

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/85/257
Supplement 1

CONFIDENTIAL

December 4, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Liberia - Overdue Financial Obligations to the Fund - Further Review of Decision on Complaints under Rule K-1 and Rule S-1, and Notice of Failure to Settle Trust Fund Obligations

Attached for the information of Executive Directors is the text of a communication dated December 3, 1985 sent by the Managing Director to the Honorable G. Alvin Jones, Minister of Finance, Liberia.

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THE HONORABLE G. ALVIN JONES
MINISTER OF FINANCE
LIBERIA

DEAR GOVERNOR JONES :

1. AS YOU KNOW, ON NOVEMBER 25, 1985, THE EXECUTIVE BOARD REVIEWED FURTHER ITS DECISION RELATING TO LIBERIA'S OVERDUE OBLIGATIONS TO THE FUND. THE TEXT OF THE DECISION ADOPTED BY THE BOARD HAS BEEN COMMUNICATED TO YOU BY THE SECRETARY, AND I WOULD LIKE TO CONVEY TO YOU DIRECTLY SOME COMMENTS AND BACKGROUND ON THE BOARD'S DISCUSSION.
2. THE EXECUTIVE BOARD WELCOMED THE PAYMENTS TO THE FUND MADE BY LIBERIA IN SEPTEMBER AND OCTOBER, WHICH RESULTED IN A REDUCTION IN THE OVERDUE OBLIGATIONS OUTSTANDING. HOWEVER, DIRECTORS NOTED THAT THESE PAYMENTS FELL FAR SHORT OF FULL SETTLEMENT OF LIBERIA'S OVERDUE OBLIGATIONS TO THE FUND, AS URGED IN EARLIER DECISIONS OF THE BOARD, IN PARTICULAR THE DECISION AT THE REVIEW ON AUGUST 26, 1985, AND THEY REGRETTED, FURTHERMORE, THE ABSENCE OF ANY CLEAR INDICATION ON THE PART OF THE LIBERIAN AUTHORITIES WITH RESPECT TO PAYMENT OF THE REMAINING ARREARS. WHILE DIRECTORS TOOK NOTE OF THE RECENT MEASURES ANNOUNCED BY THE LIBERIAN AUTHORITIES TO ALLEVIATE THE CURRENT SERIOUS FINANCIAL SITUATION, AND VIEWED THESE MEASURES AS AN INITIAL STEP IN THE RIGHT DIRECTION, THEY CONSIDERED THAT THESE ACTIONS DID NOT REPRESENT THE COMPREHENSIVE ADJUSTMENT EFFORT URGENTLY NEEDED TO DEAL WITH LIBERIA'S DOMESTIC AND EXTERNAL IMBALANCES.
3. AS YOU ARE AWARE, THE DECISION ADOPTED AT THE PREVIOUS REVIEW CONTAINED AN EXPECTATION THAT, IN THE ABSENCE OF FULL SETTLEMENT OF LIBERIA'S ARREARS TO THE FUND, LIBERIA WOULD BE DECLARED INELIGIBLE TO USE THE FUND'S GENERAL RESOURCES ON NOVEMBER 25, 1985 AND ITS RIGHT TO USE SDRS ACQUIRED AFTER NOVEMBER 25, 1985 WOULD BE SUSPENDED WITH EFFECT ON THAT DATE. NEVERTHELESS, IN VIEW OF RECENT DEVELOPMENTS, INCLUDING THE PAYMENTS BY LIBERIA, THE EXECUTIVE BOARD REFRAINED FROM DECLARING LIBERIA INELIGIBLE WITH IMMEDIATE EFFECT. INSTEAD, IN ORDER TO GIVE THE LIBERIAN AUTHORITIES A FURTHER OPPORTUNITY TO SETTLE FULLY THE ARREARS TO THE FUND, THE BOARD DECIDED THAT A DECLARATION OF LIBERIA'S INELIGIBILITY TO USE THE FUND'S GENERAL RESOURCES AND SUSPENSION OF ITS RIGHT TO USE SDRS WOULD BECOME EFFECTIVE ON JANUARY 24, 1986, IN THE ABSENCE OF FULL SETTLEMENT OF LIBERIA'S ARREARS TO THE FUND.
4. IN THE COURSE OF THE DISCUSSION, EXECUTIVE DIRECTORS INDICATED THAT A REQUEST COMING FROM MYSELF OR AN EXECUTIVE DIRECTOR FOR RECONSIDERATION OF THIS ACTION BY THE EXECUTIVE BOARD COULD BE GIVEN DUE CONSIDERATION IF DEVELOPMENTS WARRANTED. I SHOULD EMPHASIZE TO YOU THAT I WOULD BE IN A POSITION TO RECOMMEND SUCH RECONSIDERATION

TO THE BOARD ONLY IF LIBERIA HAS MADE MAJOR PAYMENTS TO THE FUND AND INDICATED IN THE CLEAREST TERMS, INCLUDING THROUGH THE IMPLEMENTATION OF STRONG ADJUSTMENT MEASURES, THAT PROMPT AND FULL SETTLEMENT WAS IN CLEAR PROSPECT. I SHOULD ALSO LIKE TO STRESS THAT THE EARLIER SUCH STEPS ARE TAKEN BY LIBERIA, THE EASIER IT WILL BE TO PUT THE CASE FOR A RECONSIDERATION OF THE EXECUTIVE BOARD'S ACTION.

5. IT REMAINS THE FUND'S EXPECTATION AND MY STRONG PERSONAL HOPE THAT LIBERIA WILL ACT PROMPTLY TO SETTLE ITS OVERDUE OBLIGATIONS, THEREBY RESTORING NORMAL RELATIONS BETWEEN LIBERIA AND THE FUND. I WOULD THEREFORE URGE YOU TO BRING TO THE ATTENTION OF YOUR COLLEAGUES AT THE HIGHEST LEVEL THE URGENCY OF ACTION IN THIS RESPECT IN ORDER TO AVOID THE COMING INTO EFFECT OF THE DECLARATION OF INELIGIBILITY AND SUSPENSION. PLEASE BE ASSURED THAT THE STAFF AND I STAND READY TO PROVIDE ANY ASSISTANCE WE APPROPRIATELY CAN IN SUPPORT OF YOUR EFFORTS TO RESOLVE THIS PROBLEM SUCCESSFULLY.

6. I LOOK FORWARD TO YOUR REPLY SOONEST INDICATING THE STEPS BEING TAKEN BY LIBERIA TO BRING ABOUT A POSITIVE OUTCOME OF THIS SERIOUS MATTER.

7. A COPY OF THIS CABLE IS BEING SENT TO THE HONORABLE THOMAS HANSON, ALTERNATE GOVERNOR OF THE FUND.

BEST REGARDS

J. DE LAROSIERE
MANAGING DIRECTOR
INTERFUND

Sent on December 3, 1985