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Enhanced Heavily Indebted Poor Countries (HIPC) Initiative Completion Point Document and Multilateral Debt Relief Initiative (MDRI)

Prepared by the Staffs of the International Development Association
and the International Monetary Fund

Approved by Obiageli K. Ezekwesili and Otaviano Canuto (IDA)
Seán Nolan and Dhaneswar Ghura (IMF)

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank	IMF	International Monetary Fund
APR	Annual Progress Report	IPSAS	International public sector accounting standards
BADEA	Banque Arabe pour le Developpement Economique en Afrique	JSAN	Joint Staff Advisory Note
BPHS	Basic Package of Health Services	LACC	Liberia Anti-Corruption Commission
CBL	Central Bank of Liberia	LIC	Low income country
CENTAL	Center for Transparency and	LISGIS	Liberia Institute of Statistics and Geo-Information Services
COD	Accountability Cutoff date in Liberia	LRC	Liberia Revenue Code
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System	LPRS	Liberia Poverty Reduction Strategy
DFID	Department for International Development, U.K.	MDRI	Multilateral Debt Relief Initiative
DMC	Debt management committee	MoE	Ministry of Education
DRF	Debt Reduction Facility	MoF	Ministry of Finance
DSA	Debt sustainability analysis	MOHSW	Ministry of Health & Social Welfare
ECF	Extended Credit Facility	NPV	Net present value
ECOWAS	Economic Community of West African States	ODA	Overseas development assistance
EIB	European Investment Bank	OECD	Organization of Economic Cooperation and Development
DMC	Debt Management Committee	OFID	OPEC Fund for International Development
DMU	Debt Management Unit	PEFA	Public Expenditure & Financial Accountability
DMS	Debt management Strategy	PEMFAR	Public Expenditure Management & Financial Accountability Review
DRA	Debt Reduction Analysis	PFM	Public financial management
EFF	Extended Fund Facility	PPCA	Public Procurement & Concessions Act
EITI	Extractive Industries Transparency Initiative	PPCC	Public Procurement & Concessions Committee
EU	European Union	PPG	Public and publicly guaranteed
FDI	Foreign direct investment	PRS	Poverty Reduction Strategy
FY	Financial year	PRSP	Poverty Reduction Strategy Paper
GAC	General Auditing Commission	PUL	Press Union of Liberia
GDP	Gross domestic product	PV	Present value
GoL	Government of Liberia	SDR	Special Drawing Rights
HIPC	Highly indebted poor countries	SOEs	State-Owned Enterprises
HRMIS	Human Resources Management Information System	UN	United Nations
IDA	International Development Association	USAID	United States Agency for International Development

EXECUTIVE SUMMARY

- **In March 2008, the Boards of Executive Directors of the International Development Association (IDA) and the International Monetary Fund (IMF) agreed that Liberia had met the requirements for reaching the decision point under the Heavily Indebted Poor Countries (HIPC) Initiative.** The amount of debt relief committed at the decision point was US$ 2,845.5 million in June 2007 present value (PV) terms. This was calculated to reduce the PV of eligible external debt to below 150 percent of exports, implying a common reduction factor of 90.5 percent for all creditors, one of the highest under the HIPC Initiative.

- **The IDA and IMF staffs are of the view that Liberia has made satisfactory progress in implementing the reforms specified for reaching the completion point.** Eleven out of twelve completion point triggers have been fully implemented. The first full Poverty Reduction Strategy Paper (PRSP) was presented to the IDA and IMF Boards in March 2008 and the first annual progress report of the PRSP was submitted in April 2010. As highlighted in the Joint Staff Advisory Note (JSAN), implementation of the poverty reduction strategy has been satisfactory. Despite the global crisis, Liberia has maintained a stable macroeconomic environment, as evidenced by strong performance under the Extended Credit Facility (ECF)-supported program. IMF staff recommend completion of the 4th ECF review in conjunction with this completion point document.

- **Substantial progress has been made toward meeting the implementation of the Public Financial Management (PFM) law for 12 months, the only trigger that has not been fully met, and the authorities are committed to further rapid progress in coming months.** The authorities are requesting a waiver based on the substantial implementation of the PFM law and regulations over a period less than the 12 months envisaged at the decision point. In accordance with the PFM law: (i) the budget for FY2010/11 was prepared; (ii) the accounting system of the Ministry of Finance was unified; and (iii) the Debt Management Committee was appointed (April 2010).

- **Adjustments to debt data would lead to a revision of the amount of HIPC Initiative assistance.** As a result of the debt reconciliation exercise for the HIPC completion point, the present value of the eligible external debt at end-June 2007 (reference date for HIPC decision point debt data), after traditional debt relief, has been revised downward to US$3,038.4 million from US$3,144.7 million. As a result, the estimated HIPC assistance in end-June 2007 PV terms was reduced by US$106.3 million to US$2,739.2 million. In nominal terms, the total debt relief is estimated at about US$4.6 billion,[1] of which US$1.5 billion would be delivered by multilateral creditors and the remainder by bilateral

[1] This amount includes beyond HIPC assistance delivered by a number of creditors during the interim period.

and commercial creditors. The common reduction factor has decreased from 90.5 to 90.2 percent.

- **Creditors accounting for 96.4 percent of the total HIPC eligible debt have given satisfactory assurances of their participation in the Enhanced HIPC Initiative**. All Paris Club and multilateral creditors (except for ECOWAS) have confirmed their participation and most commercial creditors provided debt relief through a buyback operation supported by IDA's debt reduction facility. The staffs have encouraged the authorities to work toward reaching agreements with the remaining commercial and bilateral creditors.

- **Liberia does not qualify for exceptional topping-up under the Enhanced HIPC Initiative.** The PV of debt-to-exports ratio after enhanced HIPC assistance at end-June 2009 was 69.1 percent, which is 20.8 percentage points lower than anticipated at the decision point. After the full delivery of additional bilateral debt relief beyond the HIPC Initiative, the PV of external debt-to-exports ratio at end-June 2009 was estimated to be 62.6 percent, well below the 150 percent threshold for topping-up consideration under the HIPC Initiative.

- **Upon reaching the completion point under the enhanced HIPC Initiative, Liberia would also qualify for additional debt relief under the Multilateral Debt Relief Initiative (MDRI), IMF beyond-HIPC assistance, and the European Union (EU) special debt relief initiative.** Debt relief under the MDRI and the MDRI type of assistance from the IMF and the EU would reduce nominal debt service on average by US$13.7 million annually over a period of 20 years and would cover all remaining debt service obligations on eligible credit balances to the IDA, the IMF, the African Development Bank, and the EU.

- **Liberia's debt stock will decrease sharply after debt relief and the risk of future debt distress will be low**. HIPC and MDRI assistance will bring the PV of debt-to-exports in FY 2010/11, excluding new borrowing, from 266.3 percent to 22.9 percent. The debt ratio will be well below the policy related threshold. However, remaining debt service will be more frontloaded into the period 2011–15 due to terms agreed with a few bilateral creditors after the decision point. Despite these generally favorable indications, Liberia should nonetheless carefully manage new borrowing, ensure timely and coherent implementation of the PFM law, and further develop its debt management capacity. Sensitivity analysis indicates some vulnerability to FDI flows, lower GDP growth and lower concessional terms for new borrowing.

- **The staffs recommend that the Executive Directors of the IDA and the IMF approve the completion point for Liberia under the Enhanced HIPC Initiative**.

I. INTRODUCTION

1. **This paper discusses the progress made by Liberia under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative.** It recommends that the Executive Directors of the International Development Association (IDA) and the International Monetary Fund (IMF) approve the completion point for Liberia under the Enhanced HIPC Initiative. In the view of the staffs, Liberia has made substantial progress in achieving the completion point triggers despite the difficult environment following the decision point, including the food and fuel price crisis and global recession. Liberia has satisfactorily implemented HIPC completion point triggers regarding: (i) Poverty Reduction Strategy (PRS) preparation and implementation, (ii) ensuring macroeconomic stability, (iii) strengthening government procurement, (iv) conducting successive external audits of key ministries, (v) developing a debt strategy, (vi) reporting debt data, (vii) eliminating discretionary tax incentives, (viii) reconciling revenues from extractive industries, (ix) improving payroll management in the education sector, (x) expanding basic health service coverage, and (xi) introducing an Anti- Corruption Commission. However, one trigger has not been fully implemented, specifically the 12-months implementation of the PFM law and related regulations. The authorities are requesting a waiver on the basis of the substantial progress achieved over 10 months. To this end, the budget for FY2010/11 was prepared in line with the new PFM law, a new chart of accounts and accounting standards were adopted, the accounting function in the Ministry of Finance was unified and a new Debt Management Committee was established.

2. **In March 2008, the Executive Boards of the IDA and IMF agreed that Liberia had met the requirements for reaching the decision point under the Enhanced HIPC Initiative.**[2] Directors welcomed the substantial progress made under the Staff Monitored Program since early 2006, and which was deemed to be of upper credit tranche standard since 2007. Executive Directors also agreed that a total of US$2,845.5 million in end-June 2007 PV terms would be required to reduce the PV of debt below 150 percent of exports. At the same time, interim relief was granted by the Boards of the IMF and the AfDB until the country reached its floating completion point. Executive Directors of the IDA and IMF decided that the completion point would be reached when the triggers set out in Box 3 of the decision point document were achieved and satisfactory assurances of other creditors' participation in the Enhanced HIPC Initiative were received.

3. **The document is organized as follows**: Section II discusses Liberia's performance in meeting the requirements for the completion point, Section III provides an updated debt sustainability analysis (HIPC-DSA), including the status of creditor participation, delivery of debt relief and consideration of topping up, Section IV presents the main conclusions and

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[2] See: Liberia—Enhanced Initiative for Heavily Indebted Poor Countries—Decision Point Document (IMF Country Report N. 08/106); and World Bank Report No 42524-LR.

Section V presents issues for discussion by the Boards of IDA and the IMF. The Annexes cover the development of debt management capacity and an update of the forward-looking debt sustainability analysis (LIC-DSA).

II. Assessment of Requirements for Reaching the Completion Point

4. Liberia has made good progress in meeting the completion point triggers. The conditions for reaching the floating completion point triggers, as set out in the decision point document and summarized in Box 1, were as follows:

- Preparation and satisfactory implementation of the PRSP.
- Maintenance of macroeconomic stability, as evidenced by satisfactory performance under the ECF/EFF supported program.
- Strengthened public finance management through implementation of a new Public Financial Management (PFM) Law, including operational regulations, and completion of successive external audits in key Ministries (Health, Education, Public Works, Finance and Lands, Mines and Energy).
- Regular publication of all signed procurement contracts.
- Provision of a basic package of health services, and harmonization and regularization of the education payroll.
- Development of a debt strategy and establishment of a debt management unit in the Ministry of Finance, and publication of quarterly reports on external and domestic debt.
- Revision of the Investment Incentives Act to eliminate discretionary tax incentives and ensure a high degree of transparency in the extractive industries in compliance with the criteria established by the Extractive Industries Transparency Initiative (EITI).

Box 1. Status of Floating Completion Point Triggers

Triggers	Status
PRSP	
• Prepare a full PRSP through a participatory process and implement satisfactorily its recommended actions for at least one year, as evidenced by an Annual Progress Report submitted by the government to the staffs of IDA and the IMF.	**Implemented.** Full PRSP was finalized in March 2008. The first annual progress report was submitted to the IDA and IMF in April 2010. The PRS implementation has been slower than expected but nevertheless satisfactory, given the ambition and scope of PRS objectives and the challenging external economic situation during the first year of implementation.
Macroeconomic stability	
• Maintain macroeconomic stability, as evidenced by satisfactory performance under a PRGF/EFF-supported program.	**Implemented.** Macroeconomic developments have been satisfactory and ECF/EFF has remained on track. The 3rd review was completed in December 2009. The 4th ECF review is expected to be completed by June 2010.
Public financial management	
• Quarterly Publication in the Procurement bulletin and monthly publication in the Website of all signed procurement contracts over US$25,000 for goods, US$10,000 for consulting services, and US$50,000 for works and all signed-sole source procurement and concessions contracts which have been identified by the PPCC as a result of the PPCC's compliance monitoring activities for at least 6 months leading up to the completion point.	**Implemented.** First publication was issued in June 2009, covering the period from January to March 2009 and the second publication was issued in November 2009 covering the period from April to June 2009. The third publication, covering the period through end-2009 was published in April 2010. All reports are posted at www.ppcc.gov.lr.
• Complete successive annual external audits of five key government ministries (Health, Education, Public Works, Finance and Lands, Mines and Energy), prepared under the authority of the General Auditing Commission, submitted to the legislature and disclosed publicly.	**Implemented.** First round of audits for 2006/07 completed, submitted to the legislature and published in March 2009. Second round of audits has been completed and submitted to the legislature and published in April 2010.
• Implement the new PFM law and supporting financial regulations for at least 12 months leading up to the completion point.	**Substantially implemented.** PFM law was into law September 2, 2009 and the implementing regulations were approved in November 2009. In accordance with the PFM act and regulations: (i) the budget for FY 2011 was prepared; (ii) IPSAS accounting standards and a new chart of accounts were adopted; (iii) the accounting function at Ministry of Finance was unified; and (iv) Debt Management Committee was appointed in April 2010.

Box 1. Status of Floating Completion Point Triggers (contd.)

Triggers	Status
Social sectors	
• Complete a harmonized and regularized Ministry of Education (MoE) payroll.[3]	**Implemented.** The payroll harmonization completed in March 2010. Following an audit completed by the GAC in April 2010, some 3,247 unverified personnel including 2,138 "ghosts" were removed from the MoE payroll. Salary arrears accrued before March 2008 have been cleared and MoE personnel are now paid on a regular monthly cycle, mostly through direct deposits but a few in the remote counties through checks.
• Ensure that the Basic Package of Health Services is delivered in at least 40 percent of all health facilities nationwide.	**Implemented.** A nationwide survey found 47 percent coverage in August 2009.
Debt management	
• Develop a debt management strategy in consultation with partners and establish a debt management unit recording all information on external and domestic public and publicly guaranteed debt, including for state owned enterprises, and ensure it is operational for at least 12 months leading up to the completion point.	**Implemented.** A comprehensive debt management strategy was approved in June 2010, which updates the previous strategies adopted in June 2008 and July 2009. A debt management committee was appointed in April 2010 that will authorize all government and state enterprise borrowing. A Debt Management Unit (DMU) is fully staffed and operational since 2008. The DMU records all external and domestic debt statistics by creditor.
• Publish, on a quarterly basis and on a government website, data on external and domestic public and publicly guaranteed debt, including debt stocks and terms and conditions of new loan agreements for at least 6 months leading up to the completion point.	**Implemented.** First quarterly data report for end-December 2008 was posted on the internet in February, 2009. Quarterly publications have been regularly published.
Governance	
• Implement a revised investment incentive code to ban granting tax exemptions outside the Liberia Revenue Code (LRC).	**Implemented.** The Investment Incentives Act was repealed and replaced by the Investment Act approved in April 2010. Fiscal incentives are applicable as specified in the revised LRC adopted in 2009.

[3] "Harmonized" means that teachers are paid according to coherent payroll regulations. "Regularized" means that they are paid with fixed periodicity and through an established and effective mechanism.

Box 1. Status of Floating Completion Point Triggers (concluded)

Triggers	Status
• Regular public reporting of payments to, and revenues received by, the government for the extractive industries (mining and minerals) in a participatory manner in line with EITI criteria during at least the year leading up to the completion point.	**Implemented.** The EITI published its first annual report in February 2009, covering the period July 2007–June 2008. The report was validated by the EITI Board in October 2009. The 2nd EITI Report covering the period July 2009–June 2009 and involving 71 companies and 5 agencies of Government was published in February 2010.
• Establish an independent Anti-Corruption Commission consistent with the Anti-Corruption Act, and ensure it is operational for at least 12 months leading up to the completion point.	**Implemented.** Anti-Corruption Commission was established in September 2008 and operational from December 2008.

A. Poverty Reduction Strategy

5. **The Liberia Poverty Reduction Strategy (LPRS) was completed in March 2008.** The completion point trigger required that the Government prepare a full PRSP through a participatory process and implement satisfactorily its recommended actions for at least one year, as evidenced by an Annual Progress Report (APR) submitted to the staffs of IDA and the IMF.

6. The LPRS prepared by the Government builds on the first 150-day action plan and its interim PRS prepared in 2007. It was prepared through unprecedented broad-based consultations with all levels of society including at the district and county levels, as well as civil society organization, the private sector, the legislature, and international partners. The mode and extensiveness of the consultations for the LPRS established a positive precedent for subsequent consultations on key policy and institutional reform issues.

7. **The LPRS elaborates a comprehensive strategy to enhance growth and reduce poverty.** The strategy explicitly recognizes that Liberia's history of political instability and conflict is to a large part rooted in the past economic and political structures, which produced widespread income disparities, economic and political marginalization, and deep social cleavage. The strategy rests on four mutually reinforcing pillars: (i) consolidating peace and security; (ii) revitalizing the economy; (iii) strengthening governance and the rule of law; and (iv) rehabilitating infrastructure and delivering basic services. Six cross-cutting themes including gender equity, peace building, environment issues, HIV and AIDS, children and youth, and monitoring and evaluation enhance the comprehensiveness of the strategy.

8. **The LPRS was discussed at the IDA and IMF Boards in August 2008.** The Joint Staff Advisory Note (JSAN)[4] noted that the LPRS presented a comprehensive, credible medium-term strategy to improve socioeconomic indicators and reduce poverty consistent with the rates of change underlying the Millennium Development Goals (MDGs). However, the JSAN also noted that the LPRS lacked specificity on the short-term strategy for preserving social stability and peace until the benefits of the medium-term strategy are widely felt. Further, the JSAN noted a number of areas for action or further elaboration including: developing a detailed and prioritized costing of LPRS actions and policies; providing greater specificity of the strategy for pro-poor growth; expediting the law to establish the Land Commission; elaborating Government's strategy and timetable for devolving political and financial authority to lower levels of government; and elaborating measures (including piloting social accountability systems) to ensure broad involvement in monitoring and evaluating the implementation of the LPRS.

9. **The implementation of the LPRS during the first year was initially slow.** However, in the Annual Progress Report submitted to IDA and the IMF, the Government was not only candid in its assessment of progress, but also swift and resolute in its actions to bring implementation back on track through a series of 90–day Action Plans. To improve the coordination of the implementation of the LPRS, the Government has integrated the Liberia Reconstruction and Development Committee (LRDC) with the government-partner forum charged with coordination of implementation into the Ministry of Planning and Economic Affairs.

10. **The staffs of the IDA and IMF conclude that the trigger on preparation (through a participatory process) and satisfactory implementation, though slower than expected, of the LPRS for at least one year has been met.** The overall implementation should be assessed in the context of the ambitiousness of the LPRS (as noted in the JSAN), the weak public sector capacity and the challenging external economic environment. The Government's Annual Progress Report (APR) on the LPRS and the accompanying JSAN have been submitted to the IDA and IMF Boards jointly with this document. The APR highlights that after initial slow progress on implementation in the first year, the rate of implementation of the LPRS accelerated from 21 percent in March 2009 to 88 percent by end-November 2009. Progress has been particularly strong on public finance management and building an effective system for monitoring and evaluation.

B. Macroeconomic Stability

11. **Since reaching the decision point in March 2008, Liberia has maintained macroeconomic stability.** The authorities have established a solid track record of

[4] Liberia: Joint IDA-IMF Staff Advisory Note on the Poverty Reduction Strategy Paper, June 24, 2008 Report No. 44153-LR).

implementing prudent monetary and fiscal policies under the Extended Credit Facility (ECF)-supported program with the IMF. The third review under the ECF was completed on December 18, 2009 and the fourth review is scheduled for consideration by the Executive Board of the IMF on June 23, 2010.

12. **The global financial crisis adversely impacted Liberia shortly after the LPRS was released. Investments were postponed and export revenues were sharply reduced in the rubber sector as external demand weakened.** Real GDP growth slowed to an estimated 4½ percent in 2009 as a result of these developments. Signs of recovery are evident in early 2010, although the pace will depend significantly on developments in large iron ore concessions. In 2010, growth is projected to rebound to 6 percent. Sustained economic activity in the following years will depend on the size and timing of foreign direct investments (FDI) in the commodity and agriculture sectors. Inflation has reflected external price volatility, rising during 2008 on account of food and fuel price increases, and then moderating in 2009 as these increases reversed. The exchange rate has remained broadly stable, though it came under pressure during 2009 when exports weakened. The reserve position has improved significantly, largely due to an SDR allocation of SDR103 million.

13. **The authorities' strict adherence to a cash-based balanced budget, in place since February 2006, has contributed substantially to regaining fiscal discipline, putting debt on a downward path while also increasing pro-poor expenditures.** Government revenues, including grants, have continued to rise reaching 30 percent of GDP in FY2009/10. Spending for LPRS objectives has remained above the target of 60 percent of revenue set by the LPRS for FY 2009/10 and is expected to rise to 65 percent in FY 2010/11. For the post HIPC completion point period, the authorities intend to follow prudent fiscal rules including: (a) maintaining a basic balance surplus; (b) setting a sustainable annual ceiling of public sector borrowing on concessional terms; and (c) adopting an overall public sector debt ceiling. Along with the containment of unproductive expenditures, and allowing for moderate borrowing for critical investments, these rules should prevent the re-accumulation of unsustainable debt. In addition, their commitment to refrain from central bank financing of the budget, except for temporary shortfalls of external financing, should help dampen inflationary pressures and contain exchange rate fluctuations.

Text Table 1. Liberia: Selected Economic Indicators, 2006-2010

	2006	2007	2008	2009	2010 Proj.
	(Annual percentage change)				
Economic Growth and Prices					
Real GDP	7.8	9.4	7.1	4.6	6.3
Consumer Prices (period average)	7.2	13.7	17.5	7.4	7.6
Exchange rate (LBR$/US$, period average)	58.0	61.3	63.2	68.3	...
	(in percent of GDP)				
External Sector					
Exports of goods and services	26.4	27.9	29.9	17.5	26.1
Imports of goods and services	72.1	66.9	83.4	64.4	72.4
External current account balance, including grants	13.7	31.2	57.4	33.2	39.9
Foreign Direct Investments	1.0	16.9	32.1	17.6	37.2
	(Fiscal year data, percent of GDP)				
Government Finance					
Total revenue and grants	15.0	21.9	25.9	27.3	31.8
Total expenditures	10.8	18.1	24.7	28.9	31.5
Overall fiscal balance (including grants)	4.2	3.7	1.2	-1.6	0.4

Sources: Liberian authorities and staff estimates and projections

14. **A large current account deficit has been financed in the main by foreign direct investment and debt relief.** Since the decision point, the current account deficit, including official transfers, averaged over 40 percent of GDP. A slowdown of foreign investment, notably in the iron ore sector, temporarily lowered the current account deficit in 2009. Donor transfers, which remain largely off-budget, have averaged 50 percent of GDP since 2007, are also a significant contributory factor to very large trade deficits. Gross reserves have risen significantly since the decision point: the recent SDR allocation contributed to an increase in imports coverage from 0.5 months in 2008 to 2.2 months (3.1 months excluding UNMIL-related imports).

15. **The IDA and IMF staffs consider that Liberia has maintained macroeconomic stability and has implemented its Fund-supported program satisfactorily.**

C. Public Financial Management

16. **Since the decision point in 2008, the government has made substantial progress in improving the legal, regulatory, operational, and oversight aspects of public financial management, including procurement.** Recent improvements in PFM have encouraged more donor support to be delivered through the budget. The completion point triggers required the government to: (i) have quarterly Publication in the Procurement bulletin and

monthly publication in the Website of all signed procurement contracts over US$25,000 for goods, US$10,000 for consulting services, and US$50,000 for works and all signed-sole source procurement and concessions contracts which have been identified by the PPCC as a result of the PPCC's compliance monitoring activities for at least 6 months leading up to the completion point; (ii) complete successive annual external audits of five key government ministries (Health, Education, Public Works, Finance and Lands, Mines and Energy), prepared under the authority of the General Auditing Commission, submitted to the legislature and disclosed publicly; and (iii) implement the new PFM law and supporting financial regulations for at least 12 months leading up to the completion point.

17. **Public financial management reforms have been at the center of government's efforts to improve the efficiency of budget planning, preparation and execution and have critical components for improving economic governance.** The reforms supported under the Enhanced HIPC initiative are complementary to other key elements of the Government's PFM reform agenda. Several pieces of analytical work have helped to guide these reforms including the 2008 Public Expenditure Management and Financial Accountability Review (PEMFAR), which was the first comprehensive assessment of public expenditure and financial management systems in Liberia, and the Public Expenditure and Financial Accountability (PEFA) report completed in 2008. Technical assistance in these areas has also been substantial, including the provision of a resident advisor in PFM issues.

18. **The government currently publishes on a quarterly basis (although with some lag) all signed procurement contracts over US$25,000 for goods, US$10,000 for consulting services and US$50,000 for works, and all signed sole source procurement and concessions contracts.** This reflects substantial progress in implementing the Public Procurement and Concessions Act (PPCA), particularly in light of the challenges faced in the Liberian post-conflict context. One of the key achievements has been the creation of a greater public awareness of the benefits of a well functioning public procurement system by engaging civil society, beneficiaries, and the private sector. The wide dissemination of the PPCA and the numerous training sessions organized by the Public Procurement and Concessions Committee (PPCC) have resulted in a better understanding of the PPCA by the public procurement practitioners and the private sector. Awareness campaigns orchestrated by the PPCC have also informed Liberian citizens of the relevance of procurement and concessions reform in ensuring an efficient use of public resources. It is expected that this will trigger a long-term process of procurement monitoring by the private sector and civil society, which would translate into gradual social accountability and behavior change on the part of all stakeholders of the Liberia public procurement system.

19. **Successive annual external audits for fiscal years 2006/07 and 2007/08 of five key government ministries (Health and Social Welfare, Education, Public Works, Finance, and Lands, Mines and Energy) have been prepared by the General Auditing Commission (GAC), submitted to the Legislature, and disclosed publicly.** The Government has made considerable progress in implementing its external audit strategy.

Efforts have been made to strengthen the GAC through the engagement of experienced auditors from neighbouring countries. In addition, the logistical capability of the GAC has been enhanced through technical assistance support from IDA and other developments partners. Through April 2010, the GAC completed over 20 audits including four forensic audits. These published audits are likely to have a positive impact on accountability within the public sector. As the Auditor General has pointed out: *"More broadly, but equally important, GAC's recent audit reports have begun to legitimately attack the culture of impunity that pervades many of these institutions."*[5] The GAC audit strategy is now evolving to focus less on transactional issues while increasing emphasis on systems.

20. **In August 2009, the Legislature approved a new Public Finance Management (PFM) law.**[6] The draft law was submitted to the Legislature in September 2008. Substantive discussion occurred over the following nine months, including consideration of an alternative draft PFM law. The law was passed in a special session of the Legislature some six to nine months later than expected. As a result of delays in approving the law, there were corresponding delays in drafting the regulations (which were prepared with Fund technical assistance). The law covers the full public financial management cycle, including budget preparation, approval and execution, borrowing, public debt and guarantees, cash management, accounting and reporting, internal control and audit, and autonomous agencies and special funds. Following this, in November 2009, the President approved the enabling regulations for the law. Since that time, the authorities have made impressive advances in implementing the new law: (i) the FY2010/11 budget was prepared according to law, (ii) a unified accounting function was put in place in the Ministry of Finance, (iii) a high level debt management committee was established, which issued a revised debt management strategy for the post-HIPC completion point period, and (iv) a chart of accounts and international accounting standards were adopted.

21. **The IDA and IMF staffs consider that Liberia has fully implemented the triggers on procurement and external audits, while the trigger on implementation of the PFM law has been substantially implemented and staffs recommend that a waiver be granted on the basis of the significant progress to date.**

D. Social Sector

22. **The social sectors, particularly education and health, remain key priorities for the Government.** The completion point triggers required the government to: (i) complete a harmonized and regularized Ministry of Education (MoE) payroll,[7] and (ii) ensure that the Basic Package of Health Services is delivered in at least 40 percent of all health facilities nationwide.

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[5] Building an Audit Recommendation Follow-up Process for the GAC: A Preliminary Proposed Framework. June 24, 2009

[6] The PFM law was signed into law by the President on September 2, 2009.

[7] "Harmonized" means that teachers are paid according to coherent payroll regulations. "Regularized" means that they are paid with fixed periodicity and through an established and effective mechanism.

23. **The substantial investment in infrastructure is aimed to ensure improved access to these basic services.** Approximately 21 percent of the FY2009/10 budget is allocated to the social sector with the education and health sectors accounting for 52 percent and 35 percent, respectively, of the social sectors' total budget. However, government per capita health expenditure remains low at less than US$5 in FY2007/08, and during FY08/09 the share of the national budget allocated to the health sector was 7.7 percent. The Ministry of Finance estimated that the education and health sectors will together receive about 25.7 percent of the total projected sector aid flows of approximately US$443.5 million for FY2009/10.

24. **In April 2010, the Government completed the harmonization and regularization of the Ministry of Education (MoE) payroll in the context of its overall strategy to reform pay and grade in the civil service.** In December 2009, the Government adopted the Medium Term Pay Reform Strategy as well as a new rationalized grading structure for civil servants, including teachers. This allowed the government to move into the new grading structure and reduce discretionary allowances. The pay reform is supported by the on-going Human Resources Management Information System (HRMIS) exercise, which has helped to remove the "ghosts" from the payroll using biometric identification and create a clean "one-employee-one file" registry of all civil servants including teachers. The new HRMIS system will harmonize the currently separate employee databases between the Civil Service Agency and Ministry of Finance payroll. In April 2010, the General Auditing Commission, with support from USAID, completed a comprehensive audit of the ministry of education payroll to verify all teachers in Monrovia and the 14 Counties. The audit revealed that there were some 3,247 personnel on the MoE payroll who could not be verified and were recommended for removal, including 2,138 classified as "ghosts" and 357 pensioners. Acting on the audit, the Ministry of Finance has deleted these personnel from the MoE payroll as recommended by the GAC. The Ministry of Education now has a clean payroll. All salary arrears have been cleared and personnel on the payroll are being paid on a regular monthly cycle, mostly through direct deposits but a few in the more remote Counties through check payments.

25. **Since the decision point in March 2008, the Government has made substantial progress in the delivery of health services, and the Basic Package of Health Services is now being delivered in 47 percent of all health facilities nationwide.** A national health policy, which focuses on rolling out the Basic Package of Health Services (BPHS) in 70 percent of all functional clinics by December 2010, is currently under implementation. Since the end of the war, health indicators have steadily improved as a result of wider access to health facilities brought about by reconstruction/rehabilitation of health facilities and improved efforts to deploy and retain health workers. Infant and under-five mortality rates have almost halved to 71 and 110 per 1,000 births respectively over the last 20 years due largely to the restoration of a few key maternal and child health services, such as immunization. However, other indicators, such as child malnutrition and maternal mortality rates, remain high.

26. **The suspension of user fees is reported to have increased access and utilization of services, but provision of many health services is still inadequate and inequitable with a concentration of resources in the capital city.** The capacity of the Ministry of Health and Social Welfare (MOHSW) to implement the health policy is improving, partly as a result of significant external technical assistance, including from the Global Fund and DFID.

27. **The IDA and IMF staffs consider that that the harmonization and regularization of the Ministry of Education payroll have been completed; and that Liberia has succeeded in ensuring that basic health service package is delivered in at least 40 percent of the health facilities nationwide.**

E. Debt Management

28. **Since the decision point, debt management has improved substantially**. The completion point triggers required the Government to develop a debt management strategy and record and publish data on external and domestic public and publicly-guaranteed debt.

29. **The Government developed a Debt Management Strategy (DMS) in June 2008, with updates and revisions in July 2009 and June 2010**. The strategy document was comprehensive and sets three main objectives, namely: (i) to complete external debt restructuring and make progress on domestic debt resolution; (ii) to strengthen institutional and professional capacity for debt management; and (iii) to establish detailed guidelines for future borrowing on concessional terms. The authorities also intend to develop a domestic debt market initially through sale of treasury bills. Until the achievement of the HIPC Initiative's completion point, the authorities have observed a balanced budget and "no borrowing" policy. The June 2010 update of the debt management strategy anticipated the HIPC completion point being achieved by end of FY2009/10 (June 2010). The update concentrated on laying out strategic guidelines to ensure that the resumption of borrowing—set to begin in FY 2010/11—is carried out in a manner fully consistent with maintaining a sustainable debt position.

30. **A Debt Management Unit (DMU) has been fully staffed and operational in the Ministry of Finance since 2008**. Reports on outstanding central government external and domestic debt stock disaggregated by major creditor groups are posted on the Ministry of Finance (MOF) and the Central Bank of Liberia (CBL) websites. Quarterly fiscal outturn reports also provide an update on main debt management activities during the previous quarter.

31. **A new debt management recording and reporting system (CS-DRMS) was installed in May 2010 in the DMU.** This system allows all data from domestic and external borrowing and issuance of guarantees of the public sector (central government, public enterprises and other official entities) to be centralized into a single database and will substantially improve the data handling and storage environment. Prior to the installment of

the reporting system (CS-DMRS), the DMU had electronic data files on external debt stocks by creditor.

32. **Despite the significant progress achieved, the efficiency of debt management functions, which cover the central government and state-owned enterprises, still needs to be strengthened**. Specific responsibilities for debt management functions need to be further clarified and formalized, particularly the relation between the Debt Management Committee, the DMU, and the Donor Coordination and the Macro-Fiscal Units of the Ministry of Finance. Coordination and information sharing should be further streamlined. The DMU staff needs training to effectively use the new debt data recording and reporting system, and to enhance the analytical capacity to regularly update and develop forward-looking debt management strategy.

33. **The IMF and IDA staffs conclude that the trigger on debt management has been fully implemented.**

F. Governance

34. **Liberia's progress on its governance agenda since the decision point in March 2008 has been notable**. Its resolve to improve governance has been marked by key policy and institutional actions despite generally weak technical and financial capacity as well as a challenging political environment. The Government has revised the investment code, established an effective Liberia Extractive Industry Transparency Initiative (LEITI) secretariat, and an independent Liberia Anti-Corruption Commission (LACC). These actions along with others, including the establishment of the Land Commission, are crucial for building the governance framework to help Liberia transition from post-conflict recovery to long-term development.

35. **The Government has made significant progress on its EITI initiative since the establishment in May 2008 of the Liberia Extractive Industry Transparency Initiative (LEITI), with membership from the Government, civil society, the private sector and donors.** LEITI is helping to ensure transparency and accountability in the mineral, agriculture and forestry sectors. The LEITI Secretariat's first full audited report of receipts and payments from the extractive industries was published in February 2009. Liberia was designated an EITI compliant country on October 14, 2009 becoming the first country in Africa, and the second country in the world to be validated. The 2nd EITI Report, covering the period July 1, 2009-June 30, 2009 and involving seventy-one (71) companies and five (5) agencies of Government was published on February 2010. The report covers companies operating in the following four sectors: mining, oil, forestry, and agriculture.

36. **The Government now intends to build on the EITI efforts to implement an EITI++ or 'value chain' approach to concessions management in three key sectors, namely mining, agriculture and forestry**. The EITI++ strategy that the Government plans to develop will help to ensure the implementation of good policies and practices along the

entire value chain, from how access is granted to resources, to monitoring operations, to collecting taxes, to sound macroeconomic management and distribution of revenues, and to spending of resources for sustainable growth and poverty reduction.

37. **In December 2008, the Government established an independent Anti-Corruption Commission consistent with its Anti-Corruption Act which was approved by the Parliament in 2008.** In December 2008, the Commission was given an interim budget of US$0.3 million to allow it to begin operations, and subsequently an allocation of US$1.3 million was approved in the context of the FY09/10 budget. The Commission is organized into three operational divisions covering Administration, Enforcement and Prevention, and Education. Since its establishment, the Commission has forged a number of partnerships including with the Center for Transparency and Accountability in Liberia (CENTAL), Press Union of Liberia (PUL) the General Auditing Commission (GAC), and a number of donors. In August 2009, the LACC launched an asset declaration campaign for senior public officials. It has also built up a commendable case load of investigations for possible submission to the Ministry of Justice. The efforts of the LACC are in part reflected in Liberia's ranking on Transparency International's 2009 Corruption Perception Index, which has improved remarkably over the past two years. In 2009, Liberia reached 97th position out of 180 countries with a score of 3.1 out of 10, compared to a ranking of 150th out of 179 countries in 2007 with a score of 2.1 out of 10. In 2009, Liberia also ranked 13th out of the 47 Sub-Saharan countries, a substantial improvement on its ranking of 30th out of 47 Sub-Saharan countries in 2008.

38. **In April 2010, the Investment Act and the Investment Commission Act were approved by the Government and signed by the President**. The new Investment Act repealed and replaced the previous Investment Incentives Act of 1973. It simplifies and streamlines non-fiscal incentives for new investments mainly by eliminating any discriminatory and discretionary measures. Fiscal incentives are removed from the Investment Act and now provided for, on a non-discretionary basis, in the Liberia Revenue Code as amended. The National Investment Commission Act of 1979 was also amended and replaced. The new Investment Commission, which comprises a number of Ministers (Finance, Planning, Justice, Commerce and State for Economic affairs), will provide advice to the Government on investment policy, identify projects, evaluate concession awards, and assist investors in complying with laws and regulations.

39. **The IDA and IMF staffs conclude that the trigger on governance has been fully implemented.**

III. Updated Debt Relief and Debt Sustainability Analysis

40. **The stock of HIPC-eligible external debt in PV terms at end-June 2007 was revised downward following the debt reconciliation exercise**. The staffs of IDA and the IMF, together with the Liberian authorities, reviewed the end-June 2007 stock of debt data

that was presented at the decision point document against recent creditor information. As a result, the nominal stock of debt has decreased by US$333.6 million to US$4,398.7 million, and the PV of debt after traditional debt relief has been revised downward by US$106 million to US$3,038.4 million (Table 1). Most of the downward revision is attributable to changes in commercial debt.

- **Multilateral creditors**. The total multilateral debt stock as of end-June 2007 has increased by US$0.7 million due to a reduction by US$0.25 million of interest in arrears to IDA and an increase of US$0.95 million of principal amount in arrears to IFAD.

- **Paris Club creditors**. The PV of debt to Paris Club creditors at end-June 2007 after traditional debt relief has been revised upward from US$947 million to US$952 million. This increase by US$4.7 million is attributable to the revisions of debt data in accordance with the updated information received from creditors.[8]

- **Other official bilateral creditors**. The nominal value of the stock of debt owed to other official bilateral creditors has not changed, but the PV of debt after application of traditional debt relief mechanism has been marginally revised assuming a treatment of post-cutoff date debt comparable to the Paris Club.[9] Consistent with the decision point data, the debt stock includes cancelled Chinese claims of US$12.2 million (equivalent to US$7.3 million in PV values after traditional debt relief). This amount was reinstated into the decision point database to account for creditor's debt relief efforts made before the decision point in the form of outright debt cancellations.[10]

- **Commercial creditors**. Most of the downward revision to the total outstanding debt stock is attributable to changes in commercial claims. The decrease in the stock of outstanding commercial debt at end-June 2007 by US$340.7 million reflects the net

[8] Belgium, France, Japan, the Netherlands, and the United States provided revised data for end-June 2007 debt stock.

[9] The Paris Club Agreed Minutes include a "comparability of treatment" clause, which aims to ensure balanced treatment of the debtor country's debt by all external creditors. In accordance with this clause, the debtor country seeks from non-multilateral creditors, in particular other official bilateral creditor countries that are not members of the Paris Club and private creditors (mainly banks, bondholders and suppliers), a treatment on comparable terms to those granted in the Agreed Minutes. Liberia's cutoff date for debts eligible for Paris Club rescheduling is 1/1/1983.

[10] This approach follows the general principle of the HIPC Initiative to account for debt relief efforts made before the decision point, if provided after the end-December 2004 ring-fencing exercise, and aiming at the objectives similar to those under the HIPC Initiative.

effect of upward revision of the total commercial debt stock by US$111.4 million[11] and the exclusion of claims estimated at US$ 452.1 million. These revisions reflect the final results of the reconciliation exercise completed in November 2008 by the legal and financial advisors of the Government of Liberia in preparation of the IDA commercial debt buy-back operation supported by IDA's Debt Reduction Facility.[12]

41. **Exports of goods and services remained unchanged.** The estimates of the 2004/05-2006/07 average of exports of goods and services used to evaluate HIPC assistance at the decision point remain at US$199.5 million.[13]

A. Revision of HIPC Assistance and Status of Creditor Participation

42. **The required HIPC assistance at the end-June 2007 PV terms has been revised downward from US$2,845.5 million estimated at the decision point to US$2,739.2 million.** As a result, the common reduction factor has marginally decreased from 90.5 percent to 90.2 percent (Table 2).[14]

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[11] The amount of accumulated interest has been revised upward due to more accurate information on commercial claims.

[12] In the reconciliation of commercial debt, records of which were either lost or destroyed during the civil war, Liberia was assisted by financial advisors from Houlihan-Lokey, London, and legal counselors from Cleary Gottlieb, New York. This reconciliation exercise, which continued after the decision point, determined the debts eligible to participate in the 2009 buy-back operation supported by IDA's Debt Reduction Facility (DRF). The advisors were not able to find legal basis for the recovery of claims estimated at US$452 million. As a result, the Government of Liberia treated these claims as time-barred and removed them from its books, effective December 2008. Also, the holders of these commercial external debts were excluded from the DRF-supported buyback operation, concluded in April 2009, on the grounds that they were barred from asserting claims under applicable statutes of limitation. These claims have been removed from the HIPC-eligible debt stock for the same reasons, and to avoid inflating unduly the common reduction factor applicable to all creditors.

[13] At the Decision Point, data on services exports were not available, and an estimate based on comparable countries was constructed (see Annex II in the decision point document). Although the balance of payments data have been improved significantly since then, surveys to capture services exports only began during 2008/09, and are not sufficiently complete to be used as a reliable source. In accordance with the "Information Reporting in the Context of HIPC Initiative Assistance", approved by the members of the Executive Boards of the IMF (EBS/02/36 and BUFF/02/50) and IDA (IDA/SecM2002-0131), March 4, 2002, adjustments resulting from changes in staff estimates at decision point would only be made if they lead to higher assistance, but not if they reduce assistance.

[14] In accordance with the "Information Reporting in the Context of HIPC Initiative Assistance" (see footnote 13), the assistance for Liberia will be revised downward. The revision amounts to 35 percent of the target PV of debt after full delivery of HIPC relief and therefore exceeds the 1 percent threshold set as minimum condition for the modification of HIPC relief. The downward revision is mainly due to changes in data on the commercial debt stock.

43. **At completion point, Liberia has received financing assurances by creditors accounting for 96.4 percent of the PV of HIPC assistance estimated at the decision point** (Table 9). Almost all multilateral creditors[15] (of which IDA, the IMF, and the AfDB Group comprise 48.9 percent of total HIPC assistance) and all Paris Club creditors (31.3 percent of total HIPC assistance) have confirmed their participation. Through a buy-back operation supported by IDA's Debt Reduction Facility (DRF), Liberia's commercial creditors provided debt relief comparable to that provided by Paris Club creditors. The authorities are making best efforts toward reaching agreements on provision of debt relief at completion point with all remaining creditors, namely China, Kuwait, Saudi Arabia, and Taiwan Province of China (US$122.1 million) and making good faith efforts towards reaching agreements with two commercial creditors (US$43.8 million).[16] The revised HIPC assistance in nominal terms is estimated at US$ 4.6 billion, which includes beyond-HIPC assistance delivered by a number of creditors during the interim period.

Multilateral Creditors

44. **The revised amount of enhanced HIPC assistance from multilateral creditors is US$1,421.2 million in end-June 2007 PV terms**. IDA and the African Development Bank (AfDB) Group have provided debt relief above their estimated share of HIPC Initiative assistance through arrears clearance operations. The IMF, the AfDB Group, and the European Union (EU) have provided interim assistance. The OPEC Fund for International Development (OFID), Banque Arabe pour le Developpement Economique en Afrique (BADEA), and the European Investment Bank (EIB) have also provided part of their share of HIPC initiative assistance through arrears clearance operations during the interim period.

- **IDA**. IDA has fully provided its share of HIPC initiative assistance amounting to US$373.6 million in end-June 2007 PV terms through the grant element embedded in the clearance of Liberia's arrears to both IBRD and IDA. The arrears cleared by IDA amounted to US$374.9 million in end-June 2007 PV terms.[17]

- **IMF.** As a result of the updated debt sustainability analysis and lowering of the common reduction factor discussed above, the IMF's share in debt relief for Liberia under the HIPC Initiative assistance amounts to SDR 446 million (US$729.5 million)

[15] ECOWAS has not confirmed its participation in the HIPC initiative.

[16] China provided outright cancellation of some of its claims.

[17] On December 5th, 2007, IDA disbursed a grant amounting to SDR 270 million (or US$430 million equivalent) through the Reengagement and Reform Support Program for Liberia. Part of these funds was used to clear Liberia's arrears to IBRD (US$340.37 million in nominal terms) and IDA (USD53.77 million in nominal terms). The remaining part of the grant was used to meet Liberia's foreign exchange needs associated with debt service during the interim period.

in NPV terms, slightly lower (SDR 1.7 million) than the amount calculated at the decision point (SDR 447.7 or US$732.2 million).[18] Of this amount, SDR 5.1 million (equivalent to about US$8.4 million) has been delivered through the concessional element associated with the disbursement of an ECF (formerly PRGF) loan following Liberia's arrears clearance to the IMF and is counted toward the IMF's contribution to HIPC assistance. The amount, however, is significantly lower than the SDR 19.5 million assumed at the time of decision point.[19] To ensure that Liberia receives the full share of assistance from the Fund under the HIPC Initiative, Fund staff proposes that the amount of grant assistance approved at the decision point (SDR 428.1 million) be increased by SDR 12.8 million to SDR 440.9 in view of the lower than assumed concessional element associated with the ECF loan and taking into account the revised debt sustainability. The IMF has already approved SDR 30.1 million in the form of interim HIPC assistance to meet Liberia's debt service payments to the Fund. The remaining SDR 410.8 million (in NPV terms) will be delivered at the completion point through a stock-of-debt operation (see Table 11).

- **AfDB**. The AfDB Group has fully provided its share of HIPC Initiative assistance, amounting to US$ 240.2 million in end-June 2007 PV terms, through an arrears clearance operation. In addition, the AfDB Executive Board decided[20] to extend the coverage of its debt relief to debt service payments falling due in 2008 and in 2009 calendar years which amounted to additional debt relief of US$6.4 million in end-June 2007 PV terms.

- **Other multilateral creditors**. The modalities of assistance by all other multilateral creditors (BADEA; EU/EIB; ECOWAS; IFAD and OFID) are summarized in Table 9.

Bilateral and commercial creditors

45. **Paris Club creditors have agreed in principle to provide their share of enhanced HIPC assistance** (estimated at US$858.5 million in end-June 2007 PV terms, in accordance with the revised assistance, Table 2). Interim assistance, estimated at US$18.78 million in end-June 2007 PV terms, has been delivered through a flow rescheduling on Cologne terms during the interim period, agreed in April 2008. Some creditors have already delivered additional debt relief beyond the HIPC Initiative, estimated at US$474 million in end-June 2007 PV terms. The United States has provided 100 percent cancellation of consolidated debt, while Germany cancelled 100 percent of outstanding principal and interest in arrears as of end-February 2008. Other creditors, such as Denmark, Finland, and Italy, cancelled all

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[18] See "Liberia—Enhanced Initiative for Heavily Indebted Poor Countries—Decision Point Document" ((EBS/08/27 (2/28/08) and EBS/08/27, Supplement 2 (3/13/08))".

[19] This reflects lower than projected interest rates and the earlier than projected completion point date.

[20] African Development Bank, December 22, 2008. "Liberia: Proposal for Arrears Clearance under the Arrears Clearance Program and Post Conflict Country Facility."

their outstanding claims. In principle, all participating Paris Club creditors declared their readiness to provide their full share of assistance at the completion point through a stock-of-debt reduction. A number of Paris Club creditors have also indicated that they would provide additional debt relief under the voluntary bilateral Initiative beyond the HIPC Initiative through 100 percent stock-of-debt cancellation of all, or a part of, their outstanding claims (Table 12). This additional relief is estimated at about US$40 million in end-June 2009 PV terms.

46. **Non-Paris Club bilateral creditors are assumed to provide relief on HIPC-eligible debt on terms comparable to those of the Paris Club.** The PV of such relief at end-June 2007 is estimated at US$95.3 million. The major non-Paris Club creditor is Taiwan Province of China, comprising 2.4 percent of HIPC-eligible debt, followed by Saudi Arabia (0.5 percent), and Kuwait and China (0.3 percent each). In February 2007, China cancelled 100 percent of its outstanding claims due before December 31, 2005, amounting to US$12.2 million in nominal values (comprising 95 percent of China's expected debt relief as estimated at the decision point). The authorities are working toward reaching agreements on provision of the remaining debt relief at completion point by all non-Paris Club creditors.

47. **The commercial debt stock has been reduced by over US$1.2 billion.** On April 16, 2009, Liberia successfully concluded a buy-back operation supported by IDA's Debt Reduction Facility (DRF). Almost 97 percent of the total commercial claims, estimated at US$1,234 million in nominal values as of end-June 2007, were extinguished through the buyback operation. The remaining debt, before applying any debt relief, owed to the two holdouts amounts to US$43.8 million.

B. Considerations for Exceptional Topping-Up Assistance

48. **The Debt Reduction Analysis (DRA) has been updated jointly by the authorities and the IMF and IDA staffs** on the basis of loan-by-loan debt data, exchange rates and interest rates as of end-June 2009 (Table 3).[21] At end-June 2009, the nominal stock of Liberia's external debt amounted to US$1,772.6 million (Table 4). Multilateral creditors accounted for US$1,066 million or 60 percent of total debt, of which IDA, IMF, and AfDB Group accounted for 4.0, 49.4, and 1.5 percent, respectively. Paris Club creditors accounted for 31.7 percent of total outstanding nominal debt at end-June 2009. Non-Paris Club bilateral creditors accounted for 7.0 percent of total debt, of which the main creditors remained Taiwan Province of China, Saudi Arabia, and Kuwait.

49. **Liberia does not qualify for topping-up.** The PV of debt-to-exports ratio at end-June 2009—after full delivery of the HIPC assistance committed at the decision point—is

[21] This section updates the debt sustainability analysis using the HIPC DSA methodology, while Appendix II provides a forward-looking update using the Low-Income Countries Debt Sustainability Framework (LIC DSA) methodology.

now estimated at 69.1 percent, which is 20.8 percentage points below the projection at time of the decision point. The PV of debt-to-exports ratio—after the full delivery of additional voluntary bilateral debt relief beyond the HIPC Initiative at end-June 2009— would further decline to 62.6 percent, which is below the 150 percent threshold for consideration of topping-up assistance defined under the enhanced HIPC Initiative (Table 2).[22]

50. **The PV of the debt-to-exports ratio after HIPC assistance is lower than was projected at the time of the decision point by 20.8 percentage points** (Table 2). The reduction of the ratio is mainly due to stronger than anticipated exports and lower than expected new borrowings.[23] Higher exports contributed to a lower PV of debt-to-exports ratio by 24.4 percentage points, compared to the decision point projection, while lower than expected new borrowing reduced the debt-to-exports ratio by an additional 4.5 percentage points. The reduction in the ratio from these factors is partially offset by unanticipated changes in exchange rates and discount rates that contribute to a gross increase of the PV of debt-to-exports ratio by 9.7 percentage points.

Table 2. Liberia: Factors Affecting PV of Debt-to-Export Ratio at end-June 2009

	Percentage Points	Percent of Total Increase
PV of debt-to-export ratio (as projected at Decision Point)	**89.9**	
PV of debt-to-export ratio (actual)	**69.1**	
Unanticipated changes in the ratio	**-20.8**	**100%**
1. Due to changes in the parameters	**5.1**	**-24%**
o/w due to changes in the discount rates	2.9	-14%
o/w due to changes in the exchange rates	2.2	-10%
2. Due to unanticipated new borrowing	**-4.5**	**21%**
o/w due to higher than expected disbursements	-4.5	22%
o/w due to lower concessionality of the loans	0.1	0%
3. Due to changes in export	**-24.4**	**117%**
4. Due to changes in HIPC relief and other factors	**3.0**	**-14%**
Bilateral debt relief beyond HIPC	**-6.5**	
PV of debt-to-export ratio after full delivery of HIPC assistance and bilateral debt relief beyond HIPC (actual)	**62.6**	

Sources: World Bank and IMF staff estimates and projections.

1/ NPV of debt-to-export ratio after full delivery of enhanced HIPC assistance and bilateral debt relief beyond the HIPC Initiative.

[22] The debt stock after the additional Paris Club creditors' delivery of debt relief under Bilateral Initiatives beyond the HIPC Initiative is used as a base for topping up consideration. See "The Enhanced HIPC Initiative - Completion Point Considerations," EBS/01/141 (8/20/2001) and IDA/SecM2001-0539/1 (8/21/2001).

[23] Exports of services are higher than assumed at the decision point, which were estimated by using comparator country data. The borrowing from the Fund has been lower than anticipated at the decision point because at that time the staff assumed the achievement of the completion point in the fourth quarter of 2010.

C. Creditor Participation in the Multilateral Debt Relief Initiative and IMF Beyond-HIPC Initiative

51. Conditional on reaching the completion point under the Enhanced HIPC Initiative, Liberia would qualify for additional debt relief from the Multilateral Debt Relief Initiative (MDRI) from IDA and the AfDB Group as well as beyond-HIPC assistance from the IMF. In addition, the EU Special Debt Relief Initiative will provide debt relief to Liberia on those EU loans that are still outstanding after HIPC assistance.

- **MDRI from IDA**. IDA would provide debt relief under the MDRI amounting to US$66.9 million in nominal terms (Table 10). IDA would provide MDRI debt forgiveness by irrevocably canceling Liberia's debt service obligations for credits disbursed before end- 2003 and still outstanding at end-June 2010. MDRI debt relief from IDA would imply average debt service savings (net of HIPC assistance) of US$2.9 million per year over the next 25 years. The MDRI would result in the full cancelation of remaining IDA credits after HIPC relief.

- **MDRI from the African Development Fund (AfDF)**. The AfDF would provide debt relief to Liberia under the MDRI amounting to US$17.2 million in nominal terms, starting from the completion point. This amount is calculated based on debt disbursed as of December 31, 2004 and still outstanding on June 30, 2010. MDRI would result in the full cancelation of Liberia's post-completion-point repayment obligations to the AfDB Group, with the exception of remaining Nigerian Trust Fund claims (US$7.7 million estimated at end-June 2010 nominal terms).

- **MDRI-type beyond-HIPC assistance from the IMF**. At the completion point, the IMF would provide beyond-HIPC assistance to Liberia of about SDR 117.4 million to be financed from the IMF Administered Account for Liberia. This amount, together with IMF HIPC assistance, will cover 100 percent of the stock associated with the successor arrangements under the ECF and EFF corresponding to the stock of arrears at arrears clearance.[24]

- **EU Special Debt Relief Initiative**[25] Through the Special Debt Relief Initiative, the EU will provide additional US$0.9 million in nominal terms as debt relief to Liberia. This will effectively cancel all remaining EU claims on Liberia.

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[24] At the decision point, the IMF mobilized sufficient financing assurances to cover the cost of HIPC and beyond-HIPC debt relief to Liberia. The total financing commitments received from 102 bilateral contributors amounted to SDR 547 million (in NPV terms), of which a number of pledges are still pending.

[25] The EU special initiative provides full debt relief to eligible Least Developed Countries on all outstanding European Development Fund special loans remaining after the full applications of debt relief under the HIPC initiative.

D. Debt Sustainability Outlook, 2009/10–29/30

52. **The baseline macroeconomic framework projections assume a gradual economic recovery, including from the restart of iron ore production already in 2011.** The projections are consistent with the medium-term macroeconomic framework under the ECF arrangement and the key assumptions are summarized in Box 2.

Box 2. Liberia: Key Baseline Macroeconomic Assumptions

Real GDP growth. The baseline scenario assumes that GDP growth will accelerate to over 8 percent in 2011–12 when large mining investments ramp up production. After this peak, GDP growth is projected to decline and stabilize at 5 percent for the remaining projection period.

Inflation as measured by the GDP deflator in local currency is expected to decelerate from 9 percent in 2009 to 5 percent in 2011 and stabilize afterwards at 4 percent.

Exports are projected to grow by 12 percent annually during 2010/11–2012/13 as iron ore exports recommence. Thereafter, the export growth rate is expected to stabilize at 7 percent annually.

Imports will mirror to some extent the export dynamics. Import growth is projected to average 10 percent for the period 2010/11–2012/13 due to the construction phase of the above-mentioned mining projects, and then slow down to about 3 percent.

The current account deficit is expected to widen during the construction phase of the big mining projects. However, at the conclusion of the investment phase of these projects, the current account would rapidly improve from about a deficit of 50 percent of GDP in 2010/11-2012/13 and stabilize at a smaller deficit of 20 percent afterwards.

Tax revenues are projected to decline to 21 percent of GDP in 2010/11 due to the introduction of reduced tax rates and broadly remain stable.

Nominal external concessional borrowing is assumed at 2 percent of GDP in 2010/11, rising to 5 percent of GDP in 2013/14 largely on account of a backlog of urgent infrastructure projects before gradually declining to 2 percent of GDP by 2022/23 and remaining at this level until the end of the projection period. The primary fiscal balance will move into a deficit position after the completion point, roughly mirroring the borrowing path. All financing is assumed to be on IDA-equivalent terms.

External grants progressively decline from 50 percent of GDP in 2010/11 to about 30 percent of GDP in 2015/16, and then stabilize at 20 percent of GDP in 2023/24.

53. **After full delivery—at the completion point—of HIPC Initiative assistance, additional bilateral assistance beyond HIPC and MDRI, Liberia's external public debt would be considerably reduced, and external debt indicators would improve.** The PV of

debt-to-exports ratio at end-June 2011 would fall to 25.8 percent after delivery of MDRI assistance; this ratio would further decrease until end-June 2015 to 24.4 percent. Thereafter, the PV of debt-to-exports ratio is expected to increase to 27.2 percent by end-June 2030, mainly due to new borrowing. (Table 7). On average, the PV of debt-to-GDP and PV of debt-to-revenue ratios would also decline over the projected period (from 44 percent and 156.4 percent in FY2008/09-18/19 to 16.7 percent and 67.1 percent in 2019/20–29/30, respectively).

54. **Liberia's debt service ratios are projected to increase through 2015 and then decline.** The debt service-to-revenue ratio—after HIPC Initiative assistance and additional assistance beyond HIPC and MDRI—would increase from 1.6 percent in FY2010/11 to over 7.3 percent during FY2011/12- FY2015/16 (Table 7), reflecting the specific terms of bilateral agreements with Paris Club creditors for commercial post cutoff date debt. However, after FY2015/16 when post cutoff debt is fully amortized, debt service indicators would decline substantially.

E. Sensitivity Analysis and Long-Term Debt Sustainability

55. **This section analyzes the impact on debt dynamics of three alternative scenarios; lower GDP growth, lower export prices and less concessional borrowing** (Table 10 and Figure 4). After full delivery of HIPC, beyond-HIPC, and MDRI debt relief, in all scenarios the PV of debt-to-export ratio remains significantly below the HIPC threshold. Other debt indicators, such as the ratios of debt service to exports and to government revenue, deteriorate somewhat under the lower exports and the lower concessional borrowing scenarios.

Alternative Scenario 1: *Lower GDP Growth*

56. **This scenario assumes that GDP growth is on average 25 percent lower than projected in the baseline.** Real GDP growth averages 5 percent from 2009/10–2016/17, 1.7 percentage points lower than in the baseline, and 3.5 percent from 2014/15 onwards. Under this scenario, the PV of debt-to-export ratio would increase slightly, reaching 29.4 percent by 2029/30, which is 1.9 percentage points higher than under the baseline scenario. The PV of debt-to-GDP and the PV of debt-to-revenue ratios would exceed the levels under the baseline scenario on average by 1.8 and 3.6 percentage points, respectively, over the medium-term projections, and by 3.8 and 9.6 percentage points in 2019/20–29/30. Over the projected period, the debt service-to-export ratio would increase marginally compared to the baseline scenario, while the ratio of debt service-to-revenue would on average be higher by 0.3 percentage points, reaching 0.4 by end-June 2030.

Alternative Scenario 2: *Terms of Trade Shock – Lower export prices*

57. **In this scenario exports are assumed to grow at lower pace due to 20 percent lower prices for the main export goods.** Based on these assumptions, all ratios of the PV of

the debt would increase over the medium- and long-term projections, compared to the baseline scenario, although the ratios would not cross the HIPC thresholds. Correspondingly, the PV of the debt-to-exports ratio would increase by 5 percentage points in the period 2008/09-2018/19 and by 5.6 percentage points in the period FY2019/20–2029–30, reaching 33.1 percent at the end of projected period. The increase of debt service-to-exports ratio over the projected period would average 0.4 percentage points. Both ratios worsen compared to the baseline scenario, but the change would not be pronounced, as the shock is minor relative to the cumulative increase in export value over the period, and is not assumed to affect other macroeconomic variables other than exports. The PV of debt-to-revenue ratio would reach 62.8 percent in 2029/30, which is still well below the HIPC threshold.

Alternative Scenario 3: *New borrowing – Lower concessionality*

58. **In this scenario, the concessionality of new debt is assumed to be at 35 percent, which is 15 percentage points lower than in the baseline scenario (50 percent).** This scenario demonstrates the risks to borrowing at less concessional terms, notwithstanding the initial low external debt level. Higher interest costs for the new borrowing lead to a deterioration of all debt ratios. The ratio of PV of debt-to-exports is 31.4 percent in 2029/30, 4.4 percentage points higher than the baseline scenario. Similarly, debt service in percent of government revenues is on average 0.3 percent higher over the long-term.

59. **The sensitivity analysis highlights the need for strong and continued efforts to diversify the economy to reduce the risk of adverse shocks and prudent debt management to maintain low debt vulnerabilities.** While HIPC, beyond-HIPC, and MDRI debt relief substantially reduce Liberia's debt burden, the sensitivity analysis clearly shows that Liberia would remain vulnerable to a number of shocks, in particular lower exports and higher borrowing costs than assumed in the baseline scenario. In order to ensure that the new debt remain below the HIPC thresholds, it will be crucial to increase exports, through decisive structural reforms to encourage investment across a range of sectors, and to focus borrowing on highly concessional sources. In this context, public spending and other structural reforms should be well-targeted to address the serious bottlenecks that currently hamper the development of private investment, including in the export sector.

IV. Conclusions

60. **In the opinion of the IDA and IMF staffs, satisfactory progress has been made in implementing the reforms specified for reaching the completion point.** While 11 out of 12 triggers have been fully implemented, satisfactory progress has been made on the remaining trigger, which calls for a 12-month implementation of the PFM law. The law was approved in August 2009 and the related operational regulations were approved in November 2009. The preparation of the FY2010/11 budget in line with the PFM law, the establishment of high level Debt Management Committee, and the unification of accounting system in the

Ministry of Finance and adoption of international accounting standards and a new chart of accounts are strong evidence of a substantial implementation of the new law.

61. **The debt reconciliation exercise resulted in a marginal downward revision of the common reduction factor** (from 90.5 percent to 90.2 percent). This resulted from a downward revision of the debt stock used to calculate HIPC assistance at the decision point. The revision of debt stock is mainly due to a reduction of commercial claims estimated at US$452.1 million. Liberia has received financing assurances of participation in the enhanced HIPC Initiative from creditors representing 96.4 percent of the present value of HIPC assistance at the decision point.

62. **The IDA and IMF staffs are of the view that Liberia does not meet the requirements for exceptional topping-up under the HIPC Initiative.** The PV of debt-to-exports ratio at end-June 2009—after full delivery of the HIPC assistance committed at the decision point and additional bilateral assistance beyond the HIPC Initiative—is now estimated at 62.6 percent, which is well below the 150 percent threshold for topping-up consideration under the HIPC Initiative.

63. **Full delivery of HIPC Initiative assistance, additional bilateral assistance beyond the HIPC Initiative and the MDRI would considerably reduce the debt burden.** After the HIPC and MDRI assistance, the PV of debt-to-exports ratio in FY 2010/11 will fall from 266.3 percent to 22.9 percent. Going forward, even assuming an annual average of new borrowing of up to 3 percent of GDP, the PV of debt-to-exports ratio would remain below 28 percent throughout the projection period. Nonetheless, even if Liberia's debt ratio remains below the policy threshold under the baseline scenario, alternative and shock scenarios show some vulnerability of the debt outlook to borrowing costs and export performance.

64. **In light of the above, the staffs recommend that the Executive Directors of the IDA and IMF determine that Liberia has reached the completion point under the Enhanced HIPC Initiative.**

V. Issues for Discussion

65. Executive Directors may wish to consider the following questions:

- **Completion Point:** Do Directors agree that Liberia has reached the Completion Point under the Enhanced HIPC Initiative?

- **HIPC Assistance:** Do Directors agree with staff's recommendations that the revised amount of HIPC assistance of US$ 2,739.2 million in end-June 2007 PV terms be provided to Liberia?

- **Topping up:** Do Directors agree that Liberia does not meet the requirements for exceptional topping-up at the completion point?

- **Creditor Participation:** Do Directors agree that Liberia's creditors have given sufficient assurances to irrevocably commit Enhanced HIPC Initiative assistance to Liberia?

Figure 1. Liberia: Composition of Stock of External Debt as of end-June 2007 by Creditor Group

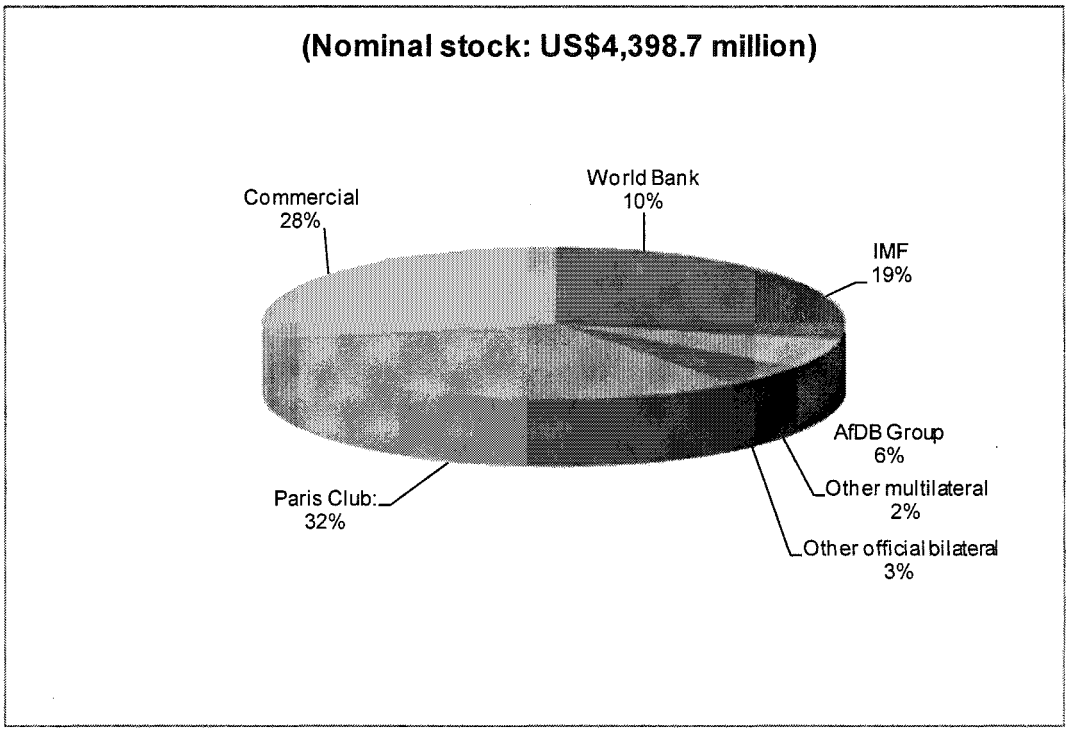
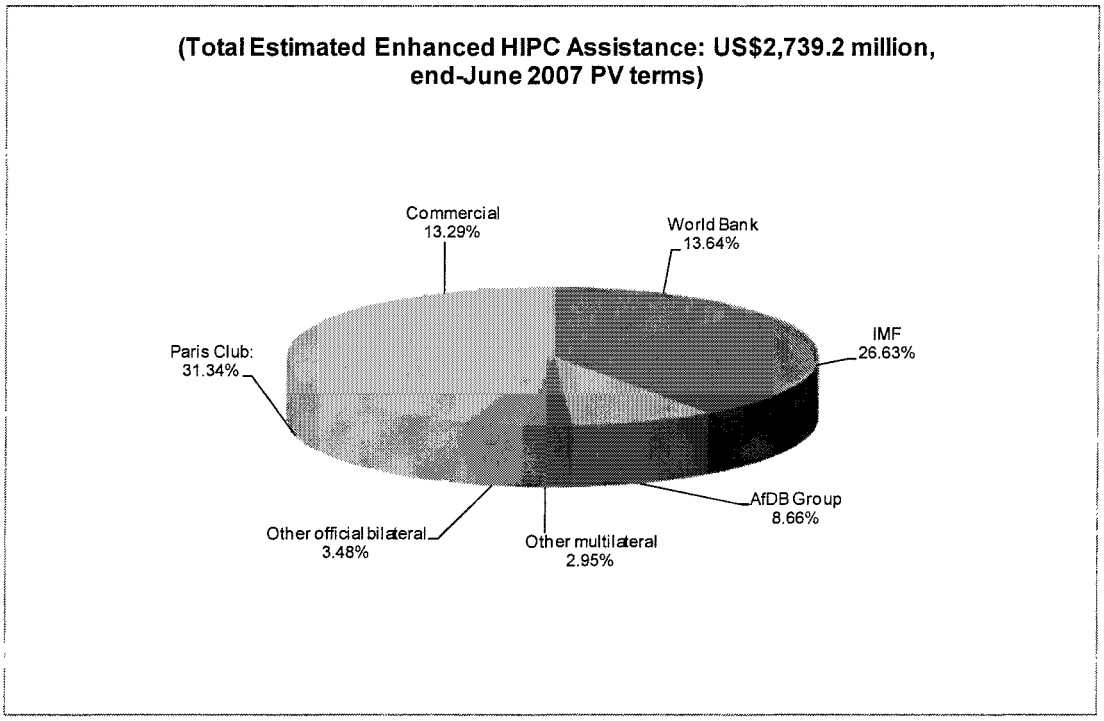
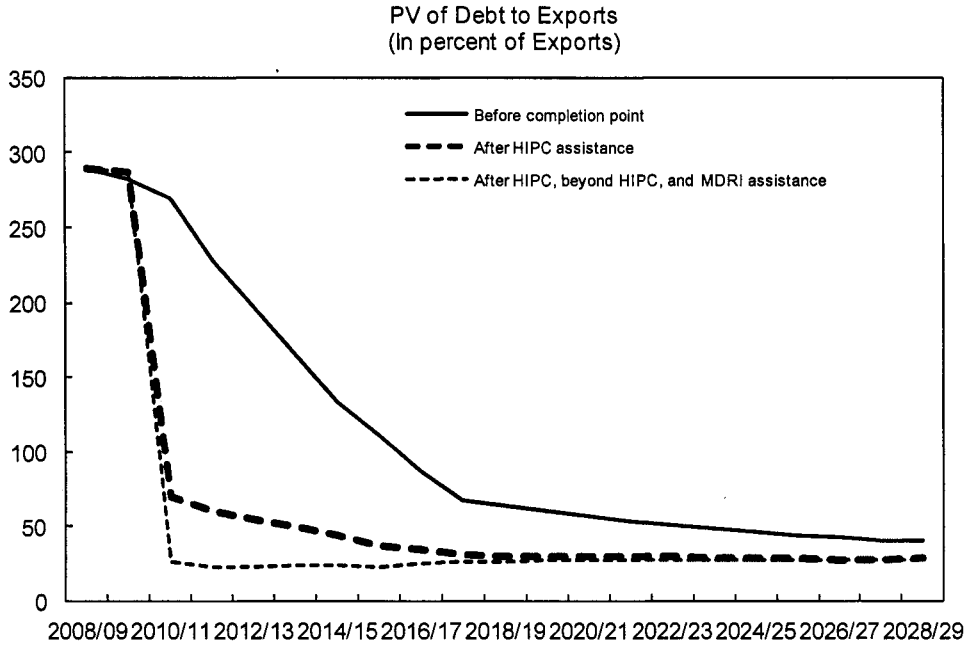


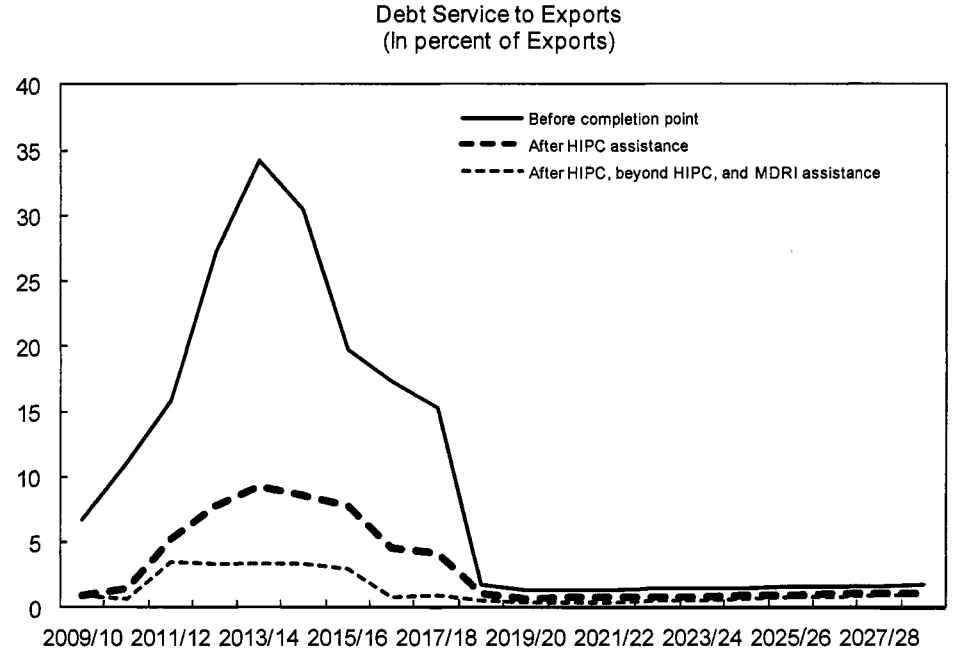
Figure 2. Lib**eria: Potent**ial Costs of the HIPC Initiative as of end-June 2007 by Creditor Group



Sources: Liberian authorities and staff estimates.

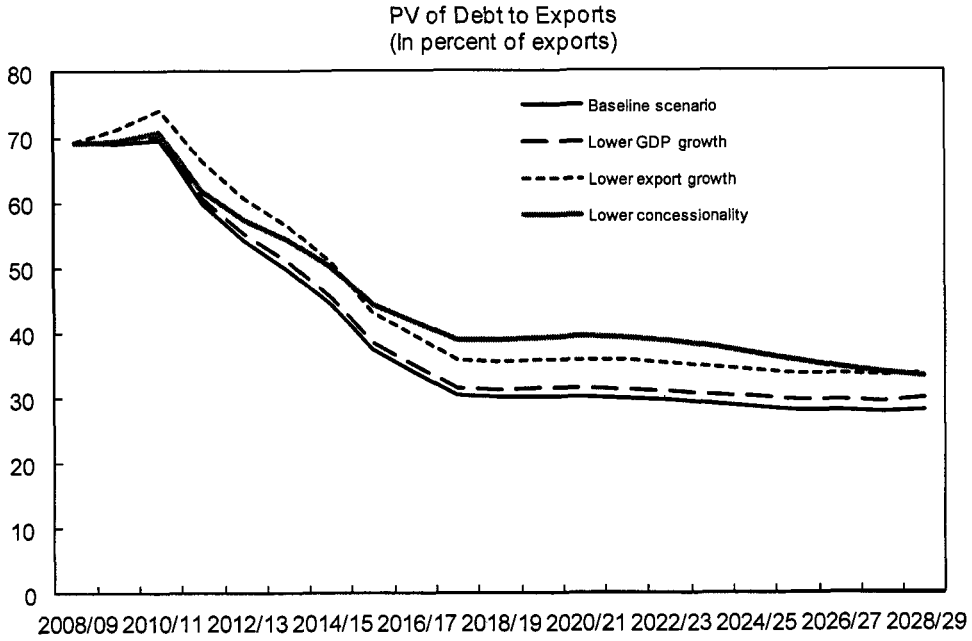
Figure 3. Liberia: External Debt Burden Indicators, 2008/09–29/30

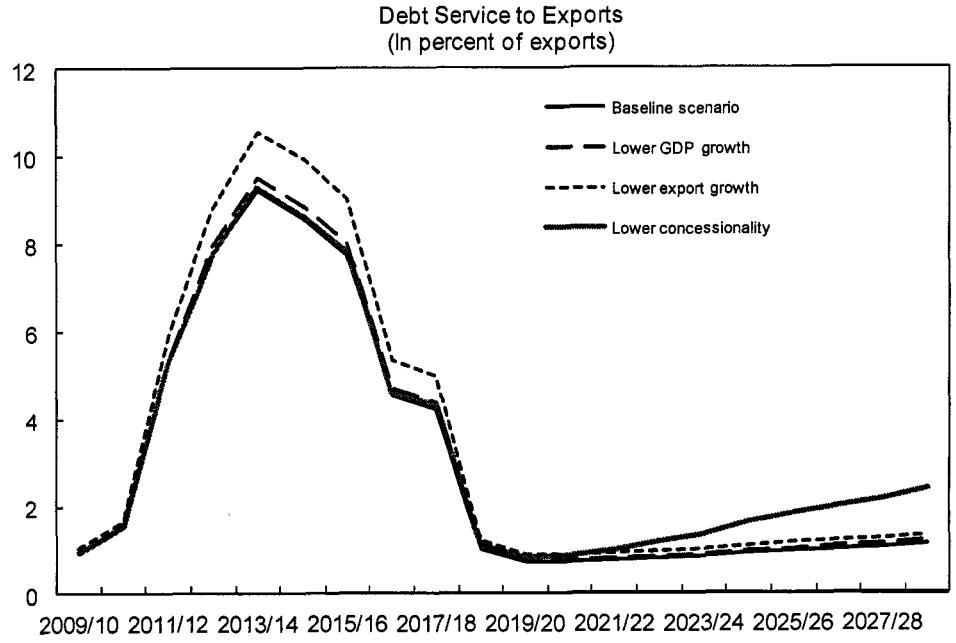




Sources: Liberian authorities; and IMF and World Bank staff estimates and projections.

Figure 4. Liberia: Sensitivity Analysis, 2008/09–29/30





Sources: Liberian authorities; and IMF and World Bank staff estimates and projections.

Table 1. Liberia: Nominal Stock and Present Value of Debt as of end-June 2007 by Creditor Groups

	Nominal Debt Stock 1/				PV of Debt Before Rescheduling 1/				PV of Debt After Traditional Debt Relief 2/			
	At decision point		Revised at completion point		At decision point		Revised at completion point		At decision point		Revised at completion point	
	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total
Total	4732.2	100.0	4398.7	100.0	4683.2	100.0	4349.0	100.0	3144.7	100.0	3038.4	100.0
Multilateral	1614.8	34.1	1615.5	36.7	1575.8	33.6	1576.5	36.2	1575.8	50.1	1576.5	51.9
World Bank	442.6	9.4	442.3	10.1	414.6	8.9	414.4	9.5	414.6	13.2	414.4	13.6
IMF	809.2	17.1	809.2	18.4	809.2	17.3	809.2	18.6	809.2	25.7	809.2	26.6
AfDB Group	271.3	5.7	271.3	6.2	263.1	5.6	263.1	6.1	263.1	8.4	263.1	8.7
OFID	23.7	0.5	23.7	0.5	23.7	0.5	23.7	0.5	23.7	0.8	23.7	0.8
IFAD	22.1	0.5	23.1	0.5	20.8	0.4	21.7	0.5	20.8	0.7	21.7	0.7
BADEA	19.1	0.4	19.1	0.4	19.1	0.4	19.1	0.4	19.1	0.6	19.1	0.6
EU	9.4	0.2	9.4	0.2	7.9	0.2	7.9	0.2	7.9	0.3	7.9	0.3
EIB	12.3	0.3	12.3	0.3	12.3	0.3	12.3	0.3	12.3	0.4	12.3	0.4
ECOWAS	5.0	0.1	5.0	0.1	5.0	0.1	5.0	0.1	5.0	0.2	5.0	0.2
Bilateral and Commercial 2/	3117.5	65.9	2783.2	63.3	3107.5	66.4	2772.5	63.8	1568.9	49.9	1461.9	48.1
Bilateral	1542.9	32.6	1549.4	35.2	1532.9	32.7	1538.6	35.4	1053.8	33.5	1058.0	34.8
Paris Club:	1413.9	29.9	1420.3	32.3	1406.2	30.0	1412.1	32.5	947.5	30.1	952.3	31.3
Post-cutoff date 3/	431.5	9.1	483.1	11.0	427.2	9.1	478.3	11.0	423.4	13.5	471.2	15.5
ODA	134.0	2.8	126.2	2.9	129.8	2.8	121.5	2.8	128.7	4.1	119.9	3.9
Non-ODA	297.5	6.3	356.9	8.1	297.5	6.4	356.9	8.2	294.6	9.4	351.3	11.6
Pre-cutoff date	982.4	20.8	937.3	21.3	979.0	20.9	933.7	21.5	524.2	16.7	481.1	15.8
ODA	622.7	13.2	587.6	13.4	619.3	13.2	584.1	13.4	406.5	12.9	366.7	12.1
Non-ODA	359.7	7.6	349.7	7.9	359.7	7.7	349.7	8.0	117.7	3.7	114.4	3.8
Belgium	35.8	0.8	41.4	0.9	35.6	0.8	41.2	0.9	35.3	1.1	40.6	1.3
Denmark	29.4	0.6	29.4	0.7	29.1	0.6	29.1	0.7	28.9	0.9	28.7	0.9
EEC IDA Administered	2.1	0.0	2.1	0.0	1.7	0.0	1.7	0.0	0.6	0.0	0.6	0.0
Finland	2.7	0.1	2.7	0.1	2.7	0.1	2.7	0.1	1.4	0.0	1.4	0.0
France	156.6	3.3	200.7	4.6	156.6	3.3	200.7	4.6	152.7	4.9	195.3	6.4
Germany	410.4	8.7	410.4	9.3	409.4	8.7	409.4	9.4	216.4	6.9	211.4	7.0
Italy	67.7	1.4	67.7	1.5	67.7	1.4	67.7	1.6	58.0	1.8	62.9	2.1
Japan	125.4	2.6	82.5	1.9	125.4	2.7	82.5	1.9	124.8	4.0	82.1	2.7
Netherlands	35.0	0.7	36.9	0.8	35.0	0.7	36.9	0.8	33.9	1.1	35.4	1.2
Norway	42.3	0.9	42.3	1.0	42.3	0.9	42.3	1.0	13.8	0.4	13.8	0.5
Sweden	29.8	0.6	29.8	0.7	29.8	0.6	29.8	0.7	9.7	0.3	9.7	0.3
Switzerland	2.5	0.1	2.5	0.1	2.5	0.1	2.5	0.1	2.5	0.1	2.5	0.1
United Kingdom	49.1	1.0	49.3	1.1	49.1	1.0	49.3	1.1	16.1	0.5	16.1	0.5
United States	425.0	9.0	422.6	9.6	419.2	9.0	416.1	9.6	253.4	8.1	251.6	8.3
Other Official Bilateral:	129.0	2.7	129.0	2.9	126.7	2.7	126.6	2.9	106.3	3.4	105.7	3.5
Post-cutoff date	84.6	1.8	84.5	1.9	82.3	1.8	82.1	1.9	81.5	2.6	81.0	2.7
Pre-cutoff date	44.5	0.9	44.5	1.0	44.5	0.9	44.5	1.0	24.7	0.8	24.7	0.8
ODA	44.5	0.9	44.5	1.0	44.5	0.9	44.5	1.0	24.7	0.8	24.7	0.8
Non-ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
China	15.5	0.3	15.5	0.4	13.3	0.3	13.3	0.3	8.6	0.3	8.6	0.3
Kuwait	11.3	0.2	11.3	0.3	11.3	0.2	11.3	0.3	9.4	0.3	9.4	0.3
Saudi Arabia	27.2	0.6	27.2	0.6	27.2	0.6	27.2	0.6	14.1	0.4	14.1	0.5
Taiwan Province of China	75.1	1.6	75.0	1.7	74.9	1.6	74.7	1.7	74.2	2.4	73.7	2.4
Commercial	1574.6	33.3	1233.9	28.1	1574.6	33.6	1233.9	28.4	515.1	16.4	403.9	13.3

Sources: Liberian authorities; and IMF and World Bank staff estimates.

1/ Includes arrears.

2/ Includes a hypothetical stock-of-debt operation on Naples terms at end-June 2007 (fiscal year ends June 30) and at least comparable action by other official bilateral and commercial creditors on eligible debt (pre-cutoff and non-ODA).

3/ Liberia's Paris Club cutoff date is 1/1/1983.

Table 2. Liberia: HIPC Initiative Assistance Under a Proportional Burden-Sharing Approach 1/ 2/
(In millions of U.S. dollars, unless otherwise indicated)

	Debt Outstanding in PV terms, June 30, 2007 (A)		Debt Outstanding in PV terms, post-HIPC (B)		Reduction of the PV of debt due to HIPC (A-B) 3/	
	At decision point	Revised at completion point	At decision point	Revised at completion point	At decision point	Revised at completion point
Total	3,144.7	3,038.4	299.2	299.2	2,845.5	2,739.2
	1,576.4	1,523.1	150.0	150.0	1,426.4	1,373.1
(as percent of exports of goods and non-factor services)						
Of which:						
Multilateral	1,575.8	1,576.5	149.9	155.3	1,425.8	1,421.2
Bilateral	1,053.8	1,058.0	100.3	104.2	953.5	953.8
Paris Club:	947.5	952.3	90.2	93.8	857.4	858.5
Other Official Bilateral:	106.3	105.7	10.1	10.4	96.2	95.3
Commercial	515.1	403.9	49.0	39.8	466.1	364.2
Memorandum Items:						
Common reduction factor (percent) 3/	90.5	90.2				
Exports of goods and non-factor services 4/	199.5	199.5				

Sources: Liberian authorities; and IMF and World Bank staff estimates.

1/ The proportional burden sharing approach is described in "*HIPC Initiative--Estimated Costs and Burden Sharing Approaches*" (EBS/97/127, 7/7/97 and IDA/SEC M 97-306, 7/7/97).

2/ Includes a hypothetical stock-of-debt operation on Naples terms, end-June 2007 (fiscal year ends June 30), and comparable treatment by other official bilateral creditors.

3/ Each creditor's PV reduction in percent of its exposure at the reference date, end-June 2007, calculated as (A-B)/A. The common reduction factor is applied to debt remaining after traditional mechanisms. For non-concessional bilateral or commercial debt this would imply a total reduction of 97 percent.

4/ Based on the three-year backward-looking average (2004/05-2006/07).

Table 3. Liberia: Discount Rates and Exchange Rates

Currency Name	Discount Rate 1/ (Percent per annum)		Exchange Rate 2/ (US dollar per currency)	
	End-June 2007	End-June 2009	End-June 2007	End-June 2009
CFA franc	4.94	4.40	0.0021	0.0022
Chinese yuan	5.07	3.61	0.1313	0.1464
Danish krone	4.96	4.44	0.1815	0.1898
Euro	4.94	4.40	1.3505	1.4134
Great Britain sterling	5.92	4.23	2.0049	1.6560
Iranian rial	5.07	3.61	0.0001	0.0001
Iraqi dinar	4.96	4.44	0.0008	0.0009
Japanese yen	2.41	1.92	0.0081	0.0104
Kuwaiti dinar	5.07	3.61	3.4715	3.4837
Liberian dollar	5.62	3.31	0.2670	0.2667
Norwegian krone	5.50	4.14	0.1695	0.1567
Saudi Arabia riyal	5.07	3.61	0.2670	0.2667
Special drawing rights	5.07	3.61	1.5156	1.5522
Swedish krona	4.83	3.93	0.1460	0.1307
Swiss franc	3.53	2.86	0.8153	0.9257
Tunisian dinar	5.07	3.61	0.7690	0.7463
United States dollar	5.62	3.31	1.0000	1.0000
Memorandum item:				
Paris Club cutoff date: January 1, 1983				

Sources: OECD; and IMF, *International Financial Statistics*.

1/ The discount rates used are the average Commercial Interest Reference Rates published by the OECD over the six-month period prior to end-June 2007 and end-June 2009.

2/ The exchange rates are expressed as U.S. dollar per national currency at end-June 2007 and end-June 2009.

Table 4. Liberia: Nominal and Present Value of External Debt outstanding at end-June 2009 1/
(In millions of U.S. dollars, unless otherwise indicated)

	Legal Situation 2/				Present Value of Debt 3/ 4/		
	Nominal Debt	Percent of total	PV of debt	Percent of total	After enhanced HIPC relief	After additional bilateral relief	After additional bilateral relief (In percent of total)
Total	1772.6	100.0	1622.6	100.0	387.5	351.1	100.0
Multilateral	1,066.3	60.2	890.1	54.9	256.8	256.8	73.2
World Bank	70.2	4.0	53.2	3.3	53.2	53.2	15.1
IMF	875.5	49.4	731.7	45.1	171.3	171.3	48.8
AfDB Group	27.2	1.5	23.4	1.4	22.1	22.1	6.3
OFID	25.2	1.4	21.1	1.3	2.9	2.9	0.8
IFAD	24.6	1.4	23.7	1.5	2.5	2.5	0.7
BADEA	20.5	1.2	17.6	1.1	1.6	1.6	0.5
EU/EIB	17.9	1.0	14.2	0.9	2.4	2.4	0.7
EU	*4.7*	*0.3*	*3.5*	*0.2*	-	-	
EIB	*13.2*	*0.7*	*10.7*	*0.7*	-	-	
ECOWAS	5.3	0.3	5.3	0.3	0.8	0.8	0.2
Bilateral and Commercial	706.4	39.8	732.5	45.1	130.6	94.3	26.8
Bilateral	685.8	38.7	712.0	43.9	130.0	93.6	26.7
Paris Club:	561.6	31.7	590.4	36.4	109.2	72.8	20.7
Post-cutoff date	399.4	22.5	407.9	25.1	...	...	...
Pre-cutoff date	162.2	9.2	182.4	11.2	...	...	...
Belgium	51.0	2.9	54.4	3.4	...	...	...
Denmark	0.0	0.0	0.0	0.0	...	...	...
EEC-IDA Administered Loans	1.2	0.1	0.8	0.1	...	...	...
Finland	0.0	0.0	0.0	0.0	...	...	...
France	256.9	14.5	255.9	15.8	...	...	...
Germany	97.4	5.5	138.5	8.5	...	...	...
Italy	0.0	0.0	0.0	0.0	...	...	...
Japan	58.1	3.3	48.1	3.0	...	...	...
Netherlands	39.6	2.2	39.6	2.4	...	...	...
Norway	4.0	0.2	4.4	0.3	...	...	...
Sweden	10.4	0.6	8.0	0.5	...	...	...
Switzerland	3.0	0.2	3.0	0.2	...	...	...
United Kingdom	4.8	0.3	3.5	0.2	...	...	...
United States	35.4	2.0	34.1	2.1	...	...	...
Other Official Bilateral:	124.3	7.0	121.6	7.5	20.8	20.8	5.9
Post-cutoff date	84.5	4.8	81.8	5.0	16.0	16.0	4.6
ODA	5.9	0.3	3.3	0.2	0.5	0.5	0.2
Non-ODA	78.6	4.4	78.6	4.8	15.5	15.5	4.4
Pre-cutoff date	39.8	2.2	39.8	2.5	4.8	4.8	1.4
ODA	39.8	2.2	39.8	2.5	4.8	4.8	1.4
Non-ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
China	5.9	0.3	3.3	0.2	0.5	0.5	0.2
Kuwait	11.9	0.7	11.9	0.7	1.6	1.6	0.5
Saudi Arabia	27.9	1.6	27.9	1.7	3.2	3.2	0.9
Taiwan Province of China	78.6	4.4	78.6	4.8	15.5	15.5	4.4
Commercial	20.5	1.2	20.5	1.3	0.6	0.6	0.2

Sources: Liberian authorities; and IMF and World Bank staff estimates and projections.

1/ Figures are based on data as of end-June 2009.
2/ Includes flow relief under Cologne terms (Agreed Minutes of April 17, 2008), beyond HIPC treatment by a number of Paris Club creditors, and debt relief from China.
3/ Assumes full delivery of HIPC assistance as of end-June 2009.
4/ Paris Club creditors deliver their share of assistance as a group. Actual delivery modalities are defined on a case-by-case basis.

Table 5. Liberia: Present Value of External Debt, 2008/09–29/30
(In millions of U.S. dollars, unless otherwise indicated)

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2023/24	2028/29	2029/30	Averages 2008/09-2018/19	Averages 2019/20-2029/30
Before debt-relief																
PV of total debt	1,622.6	1,637.9	1,624.6	1,575.8	1,447.4	1,258.5	1,065.9	947.8	828.6	707.1	736.4	849.8	968.8	972.7	1,223.0	874.5
PV of outstanding debt	1,622.6	1,633.2	1,607.1	1,538.5	1,381.8	1,158.3	928.5	772.0	613.6	452.3	441.5	371.1	301.8	285.6	1,104.5	358.6
Official bilateral and commercial	732.5	727.2	685.5	605.9	526.6	447.5	369.2	366.8	364.0	360.8	357.2	329.9	283.6	271.6	503.9	318.3
Multilateral 1/	890.1	905.9	921.6	932.6	855.2	710.8	559.3	405.3	249.6	91.5	84.3	41.2	18.2	14.0	600.6	40.3
World Bank	53.2	51.1	49.1	47.0	44.9	42.7	40.4	38.1	35.8	33.4	30.9	18.2	6.7	4.9	42.4	16.0
African Development Bank Group	23.4	21.3	19.3	17.2	15.1	13.0	10.9	10.4	9.9	9.4	8.9	6.2	3.1	2.4	14.5	5.5
IMF	731.7	749.9	770.2	790.8	723.5	589.5	448.7	304.2	155.7	3.2	0.0	0.0	0.0	0.0	478.9	0.0
Others	81.9	83.5	83.0	77.5	71.7	65.6	59.2	52.5	48.2	45.5	44.4	16.8	8.4	6.7	64.8	18.7
PV of new borrowing	0.0	4.7	17.5	37.3	65.6	100.2	137.4	175.8	215.0	254.8	294.9	478.8	667.0	687.1	118.5	515.9
After traditional debt relief and multilateral arrears clearance 1/ 2/																
PV of total debt	1,600.2	1,614.0	1,600.7	1,531.9	1,373.1	1,153.9	930.9	802.7	683.6	562.2	591.6	705.0	820.6	823.3	1,131.3	728.5
PV of outstanding debt	1,600.2	1,609.3	1,583.3	1,494.6	1,307.5	1,053.6	793.5	626.9	468.6	307.4	296.7	226.2	153.6	136.2	1,012.9	212.6
Official bilateral and commercial	710.1	703.4	661.7	562.0	452.3	342.8	234.2	221.6	219.0	215.9	212.4	185.0	135.4	122.2	412.3	172.3
Multilateral	890.1	905.9	921.6	932.6	855.2	710.8	559.3	405.3	249.6	91.5	84.3	41.2	18.2	14.0	600.6	40.3
World Bank	53.2	51.1	49.1	47.0	44.9	42.7	40.4	38.1	35.8	33.4	30.9	18.2	6.7	4.9	42.4	16.0
African Development Bank Group	23.4	21.3	19.3	17.2	15.1	13.0	10.9	10.4	9.9	9.4	8.9	6.2	3.1	2.4	14.5	5.5
IMF	731.7	749.9	770.2	790.8	723.5	589.5	448.7	304.2	155.7	3.2	0.0	0.0	0.0	0.0	478.9	0.0
Others	81.9	83.5	83.0	77.5	71.7	65.6	59.2	52.5	48.2	45.5	44.4	16.8	8.4	6.7	64.8	18.7
PV of new borrowing	0.0	4.7	17.5	37.3	65.6	100.2	137.4	175.8	215.0	254.8	294.9	478.8	667.0	687.1	118.5	515.9
After conditional delivery of enhanced HIPC assistance 3/																
PV of total debt	1,622.6	1,664.0	420.0	414.2	400.7	378.8	355.4	320.2	320.0	317.7	350.6	513.3	683.3	700.6	596.8	547.1
PV of outstanding debt	1,622.6	1,659.2	402.5	376.8	335.2	278.6	217.9	144.4	105.1	62.9	55.7	34.5	16.3	13.5	478.3	31.2
Official bilateral and commercial	732.5	753.3	143.4	117.9	95.6	73.3	51.0	15.2	14.4	13.6	12.8	8.4	5.9	5.7	183.9	8.1
Multilateral	890.1	905.9	259.1	258.9	239.6	205.3	166.9	129.2	90.6	49.3	42.9	26.1	10.5	7.8	294.3	23.1
World Bank	53.2	51.1	49.1	47.0	44.9	42.7	40.4	38.1	35.8	33.4	30.9	18.2	6.7	4.9	42.4	16.0
African Development Bank Group	23.4	21.3	19.3	17.2	15.1	13.1	11.0	10.5	10.0	9.5	8.9	6.2	3.1	2.4	14.5	5.5
IMF	731.7	749.9	181.1	186.0	171.9	142.9	110.0	76.1	41.1	3.2	0.0	0.0	0.0	0.0	217.6	0.0
Others	81.9	83.5	9.6	8.7	7.7	6.6	5.6	4.5	3.7	3.3	3.0	1.7	0.7	0.5	19.8	1.5
PV of new borrowing	0.0	4.7	17.5	37.3	65.6	100.2	137.4	175.8	215.0	254.8	294.9	478.8	667.0	687.1	118.5	515.9
After unconditional delivery of enhanced HIPC assistance 4/																
PV of total debt	387.5	400.7	420.0	414.2	400.7	378.8	355.4	320.2	320.0	317.7	350.6	513.3	683.3	700.6	369.6	547.1
PV of outstanding debt	387.5	395.9	402.5	376.8	335.2	278.6	217.9	144.4	105.1	62.9	55.7	34.5	16.3	13.5	251.1	31.2
Official bilateral and commercial	130.6	135.8	143.4	117.9	95.6	73.3	51.0	15.2	14.4	13.6	12.8	8.4	5.9	5.7	73.1	8.1
Multilateral	256.8	260.1	259.1	258.9	239.6	205.3	166.9	129.2	90.6	49.3	42.9	26.1	10.5	7.8	178.1	23.1
World Bank	53.2	51.1	49.1	47.0	44.9	42.7	40.4	38.1	35.8	33.4	30.9	18.2	6.7	4.9	42.4	16.0
African Development Bank Group	22.1	21.4	19.3	17.2	15.1	13.1	11.0	10.5	10.0	9.5	8.9	6.2	3.1	2.4	14.4	5.5
IMF	171.3	177.0	181.1	186.0	171.9	142.9	110.0	76.1	41.1	3.2	0.0	0.0	0.0	0.0	114.6	0.0
Others	10.2	10.6	9.6	8.7	7.7	6.6	5.6	4.5	3.7	3.3	3.0	1.7	0.7	0.5	6.7	1.5
PV of new borrowing	0.0	4.7	17.5	37.3	65.6	100.2	137.4	175.8	215.0	254.8	294.9	478.8	667.0	687.1	118.5	515.9
After beyond HIPC assistance 5/																
PV of total debt	1,622.6	1,664.0	379.7	380.6	373.2	357.2	339.7	311.5	312.2	310.7	344.4	511.4	683.3	700.6	581.4	545.4
PV of outstanding debt	1,622.6	1,659.2	362.2	343.2	307.6	257.0	202.3	135.7	97.2	55.9	49.5	32.6	16.3	13.5	463.0	29.4
Official bilateral and commercial	732.5	753.3	103.1	84.3	68.0	51.7	35.4	6.5	6.6	6.6	6.7	6.5	5.9	5.7	168.6	6.3
Multilateral	890.1	905.9	259.1	258.9	239.6	205.3	166.9	129.2	90.6	49.3	42.9	26.1	10.5	7.8	294.3	23.1
World Bank	53.2	51.1	49.1	47.0	44.9	42.7	40.4	38.1	35.8	33.4	30.9	18.2	6.7	4.9	42.4	16.0
African Development Bank Group	23.4	21.3	19.3	17.2	15.1	13.1	11.0	10.5	10.0	9.5	8.9	6.2	3.1	2.4	14.5	5.5
IMF	731.7	749.9	181.1	186.0	171.9	142.9	110.0	76.1	41.1	3.2	0.0	0.0	0.0	0.0	217.6	0.0
Others	81.9	83.5	9.6	8.7	7.7	6.6	5.6	4.5	3.7	3.3	3.0	1.7	0.7	0.5	19.8	1.5
PV of new borrowing	0.0	4.7	17.5	37.3	65.6	100.2	137.4	175.8	215.0	254.8	294.9	478.8	667.0	687.1	118.5	515.9
After conditional delivery of enhanced HIPC, beyond HIPC, and MDRI assistance 3/ 5/ 6/ 7/ 8/																
PV of total debt	1,622.6	1,664.0	155.9	155.1	165.1	180.5	195.0	199.7	234.2	267.4	304.2	486.9	673.5	693.3	467.6	523.7
PV of outstanding debt	1,622.6	1,659.2	138.4	117.7	99.5	80.2	57.6	23.9	19.2	12.6	9.3	8.1	6.5	6.2	349.1	7.8
Official bilateral and commercial	732.5	753.3	103.1	84.3	68.0	51.7	35.4	6.5	6.6	6.6	6.7	6.5	5.9	5.7	168.6	6.3
Multilateral	890.1	905.9	35.3	33.4	31.5	28.5	22.2	17.4	12.6	6.0	2.6	1.6	0.7	0.5	180.5	1.4
World Bank	53.2	51.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.5	0.0
African Development Bank Group	23.4	21.3	6.5	4.8	3.2	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.5	0.0
IMF 7/	731.7	749.9	19.9	20.5	21.2	20.8	17.2	13.4	9.4	3.2	0.0	0.0	0.0	0.0	146.1	0.0
Others 8/	81.9	83.5	8.9	8.0	7.0	6.1	5.0	4.0	3.3	2.8	2.6	1.6	0.7	0.5	19.4	1.4
PV of new borrowing	0.0	4.7	17.5	37.3	65.6	100.2	137.4	175.8	215.0	254.8	294.9	478.8	667.0	687.1	118.5	515.9

Sources: Liberian authorities; and IMF and World Bank staff estimates and projections.

1/ Represents situation as of end - June 2009. It includes HIPC debt relief provided by IDA and AfDB Group in a way of arrears clearance operation and interim debt relief provided by other multilateral creditors up to the end June - 2009.

2/ Shows the external debt situation after the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment from official bilateral creditors.

3/ Assumes the delivery of HIPC assistance at completion point (end-June 2010).

4/ Assumes full delivery of estimated HIPC initiative debt relief as of end-June 2009.

5/ Includes additional debt relief provided on a voluntary basis by the Paris Club creditors beyond the requirements of the enhanced HIPC framework as specified on Table 12.

6/ MDRI assistance applies to the World Bank; AfDB Group and starts after the completion point (end-June 2010).

7/ IMF will provide beyond - HIPC debt relief that will equal disbursed amount under the ECF and EFF and will correspond to the stock of arrears at the arrears clearance, which was not already reduced by the HIPC initiative debt relief.

8/ The EU special initiative provides full debt relief on all outstanding EDF special loans remaining after the full applications of the HIPC initiative .

Table 6. Liberia: External Debt Service, 2009/10–29/30 1/
(In millions of U.S. dollars, unless otherwise indicated)

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2023/24	2028/29	2029/30	Averages 2009/10-2018/19	Averages 2019/20-2029/30
Before debt relief															
Total	41.4	78.4	119.9	205.3	266.4	264.6	183.1	180.0	177.7	21.9	27.4	43.1	46.4	153.9	31.5
Existing debt 2/	41.4	78.3	119.6	204.8	265.4	263.1	181.1	177.4	174.6	18.2	17.1	18.8	19.3	152.4	17.5
Multilateral	15.3	15.9	21.2	109.9	174.2	176.1	173.1	169.2	166.1	9.4	6.0	4.9	4.6	103.0	5.7
World Bank Group	3.9	3.8	3.8	3.8	3.8	3.7	3.7	3.7	3.7	3.6	3.2	2.2	2.1	3.8	3.0
African Development Bank Group	2.8	2.8	2.7	2.6	2.6	2.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8	1.9	0.8
IMF 3/	8.1	6.8	7.2	95.9	160.1	162.0	160.8	159.4	158.2	3.3	0.0	0.0	0.0	92.2	0.0
Others	0.5	2.6	7.5	7.6	7.8	7.8	7.8	5.2	3.4	1.7	2.0	1.9	1.8	5.2	1.9
Official bilateral	26.1	62.4	98.4	94.8	91.2	87.1	8.0	8.2	8.5	8.8	11.1	13.9	14.7	49.3	11.8
Paris Club	24.3	62.4	98.4	94.8	91.2	87.1	8.0	8.2	8.5	8.8	10.6	13.3	14.1	49.2	11.3
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New debt	0.0	0.1	0.3	0.6	1.0	1.5	2.0	2.6	3.1	3.7	10.3	24.3	27.1	1.5	14.0
After traditional debt relief and multilateral arrears clearance 4/															
Total	47.0	83.9	145.6	240.6	300.7	297.8	195.0	181.3	179.0	23.2	28.9	45.4	48.8	169.4	33.3
Existing debt 2/	46.9	83.8	145.3	240.1	299.7	296.3	192.9	178.7	175.9	19.5	18.6	21.1	21.8	167.9	19.3
Multilateral	15.3	15.9	21.2	109.9	174.2	176.1	173.1	169.2	166.1	9.4	6.0	4.9	4.6	103.0	5.7
World Bank Group	3.9	3.8	3.8	3.8	3.8	3.7	3.7	3.7	3.7	3.6	3.2	2.2	2.1	3.8	3.0
African Development Bank Group	2.8	2.8	2.7	2.6	2.6	2.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8	1.9	0.8
IMF 3/	8.1	6.8	7.2	95.9	160.1	162.0	160.8	159.4	158.2	3.3	0.0	0.0	0.0	92.2	0.0
Others	0.5	2.6	7.5	7.6	7.8	7.8	7.8	5.2	3.4	1.7	2.0	1.9	1.8	5.2	1.9
Official bilateral	31.4	67.7	123.9	129.9	125.3	120.0	19.6	9.2	9.5	9.8	12.1	15.4	16.2	64.6	13.0
Paris Club	26.1	64.1	107.7	107.9	103.8	99.2	12.1	8.2	8.5	8.8	10.6	13.3	14.1	54.6	11.3
Commercial	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.5	0.8	0.9	0.2	0.6
New debt	0.0	0.1	0.3	0.6	1.0	1.5	2.0	2.6	3.1	3.7	10.3	24.3	27.1	1.5	14.0
After HIPC assistance 5/															
Total	5.8	10.7	39.9	58.4	72.0	74.4	71.8	47.1	49.0	13.1	16.0	28.1	30.8	44.2	19.2
Existing debt 2/	5.8	10.6	39.7	57.9	71.1	72.9	69.7	44.5	45.9	9.4	5.7	3.8	3.7	42.7	5.2
Multilateral	5.8	10.3	9.4	28.6	42.8	45.7	43.7	43.2	44.6	8.1	4.4	3.4	3.3	28.2	4.2
World Bank Group	3.9	3.8	3.8	3.8	3.8	3.7	3.7	3.7	3.7	3.6	3.2	2.2	2.1	3.8	3.0
African Development Bank Group	1.4	2.8	2.7	2.6	2.6	2.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8	1.8	0.8
IMF 3/	0.5	2.4	1.6	20.8	35.2	38.1	37.8	37.7	39.4	3.3	0.0	0.0	0.0	21.7	0.0
Others	0.0	1.3	1.3	1.3	1.3	1.3	1.3	0.9	0.7	0.4	0.5	0.4	0.4	1.0	0.4
Official bilateral	0.0	0.3	30.3	29.3	28.2	27.2	26.0	1.3	1.3	1.2	1.2	0.3	0.3	14.5	0.9
Paris Club	0.0	0.3	26.4	25.5	24.6	23.7	22.6	1.1	1.1	1.1	1.0	0.0	0.0	12.6	0.6
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1
New debt	0.0	0.1	0.3	0.6	1.0	1.5	2.0	2.6	3.1	3.7	10.3	24.3	27.1	1.5	14.0
Reduction in debt service as a result of															
HIPC initiative assistance 6/	...	73.2	105.7	182.2	228.6	223.4	123.2	134.2	130.0	10.1	12.9	17.3	18.1	134.5	14.1
After beyond HIPC assistance 7/															
Total	5.8	10.7	32.5	51.2	65.1	67.7	65.4	45.9	47.9	12.0	15.1	28.1	30.8	40.4	18.6
Existing debt 2/	5.8	10.6	32.3	50.7	64.1	66.2	63.3	43.3	44.8	8.3	4.7	3.8	3.7	38.9	4.6
Multilateral	5.8	10.3	9.4	28.6	42.8	45.7	43.7	43.2	44.6	8.1	4.4	3.4	3.3	28.2	4.2
World Bank Group	3.9	3.8	3.8	3.8	3.8	3.7	3.7	3.7	3.7	3.6	3.2	2.2	2.1	3.8	3.0
African Development Bank	1.4	2.8	2.7	2.6	2.6	2.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8	1.8	0.8
IMF 3/	0.5	2.4	1.6	20.8	35.2	38.1	37.8	37.7	39.4	3.3	0.0	0.0	0.0	21.7	0.0
Others	0.0	1.3	1.3	1.3	1.3	1.3	1.3	0.9	0.7	0.4	0.5	0.4	0.4	1.0	0.4
Official bilateral	0.0	0.3	22.9	22.1	21.3	20.5	19.6	0.2	0.2	0.2	0.2	0.3	0.3	10.7	0.3
Paris Club	0.0	0.3	19.0	18.3	17.6	17.0	16.2	0.0	0.0	0.0	0.0	0.0	0.0	8.8	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1
New debt	0.0	0.1	0.3	0.6	1.0	1.5	2.0	2.6	3.1	3.7	10.3	24.3	27.1	1.5	14.0
Reduction in debt service as a result of															
Beyond HIPC initiative assistance	...	0.0	7.4	7.2	6.9	6.7	6.4	1.1	1.1	1.1	1.0	0.0	0.0	4.2	0.6
After HIPC, beyond HIPC, and MDRI assistance 8/															
Total	5.8	4.7	26.2	25.8	26.4	29.4	27.3	8.2	10.4	7.5	11.0	25.1	27.9	17.2	14.7
Existing debt 2/	5.8	4.6	26.0	25.2	25.4	27.8	25.3	5.6	7.3	3.8	0.7	0.8	0.8	15.7	0.7
Multilateral	5.8	4.3	3.1	3.1	4.1	7.3	5.6	5.4	7.1	3.6	0.4	0.4	0.4	4.9	0.4
World Bank Group	3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0
African Development Bank Group	1.4	1.9	1.8	1.8	1.7	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0
IMF 3/	0.5	1.1	0.0	0.1	1.1	4.4	4.4	4.6	6.5	3.3	0.0	0.0	0.0	2.6	0.0
Others	0.0	1.2	1.2	1.2	1.3	1.3	1.3	0.9	0.6	0.4	0.4	0.4	0.4	0.9	0.4
Official bilateral	0.0	0.3	22.9	22.1	21.3	20.5	19.6	0.2	0.2	0.2	0.2	0.3	0.3	10.7	0.3
Paris Club	0.0	0.3	19.0	18.3	17.6	17.0	16.2	0.0	0.0	0.0	0.0	0.0	0.0	8.8	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1
New debt	0.0	0.1	0.3	0.6	1.0	1.5	2.0	2.6	3.1	3.7	10.3	24.3	27.1	1.5	14.0
Reduction in debt service as a result of															
MDRI assistance	...	6.0	6.3	25.5	38.7	38.4	38.1	37.8	37.4	4.5	4.0	3.0	2.8	25.8	3.8

Sources: Liberian authorities; and IMF and World Bank staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated. Fiscal year ends on June 30.
2/ Includes only principal and interest due on debt outstanding as of the reference date (end-June, 2009) and does not include projected penalty interest on arrears.
3/ Reflects debt service payments on ECF and EFF loans that were disbursed by end-June 2009. For projected debt service payments on remaining ECF disbursements (past end-June 2009) see Table 10.
4/ Assumes a hypothetical stock of debt operation on Naples terms and comparable treatment from other bilateral creditors.
5/ Bilateral and commercial creditors are assumed to provide a Cologne flow rescheduling on eligible debt during the interim period and a Cologne stock of debt operation at the completion point.
Multilateral creditors are assumed to start providing HIPC debt relief as of the decision point, except for IFAD, which is assumed to provide relief at the completion point.
6/ The reduction is measured as the difference between the projected debt service after full use of traditional debt relief and debt service after the application of HIPC relief.
7/ Includes additional debt relief provided on a voluntary basis by the Pans Club creditors beyond the requirements of the enhanced HIPC framework as specified on Table 12.
8/ MDRI assistance applies to the World Bank and to the AFDB Group. The IMF will provide beyond HIPC assistance and the EU will provide special assistance, which in principle are similar to the MDRI type of debt relief. All of these creditors will provide this debt relief starting from July 1, 2010.

Table 7. Liberia: External Debt Indicators, 2008/09–29/30 1/

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Averages 2008/09-2018/19	Averages 2019/20-2029/30
Before traditional debt relief 1/																								
PV of debt-to-GDP ratio	185.6	172.4	157.4	138.4	116.2	92.6	71.6	59.0	47.6	37.6	36.4	35.4	34.4	32.3	31.1	29.9	28.7	27.5	26.4	25.3	24.2	22.0	101.3	28.8
PV of debt-to-exports ratio 2/ 3/	289 5	282.3	269 2	227.8	195.9	164.9	133.2	110.5	87.7	67.8	63.4	60.1	57.2	53.2	50.8	48.2	45.9	43.7	42.1	40.6	39.8	38.2	172.0	47.3
PV of debt-to-exports ratio (existing debt only)	289.5	281.5	266.3	222.4	187.1	151.8	116.1	90.0	65.0	43.4	38.0	33 9	30.4	26.1	23.5	21.1	18.8	16.8	15.2	13.7	12.4	11.2	159.2	20.3
PV of debt-to-revenue ratio 4/	690.3	560.3	543.3	471.5	415.5	336.2	267.9	224.1	184.7	150.1	148.5	146.2	143.8	136.6	132.0	125.1	115.5	107.0	100.7	95.1	89.9	86.4	362.9	116.2
Debt service-to-exports ratio	...	6.8	11.1	15.9	27.2	34.2	30.5	19.8	17.3	15.3	1.7	1.4	1.4	1.4	1.4	1.4	1.5	1.6	1.6	1.6	1.7	1.7	18.0	1.5
Debt service-to-revenue ratio 4/	...	14 2	26.2	35.9	58.9	71.2	66.5	43.3	40.1	37.7	4.4	3.7	3.8	3.9	4.0	4.0	4.0	4.1	4.0	4.0	4.0	4.1	39.8	4.0
After traditional debt relief 5/																								
PV of debt-to-GDP ratio	183.1	169.9	155.1	134.5	110.2	84.9	62.5	49.9	39.3	29.9	29.2	28 8	28.1	26.5	25.6	24.8	23.9	23.1	22.2	21.3	20.5	18.6	95.3	24.0
PV of debt-to-exports ratio 2/ 3/	285.5	278 2	265.2	221.4	185.9	151.2	116.4	93.6	72.4	53.9	51.0	48.7	46.8	43.6	41.9	40.0	38.2	36.6	35.4	34.3	33.7	32.3	161.3	39.2
PV of debt-to-revenue ratio 4/	680.7	552 1	535.3	458.4	394.1	308.2	233.9	189.8	152.4	119.4	119.3	118.7	117.7	112.0	108.8	103.8	96.3	89.6	84.7	80.3	76.1	73.1	340.3	96.5
Debt service-to-exports ratio	...	7.7	11.9	19.3	31.9	38.6	34.3	21.0	17.5	15.4	1.8	1.5	1.5	1.5	1.5	1.5	1.6	1.7	1.7	1.7	1.8	1.8	19.9	1.6
Debt service-to-revenue ratio 4/	...	16.1	28.1	43.6	69.1	80.3	74.8	46.1	40.4	38.0	4.7	4.0	4.1	4.1	4.2	4.3	4.2	4.3	4.3	4.3	4.2	4.3	44.1	4.2
After conditional delivery of enhanced HIPC assistance																								
PV of debt-to-GDP ratio	185.6	175.2	40.7	36.4	32.2	27.9	23.9	19.9	18.4	16.9	17.3	17.8	18.1	18.2	18.2	18.1	17.9	17.7	17.5	17.3	17.1	15.8	54.0	17.6
PV of debt-to-exports ratio 2/ 3/	289.5	286.8	69.6	59 9	54.3	49.7	44.4	37.3	33.9	30.5	30.2	30.2	30.2	30.0	29.7	29.1	28.6	28.1	28.0	27.8	28.1	27.5	89.6	28 8
PV of debt-to-exports ratio (existing debt only)	289 5	286.0	66.7	54.5	45.4	36.5	27 2	16.8	11.1	6.0	4.8	4.0	3.4	2.8	2.4	2.0	1.6	1.3	1.0	0.8	0.7	0.5	76.8	1.9
PV of debt-to-revenue ratio 4/	690 3	569.2	140 5	123.9	115.0	101.2	89.3	75.7	71.3	67.5	70.7	73.5	75.9	77.0	77.1	75.6	72.1	68.9	66.9	65.1	63.4	62.2	192.2	70.7
Debt service-to-exports ratio	...	0.9	1.5	5.3	7.8	9.2	8.6	7.7	4.5	4.2	1.0	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.0	1.0	1.1	1.2	5.1	0.9
Debt service-to-revenue ratio 4/	...	2.0	3.6	12.0	16.8	19.2	18.7	17.0	10.5	10.4	2.6	2.0	2.0	2.1	2.2	2.4	2.5	2.5	2.6	2.6	2.6	2.7	11.3	2.4
After unconditional delivery of enhanced HIPC assistance 6/																								
PV of debt-to-GDP ratio	44.3	42.2	40.7	36.4	32.2	27 9	23.9	19.9	18.4	16.9	17.3	17.8	18.1	18.2	18.2	18.1	17.9	17.7	17.5	17.3	17.1	15.8	29.1	17.6
PV of debt-to-exports ratio 2/ 3/	69 1	69.1	69.6	59.9	54.3	49.7	44 4	37.3	33.9	30 5	30.2	30.2	30.2	30.0	29.7	29.1	28.6	28.1	28.0	27.8	28.1	27.5	49.8	28.8
PV of debt-to-exports ratio (existing debt only)	69.1	68.2	66.7	54.5	45.4	36 5	27.2	16.8	11.1	6.0	4.8	4.0	3.4	2.8	2.4	2.0	1.6	1.3	1.0	0.8	0.7	0.5	36.9	1.9
PV of debt-to-revenue ratio 4/	164.8	137.1	140 5	123 9	115.0	101.2	89 3	75.7	71.3	67.5	70.7	73.5	75.9	77.0	77.1	75.6	72.1	68.9	66.9	65.1	63.4	62.2	105.2	70.7
Debt service-to-exports ratio	...	0.9	1.5	5 3	7.8	9.2	8.6	7.7	4.5	4.2	1.0	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.0	1.0	1.1	1.2	5.1	0.9
Debt service-to-revenue ratio 4/	...	2.0	3.6	12 0	16.8	19 2	18.7	17.0	10.5	10.4	2.6	2.0	2.0	2.1	2.2	2.4	2.5	2.5	2.6	2.6	2.6	2.7	11.3	2.4
After beyond HIPC assistance 7/																								
PV of debt-to-GDP ratio	185.6	175.2	36.8	33 4	29.9	26.3	22.8	19.4	17.9	16.5	17.0	17.6	17.9	18.1	18.0	18.0	17.9	17.7	17.5	17.3	17.1	15 8	52.8	17.5
PV of debt-to-exports ratio 2/ 3/	289 5	286 8	62 9	55.0	50.5	46 8	42.5	36 3	33.1	29.8	29.7	29.8	29.9	29.8	29.5	29.0	28 5	28.1	28 0	27.8	28.1	27.5	87 5	28.7
PV of debt-to-exports ratio (existing debt only)	289 5	286 0	60.0	49.6	41.6	33.7	25.3	15.8	10.3	5.4	4.3	3.6	3.1	2.6	2.2	1.9	1.5	1.3	1.0	0.8	0.7	0.5	74.7	1.7
PV of debt-to-revenue ratio 4/	690.3	569.2	127.0	113.9	107.1	95.4	85.4	73.6	69.6	66.0	69.5	72.5	75.1	76.4	76.6	75.3	71.9	68.9	66.9	65.1	63.4	62.2	187.9	70.4
Debt service-to-exports ratio	...	0 9	1.5	4.3	6.8	8.4	7.8	7.1	4.4	4.1	0.9	0.7	0.7	0.7	0.7	0.8	0.9	0.9	1.0	1.0	1.1	1.2	4.6	0.9
Debt service-to-revenue ratio 4/	...	2.0	3.6	9.7	14.7	17.4	17.0	15.5	10.2	10.2	2.4	1.8	1.8	1.9	2.1	2.2	2.3	2.4	2.5	2.6	2.6	2.7	10.3	2.3
After conditional delivery of enhanced HIPC, beyond HIPC, and MDRI assistance 7/ 8/																								
PV of debt-to-GDP ratio	185.6	175.2	15.1	13.6	13.3	13.3	13.1	12.4	13.5	14.2	15.0	15.9	16.5	16.8	17.0	17.1	17.2	17.2	17.1	17.0	16.8	15.7	44.0	16.7
PV of debt-to-exports ratio 2/ 3/	289.5	286 8	25 8	22.4	22.4	23.7	24.4	23.3	24.8	25.6	26.2	26.9	27.4	27.7	27.8	27.6	27.4	27.2	27.3	27.3	27.7	27.2	72.3	27 4
PV of debt-to-exports ratio (existing debt only)	289.5	286.0	22.9	17.0	13.5	10.5	7.2	2.8	2.0	1.2	0.8	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.2	59.4	0.4
PV of debt-to-revenue ratio 4/	690.3	569.2	52.1	46.4	47.4	48.2	49.0	47.2	52.2	56.8	61.3	65.5	68.9	71.2	72.2	71.7	69.1	66.7	65.2	63.9	62.5	61.5	156.4	67.1
Debt service-to-exports ratio	...	0.9	0.7	3.5	3.4	3.4	3.4	2.9	0.8	0.9	0.6	0.3	0.4	0.4	0.5	0.6	0.7	0.8	0.8	0.9	1.0	1.0	2.1	0.7
Debt service-to-revenue ratio 4/	...	2.0	1.6	7.9	7.4	7.1	7.4	6.5	1.8	2.2	1.5	0.9	1.0	1.2	1.4	1.6	1.8	2.0	2.1	2.2	2.3	2.5	4.5	1.7

Sources: Liberian authorities; and IMF and World Bank staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt at end-June 2009.

2/ Exports are as defined in IMF, *Balance of Payments Manual*, 6th edition, 2010.

3/ Based on a three-year average of exports on the previous year (e.g., export average over 2006/07–08/09 for PV of debt-to-exports ratio in 2008/09).

4/ Revenue is defined as central government revenue, excluding grants.

5/ Assumes a hypothetical stock of debt operation on Naples terms and comparable treatment from other bilateral creditors.

6/ Assumes full delivery of estimated HIPC initiative debt relief at end-June 2009.

7/ Includes additional debt relief provided on a voluntary basis by the Paris Club creditors beyond the requirements of the enhanced HIPC framework as specified on Table 12.

8/ Assumes MDRI type of assistance from the World Bank, the AfDB, the IMF and the EU after the completion point (end-June 2010). Also assumes that MDRI has no impact on Liberia's new borrowing over the projection period.

Table 8. Liberia: Sensitivity Analysis, 2008/09–29/30 1/

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Averages 2008/09-2018/19	Averages 2019/20-2029/30
												(In percent, unless otherwise indicated)												
I. Baseline scenario 2/																								
PV of debt-to-GDP ratio	44.3	42.2	40.7	36.4	32.2	27.9	23.9	19.9	18.4	16.9	17.3	17.8	18.1	18.2	18.2	18.1	17.9	17.7	17.5	17.3	17.1	15.8	29.1	17.6
PV of debt-to-exports ratio 3/ 4/	69.1	69.1	69.6	59.9	54.3	49.7	44.4	37.3	33.9	30.5	30.2	30.2	30.2	30.0	29.7	29.1	28.6	28.1	28.0	27.8	28.1	27.5	49.8	28.8
PV of debt-to-revenue ratio 5/	164.8	137.1	140.5	123.9	115.0	101.2	89.3	75.7	71.3	67.5	70.7	73.5	75.9	77.0	77.1	75.6	72.1	68.9	66.9	65.1	63.4	62.2	105.2	70.7
Debt service-to-exports ratio	...	0.9	1.5	5.3	7.8	9.2	8.6	7.7	4.5	4.2	1.0	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.0	1.0	1.1	1.2	5.1	0.9
Debt service-to-revenue ratio	...	2.0	3.7	13.4	17.5	20.7	19.9	18.0	11.1	10.9	2.8	2.1	2.1	2.2	2.4	2.6	2.7	2.8	2.8	2.8	2.8	2.9	12.0	2.6
II. Sensitivity analysis																								
II.(a) Lower GDP growth 6/																								
PV of debt-to-GDP ratio	44.3	42.8	42.1	38.3	34.4	30.2	26.1	22.1	20.6	19.1	19.8	20.6	21.1	21.5	21.6	21.7	21.8	21.8	21.8	21.8	21.8	20.5	30.9	21.5
PV of debt-to-exports ratio 3/ 4/	69.1	69.2	70.0	60.6	55.2	50.8	45.6	38.5	35.1	31.6	31.4	31.4	31.5	31.4	31.1	30.5	30.1	29.6	29.5	29.5	29.9	29.4	50.6	30.3
PV of debt-to-revenue ratio 5/	164.8	137.1	141.5	126.4	118.8	105.8	94.4	80.7	76.7	73.1	77.3	81.1	84.4	86.4	87.1	85.9	82.1	78.7	76.7	75.1	73.5	72.4	108.8	80.3
Debt service-to-exports ratio	...	1.0	1.5	5.4	7.9	9.5	8.9	8.0	4.7	4.4	1.1	0.8	0.8	0.8	0.8	0.9	1.0	1.0	1.1	1.1	1.2	1.2	5.2	1.0
Debt service-to-revenue ratio	...	2.0	3.7	13.5	17.8	21.4	20.8	19.1	11.9	11.7	3.0	2.3	2.3	2.5	2.7	2.9	3.1	3.2	3.2	3.2	3.3	3.3	12.5	2.9
II.(b) Lower exports 7/																								
PV of debt-to-GDP ratio	44.3	45.1	43.2	38.7	34.2	29.7	25.5	21.3	19.7	18.1	18.6	19.1	19.4	19.5	19.4	19.4	19.2	19.0	18.8	18.5	18.5	17.1	30.7	18.9
PV of debt-to-exports ratio 3/ 4/	69.1	71.1	74.2	66.1	60.7	56.3	50.9	43.2	39.6	35.8	35.7	35.8	35.9	35.7	35.4	34.8	34.2	33.7	33.6	33.4	33.8	33.1	54.8	34.5
PV of debt-to-revenue ratio 5/	164.8	137.1	140.4	123.9	115.1	101.3	89.5	75.9	71.6	67.7	71.0	73.9	76.3	77.5	77.5	76.1	72.5	69.3	67.3	65.5	64.0	62.8	105.3	71.2
Debt service-to-exports ratio	...	1.0	1.7	6.0	8.8	10.6	10.0	9.0	5.3	5.0	1.2	0.9	0.9	0.9	1.0	1.0	1.1	1.2	1.2	1.3	1.3	1.4	5.9	1.1
Debt service-to-revenue ratio	...	2.0	3.6	11.9	16.8	19.3	18.7	17.0	10.5	10.4	2.6	2.0	2.0	2.1	2.2	2.4	2.5	2.5	2.6	2.6	2.6	2.8	11.3	2.4
II.(c) Lower concessionality 8/																								
PV of debt-to-GDP ratio	44.3	42.4	41.3	37.5	34.0	30.4	27.0	23.7	22.6	21.5	22.3	23.1	23.7	23.8	23.7	23.4	23.0	22.4	21.7	21.0	20.2	18.1	31.5	22.2
PV of debt-to-exports ratio 3/ 4/	69.1	69.3	70.6	61.7	57.3	54.2	50.3	44.3	41.7	38.9	38.9	39.2	39.4	39.2	38.7	37.7	36.7	35.6	34.7	33.7	33.2	31.4	54.2	36.3
PV of debt-to-revenue ratio 5/	164.8	137.6	142.5	127.7	121.5	110.4	101.1	90.0	87.8	86.0	91.1	95.5	99.0	100.6	100.5	98.0	92.4	87.1	83.0	79.0	75.0	71.1	114.6	89.2
Debt service-to-exports ratio	...	1.0	1.5	5.3	7.8	9.3	8.6	7.8	4.6	4.3	1.1	0.8	0.9	1.0	1.2	1.4	1.6	1.8	2.0	2.2	2.4	2.5	5.1	1.6
Debt service-to-revenue ratio	...	2.0	3.6	12.0	16.8	19.3	18.8	17.1	10.7	10.6	2.9	2.2	2.4	2.8	3.2	3.8	4.4	4.8	5.1	5.4	5.6	5.9	11.4	4.1

Sources: Liberian authorities; and IMF and World Bank staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after HIPC debt relief assumed delivered unconditionally at end-June 2009.

2/ The baseline scenario is described in Section III.

3/ As defined in IMF, *Balance of Payments Manual*, 6th edition, 2010.

4/ Based on a three-year average of exports on the previous year (e.g., export average over 2006/07–08/09 for PV of debt-to-exports ratio in 2008/09).

5/ Revenue is defined as central government revenue, excluding grants.

6/ Assumes lower GDP growth: a GDP growth is on average 25 percent lower than projected in the baseline.

7/ Assumes lower exports: export growths at a lower pace due to a 20 percent fall in the main export goods.

8/ Assumes lower concessionality: the concessionality is assumed to be at 35 percent, 15 percentage points lower than in the baseline scenario (50 percent).

Table 9. Liberia: Status of Creditor Participation under the Enhanced HIPC Initiative 1/

	Debt relief in PV terms (US$ millions)	Percentage of total assistance	Modalities to deliver debt relief
World Bank	374	13.6	IDA has fully provided its share of HIPC debt relief amounting to US$374.9 million in PV terms through the arrears clearance grant on IDA and IBRD loans in arrears as of decision point.
IMF	730	26.6	IMF interim debt relief was equivalent to US$49.3 million in PV terms in Liberia's debt service payments to the IMF. Upon reaching the completion point, the remaining US$671.8 million will be delivered through a stock of debt operation. The IMF deliverred additional US$8.4 million through the grant element associated with the disbursement of a ECF (previously PRGF) loan following arrears clearance.
AfDB Group	237	8.7	AfDB group has fully provided its share of HIPC debt relief amounting to US$240.2 million in PV terms through the arrears clearance operation. In addition, the AfDB board decided (December 22, 2008) to extend the coverage of its debt relief to debt service payments falling due in 2008 and in 2009 calendar years which amounted to additional debt relief of US$6.4 million in PV terms.
OFID	21	0.8	OFID has provided its interim debt relief through the restructuring of existing loans on more concessional terms (US$6.9.million in PV terms). The remaining eligible amount of debt relief (US$14.5 in PV terms) will be provided, starting from the Initiative's completion point date.
IFAD	20	0.7	IFAD has agreed to provide a full amount of HIPC debt relief starting from the Initiative's completion point date. The estimated amount of relief equals to SDR13.8 million or US$21million in PV terms, which allows to fully clear Liberia's accumulated arrears to IFAD.
BADEA	17	0.6	BADEA has provided its interim debt relief through the restructuring of existing loans on more concessional terms (US$7 million in PV terms). The remaining eligible amount of debt relief (US$10.2 million PV terms) will be provided, starting from the Initiative's completion point date.
EU	7	0.3	EU has provided it's interim debt relief through the cancelation of arrears and the debt service payments to Liberia, which amounted to US$5 million in PV terms. Upon reaching the completion point, the remaining US$2 million in PV terms will be delivered.
EIB	11	0.4	EIB has provided its interim debt relief through concessional debt rescheduling (US$3 million in PV terms) and the remaining assistance (US$8 million in PV terms) will be provided starting from the HIPC initiative's completion point date.
ECOWAS	4	0.2	ECOWAS has not confirmed its participation in the HIPC initiative.
Total multilateral	**1421**	**51.9**	
Paris Club Creditors	858	31.3	In principle, PC creditors agreed to provide HIPC assistance. Interim assistance has been delivered through a Cologne flow during the interim period. Some creditors went even beyond HIPC and provided 100 percent cancellation of consolidated amount, or outright cancellation of all their outstanding claims.
Non-Paris Club Creditors	95	3.5	
China	8	0.3	China canceled its outstanding claims with payments falling due before end-December 2005.
Kuwait	8	0.3	The authorities continue making good-faith efforts to negotiate HIPC relief with the creditor.
Saudi Arabia	13	0.5	The authorities continue making good-faith efforts to negotiate HIPC relief with the creditor.
Taiwan Province of China	66	2.4	The authorities continue making good-faith efforts to negotiate HIPC relief with the creditor.
Commercial	364	13.3	Debt relief was provided through IDA's buy-back operations on April 16, 2009.
Total bilateral and comm	**1318**	**48.1**	
TOTAL	**2739**	**100.0**	

Sources: Liberian authorities; and IMF and World Bank staff estimates.
1/ The data are in end-June 2007 PV terms as revised at completion point.

Table 10. Liberia: Delivery of IDA Assistance Under the Enhanced HIPC Initiative and the MDRI, 2007/08-2043/44 1/
(In millions of U.S. dollars, unless otherwise indicated)

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2022/23	2032/33	2042/43	2043/44	Cumulative 2009/10-21/20	Cumulative 2009/10-43/44
I. Relief under the Enhanced HIPC Initiative																	
Debt service before HIPC assistance 1/	3.9	3.8	3.8	3.8	3.8	3.7	3.7	3.7	3.7	3.6	3.6	3.2	0.6	0.0	0.0	43.2	74.8
of which principal	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.0	0.6	0.0	0.0	39.3	69.1
of which interest	0.6	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.2	0.0	0.0	0.0	3.9	5.7
Debt service after HIPC assistance 1/	3.9	3.8	3.8	3.8	3.8	3.7	3.7	3.7	3.7	3.6	3.6	3.2	0.6	0.0	0.0	43.2	74.8
of which principal	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.0	0.6	0.0	0.0	39.3	69.1
of which interest	0.6	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.2	0.0	0.0	0.0	3.9	5.7
Savings on debt service to IDA 2/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which principal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
II. Relief under the MDRI 3/																	
Projected stock of IDA credits outstanding at implementation date 4/			177.0														
Remaining IDA credits after MDRI			-														
Debt stock reduction on eligible credits 3/ 5/			66.9														
Due to HIPC relief 6/			-														
Due to MDRI			66.9														
Debt service due after HIPC relief and the MDRI			3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.9	3.9
Memorandum item:																	
Debt service to IDA covered by HIPC assistance (in percent)			-	-	-	-	-	-	-	-	-	-	-			-	-
Debt service to IDA covered by HIPC assistance and MDRI (in percent)			-	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			91.2	94.9
IDA debt service relief under the MDRI (in SDR) 7/			-	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.1	0.4	-	-	28.4	46.8

Source: IDA staff estimates.
1/ Principal and interest due to IDA correspond to prorated projections on disbursed and outstanding debt as of end-June 2007, converted to U.S. dollar.
2/ Enhanced HIPC relief has been provided through the arrears clearance operation, therefore there is no debt service savings to IDA due to enhance HIPC.
3/ Stock of debt and debt service denominated in SDRs are converted into U.S. dollar by applying the end June -2009 exchange rate.
4/ Stock of debt outstanding on June 30, 2010.
5/ Debt disbursed as of December, 31 2003 and still outstanding at the end-June 2010.
6/ IDA provided Enhanced HIPC debt relief through cancelling arrears to IDA and IBRD loans in arrears as of the decision point date.
7/ SDR equivalent amount is calculated by applying the IDA15 foreign exchange reference rate.

Table 11. Liberia: Delivery of IMF Enhanced HIPC Initiative Assistance and MDRI-type (beyond-HIPC) Debt Relief, FY 2008-2021 1/
(In millions of SDRs, unless otherwise indicated; as of end-April 2010)

Fiscal Years	2008 Mar-Jun	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
I. Debt relief (under the HIPC Initiative only) 2/														
Delivery schedule of IMF assistance (in percent of the total assistance)	0.8	2.5	1.1	0.9	0.8	8.3	15.9	16.3	16.3	17.7	19.3	-	-	-
Projected debt Service due on IMF obligations 3/	3.9	11.6	5.2	4.4	4.7	61.8	103.2	104.9	105.8	106.3	105.5	5.7	3.1	1.3
Principal	-	-	-	-	-	57.1	99.3	101.8	103.6	104.9	104.9	5.7	3.1	1.3
EFF (261 percent of quota)	-	-	-	-	-	57.1	57.1	57.1	57.1	57.1	57.1	-	-	-
ECF (185 percent of quota)	-	-	-	-	-	-	42.2	44.7	46.5	47.8	47.8	5.7	3.1	1.3
Interest and charges 4/	3.9	11.6	5.2	4.4	4.7	4.7	3.9	3.1	2.2	1.4	0.5	0.0	0.0	0.0
EFF	3.6	10.6	4.7	4.4	4.4	4.1	3.4	2.6	1.9	1.2	0.5	-	-	-
ECF 4/	0.3	1.1	0.6	-	0.3	0.6	0.5	0.4	0.3	0.2	0.1	0.0	0.0	0.0
Total HIPC-eligible debt	3.9	11.6	5.2	4.4	4.6	61.7	102.4	101.6	100.7	99.9	99.1	-	-	-
Principal	-	-	-	-	-	57.1	98.6	98.6	98.6	98.6	98 6	-	-	-
Interest and charges	3.9	11.6	5.2	4.4	4.6	4.6	3.8	3.0	2 2	1.3	0.5	-	-	-
IMF assistance														
Deposits into member's Umbrella Account														
Interim assistance	15.03	15.11												
Completion point assistance 5/			410.8											
Completion point interest			9.8											
IMF assistance–drawdown schedule from Liberia's Umbrella Account	3.7	11.2	4.9	4.4	4.6	57.1	88.9	84.1	82.6	85.2	90.0	-	-	-
IMF assistance without interest	3.7	11.0	4.9	4.1	3.5	36.7	70.2	71.8	71.8	78.1	85.1	-	-	-
Estimated interest earnings 6/	-	0.2	0.1	0.2	1.1	20.5	18.7	12.3	10.7	7.1	4.9	-	-	-
Debt service due on EFF and PRGT obligations after IMF assistance	0.1	0.4	0.3	-	0.0	4.7	14.3	20.8	23.3	21.1	15.5	5.7	3.1	1.3
Principal	-	-	-	-	-	-	10.4	17.7	21.0	19.8	14.9	5.7	3.1	1.3
Interest	0.1	0.4	0.3	-	0 0	4.7	3.9	3.1	2.2	1.4	0.5	0.0	0.0	0 0
Proportion (in percent) of each repayment falling due during the period to be paid by HIPC assistance from the principal deposited in Umbrella Account	96.2	94.8	93.7	95.2	75.9	64 2	71.2	72.8	72.9	79.2	86.3	-	-	-
II. Debt relief provided at completion point (on stock basis in cash terms) 7/			**548.5**											
Delivery of HIPC/beyond-HIPC debt relief to cover credit outstanding related to arrears clearance			543.0											
HIPC debt relief 8/			425.6											
Beyond-HIPC debt relief 9/			117.4											
Delivery of remaining HIPC assistance			5.5											
III. Debt service due to the IMF after HIPC and MDRI debt relief	0.1	0.4	0.3	0.7	0.04	0.1	0.8	3.3	5.1	6.5	7.8	5.7	3.1	1.3

Source: Fund staff estimates and projections.
1/ Total IMF assistance under the enhanced HIPC Initiative is SDR 446.0 million in NPV terms calculated on the basis of data available at end-June 2007, of which SDR 5.1 million represents the concessional element (through projected completion point at end-June 2010) associated with the disbursement of an ECF (previously PRGF) loan following Liberia's clearance of arrears to the IMF. The remaining balance of SDR 440.9 million will be provided as a grant toward debt relief under the HIPC Initiative. Total IMF assistance committed at the decision point was adjusted downwards from SDR 447.7 million owing to data revisions. The above mentioned grant element has also been adjusted downwards from SDR 19 5 million, estimated at decision point, to reflect actual interest rate path and the early completion point date. Therefore, the IMF grant HIPC assistance will be revised from SDR 428.1 million, committed at decision point, to SDR 440.9 million at completion point.
2/ This section shows notional delivery of HIPC assistance on a flow basis. However, it is expected that total debt relief will be provided at completion point on a stock basis.
3/ The projected debt service is based on data as of end-April 2010 and includes the debt service associated with the remaining undisbursed amount under the ECF arrangement approved in March 2008. Interest obligations exclude net SDR charges and assessments.
4/ Effective January 7, 2010 interest charges on concessional loans are waived through 12/31/11. The Fund will review interest rates for all concessional facilities in late 2011 and every two years thereafter. After 2011, projected interest charges are based on 0.25 percent per annum for the ECF credit outstanding.
5/ The remaining IMF's grant HIPC assistance assumed to be disbursed into the member's account at the projected completion point in June 2010, which is reflected in the calculation of interest.
6/ Estimated interest earnings on: (a) amounts held in the member's Umbrella Account; and (b) up to the completion point, amounts committed but not yet disbursed. The projected interest earnings are estimated based on assumed interest rates which are gradually rising to 4.5 percent in 2015 and beyond; actual interest earnings may be higher or lower.
7/ Associated with the stock of arrears at arrears clearance (subject to HIPC and beyond-HIPC assistance) and the first disbursement of new credit under the PRGF (subject to HIPC assistance).
8/ It is estimated that 98.7 percent of the completion point HIPC assistance would be used for financing of debt relief related to credit outstanding associated with arrears clearance in March 2008.
9/ Credit outstanding associated with March 2008 arrears clearance, that has not been repaid by the member or with HIPC assistance at the completion point and is not scheduled to be repaid by HIPC assistance.

Table 12. Paris Club Creditors' Delivery of Debt Relief under Bilateral Initiatives Beyond the HIPC Initiative 1/

	Countries covere	ODA (in percent)		Non-ODA (in percent)		Provision of relief	
		Pre-cutoff date debt	ost-cutoff date debt	Pre-cutoff date debt	ıst-cutoff date debt	Decision point (in percent)	Completion point
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia	HIPCs	100	100	100	100		
Austria	HIPCs	100	-	100	-	Case-by-case, flow	Stock
Belgium	HIPCs	100	100	100	-	100 flow	Stock
Canada	HIPCs 2/	- 3/	- 3/	100	100	100 flow	Stock
Denmark	HIPCs	100	100 4/	100	100 4/	100 flow	Stock
France	HIPCs	100	100	100	-	100 flow 5/	Stock
Finland	HIPCs	100	- 6/	100	- 6/	-	-
Germany	HIPCs	100	100	100	100	100 flow	Stock
Ireland	-	-	-	-	-	-	-
Italy	HIPCs	100	100 7/	100	100 7/	100 flow	Stock
Japan	HIPCs	100	100	100	-	-	Stock
Netherlands, tl	HIPCs	100 8/	100	100	-	90-100 flow 8/	Stock
Norway	HIPCs	9/	9/	10/	10/	-	-
Russia	HIPCS	- 11/	- 11	100	100	-	Stock
Spain	HIPCs	100	Case-by-case	100	Case-by-case	-	Stock
Sweden	HIPCs	-	- 12	100	-	-	Stock
Switzerland	HIPCs	- 13/	- 13	90-100 14	-	90-100 flow	Stock
United Kingdo	HIPCs	100	100	100	100 15	100 flow 15/	Stock
United States	HIPCs	100	100	100	100 16	100 flow	Stock

Source: Paris Club Secretariat.

1/ Columns (1) to (7) describe the additional debt relief provided following a specific methodology under bilateral initiatives and need to be read as a whole for each creditor. In column (1), "HIPCs" stands for eligible countries effectively qualifying for the HIPC process. A "100 percent" mention in the table indicates that the debt relief provided under the enhanced HIPC Initiative framework will be topped up to 100 percent through a bilateral initiative.

2/ Canada: including Bangladesh. Canada has granted a moratorium of debt service as of January 2001 on all debt disbursed before end-March 1999 for 13 out of 17 HIPCs with debt service due to Canada. Eligible countries are Benin, Bolivia, Cameroon, Dem. Rep. Of Congo, Ethiopia, Ghana, Guyana, Hondura Madagascar, Rwanda, Senegal, Tanzania, and Zambia. 100 percent cancellation will be granted at completion point. As of July 2004, Canada has provided completion point stock of debt cancellation for Benin, Bolivia, Guyana, Senegal and Tanzania.

3/ 100 percent of ODA claims have already been cancelled on HIPCs, with the exception of Myanmar's debt to Canada.

4/ Denmark provides 100 percent cancellation of ODA loans and non-ODA credits contracted and disbursed before September 27, 1999.

5/ France: cancellation of 100 percent of debt service on pre-cutoff date commercial claims on the government as they fall due starting at the decision point. Once countries have reached their completion point, debt relief on ODA claims on the government will go to a special account and will be used for specific development projects.

6/ Finland: no post-COD claims

7/ Italy: cancellation of 100 percent of all debts (pre- and post-cutoff date, ODA and non-ODA) incurred before June 20, 1999 (the Cologne Summit). At decision point, cancellation of the related amounts falling due in the interim period. At completion point, cancellation of the stock of remaining debt.

8/ The Netherlands: 100 percent ODA (pre- and post-cutoff date debt will be cancelled at decision point); for non-ODA: in some particular cases (Benin, Bolivia Burkina Faso, Ethiopia, Ghana, Mali, Mozambique, Nicaragua, Rwanda, Tanzania, Uganda and Zambia), the Netherlands will write off 100 percent of the consolidated amounts on the flow at decision point; all other HIPCs will receive interim relief up to 90 percent reduction of the consolidated amounts. At completion point, all HIPCs will receive 100 percent cancellation of the remaining stock of the pre-cutoff date debt.

9/ Norway has cancelled all ODA claims.

10/ Due to the current World Bank/IMF methodology for recalculating debt reduction needs at HIPC completion point, Norway has postponed the decisions on whether or not to grant 100 percent debt reduction until after the completion point.

11/ Russia has no ODA claims

12/ Sweden has no ODA claims.

13/ Switzerland has cancelled all ODA claims.

14/ In some particular cases (Central African Republic, Liberia, Republic of Congo, Sierra Leone, Togo), Switzerland will write off 100 percent of the remaining debt stock at completion point; all other HIPCs will receive debt relief according to Paris Club terms.

15/ United Kingdom: "beyond 100 percent" full write-off of all debts of HIPCs as of their decision points, and reimbursement at the decision point of any debt service paid before the decision point.

16/ United States: 100 percent post-cutoff date non-ODA treated on debt assumed prior to June 20, 1999 (the Cologne Summit).

Table 13. HIPC Initiative: Status of Country Cases Considered Under the Initiative, January 27, 2010

Country	Decision Point	Completion Point	Target NPV of Debt-to-Exports (in percent)	Target NPV of Debt-to-Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral and commercial	Multilateral Total	Multilateral IMF	Multilateral World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
Completion point reached under enhanced framework (28)											
Afghanistan	Jul. 07	Jan. 10	150		582	446	136	-	76	51	1,280
Benin	Jul. 00	Mar. 03	150		265	77	189	24	84	31	460
Bolivia					1,302	425	876	84	194		2,060
original framework	*Sep. 97*	*Sep. 98*	*225*		*448*	*157*	*291*	*29*	*54*	*14*	*760*
enhanced framework	*Feb. 00*	*Jun. 01*	*150*		*854*	*268*	*585*	*55*	*140*	*30*	*1,300*
Burkina Faso					553	83	469	57	231		930
original framework	*Sep. 97*	*Jul. 00*	*205*		*229*	*32*	*196*	*22*	*91*	*27*	*400*
enhanced framework	*Jul. 00*	*Apr. 02*	*150*		*195*	*35*	*161*	*22*	*79*	*30*	*300*
topping-up	*...*	*Apr. 02*	*150*		*129*	*16*	*112*	*14*	*61*	*24*	*230*
Burundi	Aug. 05	Jan. 09	150		833	127	706	28	425	92	1,366
Cameroon	Oct. 00	Apr. 06	*150*		1,267	879	322	37	176	27	4,917
Central African Rep.	Sept. 07	Jun. 09	150		578	186	362	27	207	68	804
Congo Rep. of	Mar. 06	Jan. 10		250	1,575	1,462	113	8	47	31	1,738
Ethiopia					1,982	637	1,315	60	832		3,275
enhanced framework	*Nov. 01*	*Apr. 04*	*150*		*1,275*	*482*	*763*	*34*	*463*	*47*	*1,941*
topping-up		*Apr. 04*	*150*		*707*	*155*	*552*	*26*	*369*	*31*	*1,334*
Gambia, The	Dec. 00	Dec. 07	150		67	17	49	2	22	27	112
Ghana	Feb. 02	Jul. 04	144	250	2,186	1,084	1,102	112	781	56	3,500
Guyana					591	223	367	75	68		1,354
original framework	*Dec. 97*	*May 99*	*107*	*280*	*256*	*91*	*165*	*35*	*27*	*24*	*634*
enhanced framework	*Nov. 00*	*Dec. 03*	*150*	*250*	*335*	*132*	*202*	*40*	*41*	*40*	*719*
Haiti	Nov. 06	Jun. 09	150		140	20	120	3	53	15	213
Honduras	Jul. 00	Mar. 05	110	250	556	215	340	30	98	18	1,000
Madagascar	Dec. 00	*Oct. 04*	150		836	474	362	19	252	40	1,900
Malawi					1,057	171	886	45	622		1,628
enhanced framework	*Dec. 00*	*Aug. 06*	*150*		*646*	*164*	*482*	*30*	*333*	*44*	*1,025*
topping-up	*...*	*Aug. 06*	*150*		*411*	*7*	*404*	*15*	*289*	*35*	*603*
Mali					539	169	370	59	185		895
original framework	*Sep. 98*	*Sep. 00*	*200*		*121*	*37*	*84*	*14*	*43*	*9*	*220*
enhanced framework	*Sep. 00*	*Mar. 03*	*150*		*417*	*132*	*285*	*45*	*143*	*29*	*675*
Mauritania	Feb. 00	Jun. 02	137	250	622	261	361	47	100	50	1,100
Mozambique					2,023	1,270	753	143	443		4,300
original framework	*Apr. 98*	*Jun. 99*	*200*		*1,717*	*1,076*	*641*	*125*	*381*	*63*	*3,700*
enhanced framework	*Apr. 00*	*Sep. 01*	*150*		*306*	*194*	*112*	*18*	*62*	*27*	*600*
Nicaragua	Dec. 00	Jan. 04	150		3,308	2,175	1,134	82	191	73	4,500
Niger					663	235	428	42	240		1,190
enhanced framework	*Dec. 00*	*Apr. 04*	*150*		*521*	*211*	*309*	*28*	*170*	*53*	*944*
topping-up	*...*	*Apr. 04*	*150*		*143*	*23*	*119*	*14*	*70*	*25*	*246*
Rwanda					696	65	631	63	383		1,316
enhanced framework	*Dec. 00*	*Apr. 05*	*150*		*452*	*56*	*397*	*44*	*228*	*71*	*839*
topping-up	*...*	*Apr. 05*	*150*		*243*	*9*	*235*	*20*	*154*	*53*	*477*
São Tomé and Príncipe					124	31	93	1	47	128	263
enhanced framework	*Dec. 00*	*Mar. 07*	*150*		*99*	*29*	*70*	-	*24*	*83*	*215*
topping-up	*...*	*Mar. 07*	*150*		*25*	*2*	*23*	*1*	*23*	*45*	*49*
Senegal	Jun. 00	Apr. 04	133	250	488	212	276	45	124	19	850
Sierra Leone	Mar. 02	Dec. 06	150		675	335	340	125	123	81	994
Tanzania	Apr. 00	Nov. 01	150		2,026	1,006	1,020	120	695	54	3,000
Uganda					1,003	183	820	160	517		1,950
original framework	*Apr. 97*	*Apr. 98*	*202*		*347*	*73*	*274*	*69*	*160*	*20*	*650*
enhanced framework	*Feb. 00*	*May 00*	*150*		*656*	*110*	*546*	*91*	*357*	*37*	*1,300*
Zambia	Dec. 00	Apr. 05	150		2,499	1,168	1,331	602	493	63	3,900
Decision point reached under enhanced framework (7)											
Chad	May. 01	Floating	150		170	35	134	18	68	30	260
Cote d'Ivoire	Mar. 09	Floating		250	3,005	2,311	694	38	402	24	3,129
Congo, Democratic Rep. of	Jul. 03	Floating	150		6,311	3,837	2,474	472	831	80	10,389
Guinea	Dec. 00	Floating	150		545	215	328	31	152	32	800
Guinea-Bissau	Dec. 00	Floating	150		416	212	204	12	93	85	790
Liberia	Mar. 08	Floating	150		2,846	1,420	1,426	732	375	91	4,008
Togo	Nov. 08	Floating		250	270	120	150	0.3	98	19	360
Total assistance provided/committed					**42,597**	**21,786**	**20,682**	**3,406**	**9,728**		**70,529**

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Equivalent to SDR 2181.98 million at an SDR/USD exchange rate of 0.640563, as of January 27, 2010.

APPENDIX I: DEBT MANAGEMENT

1. **Since the HIPC decision point, debt management in Liberia has improved substantially.** Main developments include: (i) a new consolidated legal framework for government debt management operations has been put in place (PFM); (ii) a debt management strategy has been adopted; (iii) domestic and external debt statistics have been published regularly; and (iv) a new debt data recording and reporting system has been adopted.

Institutional and Legal Framework

2. **Borrowing arrangements are managed under the new PFM law, adopted in September 2009, and related regulations.** The PFM law sets a new framework for debt management operations, which includes clear guidelines to borrow and provide guarantees.[1] Under the PFM law, the Minister of Finance is responsible for borrowing and guarantees. The law creates a Debt Management Committee (DMC) at the ministerial level, which approves all government loan and guarantee agreements.[2] The Director of the Debt Management Unit (DMU) serves as a secretariat to the DMC. All borrowing and guarantee contracts for the Government or State-Owned Enterprises (SOEs) must be approved by the DMC and the Finance Minister. The Central Bank of Liberia (CBL) manages domestic government securities as the agent of the Ministry of Finance (MoF).

3. **The responsibility for debt management is shared between the Ministry of Finance and the Central Bank of Liberia (CBL).** The MoF, through its DMU, is responsible for debt registration and transaction confirmations, as well as maintaining records of all debt data. The DMU also initiates settlement of transactions and payments for debt servicing. The CBL has the responsibility for domestic debt securities issuance (currently not issued) and it records and processes debt payments.

Debt Strategy and New Borrowing

4. **A debt management strategy was approved by the Government in June 2008, revised in July 2009, and June 2010**. The initial debt strategy includes a resolution for arrears on external and domestic debt; sets debt management objectives and describes the legal and managerial structure of debt management operations. It is expected that the debt management strategy will be updated annually.

5. **Outstanding external and domestic debts, including arrears, have largely been restructured.** Until the achievement of the HIPC completion point, the central government

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[1] According to the PFM Act, the Government can borrow to: (i) finance the budget deficit; (ii) finance investment projects and specific programs approved by the legislature; (iii) refinance government debt; (iv) make payments on guarantees that have become due; and (v) support the balance of payments.

[2]The DMC comprises of the Ministers of Finance (chair), State, Justice, Planning and Economic Affairs, and the Executive Governor of the Central Bank.

and the state enterprises observed a balanced cash-based budget and a zero limit on domestic and external borrowing.[3] After the HIPC completion point, the revised debt management strategy assumes that new external borrowing will be undertaken only on concessional terms and used for priority projects with high economic returns.

Debt Recording and Reporting

6. **The government of Liberia has made noticeable progress in restoring its records of domestic and external debt, and contingent liabilities.** A database was re-established thanks to creditor information, the outcome of debt restructuring agreements, and details of verified domestic claims.[4] The DMU maintains electronic data files on external public and publicly guaranteed (PPG) debt stock as of end-June 2007 and end- June 2009, as well as projected debt service payments by each creditor. However, the database has been updated with some delay. The DMU has recently installed a new debt management system, the Debt Recording and Management System (CS-DRMS), provided by the Commonwealth Secretariat that will substantially improve debt data security and the management environment.

7. **The PFM law has also reinforced the accountability requirements for debt management operations by requiring the submission of annual reports to the President and the Legislature.** These reports, prepared by the MoF, will include new loans and guarantees contracted over the year together with details of other debt management operations. The PFM law also requires the publication of regular reports on outstanding public debt and debt service projections over the medium term.

8. **Debt data are regularly published.** Currently the MoF prepares and publishes on its website (http://www.mof.gov.lr/) quarterly and annual data on outstanding central government external and domestic debt, disaggregated by major creditors. The MoF also prepares quarterly reports on the fiscal outturn, which also includes government debt management operations. The domestic and external debt stock data are also reported in the CBL's Financial Statistics Bulletin (http://www.cbl.org.lr/).

DMU Staff Capacity

9. **The DMU has been operational in the Ministry of Finance since 2008, and its internal processes have been recently strengthened.** The unit comprises of a Director and six staff members. The new reporting requirements, demanded by the PFM law, require the DMU to provide regular reporting on debt and debt management. Nevertheless, the staff needs to receive adequate training to efficiently use the recently installed CS-DRMS debt recording system and to develop procedures to regularly update the debt database.

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[3] The CBL borrowed from the IMF on concessional terms under the ECF-supported program.

[4] Domestic debt in arrears was verified by the external auditors (KPMG Ghana) in 2007.

APPENDIX II: DEBT SUSTAINABILITY ANALYSIS (LIC DSF METHODOLOGY)[5]

The debt sustainability analysis (DSA) was prepared jointly by Bank and Fund staffs in accordance with the standardized Debt Sustainability Framework (DSF) methodology for Low-Income Countries (LICs). After HIPC and MDRI debt relief, Liberia's risk of debt distress is low, though this result is sensitive to FDI flows and export shocks, as well as to borrowing conditions. With the assumption of average annual concessional borrowing of 3 percent of GDP for the period, the assessment of the country's risk of debt distress remains unchanged and the present value of the external debt remains well below 30 percent.

I. BACKGROUND

1. **This joint DSA was prepared using the Fund-World Bank standardized Debt Sustainability Framework (DSF) methodology for Low-Income countries** approved by the respective Boards.[6] It updates the LIC DSA presented to the Bank and Fund Boards in early 2009, presents the projected path of Liberia's external and public debt indicators, and draws conclusions on forward-looking sustainability of debt under baseline and alternate scenarios. It uses the reconciled debt database prepared for the completion point HIPC DSA and, in the baseline, incorporates the impact of HIPC, additional bilateral assistance beyond HIPC, and MDRI debt relief.

2. **The initial conditions and assumptions underlying the results of the LIC DSA include the following**:

- **Liberia's public debt as of end-June 2009 is estimated at about 190 percent of GDP.** The debt is mostly owed to external creditors (185 percent), mainly the African Development Bank, the IMF, and the World Bank (64 percent of total external debt)

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[5] The LIC-DSA differs from the HIPC DSA discussed in the main body of the completion point document in the following assumptions: (i) the LIC-DSA discount rate is fixed at 4 percent while the HIPC-DSA uses the currency-specific 6-month averages of commercial interest reference rates (CIRR); (ii) the export denominator in the LIC-DSA is based on the current year data for exports of goods and services, while in the HIPC DSA it is based on the three-year backward-looking average; (iii) the LIC-DSA incorporates WEO assumptions on the exchange rate, while the HIPC-DSA uses the actual exchange rate at end-2009; and (iv) the LIC DSA assesses the risk of debt distress based on country-specific policy-dependent thresholds, while the HIPC DSA employs a single thresholds applicable to all countries.

[6] Liberia is not classified yet in the World Bank's Country Policy and Institutional Assessment index (CPIA). The staff assumes that Liberia is a weak performer, for which the DSF indicative thresholds for external debt sustainability are a PV of debt-to-GDP ratio of 30 percent, a PV of debt-to-exports ratio of 100, a PV of debt-to-revenue ratio of 200 percent, a debt service-to-exports ratio of 15 percent, and a debt service-to-revenue ratio of 25 percent.

and bilateral and commercial creditors (36 percent). The domestic debt stock amounts to about 5 percent of GDP. The DSA includes the domestic debt of the public sector, including borrowing from the banking sector. But, as with the 2009 DSA, borrowing from the central bank is excluded to ensure that the public sector DSA is in line with the public sector definition.

- **The completion point is assumed to take place at end-June 2010, at which time Liberia will benefit from irrevocable debt relief.** The external debt stock will be reduced to US$166 million, of which 69 percent will be owed to bilateral creditors and the remainder to multilaterals and other creditors. The nominal reduction in debt stock is estimated to be US$1,509.4 million, with annual debt service savings of about US$145 million in the first 10 years following the completion point.

- **The baseline macroeconomic assumptions are consistent with those underpinning the ECF-supported program and the HIPC DSA.**[7] GDP growth is assumed to accelerate until the large mining investments reach full capacity. After this, output growth slows to 5 percent for the remainder of the projection period. Inflation moderates quickly and stabilizes at 4 percent. Exports grow at a fast rate during 2011/12-2012/13 when the mining projects commence, with the growth rate then stabilizing at 10 percent. Imports are assumed to mirror, to some extent, the export dynamics—annual growth averages 25-30 percent for the construction phase of the mining projects (2010/11–2012/13), and then slows to about 4 percent. The fiscal revenues associated with these projects are lagged somewhat, becoming significant only in the latter part of the projection period.

II. Baseline Scenario

3. **The baseline scenario in the DSA assumes full delivery of HIPC and MDRI debt relief and that Liberia reaches the completion point by end-June 2010**[8]. While this

[7] More detail is provided in Box 2 of the HIPC Completion Point Document. The macroeconomic assumptions are more conservative than those used to underpin the 2009 DSA. This change reflects the impact of the global crisis on external demand and commodity prices—and also a more cautious estimation of the size and speed of investment in the iron ore sector and the resulting volume of production and exports. In light of the significant increase in foreign direct investment commitments since 2009, and the large pipeline of projects now under discussion, the assumed path of FDI is higher overall, but with less optimistic assumptions applied to its effect on output. Consequently, both export growth and the current account balance are somewhat lower, and the absolute increase in real GDP is more subdued and less frontloaded than in the 2009 baseline. Projected real growth over the next five years has therefore been revised downwards from 9 to 7 percent. However, with the increase in iron ore production now spread over a longer period, and the effects of higher FDI gradually being felt, growth averages about 5 percent for the remainder of the period, slightly higher that previously assumed.

[8] In contrast, the 2009 DSA showed the impact of the full delivery of HIPC and MDRI in an alternative scenario.

reduces post-completion point debt to low levels, debt service on the majority of the remaining obligations—mostly owed to bilateral creditors—is scheduled to begin in 2011/12 and be fully amortized in 5 years, creating a significant debt service hump in 2011/12–2015/16.

4. **A moderate borrowing policy is assumed over the long term, but somewhat higher than the 2009 DSA baseline and with some front loading in the first 5 years.** Reflecting Liberia's limited access to loan finance, and its low income per capita, grant financing is expected to remain the main source of external financing over the period. However, new external borrowing is assumed to begin in FY 2010/11 at 2 percent of GDP, rise to 5 percent of GDP in FY2013/14–2014/15 and gradually decline to 2 percent of GDP. All new external borrowing is assumed to be on concessional (IDA) terms. Domestic borrowing, to be supplied through a planned treasury bill market, is constant in the scenario at 1 percent of GDP per year. In contrast, the 2009 DSA assumed 2 percent of total borrowing throughout the period.

III. External Debt Sustainability

5. **In the period following the completion point, debt dynamics are dominated by the rapid repayment of remaining obligations owed to official bilateral creditors** (Figure A1). In this period, the PV of external debt declines from 15 percent in 2010/11 to 12 percent of GDP in 2015/16, at which time this debt is fully repaid (Table A1). For the same reason, the ratios of debt service to exports and debt service to revenues both undergo a steep increase during the peak of debt service in 2011/12–2015/16. Meeting these estimated obligations, which may be subject to further review by Paris Club creditors, would require a mix of fiscal measures and refinancing options. The increase in debt service in this period relative to the decision point estimates is treated by staff as a financing gap pending discussion of measures or refinancing options.

6. **Following repayment of these near-term obligations, the debt and debt service profiles are relatively benign.** Most of the remaining obligations carry favorable terms. Moreover, all new obligations are contracted at IDA terms, and the annual amount contracted by this time is declining as a share of GDP. Consequently, the PV of debt to GDP increases only moderately after 2015/16, and eventually stabilizes at about 17 percent by the end of the period, well below its 30 percent threshold value.

7. **Similarly, the concessional nature of debt and its low volume ensures very low ratios of debt service to exports and to revenues in the period following the 2011/12–2015/16 debt service bulge.** These ratios are also mitigated by rising exports and revenues due to the coming on stream of large mining projects. For the debt service to exports ratio, this happens by the end of the debt service bulge, as the projects have already begun exporting by this time. However, mitigation of the ratio of debt service to revenue does not become significant until towards the second half of the projection period.

8. **These results remain broadly unchanged under alternative scenarios in the DSF framework, except for the historical scenario,** (Figure A1 and Table A2).

- The PV of external debt to GDP ratio is sensitive to the degree of concessionality of borrowing, reaching 27 percent in FY2021/22 and 29 percent by 2029/30 under the alternate scenario of less favorable borrowing terms. The PV of external debt to exports ratio confirms a moderate sensitivity to lower exports—under this shock, the ratio will remain at about 40 percent, but with a marginal decline by the end of projection period. Similar results—showing only limited debt vulnerability—are obtained for all indicators when lower GDP growth is assumed. Threshold levels are never exceeded.

- Projected debt ratios increase sharply based on historical data for the current account deficit and the growth of GDP and exports (2004/05-2009/10). The PV of the debt to GDP ratio, debt to exports and debt to revenue ratios all breach the policy-dependent thresholds. However, the staffs do not consider the historical trend a reliable indicator for assessing debt vulnerability, as the unreliability of historical data and its availability for only a short period—during which foreign direct investment was very low and a poor indicator of future trends—combine to create implausible borrowing assumptions and an unrealistic indication of debt distress.

IV. Public Sector Debt Sustainability

9. **Following debt relief, all public debt indicators will also decline markedly in the baseline scenario.** (Figure A2, Table A3). This is due mainly to debt relief on external debt. For the entire period, the PV of public debt rises by 8.2 percentage points of GDP, compared to only 1.6 percentage points for external debt, reflecting the commercial terms assumed for domestic debt and its steady rate of accumulation. The PV of debt-to-revenue ratio rises over the period until 2023/24, when it begins to fall back under the influence of rising mining project revenues. The debt service-to-revenue ratio jumps sharply during FY2011/12–2015/16, before falling back to below 5 percent for the period FY2017/18 to 2029/30.

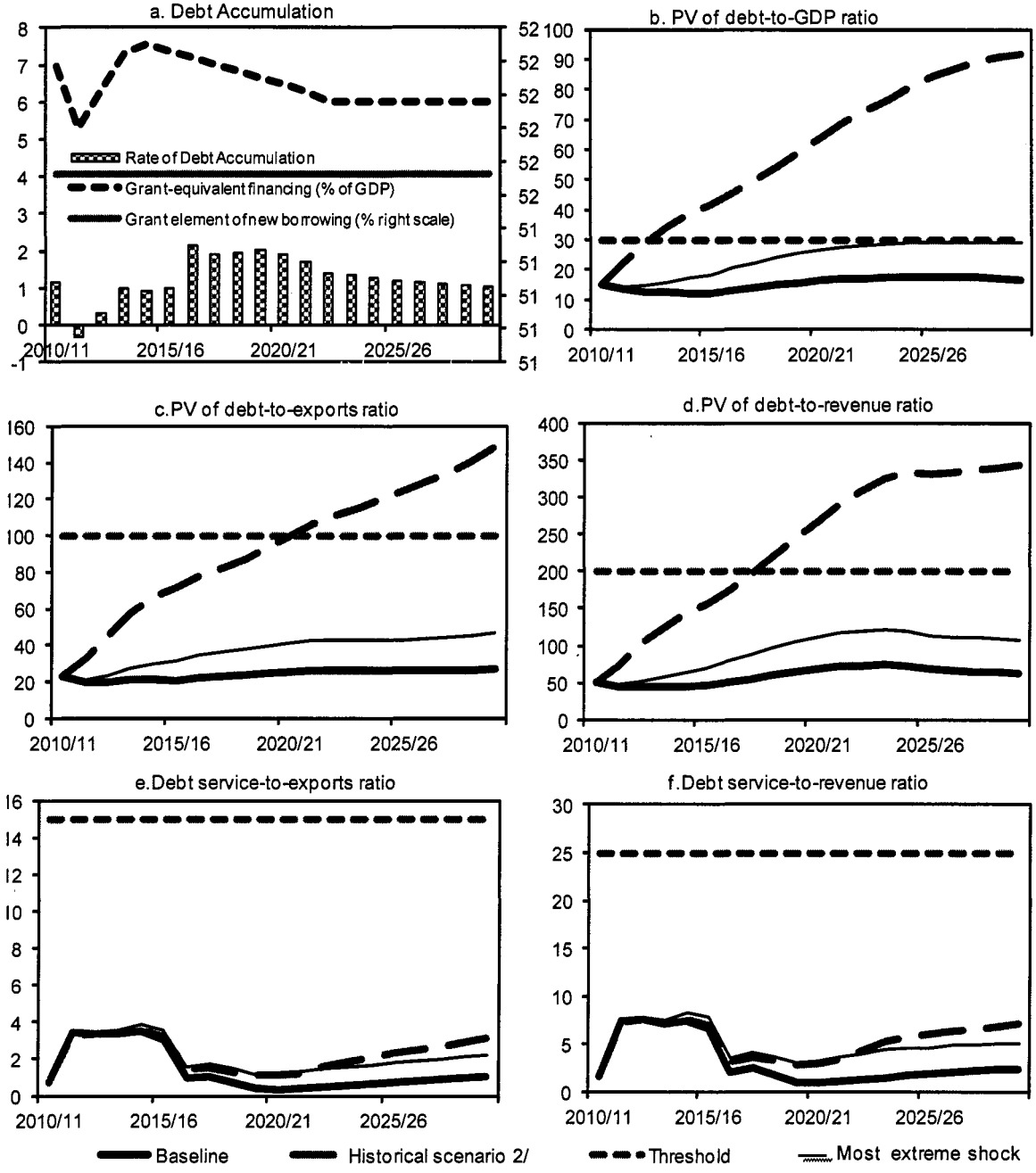
10. **Alternative and shock scenarios show a similar gradual rising trend of debt indicators, but all remain within acceptable limits** (Table A4). Under the alternative scenario of lower GDP, the PV of debt-to-GDP ratio will increase moderately from 18 percent in FY2010/11 to about 39 percent by the end of the projection period. The PV of the public debt-to-revenue ratio will also deteriorate substantially under a low growth scenario, reaching about 95 percent in FY2020/21 and 121 percent in FY2029/30. However, the debt service-to-revenue ratio will remain below 10 percent under the pessimistic scenario of lower GDP growth.

V. Conclusion

11. **Liberia's risk of debt distress remains low following the debt relief under the HIPC initiative and the MDRI, although delays in implementing structural reforms aimed at raising growth, investment and exports could be a source of external**

vulnerability. In the baseline scenario, which includes annual average new borrowing of 3 percent of GDP on concessional terms, Liberia's debt indicators remain well below the relevant indicative thresholds. Nonetheless, Liberia's debt outlook does appear sensitive to export shocks, while the alternative scenario based on concessional borrowing on less favorable terms shows some vulnerability, although all indicators remain below their threshold values. The historical data scenario is not viewed as a reliable basis for assessing debt vulnerabilities, due to the paucity of data and large structural changes in the immediate post-conflict period.

Liberia: Figure A1 - Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2010/11-2030/31 1/

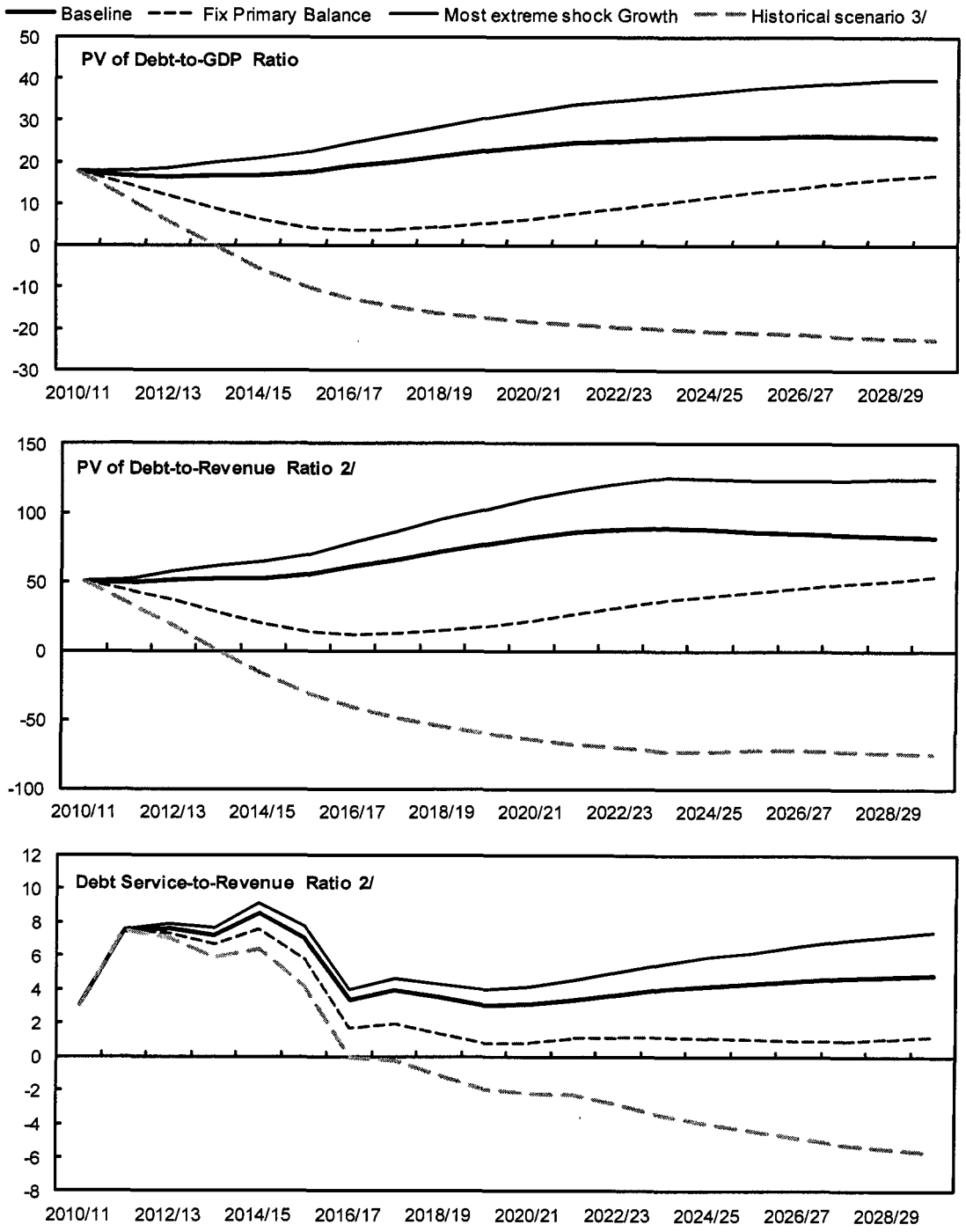


Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2019/20. In figures b, d, e, and f it corresponds to loans on less favorable terms; in c. to export values growing at historical average minus one standard deviation.

2/ Given the lack of reliability of historical data, the DSA uses only FY 2004/05 to FY2009/10. The historical scenario breaches the PV debt to GDP threshold, but staff does not consider this a reliable indicator of potential debt distress, as it results mainly from the high current account deficits and low level of foreign direct investment in the period following the return of political stability.

Liberia: Figure A2 - Indicators of Public Debt Under Alternative Scenarios, 2010/11-2030/31 1/



1/ The most extreme stress test is the test that yields the highest ratio in 2020/21.
2/ Revenues are defined inclusive of grants.
3/ Given the lack of reliability of historical data, the DSA uses only FY 2004/05 to FY2009/10 . The historical scenario breaches the PV debt to GDP threshold, but staff does not consider this a reliable indicator of potential debt distress, as it results mainly from the high current account deficits and low level of foreign direct investment in the period following the return of political stability.

Sources: Country authorities; and staff estimates and projections.

Table A1. Liberia : External Debt Sustainability Framework, Baseline Scenario, FY2008-FY2030 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 7/	Standard Deviation	Projections												
	2007/08	2008/09	2009/10			2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2010/11-2015/16 Average	2020/21	2021/22	2027/28	2028/29	2029/30	2016/17-2029/30 Average
External debt (nominal) 1/	**547.9**	**360.8**	**191.2**			**17.3**	**16.9**	**17.7**	**19.5**	**21.1**	**22.5**		**30.2**	**30.8**	**29.6**	**29.3**	**28.5**	
o/w public and publicly guaranteed (PPG)	547.9	360.8	191.2			17.3	16.9	17.7	19.5	21.1	22.5		30.2	30.8	29.6	29.3	28.5	
Change in external debt	547.9	-187.1	-169.6			-173.9	-0.3	0.8	1.9	1.6	1.4		1.0	0.5	-0.3	-0.3	-0.8	
Identified net debt-creating flows	...	-20.4	-8.7			-8.7	1.4	3.6	5.1	6.9	8.5		2.3	1.1	0.0	0.9	2.0	
Non-interest current account deficit	**45.2**	**45.2**	**38.9**	**35.6**	**9.6**	**49.8**	**54.4**	**43.5**	**34.3**	**33.2**	**31.9**		**22.9**	**22.6**	**16.9**	**17.3**	**17.5**	**20.4**
Deficit in balance of goods and services	166.4	154.5	140.5			143.4	136.3	109.7	86.3	72.2	60.4		32.7	31.5	19.3	19.7	20.5	
Exports	74.6	65.4	60.5			66.7	67.6	63.5	59.0	58.0	58.1		64.8	65.3	66.5	64.5	61.6	
Imports	241.1	219.9	201.0			210.1	203.8	173.2	145.3	130.2	118.5		97.5	96.8	85.8	84.2	82.1	
Net current transfers (negative = inflow)	-142.2	-126.9	-119 7	-115.0	61.2	-109.9	-92.7	-77.2	-64.1	-50.8	-41.4		-29.7	-28.6	-23.3	-22.5	-21.3	-26.5
o/w official	-52.0	-49.0	-47.7			-44.5	-38.6	-36.0	-33.7	-31.5	-29.8		-23.8	-22.9	-18.2	-17.5	-16.6	
Other current account flows (negative = net inflow)	20.9	17.6	18.2			16.3	10.9	10.9	12.1	11.8	12.9		19.9	19.8	20.9	20.0	18.4	
Net FDI (negative = inflow)	**-25.0**	**-24.7**	**-27.9**	**-9.9**	**12.4**	**-45.5**	**-52.1**	**-39.1**	**-28.4**	**-25.4**	**-22.5**		**-19.6**	**-20.4**	**-15.7**	**-15.1**	**-14.3**	**-17.3**
Endogenous debt dynamics 2/	**...**	**-40.9**	**-19.8**			**-12.9**	**-0.9**	**-0.8**	**-0.7**	**-0.8**	**-0.9**		**-1.1**	**-1.1**	**-1.2**	**-1.2**	**-1.2**	
Contribution from nominal interest rate	...	0.0	0.0			0.2	0.5	0.4	0.3	0.2	0.2		0.2	0.2	0.2	0.2	0.2	
Contribution from real GDP growth	0.0	-29.6	-18.7			-13.1	-1.3	-1.1	-1.0	-1.1	-1.1		-1.3	-1.3	-1.4	-1.4	-1.4	
Contribution from price and exchange rate changes	0.0	-11.2	-1.1			...	...	...	...	...	...		...	...	...	...	...	
Residual (3-4) 3/	**...**	**-166.7**	**-160.9**			**-165.3**	**-1.8**	**-2.8**	**-3.3**	**-6.3**	**-7.1**		**-1.3**	**-0.6**	**-0.3**	**-1.3**	**-2.8**	
o/w exceptional financing	...	-12.7	-5 9			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	
PV of external debt	...	...	...			15.1	13.4	12 5	12.4	12.2	12.1		16.5	17.0	17.3	17.1	16.7	
In percent of exports	...	...	...			22.6	19.9	19.8	21.0	21.0	20.9		25.4	26.0	26.0	26.5	27.1	
PV of PPG external debt	...	...	...			**15.07**	**13.4**	**12.5**	**12.4**	**12.2**	**12.1**		**16.5**	**17.0**	**17.3**	**17.1**	**16.7**	
In percent of exports	...	...	...			**22.60**	**19.9**	**19.8**	**21.0**	**21.0**	**20.9**		**25.4**	**26.0**	**26.0**	**26.5**	**27.1**	
In percent of government revenues	...	...	...			**51.18**	**43.9**	**44.5**	**44.4**	**44.7**	**45.8**		**68.2**	**71.5**	**65.2**	**63.8**	**62.4**	
Debt service-to-exports ratio (in percent)	...	...	...			**0.70**	**3.4**	**3.3**	**3.3**	**3.5**	**3.1**		**0.3**	**0.4**	**0.9**	**1.0**	**1.0**	
PPG debt service-to-exports ratio (in percent)	...	...	...			**0.70**	**3.4**	**3.3**	**3.3**	**3.5**	**3.1**		**0.3**	**0.4**	**0.9**	**1.0**	**1.0**	
PPG debt service-to-revenue ratio (in percent)	...	...	...			**1.59**	**7.5**	**7.5**	**7.1**	**7.5**	**6.7**		**0.9**	**1.1**	**2.2**	**2.3**	**2.4**	
Total gross financing need (Millions of U.S. dollars)	160.9	176.7	101.1			46.9	50.0	76.8	102.3	139.0	173.1		80.0	60.5	64.2	106.2	160.0	
Non-interest current account deficit that stabilizes debt ratio	-502.7	232.3	208.5			223.7	54.8	42.7	32.4	31.6	30.5		21.9	22.1	17.2	17.6	18.3	
Key macroeconomic assumptions																		
Real GDP growth (in percent)	8 2	5.8	5.5	3.0	9.2	7.5	8.4	7.3	6.3	6.0	5.4	6.8	4.7	4.7	5.1	5.2	5.3	5.1
GDP deflator in US dollar terms (change in percent)	8.6	2.1	0.3	7.0	4.0	1.1	1.1	2.4	2.7	3.2	3.1	2.3	2.3	2.2	1.9	1.9	3.5	2.4
Effective interest rate (percent) 4/	...	0.0	0.0	0.0	0 0	0.1	2.9	2.4	1.8	1.3	1.0	1.6	0.8	0.8	0.8	0.8	0.8	0.8
Growth of exports of G&S (US dollar terms, in percent)	13.1	-5.3	-2.1	15.3	16.3	19.8	11.0	3.2	1.6	7.4	8.9	8.7	8.4	8.0	6.2	4.0	4.1	4.1
Growth of imports of G&S (US dollar terms, in percent)	11.0	-1.4	-3.3	11.2	14.1	13.6	6.3	-6.7	-8.4	-2.0	-1.1	0.3	6.4	6.4	5.2	5.2	6.2	1.1
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	51.6	51.6	51.6	51.6	51.6	51.6	51.6	51.6	51.6	51.6	51.6	51.6	51 6
Government revenues (excluding grants, in percent of GDP)	21.9	24.5	30.5			29.4	30.7	28.2	27.9	27.2	26.5		24.1	23.7	26.5	26.8	26.8	25.2
Aid flows (in Millions of US dollars) 5/	1.5	23 6	13.0			78.6	73.3	98.4	127.0	142.2	149.2		177.0	181.1	252.5	270.5	294.7	
o/w Grants	1.5	23.6	13.0			59 1	40.7	50.7	61.9	71.0	77.2		111.9	119.8	179.9	192.7	209.9	
o/w Concessional loans	0.0	0 0	0.0			19.5	32.6	47.7	65.1	71.2	72.0		65.1	61.3	72.7	77.8	84.8	
Grant-equivalent financing (in percent of GDP) 6/	...	...	...			7.0	5.3	6.3	7.3	7.6	7.4		6.5	6.3	6.0	6.0	6.0	6.3
Grant-equivalent financing (in percent of external financing) 6/	...	...	...			88.0	78.5	76.5	75.2	75.7	76.6		82.2	83.6	86.1	86.1	86.1	83.8
Memorandum items:																		
Nominal GDP (Millions of US dollars)	797 6	861.9	912.0			991 0	1085.6	1192.5	1302.7	1424.5	1548.7		2245.0	2403.5	3607.6	3864.9	4210.2	
Nominal dollar GDP growth	17.5	8.1	5.8			8.7	9.5	9.8	9.2	9.3	8.7	9.2	7.1	7.1	7.1	7.1	8.9	7.6
PV of PPG external debt (in Millions of US dollars)			136.8			147.2	143.9	147.5	159.2	171.0	185.2		364.5	402.6	614.3	652.7	693.2	
(PVt-PVt-1)/GDPt-1 (in percent)						1.1	-0.3	0.3	1.0	0.9	1.0	0.7	1.9	1.7	1.1	1.1	1.0	1.5

Sources: Country authorities; and staff estimates and projections.

1/ Public sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Historical averages and standard deviations are derived over FY2004/05-FY2009/10.

Table A2. Liberia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, FY2011-FY2030
(In percent)

	Projections																			
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	**2020/21**	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
											PV of debt-to GDP ratio									
Baseline	15.1	13.4	12.5	12.4	12.2	12.1	13.2	14.0	14.8	15.7	**16.5**	17.0	17.2	17.3	17.4	17.4	17.4	17.3	17.1	16.7
A. Alternative Scenarios																				
A1. Key variables at their historical averages in 2010/11-2030/31 1/	15	22	29	34	38	42	46	50	54	59	**64**	69	73	77	81	84	87	89	91	92
A2. New public sector loans on less favorable terms in 2010/11-2030/31 2	15	14	15	16	17	18	21	22	24	25	**27**	28	28	29	29	29	29	29	29	29
B. Bound Tests																				
B1 Real GDP growth at historical average minus one standard deviation in 2011/12-2012/13	15	14	13	13	13	13	14	15	16	16	**17**	18	18	18	18	18	18	18	18	17
B2 Export value growth at historical average minus one standard deviation in 2011/12-2012/13 3/	15	17	20	20	19	19	20	20	21	21	**22**	22	22	22	21	21	21	20	20	19
B3 US dollar GDP deflator at historical average minus one standard deviation in 2011/12-2012/13	15	13	12	12	12	12	13	14	14	15	**16**	17	17	17	17	17	17	17	17	16
B4 Net non-debt creating flows at historical average minus one standard deviation in 2011/12-2012/13 4/	15	19	9	9	9	9	11	12	12	13	**14**	15	15	15	15	16	16	16	16	15
B5. Combination of B1-B4 using one-half standard deviation shocks	15	13	-4	-3	-2	-2	0	1	3	4	**5**	6	7	8	8	9	10	10	11	11
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011/12 5/	15	19	18	17	17	17	19	20	21	22	**23**	24	24	24	24	24	24	24	24	23
											PV of debt-to-exports ratio									
Baseline	23	20	20	21	21	21	22	23	24	25	**25**	26	26	26	26	26	26	26	27	27
A. Alternative Scenarios																				
A1. Key variables at their historical averages in 2010/11-2030/31 1/	23	33	45	58	66	71	78	82	87	93	**99**	106	111	115	120	125	130	134	141	149
A2. New public sector loans on less favorable terms in 2010/11-2030/31 2	23	21	23	27	30	32	35	37	38	40	**41**	42	43	43	43	43	44	44	45	47
B. Bound Tests																				
B1 Real GDP growth at historical average minus one standard deviation in 2011/12-2012/13	23	20	19	21	21	21	22	23	23	24	**25**	26	26	26	25	25	26	26	26	27
B2 Export value growth at historical average minus one standard deviation in 2011/12-2012/13 3/	23	28	38	39	39	38	39	39	38	39	**39**	40	39	38	37	37	36	36	36	36
B3 US dollar GDP deflator at historical average minus one standard deviation in 2011/12-2012/13	23	20	19	21	21	21	22	23	23	24	**25**	26	26	26	25	25	26	26	26	27
B4 Net non-debt creating flows at historical average minus one standard deviation in 2011/12-2012/13 4/	23	28	15	16	16	16	18	19	20	21	**22**	23	23	23	23	23	23	24	24	25
B5. Combination of B1-B4 using one-half standard deviation shocks	23	20	-6	-5	-4	-3	0	2	4	6	**8**	9	10	11	12	13	14	15	16	17
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011/12 5/	23	20	19	21	21	21	22	23	23	24	**25**	26	26	26	25	25	26	26	26	27
											PV of debt-to-revenue ratio									
Baseline	51	44	45	44	45	46	51	55	60	64	**68**	72	73	74	72	68	67	65	64	62
A. Alternative Scenarios																				
A1 Key variables at their historical averages in 2010/11-2030/31 1/	51	72	101	123	141	157	175	196	220	243	**267**	291	309	326	332	330	333	337	339	343
A2. New public sector loans on less favorable terms in 2010/11-2030/31 2	51	46	52	57	63	69	79	88	97	104	**111**	117	119	121	118	114	112	111	109	108
B. Bound Tests																				
B1 Real GDP growth at historical average minus one standard deviation in 2011/12-2012/13	51	45	47	46	47	48	53	58	63	67	**71**	75	76	77	75	71	70	68	67	65
B2 Export value growth at historical average minus one standard deviation in 2011/12-2012/13 3/	51	55	73	71	71	71	75	79	83	87	**90**	93	93	93	88	83	80	77	74	72
B3 US dollar GDP deflator at historical average minus one standard deviation in 2011/12-2012/13	51	43	43	43	44	45	49	54	58	63	**66**	70	71	72	70	67	65	64	62	61
B4 Net non-debt creating flows at historical average minus one standard deviation in 2011/12-2012/13 4/	51	62	34	34	35	36	41	45	50	55	**59**	62	63	65	63	61	60	59	58	57
B5. Combination of B1-B4 using one-half standard deviation shocks	51	43	-13	-10	-8	-6	0	6	11	17	**21**	26	28	32	34	35	37	38	39	40
B6 One-time 30 percent nominal depreciation relative to the baseline in 2011/12 5/	51	61	62	62	63	64	71	77	84	90	**96**	100	102	103	100	96	93	91	89	87

Table A2 Liberia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, FY2010-FY2030 (Concluded)
(In percent)

	Projections																				
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	**2020/21**	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Debt service-to-exports ratio																				
Baseline	1	3	3	3	4	3	1	1	1	0	**0**	0	0	1	1	1	1	1	1	1
A. Alternative Scenarios																				
A1. Key variables at their historical averages in 2010/11-2030/31 1/	1	3	3	3	4	3	1	2	1	1	**1**	1	2	2	2	2	2	3	3	3
A2. New public sector loans on less favorable terms in 2010/11-2030/31 2	1	3	3	4	4	4	2	2	1	1	**1**	1	1	2	2	2	2	2	2	2
B. Bound Tests																				
B1 Real GDP growth at historical average minus one standard deviation in 2011/12-2012/13	1	3	3	3	4	3	1	1	1	0	**0**	0	0	1	1	1	1	1	1	1
B2 Export value growth at historical average minus one standard deviation in 2011/12-2012/13 3/	1	4	4	4	4	4	1	1	1	1	**1**	1	1	1	1	1	1	1	1	2
B3 US dollar GDP deflator at historical average minus one standard deviation in 2011/12-2012/13	1	3	3	3	4	3	1	1	1	0	**0**	0	0	1	1	1	1	1	1	1
B4 Net non-debt creating flows at historical average minus one standard deviation in 2011/12-2012/13 4/	1	3	3	3	3	3	1	1	1	0	**0**	0	1	0	0	1	1	1	1	1
B5. Combination of B1-B4 using one-half standard deviation shocks	1	4	3	3	3	3	1	1	0	0	**0**	0	0	0	0	0	0	0	0	0
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011/12 5/	1	3	3	3	4	3	1	1	1	0	**0**	0	0	1	1	1	1	1	1	1
Debt service-to-revenue ratio																				
Baseline	2	7	8	7	7	7	2	2	2	1	**1**	1	1	2	2	2	2	2	2	2
A. Alternative Scenarios																				
A1. Key variables at their historical averages in 2010/11-2030/31 1/	2	7	8	7	8	7	3	4	3	3	**3**	3	4	5	6	6	6	7	7	7
A2. New public sector loans on less favorable terms in 2010/11-2030/31 2	2	7	8	7	8	8	3	4	4	3	**3**	4	4	4	5	5	5	5	5	5
B. Bound Tests																				
B1 Real GDP growth at historical average minus one standard deviation in 2011/12-2012/13	2	8	8	8	8	7	2	3	2	1	**1**	1	1	2	2	2	2	2	2	3
B2 Export value growth at historical average minus one standard deviation in 2011/12-2012/13 3/	2	7	8	7	8	7	2	3	2	1	**1**	1	2	3	3	3	3	3	3	3
B3 US dollar GDP deflator at historical average minus one standard deviation in 2011/12-2012/13	2	7	7	7	7	7	2	2	2	1	**1**	1	1	1	2	2	2	2	2	2
B4 Net non-debt creating flows at historical average minus one standard deviation in 2011/12-2012/13 4/	2	7	8	7	7	7	2	2	2	1	**1**	1	2	1	1	2	2	2	2	2
B5. Combination of B1-B4 using one-half standard deviation shocks	2	7	7	6	7	6	1	2	1	0	**0**	1	1	-1	0	0	0	1	1	1
B6 One-time 30 percent nominal depreciation relative to the baseline in 2011/12 5/	2	11	11	10	11	10	3	4	3	1	**1**	2	2	2	2	3	3	3	3	3
Memorandum item:																				
Grant element assumed on residual financing (i e , financing required above baseline) 6/	50	50	50	50	50	50	50	50	50	50	**50**	50	50	50	50	50	50	50	50	50

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table A3. Liberia: Public Sector Debt Sustainability Framework, Baseline Scenario, FY2008-FY2030
(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections						
	2007/08	2008/09	2009/10	Average	Standard Deviation	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2020/21	2029/30
Public sector debt 1/	547.9	360.9	191.3			19.9	20.3	21.6	24.0	25.8	27.7	37.5	37.7
o/w foreign-currency denominated	547.9	360.8	191.2			18.9	18.4	18.9	20.6	21.8	23.2	30.7	28.7
Change in public sector debt	547.9	-187.0	-169.6			-171.3	0.3	1.3	2.4	1.8	1.9	1.4	-0.8
Identified debt-creating flows	...	-54.9	-212.6			-169.4	2.7	3.5	3.9	3.6	3.3	0.7	-1.1
Primary deficit	-3.6	1.6	-0.6	-0.8	2.3	1.9	3.8	4.7	5.2	5.1	4.8	2.4	1.2
Revenue and grants	22.1	27.3	31.9			35.4	34.4	32.4	32.6	32.2	31.5	29.1	31.7
of which: grants	0.2	2.7	1.4			6.0	3.8	4.3	4.8	5.0	5.0	5.0	5.0
Primary (noninterest) expenditure	18.5	28.9	31.3			37.3	38.2	37.1	37.8	37.3	36.3	31.5	32.9
Automatic debt dynamics	...	-56.5	2.8			-17.0	-1.1	-1.2	-1.3	-1.5	-1.5	-1.7	-2.3
Contribution from interest rate/growth differential	...	-42.8	-24.3			-14.7	-1.1	-1.1	-1.1	-1.3	-1.3	-1.6	-1.9
of which: contribution from average real interest rate	...	-12.6	-5.5			-1.4	0.4	0.3	0.2	0.1	0.0	0.0	0.1
of which: contribution from real GDP growth	0.0	-30.3	-18.8			-13.3	-1.5	-1.4	-1.3	-1.4	-1.3	-1.6	-1.9
Contribution from real exchange rate depreciation	...	-13.7	27.2			-2.3	0.0	-0.1	-0.1	-0.2	-0.2	...	...
Other identified debt-creating flows	0.0	0.0	-214.9			-154.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief (HIPC and other)	0.0	0.0	-214.9			-154.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual, including asset changes	...	-132.1	43.0			-1.9	-2.4	-2.1	-1.6	-1.8	-1.4	0.6	0.3
Other Sustainability Indicators													
PV of public sector debt	...	...	...			17.8	16.8	16.5	16.8	16.9	17.3	23.7	25.9
o/w foreign-currency denominated	...	...	...			16.8	14.9	13.8	13.5	12.9	12.8	16.9	16.9
o/w external	...	...	...			15.1	13.4	12.5	12.4	12.2	12.1	16.5	16.7
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...	...	...
Gross financing need 2/	...	...	...			3.0	6.4	7.2	7.6	7.8	7.1	3.3	2.7
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	...			50.2	48.8	50.8	51.6	52.4	55.0	81.5	81.7
PV of public sector debt-to-revenue ratio (in percent)	...	...	...			60.3	54.8	58.5	60.4	61.9	65.4	98.3	96.9
o/w external 3/	...	...	...			51.2	43.9	44.5	44.4	44.7	45.8	68.2	62.4
Debt service-to-revenue and grants ratio (in percent) 4/	...	...	...			3.1	7.5	7.6	7.2	8.5	7.1	3.1	4.8
Debt service-to-revenue ratio (in percent) 4/	...	...	...			3.7	8.4	8.7	8.5	10.1	8.4	3.7	5.7
Primary deficit that stabilizes the debt-to-GDP ratio	...	...	...			173.2	3.5	3.4	2.8	3.3	2.9	1.0	2.0
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	8.2	5.8	5.5	3.0	9.2	7.5	8.4	7.3	6.3	6.0	5.4	4.7	5.3
Average nominal interest rate on forex debt (in percent)	...	0.0	0.0	0.0	0.0	0.1	2.7	2.2	1.7	1.3	0.9	0.8	0.8
Average real interest rate on domestic debt (in percent)	...	...	4.3	4.3	0.0	227.5	15.5	10.0	8.1	6.8	6.4	6.2	4.6
Real exchange rate depreciation (in percent, + indicates depreciation)	-4.5	-2.7	8.1	-3.2	5.4	-1.3	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	10.3	13.4	-0.8	9.5	4.8	5.3	4.0	5.3	5.7	6.1	6.0	5.2	6.4
Growth of real primary spending (deflated by GDP deflator, in percent)	0.7	0.7	0.1	0.2	0.4	0.3	0.1	0.0	0.1	0.0	0.0	0.0	0.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	51.6	51.6	51.6	51.6	51.6	51.6	51.6	51.6

Sources: Country authorities; and staff estimates and projections.

1/ The public sector comprises the central government, the Central Bank of Liberia (CBL), public enterprises , and other official sector entities.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are derived over FY2004/05-FY2009/10.

Table A4. Liberia: Sensitivity Analysis for Key Indicators of Public Debt FY2011-FY2030

	Projections												
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2020/21	2021/22	2022/23	2027/28	2028/29	2029/30
	PV of Debt-to-GDP Ratio												
Baseline	18	17	16	17	17	17	19	24	25	25	26	26	26
A. Alternative scenarios													
A1. Real GDP growth and primary balance are at historical averages	18	12	6	0	-5	-10	-13	-18	-19	-20	-22	-22	-23
A2. Primary balance is unchanged from 2010/11	18	15	12	9	6	4	4	6	7	9	15	16	17
A3. Permanently lower GDP growth 1/	18	17	17	17	18	19	21	28	30	31	37	38	39
B. Bound tests													
B1. Real GDP growth is at historical average minus one standard deviations in 2011/12-2012/13	18	18	19	20	21	22	25	32	34	35	39	40	40
B2. Primary balance is at historical average minus one standard deviations in 2011/12-2012/13	18	14	10	11	11	12	14	19	20	21	23	23	23
B3. Combination of B1-B2 using one half standard deviation shocks	18	13	8	10	11	12	14	22	24	25	29	29	29
B4. One-time 30 percent real depreciation in 2011/12	18	23	22	21	20	19	20	24	25	26	28	28	28
B5. 10 percent of GDP increase in other debt-creating flows in 2011/12	18	27	26	26	25	26	27	31	31	32	32	32	31
	PV of Debt-to-Revenue Ratio 2/												
Baseline	50	49	51	52	52	55	61	82	86	88	84	83	82
A. Alternative scenarios													
A1. Real GDP growth and primary balance are at historical averages	50	34	18	0	-17	-31	-41	-64	-68	-70	-73	-74	-75
A2. Primary balance is unchanged from 2010/11	50	43	36	28	19	13	11	22	26	31	48	51	53
A3. Permanently lower GDP growth 1/	50	49	52	53	55	59	66	95	102	107	117	119	121
B. Bound tests													
B1. Real GDP growth is at historical average minus one standard deviations in 2011/12-2012/13	50	52	57	61	64	70	78	110	117	121	124	125	125
B2. Primary balance is at historical average minus one standard deviations in 2011/12-2012/13	50	41	32	34	35	38	44	66	70	73	72	72	71
B3. Combination of B1-B2 using one half standard deviation shocks	50	38	25	29	33	38	46	76	82	86	91	92	92
B4. One-time 30 percent real depreciation in 2011/12	50	68	67	64	61	62	65	83	88	91	89	89	88
B5. 10 percent of GDP increase in other debt-creating flows in 2011/12	50	78	80	79	79	81	86	105	109	111	102	100	98
	Debt Service-to-Revenue Ratio 2/												
Baseline	3	7	8	7	9	7	3	3	3	4	5	5	5
A. Alternative scenarios													
A1. Real GDP growth and primary balance are at historical averages	3	8	7	6	6	4	0	-2	-2	-3	-5	-5	-6
A2. Primary balance is unchanged from 2010/11	3	7	7	7	8	6	2	1	1	1	1	1	1
A3. Permanently lower GDP growth 1/	3	7	8	7	9	7	4	4	4	4	6	6	7
B. Bound tests													
B1. Real GDP growth is at historical average minus one standard deviations in 2011/12-2012/13	3	8	8	8	9	8	4	4	5	5	7	7	7
B2. Primary balance is at historical average minus one standard deviations in 2011/12-2012/13	3	7	7	6	8	6	3	3	3	3	3	4	4
B3. Combination of B1-B2 using one half standard deviation shocks	3	8	7	6	8	6	3	3	3	3	4	4	5
B4. One-time 30 percent real depreciation in 2011/12	3	9	11	10	12	10	5	4	4	5	7	7	7
B5. 10 percent of GDP increase in other debt-creating flows in 2011/12	3	7	9	9	10	8	4	4	4	6	7	7	7

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.