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IMF Executive Board Completes First Review under PRGF Arrangement for Liberia and Approves US$10.8 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the first review of Liberia's economic performance under a three-year Poverty Reduction and Growth Facility (PRGF) arrangement. The completion of the review makes SDR 7 million (about US$10.8 million) available to Liberia, which would bring total disbursements under the arrangement to SDR 214.26 million (about US$331 million).

The Executive Board also granted a waiver for the non-observance of a structural performance criterion related to the adoption of legislation by end-June 2008 to merge the Bureau of the Budget into the Ministry of Finance, following passage of the legislation in September 2008. The Board also completed the country's financing assurances review under the arrangement.

The three-year PRGF arrangement for Liberia was approved by the Executive Board on March 14, 2008 (see Press Release No 08/52) in an amount equivalent to SDR 239.02 million (about US$369.3 million).

Following the Executive Board's discussion, Mr. John Lipsky, First Deputy Managing Director and Acting Chair, said:

"The Liberian authorities have implemented prudent fiscal and monetary policies and structural reforms under their IMF-assisted program to support postwar reconstruction and economic recovery. Important measures have been taken to strengthen public financial management and fight corruption.

"Sound policies have contributed to strong economic growth, rising foreign direct investment, a build-up of net international reserves, and broad exchange rate stability. Economic prospects remain favorable. Nevertheless, the current global slowdown could negatively affect foreign direct investment, exports, and remittance flows.

“The authorities responded appropriately to the challenges posed by higher fuel and food prices in 2008. Their comprehensive food security strategy focuses on raising domestic food production and securing donor resources to finance social safety net programs. Continued donor support will be essential to ensure the success of the strategy, in view of the limited availability of public resources.

“The 2008/09 (July-June) government budget assumes further strong revenue growth and continues to limit spending to available cash resources. In this context, it will be important for the authorities to utilize prioritized monthly cash plans and to identify expenditures that could be reduced if revenue shortfalls were to materialize.

“Monetary policy focuses on maintaining a broadly stable exchange rate against the US dollar to contain inflationary pressures. While this policy remains appropriate given the high level of dollarization, the authorities are advised not to target a specific level for the exchange rate, in view of the still low level of foreign exchange reserves.

“The authorities’ policies for the second year of the economic program are consistent with Liberia’s Poverty Reduction Strategy Paper. They aim to build on progress to date in strengthening public financial management, the monetary and financial sectors, and governance, while improving data availability and quality,” Mr. Lipsky said.