

EBS/92/196

CONFIDENTIAL

November 30, 1992

To: Members of the Executive Board  
From: The Secretary  
Subject: Liberia - Overdue Financial Obligations to the Fund -  
Status Report to the Executive Board

There is attached for the information of Executive Directors a status report on Liberia's overdue financial obligations to the Fund.

Mr. Corr (ext. 38774) or Mrs. Aylward (ext. 38690) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

Liberia - Overdue Financial Obligations to the Fund -  
Status Report to the Executive Board

Prepared by the Treasurer's, African, and Legal Departments  
(In consultation with the Policy Development and Review Department)

Approved by David Williams, G.E. Gondwe, and François Gianviti

November 30, 1992

1. In view of the highly unsettled conditions in Liberia, the Executive Board decided on August 21, 1992 to postpone further the next review of Liberia's overdue financial obligations to the Fund to a date to be determined by the Managing Director, when, in his judgment, the political situation in Liberia provides a sufficient basis to evaluate Liberia's economic and financial situation, the stance of economic policies, and cooperation with the Fund, and in any event not later than February 27, 1993. 1/ In the meantime, the staff continues to prepare status reports to the Executive Board at three month intervals, or earlier if necessary.

The decision taken at the last post-ineligibility review on March 30, 1990 provided that the Fund would give consideration at the time of the next review to the initiation of procedures leading to the compulsory withdrawal of Liberia from the Fund unless Liberia had resumed active cooperation with the Fund. 2/ 3/ This report contains background information regarding the status of Liberia's overdue financial obligations to the Fund.

2. Since the declaration of its ineligibility to use the general resources of the Fund on January 24, 1986, Liberia has paid SDR 7.9 million to the Fund, settling 2.2 percent of the obligations falling due in the period. Meanwhile, Liberia has received SDR 1.9 million in refunds of burden sharing and retroactive reductions in the rates of charge that has been used to settle overdue obligations. At the time the last status report on Liberia was issued to the Executive Board on August 18, 1992, Liberia's arrears to the Fund totaled SDR 391.0 million. Since then Liberia has not made any payments to the Fund, and its arrears now amount to SDR 393.2 million as shown in Attachment III. The full amount of outstanding Fund credit to

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1/ Executive Board Decision No. 10114-(92/105), adopted August 21, 1992, appears in Attachment I.

2/ Executive Board Decision No. 9396-(90/50), adopted March 30, 1990, appears in Attachment II.

3/ It should be noted that with the entry into effect of the Third Amendment of the Articles of Agreement on November 11, 1992, suspension of voting and related rights becomes available as an additional deterrent measure which may be applied in the case of Liberia with respect to its overdue financial obligations to the Fund.

Liberia--including Trust Fund loans--is overdue, and Liberia's forthcoming obligations consist entirely of interest and charges. Liberia's forthcoming obligations to the Fund through 1996 are estimated at SDR 65.6 million, as indicated in Attachment IV.

Liberia's total arrears to the Fund of SDR 393.2 million are equal to 551.5 percent of Liberia's present quota and 173.6 percent of Fund credit outstanding to Liberia. <sup>1/</sup> Of these arrears, SDR 226.5 million--57.6 percent--represents overdue principal, which is equal to 317.7 percent of Liberia's quota. Deferred income resulting from Liberia's overdue charges, which is subject to burden sharing, totaled SDR 102.7 million as of October 31, 1992. Liberia's arrears to the IBRD amounted to US\$154 million as of October 19, 1992, and arrears to the International Development Association totaled US\$8.3 million; Liberia is in nonaccrual status with the Bank Group.

3. Fund staff met with the Liberian delegation to the 1992 Fund-Bank Annual Meetings in September 1992. At that meeting, the Liberian delegation reported briefly on their efforts to undertake reconstruction of basic facilities, and developments in the relief effort under the aegis of international agencies. The delegation also reported on the interim government's budget. Government expenditure inclusive of wage arrears exceeded government revenue in the first half of 1992; revenue is constrained by the fact that the interim government's tax base is limited to Monrovia, as the major export activities (which, in any event, have been rendered non-operational by the civil war) are outside its purview. The delegation indicated that the economic and financial situation in Liberia remained extremely difficult. Since that meeting, the staff has received no new information relating to the current economic and financial situation in Liberia.

The political situation in Liberia has deteriorated since the August 1992 report to the Executive Board. It appears that the fragile peace which had prevailed since the ceasefire signed in November 1990 collapsed in October 1992, when the major armed faction in the Liberian conflict launched an attack reportedly designed to capture the city of Monrovia. In the ensuing hostilities between the ECOWAS (Economic Community of West African States) peacekeeping force, which is known by the acronym of ECOMOG, and the armed faction led by Charles Taylor and other factions, several thousand people are reported to have been killed. In addition, thousands of displaced people from the Liberian countryside are reported to have arrived in Monrovia, and more refugees from Liberia have entered neighboring countries. The renewal of hostilities has the potential to involve neighboring West

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<sup>1/</sup> Liberia may neither consent to nor pay for the proposed increase in its quota under the Ninth General Review, until it becomes current in respect of its overdue financial obligations to the Fund in the General Resources Account.

African countries in a protracted conflict, which has already imposed a heavy cost on these nations.

At a recent meeting of representatives of ECOWAS, it was decided that, effective November 14, 1992, member states would impose an embargo on the Liberian territory controlled by Charles Taylor, a sanction contemplated at ECOWAS's July 1992 Summit. On November 19, the UN Security Council imposed a mandatory arms embargo on Liberia.

As provided in Decision No. 10114-(92/105), adopted August 21, 1992, the matter of Liberia's overdue financial obligations to the Fund will be brought back for the Executive Board's consideration not later than February 27, 1993.

Attachments

INTERNATIONAL MONETARY FUND

Liberia - Overdue Financial Obligations -  
Review Following Declaration of Ineligibility - Postponement

Executive Board Decision No. 10114-(92/105)  
Adopted August 21, 1992

The review of Liberia's overdue financial obligations to the Fund provided for under paragraph 5 of Decision No. 9396-(90/50), adopted March 30, 1990, as amended, is postponed to a date to be determined by the Managing Director, when, in his judgment, there is once again a basis for evaluating Liberia's economic and financial situation, the stance of economic policies, and its cooperation with the Fund, and in any event not later than February 27, 1993.

INTERNATIONAL MONETARY FUND

Liberia - Overdue Financial Obligations -  
Review Following Declaration of Ineligibility

Executive Board Decision No. 9396-(90/50)  
Adopted March 30, 1990 1/

1. The Fund has reviewed further the matter of Liberia's continuing failure to fulfill its financial obligations to the Fund in the light of the facts and developments described in EBS/90/51 (3/19/90).

2. The Fund deeply regrets the continuing failure of Liberia to fulfill its financial obligations to the Fund, which is placing a financial burden upon other members and reducing Fund resources needed to help others. The Fund notes the regular payments made to the Fund by Liberia since the last review but regrets that these payments remain modest, while Liberia has continued to make substantial payments to other creditors. The Fund again urges Liberia to make full and prompt settlement of the overdue financial obligations to the Fund, and stresses that settlement of these arrears should be given the highest priority.

3. The Fund urges Liberia to adopt as a matter of urgency a comprehensive set of measures within the context of the cooperative approach that would bring about necessary economic adjustment. In this context, the Fund hopes that the authorities' program of economic recovery and structural adjustment will address Liberia's economic and financial imbalances in a comprehensive manner and urges them to implement this program swiftly. The Fund continues to stand ready to assist the authorities in support of efforts to formulate and implement a comprehensive adjustment program.

4. In light of Liberia's continuing failure to cooperate with the Fund in seeking a solution to the problem of its arrears to the Fund, the Fund shall issue and publish forthwith a declaration of noncooperation regarding Liberia.

5. The Fund will review the matter of Liberia's overdue financial obligations to the Fund again before August 30, 1990. In the event that Liberia has not resumed active cooperation with the Fund in seeking a solution to the problem of its overdue financial obligations to the Fund, the Fund will give consideration at that time to the initiation of procedures leading to the compulsory withdrawal of Liberia from the Fund.

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1/ For the latest amendment to the decision, see Executive Board Decision No. 10114-(92/105) above.

Liberia--Overdue Financial Obligations  
(As of November 20, 1992)

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Type of Obligation	Total Amount Overdue (In SDRs)	Date of the Longest Outstanding Overdue Obligation
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1. <u>Principal</u>		
Repurchases	201,554,273	4/05/85
Trust Fund repayments	<u>24,970,602</u>	1/25/85
Subtotal	226,524,875	
2. <u>Interest and Charges</u>		
Quarterly charges	46,900,316	5/06/85
Semiannual charges	74,063,724	7/18/85
Assessments	26,754	4/30/86
Net SDR charges	8,769,822	8/01/88
Trust Fund interest	936,082	6/28/85
Special charges (GRA)	31,289,482	5/28/86
Special charges (TF)	<u>4,735,138</u>	5/28/86
Subtotal	166,721,318	
TOTAL:	393,246,193	

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Liberia - Overdue and Forthcoming Obligations  
as of November 20, 1992

(In millions of SDRs)

Type of Obligation	Outstanding as of 11/20/92	Forthcoming 1/					Total Through 1996 3/
		1992 2/	1993	1994	1995	1996	
Repurchases	226.5	--	--	--	--	--	226.5
Quarterly charges	46.9	--	5.6	5.6	5.6	5.4	69.1
Semiannual charges	74.1	--	8.1	8.0	8.0	8.1	106.3
Trust Fund repayments and interest	25.9	0.1	0.1	0.1	0.1	0.1	26.5
Trust Fund Special charges	36.0	--	0.7	0.7	0.7	0.7	38.9
Net SDR charges	<u>8.8</u>	<u>--</u>	<u>1.8</u>	<u>1.9</u>	<u>2.0</u>	<u>2.1</u>	<u>16.6</u>
Total 3/	393.2	0.1	16.3	16.4	16.4	16.4	458.8

1/ Estimated on the basis of present use of Fund credit and Liberia's present position in the SDR Department. Charges are projected on the basis of current rates of charge.

2/ Due after November 20, 1992.

3/ Totals may not add due to rounding. The total for outstanding obligations includes overdue SDR assessments.

4/ Forthcoming charges and special charges are estimated based on the assumption that neither currently overdue financial obligations nor forthcoming obligations are settled during the period covered above; to the extent that currently overdue obligations are settled and forthcoming obligations are settled when due, forthcoming charges will be lower.

