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December 17, 2020

**Statement by Mr. Palei and Mr. Biriukov on Liberia
(Preliminary)
Executive Board Meeting
December 21, 2020**

1. We thank staff for the well-written report and Ms. Mannathoko and Mr. Jappah for their informative Buff statement. Taking into consideration the strength of the authorities' policy commitments and corrective measures, **we support the completion of the first and second reviews under the ECF.**
2. **The authorities' dedication to medium-term fiscal sustainability is commendable.** Minor fiscal policy loosening in FY2021 is justified to accommodate interventions to stem the effects of coronavirus outbreak on the most vulnerable businesses and households. However, the FY2021 budget remains fully financed and the current trend in domestic revenue mobilization signals likely receipts overperformance this financial year. Even so, mobilizing domestic revenue continues to be critical and we agree with staff that the Fund should channel its capacity development activities into this specific area. On the expenditure side, we acknowledge progress on the civil service payroll reform and shift to quarterly reconciliation of outlays to avoid long delays.
3. **Staff continue to assess Liberia as having a sustainable debt burden.** This still argues for prioritization of borrowing on concessional terms to meet financing needs. It also remains crucial to continue to refrain from the central bank financing and buildup of arrears. We also take a positive note that the development and implementation of a comprehensive Debt Management Manual helped to facilitate overdue debt payments. *Ms. Mannathoko and Mr. Jappah mention in their Buff that the authorities are reviewing several options to determine the best path to finance development projects. Could staff please elaborate on that?*

4. On the monetary front, **high dollarization, together with the underdevelopment of money and capital markets, continue to weight on the effectiveness of the CBL's policymaking.** In this respect, coordination between the government and the CBL becomes pivotal as further fine tuning of the open market instruments should move in parallel with the gradual increase in Liberian dollar budget expenditures. *Could staff please elaborate on the government's FX selling to the CBL and its impact on money supply growth?*
5. **Further actions are required to underpin Liberia's financial sector resilience.** The banking system has experienced long-standing liquidity challenges, affecting both the US and Liberian dollars. The former has been a result of the pandemic leading to reduced export earnings and remittances from abroad. The latter is a product of yet to be improved confidence in the banking sector. Thus, we see merit in alignment of the reserve requirement ratios for both the US and Liberian dollars to create appropriate incentives for saving in domestic currency. *We are curious to learn more details about the financial sector reform plan mentioned in MEFP 30.*
6. **Liberia requires considerable FDI to fulfill its development goals.** Once the pandemic subsides, we encourage the authorities to strengthen institutional reforms to improve the business climate and allow the private sector to serve as the engine of economic growth. *Could staff please update us on whether the Business Climate Working Group, formed in 2018, is still operational?*

With these comments, we wish the authorities every success in their endeavors.