapid Credit Facility (RCF) to meet the urgent balance of payments need arising from the global pandemic at a time when the first review of the ECF program has been delayed due to the practical difficulties of holding comprehensive policy discussions in current conditions. Staff supports the request.

Macroeconomic Policies. The authorities' policies to address the pandemic include direct measures (quarantine requirements and a nation-wide lockdown announced on March 22; and fiscal measures, including securing a US\$3 million emergency response budget. More policy responses are however needed, requiring close cooperation between the authorities and development partners, including: procuring and distributing medical supplies; ensuring households have access to food throughout the lockdown; and funding and executing the budget—including paying wages to health workers even in the face of anticipated revenue shortfalls. The Liberian authorities are enhancing their response including by: putting all available domestic resources into the government consolidated account; reallocating non-essential spending to emergency food aid; improving monitoring and control of spending; and safeguarding scarce foreign exchange reserves. Given institutional weaknesses and limited administrative capacity, development partners are increasing their role in delivering both emergency and cash assistance. Nonetheless, urgent disbursement under the RCF is critical to address the balance of payments need and keep the budget fully funded.

Approved By
Dominique Desruelle
(AFR), Kevin Fletcher
(SPR)

An IMF team consisting of Ms. Saito (head), Mr. Jenya, Mr. Matsumoto and Ms. Tejada (all AFR), Ms. Kamali (SPR), Ms. Lattie (MCM), Mr. Oestreicher (Resident Representative), and Mr. Deline (Economist, Resident Representative Office) exchanged information and held discussions with President Weah, Finance Minister Tweah, Central Bank Governor Tarlue, State Minister McGill, Commerce Minister Tarpeh, Agriculture Minister Cooper, other senior government and central bank officials by video conferences during April 17-May 22, 2020. Ms. Kaze provided research support and Mr. Magno assisted the team in the preparation of this report.

CONTENTS

CONTEXT	4
IMPACT OF THE COVID-19 PANDEMIC	4
A. Economic Developments Before the Pandemic	4
B. Impact of the Pandemic	5
C. Medium-Term Recovery and Risks	9
POLICY DISCUSSIONS	9
A. Gathering All Domestic Resources	9
B. Reallocating Non-Essential Spending to Emergency Food Aid	10
C. Safeguarding External Buffers	11
D. Improving Transparency of Emergency Response Expenses	11
E. Preserving a Sound Banking System	12
MODALITIES OF SUPPORT	13
STAFF APPRAISAL	14
FIGURES	
1. Foreign Exchange Developments, 2015–20	16
2. Monetary Developments, 2012–20	17
3. Recent Economic Developments, 2016–20	18
4. Fiscal Performance, FY2014–20	19

TABLES

1. Selected Economic and Financial Indicators, 2018–25	<u>20</u>
2. Balance of Payments, 2018–25	<u>21</u>
3a. Fiscal Operations of the Budgetary Central Government (Including Off-Budget Transactions), 2018–25, (Millions of U.S. dollars)	<u>22</u>
3b. Fiscal Operations of the Budgetary Central Government (Including Off-Budget Transactions), 2018–25, (Percent of GDP)	<u>23</u>
3c. Fiscal Operations of the Budgetary Central Government, 2018–25, (Millions of U.S. dollars)	<u>24</u>
3d. Fiscal Operations of the Budgetary Central Government, 2018–25, (Percent of GDP)	<u>25</u>
4. Monetary Survey, 2018–25	<u>26</u>
5. Financial Soundness Indicators, 2014–18	<u>27</u>
6. External Financing Requirement and Sources, 2017–25	<u>28</u>
7. Indicators of Capacity to Repay the IMF, 2019–29	<u>29</u>

ANNEX

I. Social Spending in Liberia (Update from the 2019 Article IV)	<u>30</u>
II. Weekly Fiscal Dashboard	<u>35</u>

APPENDIX

I. Letter of Intent	<u>36</u>
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