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Supplement 3

CONFIDENTIAL

December 16, 1985

To: Members of the Executive Board

From: The Acting 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 received December 13, 1985 to the Managing Director from the Honorable G. Alvin Jones, Minister of Finance, Liberia.

Att: (1)

J. de Larosiere
Managing Director
International Monetary Fund
Washington, D.C.

Dear Mr. de Larosiere

Thank you for your telex of December 3, 1985.

It is gratifying that the Executive Board of the IMF has taken note of the sizable payments made recently by Liberia toward its overdue obligations to the IMF and of the measures announced by the Head of State on November 22.

While we welcome, the 60 day extension granted by the Executive Board in Liberia's payment deadline to prevent a declaration of ineligibility is not sufficient to allow us to make further substantial payments. Sizable and regular payment to the IMF out of government's offshore receipts cannot begin before March 1986.

The other condition for a further postponement in ineligibility mentioned in your telex was the implementation of strong adjustment measures. In this area, we are also determined to proceed without delay. The pay cut of 25 percent announced November 22 is such a measure, as I am sure you would agree. Since that time all ministries have been ordered to provide lists of employees to be retired or declared redundant by December 10. The Finance Ministry has already published such a list, which contains 215 names (nearly 10 percent of its current workforce).

The Liberian authorities are aware that the performance of the economy could be improved further by additional measures. In considering what other actions might be taken in the near future, we would find it useful to discuss our proposals with members of the Fund staff. In this connection, we would welcome a Fund mission as soon as it could be arranged, (say by middle of January) if at all possible within the next few weeks.

A copy of this cable is being sent to Mr. Mtei for transmission to the African Department.

Best regards,

G. Alvin Jones
Minister of Finance
Monrovia, Liberia

Received in Cable Room on December 13, 1985