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December 17, 2020

**Statement by Mr. Bevilaqua, Mr. Saraiva, and Ms. Cruz on Liberia
(Preliminary)
Executive Board Meeting
December 21, 2020**

We thank staff for the comprehensive reports. We also thank Ms. Mannathoko and Mr. Jappah for their insightful statement.

Given the authorities' renewed commitment to the program and the corrective measures taken, we support the completion of the first and the second reviews of the ECF arrangement. We also support the request for a waiver for nonobservance of three end-December 2019 and three end-June 2020 performance criteria (PC), as well as the request for the modification of PC moving forward, due to the pandemic impact on the overall economic conditions. Program performance was mixed with half of the PC not met at both end-December 2019 and end-June 2020 dates. With the Covid-19 shock, the targets set for 2020 clearly became unfeasible or inappropriate.

Flexibility is now required to ensure that the ECF program remains relevant as conditions changed significantly. By the end of 2019, when the Liberian authorities negotiated a new ECF arrangement, the prevailing expectations were to achieve macroeconomic stability and sustainable growth underpinned by an improved policy framework and structural reforms, after a period of low growth, high inflation and exchange rate depreciation. Preliminary 2020 data indicate mixed results with GDP expected to contract by 3 percent, inflation on a declining trend and the Liberian dollar stable after experiencing some appreciation. Nevertheless, the pandemic changed the overall economic scenario and it seems desirable that the program adjusts accordingly and in consonance with the guidelines approved by the Board for the Covid-shock context. *Could staff inform whether more structural adjustments to the program are being envisaged?*

We take positive note that the authorities are proactively working on the domestic revenue mobilization, particularly in view of the lack of fiscal buffers. As priority spending is expected to keep rising, controlling the fiscal cash management is crucial, in

order to guarantee enough resources to finance primary needs, including support to the poorest. Thus, we congratulate the authorities for reaching the targets on total revenue collection and social and other priority spending. However, as the humanitarian conditions are deteriorating, and considering the limited available social safety net, we recommend additional efforts to better manage and reinforce existing social programs in order to assure broader coverage. We also recognize the progress made on public financial management, particularly enhancing transparency of SOEs with the provision of quarterly performance reports, while improving cash management still requires further efforts. Noteworthy has been the significant progress on reforming civil service payroll, with elimination of ghost workers, centralization of wage payments, biometric validation and verification of skills.

The tight monetary policy appears to be adequate to bring inflation down and stabilize the exchange rate. We recommend authorities to keep strengthening the coordination between the central government departments and the central bank for the liquidity management in the economy and to maintain a more effective supervision on the banking operational regulatory framework. *Relatedly, could staff inform which CD activities are being foreseen to help strengthen the monetary policy implementation framework, in particular the finetuning of open market instruments?* The CBL plan to level the reserve requirements for US dollars and Liberian dollars to make local currency deposits more attractive to banks seems sensible. We welcome CBL's intention to request TA to help correct anomalies in the foreign exchange market. We also welcome the progress in containing CBL's operational deficit in line with IMF TA, and the intention to eliminate by 2021 the use of reserves to finance the central bank budget.

We acknowledge some progress on the anti-corruption front but see with concern that the target to reinforce the Liberian anti-corruption framework was not met. We take positive note of the important anti-corruption conference held in September which yielded a resolution adopted by the government. Staff has also highlighted progress on procurement transparency and accountability with commitment to publish beneficial ownership information of most contracts awardees on the Public Procurement and Concessions Commission (PPCC) website. However, the Liberian Anti-Corruption Commission Bill stalled before legislative approval, and staff attributed such delay on the fact that action would be required by the Supreme Court. This is very concerning given the importance of this measure to strengthen governance and the transparency procedures in line with the United Nations Convention against Corruption. *Could staff explain why the involvement of the Judiciary Branch is hindering the approval of this bill, what is the expected timeframe now, and whether in the meantime other measures are being taken in order to assure strengthened internal control on the economic and financial acts?*

Finally, we welcome the capacity development focus on domestic revenue mobilization and financial sector stability during the crisis. For the recovery period, in addition to the priorities set in the CD strategy we suggest a continuous TA agenda for the improvement of the national accounts' statistics, including frequent inflation surveys.

With these comments, we wish all success to the Liberian authorities and people in their endeavors to develop their economy and move beyond the situation of fragility.