

# INTERNATIONAL MONETARY FUND

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The International Monetary Fund has agreed to the use of Fund resources totalling SDR 82.7 million by the Government of Liberia. Of the total, SDR 55 million may be drawn over the next 12 months under a stand-by arrangement in support of the Government's economic adjustment program. An amount of SDR 27.7 million is available immediately under the compensatory financing facility (CFF).

The CFF drawing is in respect of a shortfall in Liberia's export earnings for the 12 months ended June 1982. During this period Liberia's export earnings were 5 per cent below the average level of the two years preceding the shortfall. The export shortfall is largely accounted for by shortfalls in earnings from rubber (SDR 10.1 million), logs (SDR 8.8 million), and iron ore (SDR 6.9 million). These shortfalls are attributable to both price and volume factors, reflecting the continuing recession in industrial countries which are the main markets for Liberia's exports.

Liberia's economic growth slowed significantly during the 1970s following a period of rapid expansion in the 1960s. Liberia's economic difficulties were exacerbated when public sector wages and salaries were increased sharply at a time of slackening economic activity and weakening tax receipts. The rate of growth in real gross domestic product (GDP) turned negative by 10 per cent in 1980 and by 7.4 per cent in 1981.

In order to strengthen the balance of payments and revive growth, Liberia implemented two stabilization programs supported by Fund stand-by arrangements for 1980/81 and 1981/82, focusing on the immediate budgetary problems. The major adjustments on the revenue side were increases in taxation on foreign trade, air travel, gasoline, and individual incomes. On the expenditure side, payrolls and equipment purchases were frozen and a limit was established on the total of all recurrent cash expenditures. At the same time, the producer price for rice was increased.

The program for 1982/83 focuses on appropriate demand management policies as well as supply-oriented measures designed to achieve a sustainable economic growth. While the program concentrates on short-term adjustment, it also contains three elements of a medium-term character. First, an important shift in the budget from recurrent expenditures to development expenditures. Second, an improvement in the efficiency of

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public enterprises, including those that were taken over by the Government in 1980. Third, the program provides for possible new and improved institutions and instruments to mobilize savings.

Liberia's quota in the Fund is SDR 55.5 million, and its outstanding financial obligations to the Fund resulting from past operations and transactions, excluding Trust Fund loans, currently total the equivalent of SDR 115.9 million.