International Monetary Fund

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Liberia: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

November 15, 2011

LETTER OF INTENT

Monrovia, November 15, 2011

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Madame Lagarde,

The attached Supplementary Memorandum of Economic and Financial Policies (MEFP) outlines the implementation of Liberia's economic program supported by the Extended Credit Facility (ECF) and our policies going forward. Despite a challenging external environment from elevated food and fuel prices, Liberia has maintained macroeconomic and financial stability while progressing on our development agenda. Looking ahead, we are considering national priorities for the future transformation of the Liberian economy through economic diversification and broad-based, inclusive growth in a successor to the Poverty Reduction Strategy (PRS). Based on our performance and envisaged policy, we request the completion of the seventh review under the ECF arrangement and the approval of the eighth disbursement of SDR 4.44 million.

We believe that our policies are adequate to achieve the objectives of the program, but will take any further measures that may become appropriate for this purpose. We will continue to consult closely with Fund staff on the adoption of such measures, and in advance of any revisions of any policies contained in the MEFP. We will provide the Fund with all the information necessary to monitor implementation of the program supported by the ECF in a timely manner. We consent to the publication on the IMF website of this letter, the accompanying memorandum of policies, and the related staff report for the Seventh Review under the ECF arrangement.

Sincerely yours,

______/s/_______	_______/s/_______
Augustine Ngafuan	Joseph Mills Jones
Minister of Finance	Executive Governor
Ministry of Finance	Central Bank of Liberia

ATTACHMENT I

MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

NOVEMBER 15, 2011

I. RECENT MACROECONOMIC DEVELOPMENTS AND PROGRAM PERFORMANCE

1. **Recent economic developments are broadly encouraging**. Growth in 2011 is accelerating, supported by the resumption of iron-ore production, and increased production in the rubber and forestry sectors; and exports are up sharply. Foreign investment commitments remain strong, the terms of trade are improving and gross official reserves have remained stable at about 2¾ months of import coverage. Inflation is above previous projections due primarily to higher-than-expected food prices.

2. **The financial sector continues to expand rapidly with improving financial soundness indicators**. Broad money and commercial bank deposits expanded by nearly one third over the 12 months to June 2011. Growth of credit to the private sector was also strong. A recent episode of deterioration of banking system credit quality has been successfully dealt with—capital infusions strengthened bank balance sheets, allowing nonperforming loans (NPLs) to be written off alongside other measures to improve the credit environment.

3. **The fiscal outturn in FY2011 demonstrated improved resource mobilization, expenditure, and spending composition from previous years**.

- The overall budgetary position at end-year was close to balance with debt service and domestic arrears repayments financed by the use of government deposits.
- Total revenue and grants exceeded estimates by about half a percentage point of GDP, and represented a 4 percentage point of GDP increase over FY2010. Tax revenue was particularly strong, rising nearly 3 percentage points of GDP above its FY2010 outturn.
- The related increase in expenditure was on social and other priority spending, and on capital spending which doubled relative to FY2010 (year ending June 2010). This considerable success—which included domestically executed infrastructure projects exceeding 2 percent of GDP—largely reflects efforts in the latter half of FY2011 to expand project implementation capacity.

4. **Performance under the program**. All quantitative performance criteria and indicative targets under the program through end-June 2011 were met. Progress is ongoing on all five remaining structural benchmarks for the seventh and eighth reviews of the Extended Credit Facility (ECF). Two out of three structural benchmarks for the seventh review were fully or largely met: the ASYCUDA system is now in place at Roberts

International Airport, and the integrated financial management information system (IFMIS) has been launched. While some progress was registered in state owned enterprises' (SOE) financial reporting most are not yet capable of reporting regular financial statements—we are taking measures to accelerate progress (see below).

5. **Considerable progress has been achieved in finalizing administrative reforms, plans, and legislation**.

- The amendments to the Liberia Revenue Code (LRC) were passed into law in advance of the seventh ECF review Board meeting. In addition to codifying the tax policy changes underlying the FY2012 budget, the amended LRC centralizes all revenue legislation, provides standard terms for mining taxation, enhances taxpayer protection, and reduces administrative discretion in the granting of tax incentives.
- A comprehensive public financial management (PFM) reform strategy and Medium-Term Action Plan has been submitted for cabinet approval.
- Our fiscal information systems are being upgraded: the integrated tax administration system (ITAS) has been launched. FY2011 fiscal accounts were prepared according to the international public sector accounting standards (IPSAS).
- Draft payment system legislation has been prepared and the Central Bank of Liberia (CBL) established a payment system department.
- The Commercial Code has been published and a fast-track commercial court is operational.
- The Central Bank of Liberia issued guidelines on mobile banking and services have begun.

II. Economic and Financial Policies

A. Poverty Reduction Strategy (PRS)

6. **PRS implementation advanced**. Social and other priority spending exceeded the PRS target of 65 percent of total spending in FY2011. The 2010/11 PRS implementation report is close to finalization. Preparations have begun for a successor to the PRS, the Liberia Economic Growth Strategy, beginning 2012, which will support implementation of a long-term strategy aimed at achieving middle-income status by 2030. Stakeholder discussions in September 2011 focused on the challenge of fostering broad-based, labor-intensive economic growth in an environment historically dominated by enclave commodity production.

B. Macroeconomic Outlook and Risks

7. **The outlook for 2012 is broadly positive though vulnerable to adverse global economic developments**. We expect a boost to growth and exports from iron ore, rubber and timber. Inflation will moderate if international food and fuel prices decline as expected. Risks to the outlook center on the impact of a potential slowdown in global economic growth on commodity exports, particularly iron and rubber.

C. Fiscal Policies

8. **Our approved FY2012 budget carefully balances the need to expand priority expenditure with fiscal prudence and measures to safeguard efficient budget execution**. We anticipate an overall deficit of about 1½ percent of GDP, financed by a drawdown of government deposits and concessional donor financing.

- FY2012 fiscal program revenues and grants are expected to be broadly unchanged as a percent of GDP compared to the FY2011 outturn. The fiscal program is based on a core budget funded by secure revenue and grants, and matched by an equal amount of core expenditure. The fiscal program excludes 4½ percent of GDP of contingent revenue and grants (see below) and the corresponding contingent expenditures.

- Core spending priorities are focused on health, education, and infrastructure investment. The wage bill rises by 16 percent mainly due to an increase in the minimum wage and re-grading. The core project budget (of US$21 million) is focused on the power, ports, and transportation sectors.

- Tax policy changes in the FY2012 budget remain as described in our June 2011 Memorandum of Economic and Financial Policies.

9. **As noted above**, **a contingent budget has been prepared to accommodate expenditures that are financed with potential additional revenues**. Items included comprise agriculture concession payments and oil sector-related payments on transactions not yet finalized, the monetization of commodity grants, and dividends from SOEs. We are in the process of mapping the contingent revenues to corresponding contingent expenditure, which will comprise mainly non-recurrent and quick disbursing items. Provided core revenue is on track, these will be released when a critical mass of contingent revenue is accumulated. The recipient spending units will be sufficiently prepared to utilize additional funds, including through the advance preparation of separate cash and procurement plans.

10. **We are committed to broad-based reforms in the state enterprise sector to improve effectiveness and accountability**. We have established an inter-ministerial SOE Reform Working Group that has reviewed relevant legislation, proposed a revised classification of enterprises according to their functions (commercial, regulatory, government agency) and investigated the governance framework. As a first step towards ensuring greater

accountability, we are insisting all SOEs begin reporting their financial statements to the Ministry of Finance as required under the PFM law. To date, eight SOE have supplied annual statements for 2010. Enterprise managing directors (or their functional equivalent) are responsible for filing annual financial reports by December 2011 and to begin reporting on a quarterly basis by March 2012. As stipulated in the borrowing guidelines approved by the Debt Management Committee (see below), compliance with reporting requirements under the PFM act would be a precondition for authorizing a SOE to contract foreign or domestic debt.

11. **We are consolidating administrative and other reforms in the fiscal sector**.

- The revisions to the LRC significantly reduce administrative discretion for granting investment tax incentives though further improvements could be achieved. We have therefore requested technical assistance from the Fund to review the investment incentive regime later this year, to maximize its contribution to employment growth while safeguarding tax revenues and minimizing administrative discretion.

- Financial and technical assistance has been identified to support establishing a small specialized resource tax division in the Large Taxpayer Directorate (structural benchmark, eighth review).

- We will continue to expand our IT systems. Preparations are underway to extend the ASYCUDA system to the remaining 14 major customs ports by December 2013. ITAS is expected to be fully functional in the large taxpayer unit by June 2012. Since July 2011, the IFMIS has been used by the Ministry of Finance to process transactions and produce financial and budget performance reports. We expect IFMIS to be connected to the central bank and other users by end-January 2012.

- External audits of the consolidated government accounts for FY2009 and FY2010 are expected to be submitted to the Legislature in early November 2011, while FY2011 accounts are prepared for submission to the General Auditing Commission by end-October 2011.

D. Monetary and Financial Policies

12. **The CBL will maintain its strategic focus on price stability**. The exchange rate has remained broadly stable, helped by foreign exchange interventions in the weekly auctions. The CBL's liquidity management toolkit will expand with the planned introduction of Treasury bills and CBL notes.

13. **Monetary developments are on track and we see no need for significant changes to the monetary program**. End-2011 projections for broad money and net domestic assets are broadly unchanged. The net foreign exchange position is expected to remain comfortable.

14. **The CBL is working on additional measures to strengthen the credit environment**. These include improving credit information collection and dissemination through enhancements to its credit reference system; requiring banks to strengthen their risk management capacity; establishing a collateral registry with technical assistance; and getting the Commercial Court properly functioning.

15. **Measures have been taken to address the rise in NPLs observed at end-2010**. NPLs have declined following a write off of bad loans and capital injections. Loan quality will be further buttressed by strengthened bank collection—through the newly established commercial court and enhanced loan collection programs—and improved credit risk management capacity. At end-August 2011 all commercial banks met the regulatory Capital Adequacy Ratio (CAR), and NPLs were fully provisioned.

16. **The CBL's supervisory capacity is being strengthened with the adoption of risk- based supervision**. Pilot on-site examinations are on track with five examinations completed and the remaining three banks on schedule to be completed by end-2011. Bank oversight is improving as supervisors are better able to focus on areas of high risk through CBL staff training programs. The understanding and assessment of cross-border linkages is also improving as a result of joint examinations with the Central Bank of Nigeria.

17. **The CBL is progressing on several fronts towards developing the financial sector**. This includes a road map towards capital market development (structural benchmark, eighth review), improvements to the non-bank financial institutions regulatory and supervisory framework, an insurance sector action plan, revised guidelines for foreign exchange operators, and establishment of a consumer protection unit.

18. **The CBL has strengthened its internal management and financial controls**. The 2011 Safeguards Assessment update of the CBL found strengthened safeguards in place, including IFRS, independent external audits, and effective oversight of audit and control matters by the Board and its audit committee. The CBL will continue to enhance the relevant safeguards for cash operations and reserve management.

E. Debt Management and External Policies

19. **Debt restructuring negotiations with remaining creditors have continued**. All Paris Club bilateral agreements have been signed. Following agreement with Kuwait, we are continuing efforts to reach agreements with BADEA, Saudi Arabia and ECOWAS. No progress has been registered with Taiwan, Province of China.

20. **We have strengthened debt management policies and procedures**. Debt Management Committee (DMC) guidelines for SOE borrowing and government guarantees will be published shortly. Procedures and requirements have been developed to promote effective selection of projects and related financing instruments. This framework will also strengthen the collaboration between the Ministry of Finance, the Ministry of Planning and Economic Affairs and the DMC as well as clarify their respective responsibilities.

21. **We are making progress towards WTO accession and adoption of the ECOWAS tariff system**. A memorandum on the foreign trade regime has been provided to the WTO working group on Liberia's accession. A dedicated unit responsible for WTO accession has been established in the Ministry of Commerce. We have approved changes to the Customs Code to adopt the harmonized coding system of the World Customs Organization, which will accelerate convergence towards the ECOWAS tariff system.

Table 1. Liberia: Quantitative Performance Criteria and Indicative Targets, 2011–12

(Millions of US dollars, unless otherwise indicated)

	Mar. 11				Jun. 11				Sep. 11				Dec. 11	Mar. 12	Jun. 12
	Program	Adjusted target	Actual	Outcome	Program	Adjusted target	Actual	Outcome	Program	Adjusted target	Actual	Outcome	Program	Projection	Projection
Performance criteria [1/, 2/]															
Floor on total revenue collection of the central government [3/]	210.6	197.6	248.1	Met	327.1	314.9	334.6	Met	61.6	n/a	n/a	n/a	170.6	252.9	377.4
Ceiling on new noncash tax/duty payment to the central government (continuous basis)	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	…	n/a	0.0	0.0	0.0
Ceiling on new domestic arrears/payables of the central government (continuous basis)	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	…	n/a	0.0	0.0	0.0
Ceiling on new external arrears of the central government (continuous basis)	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	…	n/a	0.0	0.0	0.0
Ceiling on non-concessional external borrowing of the public sector (continuous basis)	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	0.0	0.0
Ceiling on gross borrowing by the public sector in foreign currency	46.0	…	0.0	Met	46.0	…	9.6	Met	46.0	…	…	n/a	46.0	46.0	46.0
Ceiling on new domestic borrowing of the central government [4/]	7.5	…	0.0	Met	10.0	…	0.0	Met	12.5	…	0.0	Met	12.5	12.5	12.5
Floor on CBL's net foreign exchange position [4/, 5/]	267.0	257.1	299.6	Met	276.5	256.7	310.6	Met	279.0	279.0	320.5	Met	288.6	292.3	303.1
Ceiling on CBL's gross credit to central government [4/]	0.0	9.9	0.0	Met	0.0	19.8	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0
Indicative Targets															
Ceiling on net domestic assets of the CBL (indicative target) [4/]	-82.9	-73.0	-87.3	Met	-77.6	-57.8	-68.5	Met	-68.7	-68.7	-74.7	Met	-73.3	-53.8	-47.6
Floor on social and other priority spending (percent of total revenue and grants collected)	…	…	…	…	65.0	…	69.6	Met	…	…	…	…	…	…	…
Floor on education and healthcare spending (percent of total budgeted expenditure, excluding contingencies)	…	…	…	…	…	…	…	…	…	…	…	…	25.1	…	25.1
Memorandum items:															
Memorandum item: Programmed receipt of one-time signing bonuses and Social Development Fund contributions from new iron ore projects [2/]	37.4	…	24.4	…	42.5	…	30.3	…	0.0	…	n/a	…	22.7	26.0	53.8
Memorandum item: Programmed receipt of external budget support and ratified concession payments [2/]	54.4	…	44.5	…	92.6	…	72.8	…	0.0	…	0.0	…	51.1	72.3	100.1

1/ Performance criteria at end-June 2011 and end-December 2011 except where marked. All others indicative targets.

2/ Fiscal targets are cumulative within each fiscal year (July 1-June 30).

3/ Beginning December 2009, an adjuster comes into force stipulating that the floor on total revenue collection will be adjusted downward by any shortfall in receipts of one-time iron ore signing bonuses and contributions into Social Development Funds from new iron ore projects from their programmed level.

4/ Bridge financing from the CBL is available under the program for shortfalls in programmed receipt of external budget support and ratified concession signature payments up to a maximum of US$20 million. In this event, floors will adjust downwards and ceilings adjust upwards by the extent this financing is utilized, up to a maximum of US$20 million.

5/ In the event of delays to ECF disbursements, the floor would adjust down by the cumulated amount of financing relative to the programmed schedule of disbursements.

Table 2. Liberia: Structural Benchmarks and Prior Action, 2011

Measure	**Target Date**	**Justification**	**Status**
Publication of validated national accounts data for 2008 by the Statistical agency LISGIS.	Benchmark, February 2011	Provision of critical data for economic surveillance and macroeconomic policy.	Not met. Additional source data needed for reliable national accounts estimates.
Publication of the revised Liberian Revenue Code 2011	Prior action Seventh Review	Publication required for the revised Code to become effective. Revisions have a significant impact on revenues in FY2012 and beyond.	Met. November 14, 2011.
Extend ASYCUDA system to the Monrovia oil terminal and international airport.	Benchmark, Seventh Review	Trade facilitation and tax administration enhancement.	Met. ASYCUDA in place at the oil terminal in 2010 and airport at September 2011.
Regular quarterly reporting of state owned enterprise (SOE) financial operations to Ministry of Finance.	Benchmark Seventh Review	Essential for program monitoring of public sector borrowing.	Not met. Poor compliance by SOEs. Corrective measures identified by Ministry of Finance.
Launch of pilot phase of the Integrated Financial Management Information System (IFMIS) linking Ministry of Finance, Civil Service Agency, Central Bank and GAC.	Benchmark Seventh Review	Critical to improving reporting and monitoring of budget implementation.	Delayed. Launched in Ministry of Finance. Links to other agencies to be completed by end-January 2012.
Create a small mining tax assessment team in the Large Taxpayer Unit with technical assistance if needed.	Benchmark Eighth Review	Taxation of concessions is a major element in the projected revenue increase over the medium term.	Ongoing. Technical assistance identified.
Development by the Central Bank of Liberia of a road map and interim regulations for capital market development.	Benchmark Eighth Review	Undeveloped capital markets are an important impediment to private sector development.	Ongoing. Technical assistance identified.

ATTACHMENT II

TECHNICAL MEMORANDUM OF UNDERSTANDING

This memorandum sets out the understandings between the Liberian authorities and the International Monetary Fund (IMF) regarding the definitions of the quantitative performance criteria and structural benchmarks for the Extended Credit Facility program, as well as the reporting requirements.

III. DEFINITIONS

1. **For the purposes of the program**, **the Government is defined as the central Government of Liberia (GoL)**. This definition excludes legally autonomous state-owned enterprises whose budgets are not included in the central government budget. The operations of the central government will be presented in U.S. dollars with all revenues and expenditures that are denominated in Liberian dollars converted at the end of period exchange rate. **The public sector** comprises the central government, the Central Bank of Liberia, public enterprises (enterprises and agencies in which the government holds a controlling stake—typically owns more than 50 percent of the shares, but which are not consolidated in the budget), and other official sector entities.

2. **Total revenue collection** includes all tax and nontax receipts transferred into the U.S. dollar GoL accounts at the CBL, including income and transfers from state-owned enterprises and public institutions (excluding external loans and grants). The GoL accounts at the CBL include the GoL General Account No. 2, the GoL Special Rice Fund, and the Liberian dollar account at the CBL comprising the GoL General Account. Any new accounts opened by the GoL at the CBL or at any other local financial agency shall be reported to the IMF as well. For the purposes of the program, the revenues of the GoL are measured on the basis of cash deposits in the four accounts specified above converted to U.S. dollars using the end of period exchange rate.

3. **The program floor on total revenue collection will be adjusted downward** to the extent that signing bonuses and payments into Social Development Funds from new iron-ore projects fall short of the program schedule, cumulative within the fiscal year.

Program Schedule for Cumulative Signing Bonuses and Social Development Fund Payments from New Iron-Ore Projects

(In millions of U.S. dollars, cumulative from start of fiscal year)

	Program path
September 2011	0.0
December 2011	22.7
March 2012	26.0
June 2012	53.8

4. **For FY2012**, **education and healthcare spending** is defined as total spending from the FY2012 budget of the units listed below (payment vouchers approved by the Ministry of Finance). It is evaluated as a share of total budgeted expenditure, where total budget expenditure excludes contingency expenditure, off budget expenditure, and project expenditure financed by external borrowing.

FY2012 Education and Healthcare Spending in the Core budget (Millions of US dollars)	
Total Education and Health	**112.6**
Education	**65.4**
Ministry of Education	39.1
University of Liberia	11.8
Monrovia Consolidated School System (MCSS)	3.3
Lofa Community College	0.0
Nimba Community College	0.0
Booker Washington Institution (BWI)	1.9
Gbarnga Central High	0.0
Forestry Training Institution (FTI)	0.5
Cuttington University (CUC)	1.0
National Commission on Higher Education (NCHE)	1.6
W. V. S. Tubman Technical College (WVSTC)	3.4
West African Examination Council (WAEC)	2.1
Liberia Institute for Public Administration	0.7
Health	**47.2**
Ministry of Health and Welfare	36.2
JFK Medical Center (JFKMC)	6.9
Phebe Hospital	1.8
LIBR	0.7
Jackson F. Doe Medical Hospital	1.6

5. **The overall fiscal balance of the central government through end-June 2010** is defined as—the difference between (a) revenue including grants and earmarked external loans; and (b) government current expenditure, plus capital expenditure plus payment of arrears, amortization, and payments to the domestic trust fund. From July 1, 2010 the overall fiscal balance of the central government is defined as—the difference between (a) total revenue including grants; and (b) total expenditure, excluding payment of arrears, amortization, and payments to the domestic trust fund on a commitment basis (payment vouchers approved by the Ministry of Finance).

6. **Noncash tax/duty payment** is defined as any noncash settlement of duty/tax obligations to the GoL through the exchange of goods or services.

7. **Gross borrowing by the public sector in foreign currency** is defined as cumulated new foreign currency claims by residents and non-residents from July 1, 2010 on the public sector excluding borrowing for reserve management purposes by the CBL.

8. **New domestic borrowing of the central government** is defined as new claims on the central government since the start of the program in domestic and foreign currency. It will be measured by the change in the stock of all outstanding claims on the central government (loans, advances, and any government debt instruments, such as long-term government securities) by the banking system plus the net issuance of debt instruments by the GoL to the nonbank sector. For the purposes of measurement, all claims in Liberian dollars will be converted to U.S. dollars at the end of period exchange rate.

9. **New domestic arrears/payables of the central government** are calculated as the difference between government payment commitments and the actual payments made on such commitments, providing for a processing period of no more than 15 days from the date of commitment. Actual payments are defined as having taken place on the date of issuance of the checks by the Ministry of Finance. Government payment commitments include all expenditure for which commitment vouchers have been approved by the Ministry of Finance, and expenditure that are now automatically approved, namely, wages and salaries, pensions, debt payments to the CBL and commercial banks, CBL bank charges, and transfers of Economic Community of West African States (ECOWAS) levies into the ECOWAS account.

10. **The government undertakes not to incur payments arrears on external debt that it owes or guarantees**, with the exception of external payments arrears arising from government debt that is being renegotiated with creditors, including Paris Club creditors. Arrears on external debt are defined as any unpaid obligation on the contractual due date. In cases where a creditor has granted a grace period after the contractual due date, arrears are incurred following the expiration of the grace period.

11. **Contracting or guaranteeing of new external debt by the public sector applies to borrowing with non-residents with original maturities of one year or more**. For the purposes of the program, external debt applies not only to the meaning set forth in point No. 9 of the "Guidelines on Performance Criteria with Respect to External Debt" (see Decision No. (79/140) adopted August 3, 1979, as amended August 31, 2009, effective December 1, 2009 attached in Annex I), but also to commitments contracted or guaranteed for which value has not been received.

12. **The concessional nature of debt** will be determined on the basis of the commercial interest reference rates published by the Organization for Economic Cooperation and Development (OECD). A debt is defined as concessional if, on the date of signature, the ratio between the present value of debt computed on the basis of reference interest rates and the face value of the debt is less than 65 percent (equivalent to a grant element of at least 35 percent).

13. **The ceiling for contracting and guaranteeing non-concessional external debt by the public sector will be set at zero continuously throughout the program period except as agreed with Fund staff**. The ceiling for contracting and guaranteeing non-concessional debt excludes short-term import-related credits, rescheduling arrangements, borrowing from the Fund.

14. **CBL gross credit to central government** is defined as the sum of claims on central government, including loans, advances, accounts receivable, and any government debt instrument as defined in the monetary survey template excluding CBL purchases of treasury bills in the secondary market and non-competitive purchases in the primary market. The gross credit to government is expressed in U.S. dollars. Claims denominated in Liberian dollars are valued at a fixed rate of L$/US$72.00 as of September 30, 2009. Other currencies are valued at cross-rates against the U.S. dollar as of September 30, 2009.

15. **The net foreign exchange position of the CBL** is defined as the difference between (a) the CBL's gross foreign reserves including SDR holdings, as currently defined in the monthly monetary survey and (b) the sum of its gross foreign liquid liabilities and liquid liabilities denominated in U.S. dollars, as currently defined in the monthly monetary survey. The net foreign exchange position floor at end-June 2011 and end-December 2011 is US$25 million below the projected net foreign exchange position. In the event of delays to ECF disbursement, the floor of the net foreign exchange position of the CBL will be adjusted down by the cumulative amount of financing relative to the programmed schedule of disbursements. The net foreign exchange position of the CBL is presented in the U.S. dollar. SDR holdings are valued at a fixed rate of the U.S. dollar against SDR, 1.5844 as of September 30, 2009. Other currencies are valued at cross-rates against the U.S. dollar as of September 30, 2009.

16. **The net domestic assets of the CBL** are defined as base money minus the net foreign assets of the CBL converted into United States dollars at program exchange rates as defined in paragraph 14. Base money is defined as the stock of currency in circulation plus reserve deposits of commercial banks at the CBL, plus sight deposits of commercial banks at the CBL and plus vault cash of commercial banks. The net foreign assets of the CBL are defined as foreign assets minus foreign liabilities of the CBL balance sheet.

17. **External financing adjustor**. The program ceilings for CBL gross credit to government and CBL net domestic assets will be adjusted upward and the program floor on the net foreign exchange position of the CBL will be adjusted downward, by the amount of the difference between actual and programmed external budget support and ratified concession signature payments up to a maximum of US$20 million. The adjuster will be calculated on a cumulative basis from the start of the financial year (July 1).

Cumulative Program External Budget Support and
Ratified Concession Signature Payments

(In millions of U.S. dollars)

September 2011	0.0
December 2011	51.1
March 2011	72.3
June 2012	100.1

IV. Program Monitoring

A. Program–Monitoring Committee

18. The Liberian authorities shall maintain a program-monitoring committee composed of senior officials from the Ministry of Finance, the CBL, and other relevant agencies. The IMF Resident Representative will have observer status on this committee. The committee shall be responsible for monitoring the performance of the program, recommending policy responses, informing the IMF regularly about the progress of the program, and transmitting the supporting materials necessary for the evaluation of benchmarks. The committee shall provide the IMF with a progress report on the program on a monthly basis within four weeks of the end of each month, using the latest available data.

B. Data Reporting to the IMF

19. To allow monitoring of developments under the program, the Ministry of Finance will coordinate and regularly report the following information to the staff of the IMF:

- Detailed reports on monthly revenue and expenditure on both a cash and a commitment basis by budget line and a completed summary table on central government operations (monthly, within three weeks after the end of the month);
- Outstanding appropriations, allotments and commitments, and disbursements for line ministries and agencies (monthly, within three weeks after the end of the month);
- Disbursements of budget support grants and loans by donor (monthly, within three weeks after the end of the month);

- Daily balances in the GoL accounts at the CBL. These comprise the U.S. dollar: GoL General Account No. 2; the GoL Special Rice Fund; and Liberian dollar accounts: the GoL/CBL Civil Servant Payroll Account No.2, and the GoL General Account. Any new accounts opened by the GoL at the CBL or at any other local financial agency shall be reported to the IMF also (daily, within three days from the date of the statement);
- End-of-month balances of all operating and other accounts of the line ministries and agencies receiving budgetary appropriations (monthly within three weeks after the end of the month);
- A table providing the end-of-period stock of domestic arrears accumulated and payments made on arrears during the program period, by budget category (wages, goods and services, etc.) (monthly, within three weeks after the end of the month);
- The amount of new domestic debt contracted or guaranteed by the public sector (monthly, within three weeks after the end of the month);
- A report on monthly payments on domestic debt by category and the domestic debt stock (monthly, within three weeks after the end of the month);
- A report on monthly payments on foreign currency debt by category and the domestic debt stock (monthly, within three weeks after the end of the month);
- The amount of new external debt contracted or guaranteed by the public sector (monthly, within three weeks after the end of the month);
- The balance sheet of the CBL in the monthly monetary survey (monthly, within three weeks after the end of the month);
- The full monthly monetary survey of the monetary sector (monthly, within three weeks after the end of the month);
- The detailed table of commercial banks loans and advances by sector (monthly, within three week of end of month);
- The core set of financial soundness indicators by individual financial institution, including the overall profitability of the banking sector (quarterly, within three weeks after the end of the quarter);
- CBL cash revenues and expenditures in U.S. dollar and Liberian dollar terms, on an aggregated basis (including both recurrent and capital expenditure), and CBL expenditures on a commitment basis (periodically in the context of program reviews);
- The report on foreign exchange sales/purchases by the CBL through foreign exchange auctions held by the CBL (weekly), including U.S. dollars offered and sold, the auction rate, the number of accepted and rejected bids, the total value of bids and of rejected bids, foreign exchange auction sales to non-bank customers;

- Regular sale of U.S. dollars by the Ministry of Finance to the CBL, including amount date, and rate of exchange (monthly, within three weeks after the end of the month);
- Indicators of overall economic trends, including but not limited to:
  - detailed tables of the monthly harmonized consumer price index (within three weeks after the end of the month);
  - daily foreign exchange rates (weekly);
  - export volumes and values by major commodity, import values by standard international trade classification (SITC), import volumes of rice (by commercial and non-commercial use) and petroleum products (monthly, within three weeks after the end of the month);
  - interest rates and commercial bank remittance inflows and outflows (monthly, within three weeks after the end of the month); and
  - production data in value and volume (monthly, within six weeks after the end of the month);
- Quarterly reports of state owned enterprise financial operations submitted to Ministry of Finance;
- The report on the status of implementation of the structural performance criteria and benchmarks specified in Table 2 of the MEFP (monthly, within three weeks after the end of the month).

20. The above data and reports will be provided in hard copies and electronically to the IMF Resident Representative to Liberia, with copies to the local IMF economist, Mr. Deline (adeline@imf.org) for further transfer to the African Department of the IMF in Washington, D.C.