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GRAY/06/1398

April 25, 2006

**Statement by Mr. Ondo Mañe on Liberia  
(Preliminary)  
Executive Board Meeting 06/39  
April 26, 2006**

At the outset we would like to thank Ms Antoinette M. Sayeh, Minister of Finance of the Republic of Liberia, for her informative and helpful Buff statement and staff for their comprehensive paper on recent developments in Liberia. We also would like to commend the Fund and the international community for assisting the Liberian authorities in their efforts to rebuild the economy and its institutions, deeply devastated by more than a decade of civil war. This civil war not only left around half million people dead and displaced, all infrastructure and institutions destroyed but spread out to the neighboring countries with adverse socio, political and economic effects.

We welcome the successful democratic elections and the achievements made under the Economic Management Assistance Program as well as the steps taken by the new authorities to rejoin the international financial institutions. These steps will help Liberia to qualify for further technical and financial assistance needed to rebuild the economy and alleviate poverty.

It is sad to note that over the past 25 years real GDP per capita declined by 90 percent and to date unemployment is over 80 percent while the population has no access to basic health, education and other social services. Therefore, the new Liberia authorities face daunting challenges in all sectors of the economy. In the light of this situation we call on the international community and the Fund in particular for strong support to the authorities' policies designed to implement needed reforms to boost growth and sustain poverty alleviation. We agree with the thrust of the staff report and encourage the authorities to pursue and strengthen the economic governance and financial management under the Staff Monitored Program. In order to tackle the challenges facing the country, the macroeconomic policy over the medium –term will be designed to support the authorities' rebuilding programs and create a stable macroeconomic environment fostering investment and private sector development.

## **Fiscal issues**

We note that the economy has continued to recover with a GDP growth rate estimated at 5.3 percent in 2005 following 2.6 percent the year before, due, in particular, to the improvement in agriculture and restoration of activities in the services. However, fiscal management deteriorated toward the end of the 2005 largely reflecting a breakdown of controls in customs, the delay in implementing measures to strengthen revenue administration and surge in expenditure leading to further accumulation of arrears. Therefore, there is a need to contain public expenditure within available resources and strengthen efforts meant to increase revenue collection. In this regard, we very much welcome Minister Antoinette Sayeh's statement indicating that the authorities are cognizant of the need to rebuild the budgetary institutions to support more effective budget management. In the same vein it is heartening to note the measures taken by the authorities soon after their inauguration with a view to address fiscal problems including the enforcement of pre-shipment inspections for imports and exports, the reestablishment of the Cash management Committee to contain expenditures within available cash revenues. We are also encouraged by the authorities' commitment to improve expenditure control while ensuring sufficient transparency and accountability. Taking into account the external and domestic constraints, the authorities' commitment to work within a balanced budget goes in the right direction. We support the request for technical assistance on tax policy reforms.

## **Monetary and Exchange Rate issues**

Due to a decade of war, the Liberian economy is highly dollarized. In this context, the Central Bank of Liberia implemented a monetary policy framework meant to keep inflation under control through a stable exchange rate. We see merit in the authorities' strategy to gradually de-polarize the economy based on credible monetary policy complemented by a sound banking system. In order to control the pace of increase in domestic liquidity the use of foreign exchange auction is warranted and in the event that additional actions are required, the statutory reserve requirement system is also appropriate. With the objective of maintaining price stability, there is a need for the Central Bank to develop its capacities in managing the monetary policy through appropriate monetary instruments. In this regard, the authorities are encouraged to gradually introduce a range of reforms, including strengthening the framework for liquidity monitoring and putting in place the framework for the issuance of short-term securities.

We welcome the Bank Restructuring and Resolution policy adopted in 2005 and encourage the authorities to implement the measures set for strengthening the regulatory environment and the capacity of banking supervision. We also welcome the corrective actions taken with regard to the weak banks as well as the steps intended to enhance the financial position of the Central Bank and its governance.

## **Structural Reforms**

It is worth noting that the Liberian authorities are mindful that economic recovery requires a consistent macroeconomic framework, clear and transparent legal and regulatory environment supportive to a revival of domestic and foreign direct investment. Like other Directors we commend the new authorities for the comprehensive program formulated and implemented with donors during their first 150 days in office. In the same vein, we commend the authorities for their efforts to benefit from the Fund and other institutions regarding further policy advice and assistance for capacity building and strengthening reforms in public sector.

We welcome the authorities' firm stance against corruption and their plans for enhancing economic governance as envisaged under the GEMAP. We note as strongly stated by Minister Antoinette Sayeh that the authorities are fully committed to implement reforms aimed at rationalizing government institutions in order to increase their efficiency and responsiveness. Under these reforms, the comprehensive civil service reform with a view to address payrolls irregularities goes in the right direction.

The competitiveness of the Liberian economy has been eroded by the destruction of infrastructure and loss of human capital as a result of the war. This situation presents more significant impediments to productive, commercial and export activities. We welcome the measures already implemented towards the creation of a stable business environment with predictable application of laws and regulations will foster private sector development.

As for data issues we are of the view that there is a crucial need to reconstruct a core statistical data base in order to enable effective economic policy making. The Fund intention to extend further its technical assistance in regard is welcome.

With these remarks we wish the Liberian authorities all the best in their future endeavors.