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June 4, 2020

**Statement by Mr. Bevilaqua, Mr. Saraiva, and Mr. Nithder Pierre on Liberia
(Preliminary)
Executive Board Meeting 20/67
June 5, 2020**

We thank staff for the comprehensive report and Mr. Mahlinza and Mr. Jappah for their insightful statement. The COVID-19 pandemic hit Liberia at a time when it was facing challenging macroeconomic and humanitarian conditions, further deteriorating the country's economic outlook. The authorities' swift response has been effective in limiting the spread of the pandemic. However, containment measures coupled with the decline in remittances have put additional strains in Liberia's economy, worsening an already weak growth dynamic. Accordingly, real GDP is projected to contract by 2.5 percent in 2020, while inflation remains high and the exchange rate volatile. Furthermore, fiscal revenue shortfall combined with budget spending accommodation have resulted in large fiscal financing needs. Similarly, the fallout from COVID-19 opens a balance of payments gap estimated at \$150 million (5.1 percent of GDP), including a provision for accumulating USD 43 million in international reserve. **Against this backdrop and considering Liberia's adequate capacity to repay the Fund and sustainable debt position, we support the authorities' request for a disbursement under the Rapid Credit Facility (RCF) in the amount of SDR 36.18 million (14 percent of quota).**

The authorities' timely response to cushion the impacts of the pandemic seems sensible, but risks related to the outbreak and the economic fallout remain elevated. We commend the authorities' commitment to implementing key measures to strengthen the health care system and alleviate the economic and social effects of the crisis. We note with concern the lack of an established social protection net and applaud the introduction of the COVID-19 Household Food Support Program (COHFSP), supported by the World Bank and operated by the World Food Program, to enhance food security and assist those living in poverty. We remain highly concerned by the precarious social balance between the needed containment measures and their impact in the livelihood of the population, most of which

already living below the poverty line. *In this regard, we wonder which other measures are being devised to address emergency poverty and food security issues.*

We hope that the approval of IMF emergency financing will help secure additional grants and external concessional loans. We note that the disbursement under the RCF will account for about a third of Liberia’ financing needs, while most of the rest is expected to come from other development partners. Staff suggests that further IMF disbursements of USD 38 million would help close the gap. We take note that in the ECF schedule there were two disbursements adding to USD 47 million programmed for this year. *However, given the difficulties mentioned by staff in the progress with the ECF arrangement approved in December last year, what are the prospects for additional disbursements this year?*

Considering Liberia’s fragile situation magnified by the tremendous shock, staff and authorities should engage as soon as feasible in devising a practical plan to adjust and resume the ECF program. The authorities’ commitment to policy adjustment will be instrumental in helping preserve much needed revenue base for the recovery and ensure debt sustainability. In this regard, we commend their decision to gather additional domestic resources to the government consolidated account and reallocate non-essential spending. We concur that bringing to the budget the revenues and investment spending of the Liberian Maritime Authority and the Liberian Telecommunications Authority is a crucial step that will help post-crisis fiscal sustainability. In addition, we welcome the efforts to reduce Liberia’s vulnerability to external shocks, including by limiting significant loss of reserves, through improving the availability of Liberian dollar banknotes and addressing heightened U.S. dollar liquidity needs in the banking sector. Such actions are key to ensure the viability of the balance of payments and bring the program back on track.

Continued efforts are needed to prevent the buildup of further financial risks and preserve the soundness of the banking system during the crisis. We welcome the Central Bank of Liberia (CBL) temporary measures to ease liquidity conditions in the banking system and to constrain payments of dividends and bonuses within the current financial year. Regarding prudential standards for loan classification and provisioning, we take positive note of the decision made by the CBL to ensure that only facilities affected by COVID-19 that were current prior to the pandemic are covered under the forbearance measures. We also acknowledge the authorities’ efforts amidst the shortage of Liberian dollar (LD) to ensure access and affordability of electronic payment services during the pandemic, including by temporarily eliminating fees and charges and increasing limits for mobile money transfers.

Finally, ensuring that the disbursed funds are used in a well-targeted and transparent manner is of utmost importance. We take positive note that the authorities’ commitment to the publication of regular weekly fiscal reports on detailed revenue and expenditure as well as the commission and publication of the General Audit Commission (GAC) post-crisis audit report.