

# GOVERNMENT OF LIBERIA

MINISTRY OF FINANCE AND DEVELOPMENT PLANNING

Debt Management Unit (DMU)



MINISTRY OF FINANCE & DEVELOPMENT PLANNING (MFDP)

June 2019

## FOREWORD

This *Annual Public Debt Management Report* reviews the developments of public and publically guaranteed (PPG) debt for the fiscal year ended, FY2018/19. Over the last two fiscal years, significant reforms were achieved in Public Debt Management with support from key partners of the government, i.e. The World Bank, International Monetary Fund (IMF), the West African Institute of Financial and Economic Management (WAIFEM) and the Budget Strengthening Initiative (BSI)/Overseas Development Institute (ODI) with support from the Government of Sweden. The reform which aimed at boosting capacity and overall productivity in debt management, mostly focused on the following main areas:

- Upgrade of the Debt Management Server; from G-7 server with limited capacity, to D-9 server with high capacity. The D-9 server is more comparable and advanced to work with the latest debt management system, the Meridian.
- In the process of transitioning from the current and limited version of the Debt Management System, version 1.3 of the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) to Meridian. Before a full adoption of the meridian, the DMU will install version 2.3 while allowing both versions 1.3 & 2.3 to run parallel so as to reconcile/ validate outputs from the two systems. The validation exercise is expected to provide credible data for transitioning to the Meridian.
- Capacity Building on advanced excel and various forms of analysis to boost staff capacities are being achieved;
- The provision of one brand new high speed laptop (Need for more);
- A debt procedural manual was drafted and nearing completion. The manual will provide clear guidelines on debt procedures. The BSI is credited for leading this important task.

Being fully cognizant of the capacity gap that exists in the Unit/Ministry to independently run the Medium Term Debt Management Strategy (MTDS) and Debt Sustainability Analysis (DSA), the government requested technical support from its partners. In response, a joint team from the World Bank, IMF and WAIFEM are anticipating to provide technical assistance by early 2020 to prepare the MTDS and DSA while preparing a local team to run future MTDS and DSA in the coming months.

Frederick Bobby Krah

DIRECTOR, DEBT MANAGEMENT UNIT, REPUBLIC OF LIBERIA

June 30, 2019

## **EXECUTIVE SUMMARY**

GoL's total public and publicly guaranteed (PPG) debt stock comprises of domestic and external debt. The composition of domestic debt includes the Central Bank of Liberia (CBL) and Commercial Banks' facilities to central government; debt arising from litigation; long standing arrears from vendors and rental that were vetted and approved by the Debt Management Committee (DMC). On another hand, external debt is principally made of multilateral and bilateral creditors. Currently, the government doesn't have any commercial debt in its debt portfolio.

The Annual Public Debt for ***FY 2018/19*** summed to US\$ 1.2 billion, from US\$ 942.6 million in the previous fiscal year, recording a growth of about 24.2 percent during the period under review. The uptick in the debt stock was mostly attributed to high disbursements of US\$177.4 million on external ratified loans as compared to US\$91.42 million disbursed in FY 2017/18.

Total borrowing refers to GoL's ratified loans comprising of disbursed outstanding debt (DOD) plus committed undisbursed balance/ loans (CUB). DOD is the disbursed portion of ratified loans, also called the debt stock while the CUB is the undisbursed portion of ratified loans.

External financing is a major source of support to GoL, particularly for the construction/rehabilitation of major roads, energy, ports, and other infrastructure projects contained in the Public Sector Investment Plan (PSIP), while domestic financing remains a major challenge as the lack of formal domestic debt market limits the options to secure sufficient funds. The stock of debt for FY 2018/19 summed to US\$ 1.17 billion, from US\$ 0.94 billion in the previous fiscal year, recording a growth of about 24.2 percent (US\$177.4 million) during the period under review.

Total debt service and subscription amounted to US\$14.34 million, of which total principal repayments amounted to US\$3.65 million, total interest payments was US\$10.06 million and subscription amounted to US\$ 0.63 million. State Owned Enterprises (SOEs) contingent debt

shall be added to the DMU systems (CS-DRMS) for tracking, once the system is fully upgraded to a newer version.

The Nominal Gross Domestic Product (GDP) is estimated at US\$3.22 billion<sup>1</sup> and total public debt stock of US\$1.17 billion, which placed the Debt to GDP ratio at 36.34 percent.

## TABLE OF CONTENTS

Introduction	vi
1. GOL Total Borrowing	1
1. Financing sources	1
1.1. External Financing Sources	1
1.1.1. Disbursement Profile of external Loans	2
1.2. Domestic Financing Sources	2
2. Stock of Public and Publicly Guaranteed (PPG) Debt	3
2.1. Trend of Total PPG Debt	3
2.2. Structure of Total PPG Debt- Pre & Post HIPC	3
2.3. Total PPG Debt by Creditors	4
2.4. Total PPG DEBT BY creditors	5
2.5. Total Stock of Debt by External Creditor	5
2.5.1. Percentage share of External by creditors category	5
2.5.2. External debt by creditors	6
2.5.3. External debt by Currency composition	7
2.5.4. External Debt flows and Stock	8
2.6. Total Stock of Debt by Domestic Creditors	8
2.6.1. Domestic Debt by financial institutions	8
2.6.2. Domestic Debt by Instrument	9
3. Debt Service and subscriptions	10
3.1. Debt Service Budgetary Request	10
3.2. Allocated Debt Service budget	10
3.3. Actual Debt service	10
3.4. Trends in Debt Service and subscription	11
4. State Owned Enterprises (SOEs) Reporting	11
5. Debt Sustainability Indicators	12
6. Key Risks and Constraints going into the next Fiscal period	12
Appendix A: List of Post-HIPC Ratified Loan (Million USD)	14

---

<sup>1</sup>IMF Framework Summary 6 June 2017. Selected Economic and Financial Indicators

## **LIST OF TABLES**

Table 1: Disbursement by Major Creditors (million USD)	2
Table 2: Break-up of Total PPG Debt by Creditors (US\$ Million)	4
Table 3: Changes in External Debt Stock (million USD)	8
Table 4: Domestic Debts by Financial Institutions	9
Table 5: Domestic Debt by Instrument	10
Table 6: Total Debt Service & Subscription for the Period (US\$ Million)	11

## **LIST OF FIGURES**

Figure 1: Trend of Total Borrowing (US\$ Billion)	1
Figure 2: Trend of Total PPG Debt (USD Billion)	3
Figure 3: Public Debt Stock – Pre HIPC & Post –HIPC (US\$ Billion)	4
Figure 4: Annual PPG Debt by Domestic and External Creditors (Millions of USD)	5
Figure 5: External Debt by Creditor Category	6
Figure 6: External Debt by Creditors (USD Million)	7
Figure 7: External Debt by Currency Composition	7
Figure 8: Total Debt Service and Subscription (USD Million)	11

## **ACRONYMS AND ABBREVIATIONS**

AfDB	African Development Bank
BADEA	Arab Bank for Economic Development in Africa
CBL	Central Bank for Liberia
CNY	Chinese Yuan
DMU	Debt Management Unit
ECF	Extended Credit Facility of the IMF
EU/ EIB	European Union/European Investment Bank
EUR	Euro
GBP	Great Britain Pound
GDP	Gross Domestic Product
GoL	Government of Liberia
HIPC	Heavily Indebted Poor Country
IDA	International Development Association of the World Bank
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
KWD	Kuwaiti Dinar

LBDI	Liberia Bank for Development & Investment
LRD	Liberian Dollar
LTL	Long-Term Loan
MFDP	Ministry of Finance and Development Planning
MoJ	Ministry of Justice
MoS	Ministry of State
MTDS	Medium Term Debt Management Strategy
OFID	OPEC Fund for International Development
SAR	Saudi Arabia Riyal
SDR	IMF Special Drawings Rights
TDS	Total Debt Service
TEDS	Total External Debt Service
USD	United States Dollar

## **KEY DEFINITIONS**

- Debt Stock: The Debt stock is disbursed debt only. By definition debt stock includes ratified and approved loans.
- Domestic Debt: Government Guaranteed Debt owed to Domestic Creditors. This includes validated Court Debt.
- External Debt: Total Government Publicly Guaranteed Debt owed to foreign creditors.
- Pre-HIPC debt: Debt arising from disbursed new loans prior to the 2010 HIPC debt relief.
- Post-HIPC debt: Debt arising from disbursed new loans after the 2010 HIPC debt relief and/or debt restructure process.
- Total Borrowing: Is the total ratified debt credit amount and including both disbursed and undisbursed loan amounts.
- Total Public Debt: Includes Domestic Debt + External Debt
- DOD: Disbursed Outstanding Debt also referred to as the stock of debt
- CUB: Committed Undisbursed Balance

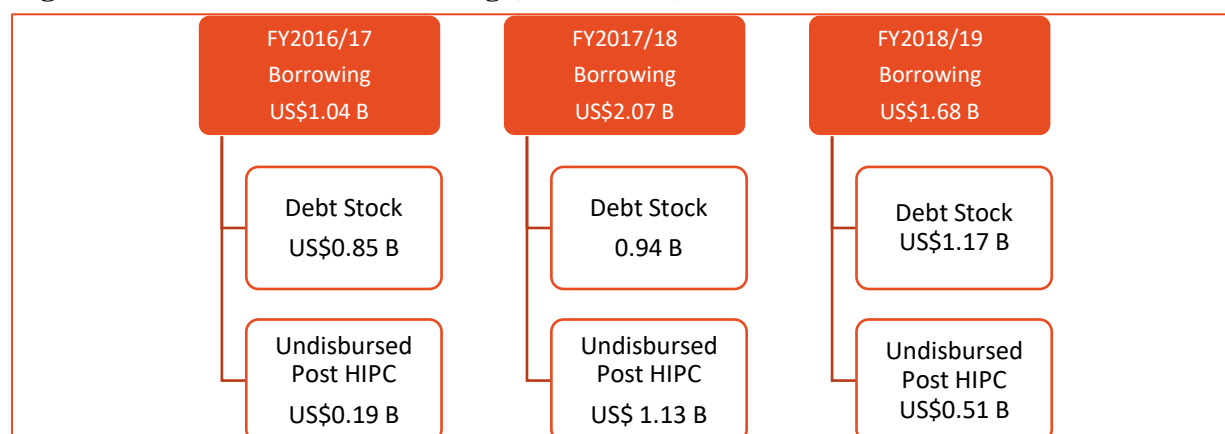
## **1. INTRODUCTION**

The *Annual Public Debt Management Report* consolidates the four quarters of FY2018/19 which runs from the **1<sup>st</sup> of July 2018 to 30<sup>th</sup> of June 2019**. The report highlights key developments in public debt management, reforms and outlook for the period under review. As a means of gauging performance, developments during the period were compared to the past two fiscal years. The report is divided into seven sections and subsections, including the Government of Liberia total borrowing; GoL financing sources; stock of Public and Publicly Guaranteed (PPG) Debt; debt service and subscriptions; State Owned Enterprises (SOEs) reporting; and risk and constraints to GoL borrowing.

## 2. GOL TOTAL BORROWING

Total borrowing refers to GoL's ratified loans comprising of disbursed outstanding debt (DOD) plus committed undisbursed balance (CUB). DOD is the disbursed portion of ratified loans, also called the debt stock while the CUB is the undisbursed portion of ratified loans. **Figure 1** shows that at the end of FY2018/19, total borrowing summed to US\$1.68 billion of which the total debt stock (Pre and Post HIPC debt Stock) amounted to US\$1.17 billion and undisbursed Post HIPC loans amounted to US\$0.51 billion. Total borrowing reduced by 19.23 percent during the period under review to US\$ 1.68 billion, from US\$2.07 billion in FY2017/18. The decrease in total borrowing resulted from the cancellation of Ebomaf and Eton Financing Ltd. loans that were contracted during the last fiscal year.

**Figure 1: Trend of Total Borrowing (US\$ Billion)**



## 1. FINANCING SOURCES

### 1.1. EXTERNAL FINANCING SOURCES

External financing is a major source of support to the GoL, particularly for the construction/rehabilitation of major roads, energy, ports, and other infrastructure projects contained in the Public Sector Investment Plan (PSIP). Multilateral creditors such as the World Bank Group, the African Development Bank (AfDB), the International Monetary Fund (IMF), the European Investment Bank (EIB) BADEA etc. as well as bilateral creditors such as China, Saudi Arabia, Kuwait etc., continue to be supportive of the Government's Infrastructural Development Programs.



### 1.1.1. DISBURSEMENT PROFILE OF EXTERNAL LOANS

As shown in **Table 1**, total disbursement of external loan for FY2018/19 amounted to US\$177.4 million, representing 94.05 percent increase compared to US\$91.42 million for FY2017/18 and US\$125.64 million for FY2016/17, respectively. The high disbursement in FY2018/19 was significantly impacted by the World Bank Group at US\$84.30 million; AfDB, US\$36.96 million; China Exim Bank, US\$34.96 million; Saudi Arabia, US\$16.26 million; Kuwait at US\$ 2.01 million and BADEA at US\$1.71 million. Others were EIB, IFAD and OFID, with US\$ 0.14 million, US\$0.17 million and US\$ 0.88 million, respectively.

**Table 1: Disbursement by Major Creditors (million USD)**

<b>Creditor</b>	<b>FY16/ 17</b>	<b>FY17 /18</b>	<b>FY18 /19</b>	<b>Purpose</b>
<b>European Investment Bank (EIB)</b>	5.70		0.14	Mount Coffee Rehab.
<b>IFAD</b>	0.89	0.43	0.17	Small Tree Crop Revitalization Support
<b>AfDB Group</b>	8.16	21.99	36.96	Small Tree Crop Revitalization Project
<b>BADEA</b>	1.60	3.85	1.71	RIA Runway Rehabilitation.
<b>World Bank/IDA Credits</b>	69.48	65.08	84.3	Roads construction, Electricity enhancements, small tree revitalization support.
<b>OFID</b>			0.88	Upgrading of Gbarnga – Salayea Road Project
<b>Kuwait</b>	5.96		2.01	Port of Greenville rehabilitation and Upgrading of Gbarnga – Salayea Road Project
<b>Saudi Arabia</b>	14.99		16.26	Support for Gbarnga-Salayea Road Project
<b>Other External Debt</b>	3.82			Construction of RIA Terminal
<b>China Exim Bank</b>	15.05		34.96	RIA Upgrade and Expansion Project
<b>Total Disbursements</b>	125.64	91.42	177.4	

**Source:** Debt Management Unit, Ministry of Finance & Development Planning

### 1.2. DOMESTIC FINANCING SOURCES

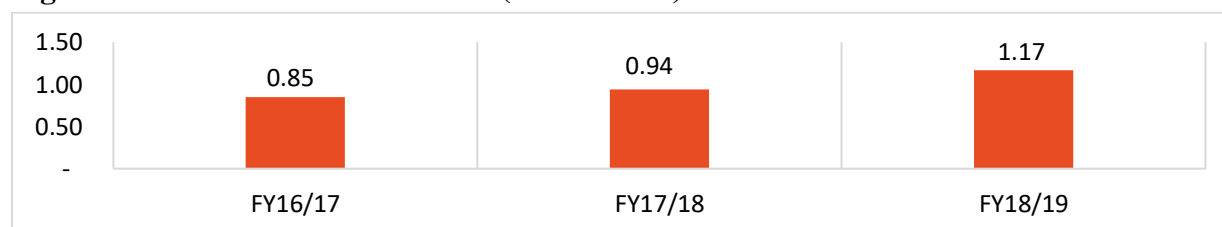
Liberia access to domestic financing remains a major challenge as the lack of formal domestic debt market limits the options to secure sufficient funds. Domestic borrowing activities are done mostly through the Central Bank of Liberia (CBL) financing and commercial banks' lending facilities. Nonetheless, efforts are being made by the GoL and the West African Monetary Institute (WAMI) to create a formal domestic debt market in Liberia.

## 2. STOCK OF PUBLIC AND PUBLICLY GUARANTEED (PPG) DEBT

### 2.1. TRENDS OF TOTAL PPG DEBT

**Figure 2** shows the trends of annual PPG debt for two prior years; from FY 2016/17 to FY2018/19. The stock of debt for FY2018/19 summed to US\$1.17 billion, from US\$0.94 billion in the previous fiscal year, recording a growth of about 24.2 percent (US\$177.4 million) during the period under review. The growth in the current fiscal year was twice the growth in the past fiscal period, i.e., FY2017/18 which experienced about 11 percent (US\$93.6 million) growth from US\$849.0 million in FY2016/17.

**Figure 2: Trend of Total PPG Debt (USD Billion)**

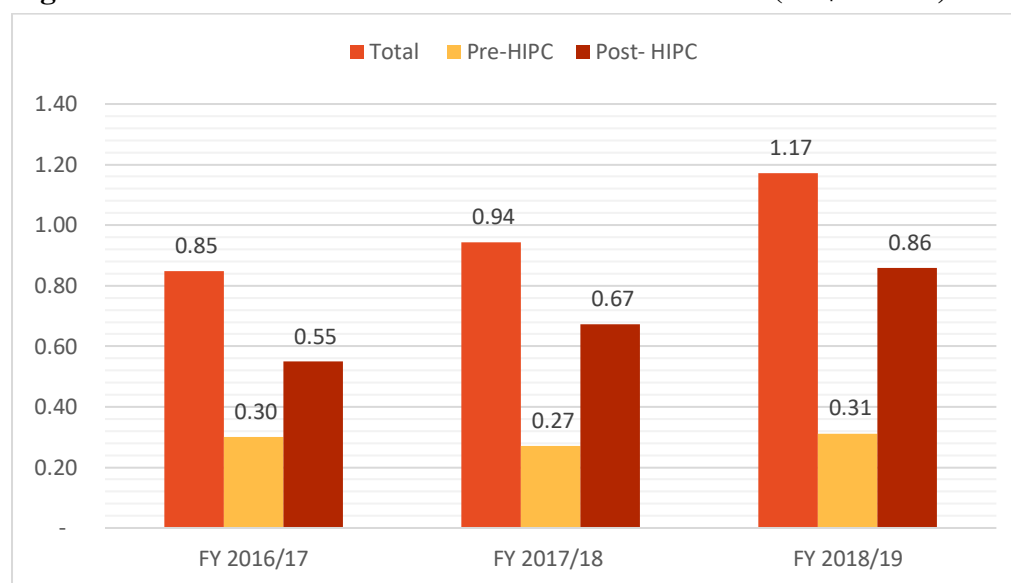


**Source:** Debt Management Unit, Ministry of Finance & Development Planning.

### 2.2. STRUCTURE OF TOTAL PPG DEBT- PRE & POST HIPC

The stock of total PPG debt also consists of Pre-HIPC restructured and Post-HIPC debt. Pre-HIPC restructured debt refers to the portion of renegotiated/restructured public debt before the debt relief program in 2010. Post-HIPC debt refers to debt arising from disbursements of new loans after the debt relief process. **Figure 3** shows that out of the US\$1.17 billion at the end of the fiscal period, Pre-HIPC restructured debt accounted for US\$0.31 billion and post-HIPC debt of US\$0.86 billion.

**Figure 3: Public Debt Stock – Pre HIPC & Post –HIPC (US\$ Billion)**



Source: Debt Management Unit, Ministry of Finance & Development Planning

### 2.3. TOTAL PPG DEBT BY CREDITORS

**Table 2** shows that GoL total PPG debt is made up of external debt and domestic debt. As at end of the fiscal period, i.e., June 2019, external debt accounted for US\$850.85 million, while domestic debt accounted for US\$319.62 million. The domestic debt comprised of Central Bank Liberia (CBL) loans, Commercial Banks loans, processed court debt and verified vendor's claims. Sources of external debt include multilateral and bilateral creditors. During the period, external debt stock increased by 25.79 percent while the domestic debt stock increased by 20.06 percent.

**Table 2: Break-up of Total PPG Debt by Creditors (US\$ Million)**

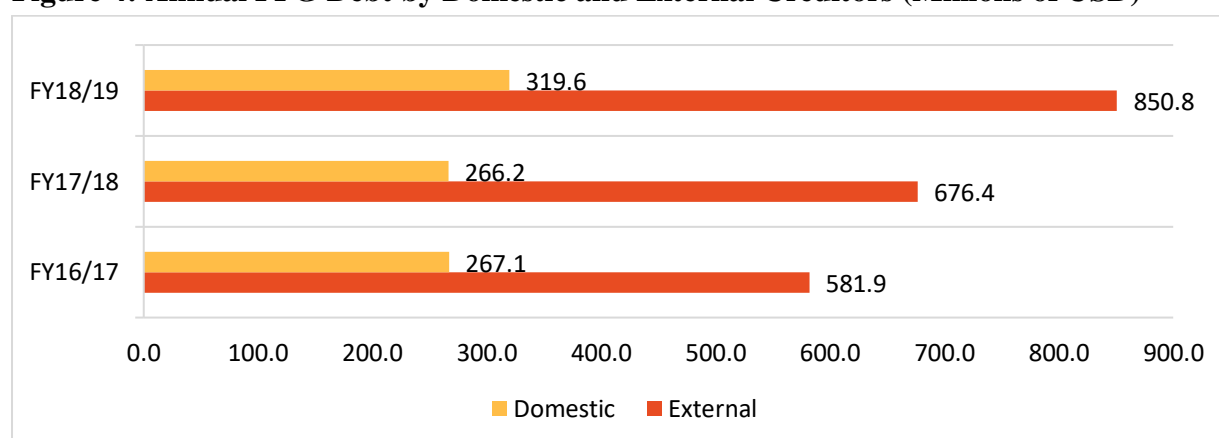
	FY16/17	FY17/18	FY18/19	% Change
<b>Total</b>	848.99	942.60	1,170.46	24.17
<b>External</b>	581.91	676.39	850.85	25.79
<b>Multilateral</b>	528.33	622.73	724.83	16.40
<b>Bilateral</b>	53.58	53.66	126.02	134.85
<b>Domestic</b>	267.08	266.21	319.62	20.06
<b>CBL</b>	257.08	255.46	254.07	(0.55)
<b>Commercial Banks</b>	10.00	10.00	65.22	552.22
<b>Others (Courts)</b>	-	0.75	0.33	(55.88)

Source: Debt Management Unit, Ministry of Finance & Development Planning.

## 2.4. TOTAL PPG DEBT BY CREDITORS

**Figure 4** shows that the Government of Liberia (GoL) public debt stock is comprised of domestic and external debt. At the end of FY2018/19, domestic debt accounted for US\$319.62 million; while external debt amounted to US\$850.85 million, representing 27 percent and 73 percent, respectively. Domestic debt experienced an increase of about 20.1 percent while external debt also increased by 25.8 percent during FY2018/19. The high growth in domestic debt was principally associated with the longstanding commercial banks' claims of US\$65.22 million that was included in the domestic debt stock. The claims resulted from commercial banks' pre-financing of government's direct infrastructure (HFO) loan, Rubber Planters Association (RPAL) 2014 loan guaranteed by the Government, Direct payments made on behalf of Government of Liberia, and loans given to companies (contractors) for pre-financing of various Government's infrastructure projects. The obligations were verified, reconciled and confirmed by staffs of the Central Bank of Liberia (CBL), the Debt Management Unit and the Commercial Banks.

**Figure 4: Annual PPG Debt by Domestic and External Creditors (Millions of USD)**



**Source:** Debt Management Unit, Ministry of Finance & Development Planning

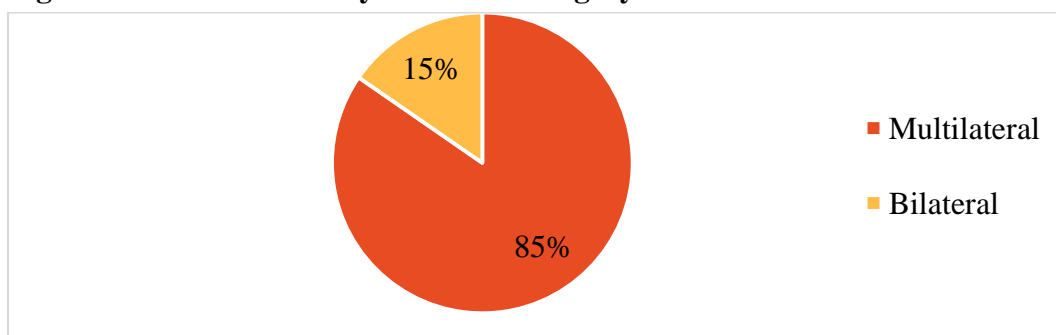
## 2.5. TOTAL STOCK OF DEBT BY EXTERNAL CREDITOR

### 2.5.1. PERCENTAGE SHARE OF EXTERNAL BY CREDITORS CATEGORY

**Figure 5** shows that multilateral creditors hold a very significant share of the total external debt (US\$ 850.85 million) for FY2018/19, with 85 percent while Bilateral Creditors accounted

for 15 percent. The multilateral creditors included the World Bank Group, African Development Bank, China Exim Bank, BADEA, EBID, EIB, IFAD, and OFID. Bilateral creditors included Government of China, Government of Saudi, Government of Taiwan, and Government of Kuwait.

**Figure 5: External Debt by Creditor Category**

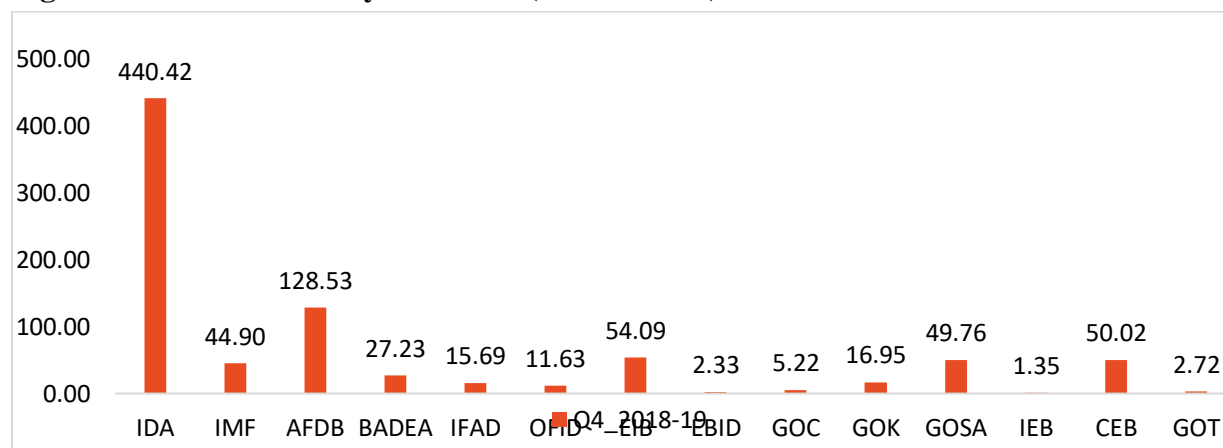


**Source:** Debt Management Unit, Ministry of Finance & Development Planning

## 2.5.2. EXTERNAL DEBT BY CREDITORS

**Figure 6** shows that at end of *FY2018/19*, the World Bank Group maintained the highest share of the country's external creditors with the amount of US\$440.42 million or 51.76 percent, followed by The AfDB Group with US\$128.53 million (15.11 percent); the EU/EIB at US\$54.09 million (6.36 percent); IMF at US \$44.90 million (5.28 percent) representing ECF/RCF support; Saudi Arabia at US\$49.76 million (5.85 percent); China Exim Bank at US\$50.02 million (5.88 percent); Kuwait Fund at US\$16.95 million (1.99 percent); BADEA at US\$27.23 million (3.20 percent); IFAD at US\$15.69 million (1.84 percent); China at US\$5.2 million (0.61 percent); India Exim Bank at US\$1.35 million (0.16 percent); and Taiwan Restructured at US\$2.72 million (0.32 percent), respectively.

**Figure 6: External Debt by Creditors (USD Million)**

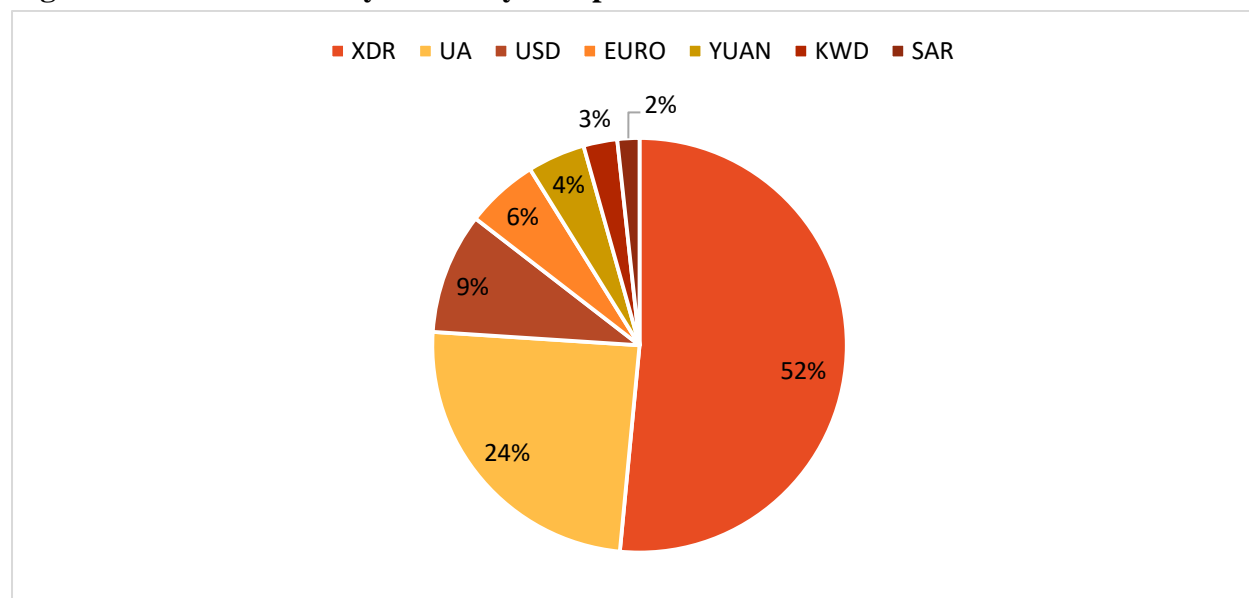


Source: Debt Management Unit, Ministry of Finance & Development Planning.

### 2.5.3. EXTERNAL DEBT BY CURRENCY COMPOSITION

**Figure 7** shows that at the end of the reporting period, the XDR (Special Drawing Rights) accounted for about 52 percent which constitutes the highest composition of the external debt stock, followed by the UA (24 percent); USD (9 percent); EUR (6 percent); Yuan (4 percent); KWD (3 percent); and the SAR (2 percent) among others.

**Figure 7: External Debt by Currency Composition**



Source: Debt Management Unit, Ministry of Finance & Development Planning.

#### 2.5.4. EXTERNAL DEBT FLOWS AND STOCK

**Table 3** shows that at the end of FY2018/2019, the stock of external debt increased by US\$174.45 million (25.79 percent) to US\$850.85 million from US\$676.40 million in FY2017/18. The significant change was mainly due to high external disbursements of US\$177.40 million which was the highest disbursement compared to the previous two fiscal years. The high disbursement during the reporting period was primarily from the World Bank/IDA, AfDB, China Exim Bank and Saudi Arabia. The period recorded principal repayment of US\$2.42 million made to BADEA (US\$0.33 million); OFID (US\$1.07 million); EIB (US\$0.59 million); EBID (US\$0.13 million) and Government of Taiwan (US\$0.30 million), respectively.

**Table 3: Changes in External Debt Stock (million USD)**

	FY16/17	FY17/18	FY18/19
Disbursed Outstanding Debt (period start)	462.74	585.64	676.40
Disbursements (borrowing)	125.64	91.42	177.40
Principal Repayments	(5.52)	(1.15)	(2.42)
Net Flows on Debt Stock	582.86	675.91	851.37
Interest Payments	(4.31)	6.26	8.59
Exchange rate/ other adjustments	(0.94)	0.49	(0.53)
	(5.25)	6.75	8.06
Disbursed Outstanding Debt (Period end)	581.92	676.40	850.85

**Source:** Debt Management Unit, Ministry of Finance & Development Planning

#### 2.6. TOTAL STOCK OF DEBT BY DOMESTIC CREDITORS

##### 2.6.1. DOMESTIC DEBT BY FINANCIAL INSTITUTIONS

**Table 4** shows that financial institution's holdings of domestic debt increased by 20.27 percent from US\$265.46 million in FY2017/18 to US\$319.29 million in FY2018/19. The government's obligation to CBL declined from US\$255.46 million in FY2017/18 to US\$254.06 million. The decline in government's debt to CBL is primarily on account of depreciation of the Liberian Dollars (LRD) against the United States Dollars (USD) since the instruments are denominated in both LRD and USD but recorded in USD. T-bills and T-bonds are not recorded in the debt stock given that proceeds from issuances are kept in an escrow account and managed by the Central Bank of Liberia. However, interest payments and redemptions of T-bills and T-bonds are recorded by the Debt Management Unit.

This report also captured outstanding GoL's obligations to seven (7) commercial banks. The loans given by the Commercial Banks to the government as direct infrastructure (HFO) loan, Rubber Planters Association (RPAL) 2014 loan guaranteed by the Government, Direct payments made on behalf of GoL, and loans given to companies (contractors) for pre-financing of various Government's infrastructural projects. The obligations were verified, reconciled and confirmed by staff of the Central Bank of Liberia (CBL), the Debt Management Unit of the Ministry of Finance and Development Planning (MFDP) and the Commercial Banks. The commercial banks include LBDI, ECOBANK, GT Bank, IB, UBA, AFRILAND and GN Bank).

**Table 4: Domestic Debts by Financial Institutions**

Category	FY 2016/17	FY 2017/18	FY 2018/19
O/w CBL	257.08	255.46	254.06
Commercial Banks	10.0	10.0	65.23
Afriland	0.5	0.5	2.75
Ecobank	3.5	3.5	11.57
GN Bank	0.0	0.0	1.38
GT Bank	1.0	1.0	3.03
International Bank	1.0	1.0	10.05
LBDI	2.0	2.0	32.06
UBA	2.0	2.0	4.39
<b>Total</b>	<b>267.08</b>	<b>265.46</b>	<b>319.29</b>

*Source:* Debt Management Unit, Ministry of Finance & Development Planning.

## 2.6.2. DOMESTIC DEBT BY INSTRUMENT

**Table 5** shows that as at end-June 2019, the United States Dollar (USD) component of the CBL Long-Term Loan (LTL) constituted the largest share of the domestic debt, accounting for 76%. Both CBL Long-Term Loan - Liberia Dollar (LRD) component and the CBL Capital Notes account for 2 percent each. Debt owed on the infrastructure loan was restructured into seven promissory notes issued to commercial banks as described in the previous section. Reductions on CBL-LTLII (LRD) were due to (LRD-USD) exchange rate adjustments.



**Table 5: Domestic Debt by Instrument**

Instrument	FY16/17	FY17/18	FY18/19	% Change
<b>CBL Capital Notes</b>	6.99	6.99	6.99	0.0
<b>CBL-LTLI</b>	241.79	241.79	241.79	0.0
<b>CBL-LTLII (LRD)</b>	5.86	5.71	5.28	-7.5
<b>Promissory notes</b>	10	10	65.22	552.2
<b>Other Debt</b>	0.37	0.37	0.33	-10.8
<b>Total Debt owed to Financial Institutions</b>	265.01	264.86	319.61	20.7

Source: Debt Management Unit, Ministry of Finance & Development Planning

### **3. DEBT SERVICE AND SUBSCRIPTIONS**

#### **3.1. DEBT SERVICE BUDGETARY REQUEST**

During the formulation of the FY2018/2019 draft National Budget, the Debt Management Unit submitted a debt service projection in the amount of US\$146.96 million to the Department of Budget and Development Planning to service its obligations to its partners. The domestic debt service portion accounted for US\$123.07 million, while external debt accounted for US\$23.95 million. With respect to the projection of US\$123.07 million for domestic debt, US\$60.25 million was allocated for CBL long-term principle payments, US\$3.37 million for NASSCORP obligations, and US\$45.96 million for settlement for Road Contractors' obligations to commercial banks.

#### **3.2. ALLOCATED DEBT SERVICE BUDGET**

Due to the limited fiscal space, the Government of Liberia only allocated US\$30.0 million - an 80 percent reduction in the original projection of US\$146.96 million to service its debt and debt related obligations. Of the US\$30.0 million allocation for debt service payments, domestic debt accounted for US\$6.79 million (22.63 percent), while external debt accounted for US\$23.21 million (77.37 percent) of the total debt service forecast.

#### **3.3. ACTUAL DEBT SERVICE**

**Table 6** shows that at end of FY2018/19, total actual debt service and subscription amounted to US\$14.34 million, of which total principal payments amounted to US\$3.65 million, total interest payments, US\$10.06 million and subscription amounted to US\$0.63 million. Out of total principal repayments, payments to external creditors was US\$2.42 million and payments to domestic creditors was US\$1.23 million. As for total debt service on interest, payments to

external creditors amounted to US\$8.59 million while interest payments to domestic creditors amounted to US\$1.47 million.

**Table 6: Total Debt Service & Subscription for the Period (US\$ Million)**

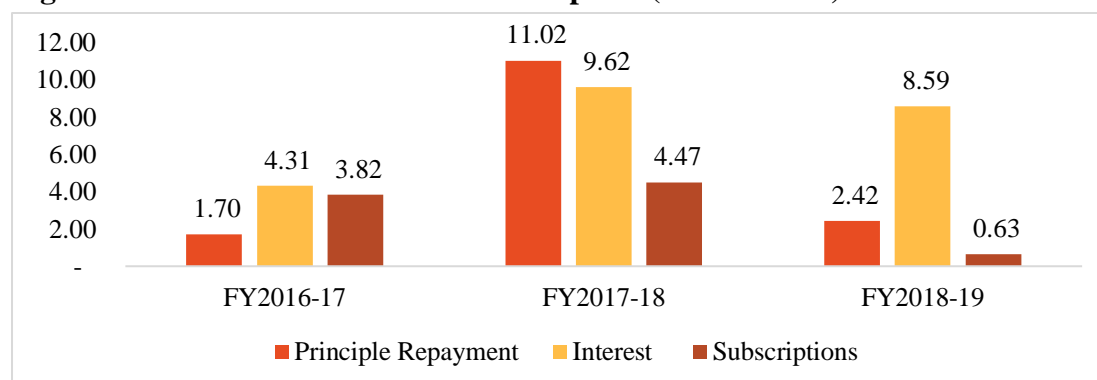
	External	Domestic	Total
Principal	2.42	1.23	3.65
Interest	8.59	1.47	10.06
Subscription	0.63	-	0.63
<b>TOTAL</b>	<b>11.64</b>	<b>2.70</b>	<b>14.34</b>

**Source:** Debt Management Unit, Ministry of Finance & Development Planning

### 3.4. TRENDS IN DEBT SERVICE AND SUBSCRIPTION

**Figure 8** shows that at end of the fiscal year, total principal repayments summed to US\$2.42 million, interest payments were US\$8.59 million and subscriptions to international organizations were US\$0.63 million. The principal repayments were mostly made to domestic creditors.

**Figure 8: Total Debt Service and Subscription (USD Million)**



**Source:** Debt Management Unit, Ministry of Finance & Development Planning

## 4. STATE OWNED ENTERPRISES (SOEs) REPORTING

During the period under review, no new SOE debt data was available to be included in the final output. In an effort to strengthen oversight, it is intended that SOE contingent debt shall be added to the DMU data systems for monitoring debt. It should be noted that under the MFDP Strategic Plan, SOE borrowing falls under the remit of the Debt Management Committee and

Debt Sustainability Analysis (DSA) is also required prior to the approval of new loan obligations.

## **5. DEBT SUSTAINABILITY INDICATORS**

Liberia has an estimated Nominal Gross Domestic Product (GDP) of US\$3.22 billion<sup>2</sup> and total public debt stock of US\$1.17 billion, which placed the Debt to GDP ratio at 36.34 percent.

Government has placed emphasis on external borrowing based on concessional terms; low interest rates and long maturity period. Such steps will not only reduce the risk profile but will also improve the safety margin for the preservation of debt which is set at 60 percent of the previous year GDP as enshrined in the PFM Act 2009, as well as macroeconomic stability over the medium term horizon.

However, Liberia's debt sustainability dynamics has substantially weakened in the last two fiscal years as a result of unfavorable external environment, particularly spurred by further slump in commodity prices as a result of deteriorating global conditions which could further weaken Liberia's fragile fiscal space; a lower foreign exchange inflow; significant revenue shortfall as a result of slower than projected economic recovery due lingering effect of external shocks and macroeconomic imbalances.

Liberia is particularly constrained by falling exports, which reduces the space available based on the debt-to-exports indicator threshold. Although debt service has the first priority on the country's resources, the annual budget continued to face some shocks, thus affecting debt to annual revenue indicators. The debt stock is also expected to rise as funds continue to be disbursed on existing loans. Liberia's debt distress level is currently moderate as characterized by the IMF. It is however at risk of being pushed into a high debt distress level.

## **6. KEY RISKS AND CONSTRAINTS GOING INTO THE NEXT FISCAL PERIOD**

---

<sup>2</sup>IMF Framework Summary 6 June 2017. Selected Economic and Financial Indicators

Key risks going into the next fiscal year include a tight fiscal envelop and associated cash flow constraints potentially limiting the ability to sign or service additional loans, commitment charges and interest from new loans in the short term. Though Liberia is in the midst of negotiating a new IMF program, it is important to adhere to prudent borrowing and managing interest rate, foreign exchange risk and economic shocks. Given the high level of undisbursed funds on existing loans – it is important to maximize disbursements on existing loans going forward in order to maximize realized project benefits. This is particularly important where existing implementing agencies may have a low absorptive capacity for the delivery of new projects.

# APPENDIX A: LIST OF POST-HIPC RATIFIED LOAN (MILLION USD)

CSDR MS Loan ID	CSDRMS Project Name	Creditor/Account	Implementing Agency	Credit Amount	Disbursed to date	Date Ratified	Grant element	Interest Rate	Grace Period (Years)	Maturity (Years)
201048420	IDA-LESEP 1	IDA	LEC	\$ 10	\$ 9.8	5/30/11	60%	1%	10	40
201148550	IDA-WARCIP 1	IDA	LTA	\$ 26	\$ 25.3	5/30/11	60%	1%	10	40
201149080	IDA-EMUS Project-2	IDA	MCC	\$ 4	\$ 3.9	9/2/11	60%	1%	10	40
201149070	IDA-EGIRP-AF/MOF/02	IDA	MFDP	\$ 7	\$ 6.7	10/26/11	60%	1%	10	40
201148830	IDA-WAAPP-1C	IDA	MOA	\$ 6	\$ 5.9	9/2/11	60%	1%	10	40
201149500	IDA-LIBRAMP (Red Light-Ganta Highway)	IDA	MPW	\$ 68	\$ 55.9	4/5/12	60%	1%	10	40
20125550	Liberia Electricity Enhancement Prpjct	IDA	LEC/LME	\$ 22	\$ 20.6	8/13/12	60%	1%	10	40
201250260	IDA-LIPFM	IDA	MFDP	\$ 5	\$ 4.8	8/13/12	60%	1%	10	40
201251010	Small Tree Crop Revitalization Project	IDA	MOA	\$ 15	\$ 13.6	4/30/13	60%	1%	10	40
201251100	West Afrian Power Pool	IDA	LEC/LME	\$ 145	\$ 77.9	4/5/13	60%	1%	10	40
201251670	Liberia Road Asset Management Project (LIBRAMP-II)	IDA	MPW	\$ 50	\$ 29.0	11/11/14	60%	1%	10	40
201352440	Liberia Health Systems Strenthning	IDA		\$ 10	\$ 8.1	4/10/14	60%	1%	10	40
201352770	Liberia Poverty Reduction Strategy Credit I	IDA	MFDP	\$ 10	\$ 10.0	4/10/14	60%	1%	10	40
201352520	Liberia Accelerated Electricity Expansion Project	IDA	LEC/LME	\$ 35	\$ 29.0	8/29/13	60%	1%	10	40
201453510	LR Urban & Rural Infrastructure Rehabilitation Project	IDA	MPW	\$ 20	\$ 17.9	11/11/14	60%	1%	10	40
201453590	LR-Public Sector Modernization Project	IDA	CSA	\$ 2	\$ 0.5	11/11/14	60%	1%	10	40
201455500	LR Poverty Reduction Support Credit I	IDA	MFDP	\$ 20	\$ 18.9	5/1/15	60%	1%	6	38
201657590	Liberia Renewable Access Energy Project	IDA	LME	\$ 2	\$ -	9/5/17	60%	1%	6	38
201656210	Liberia Road Asset Management	IDA	MYS	\$ 10	\$ 5.2	9/7/16	60%	1%	6	38

	Project (LIBRAMP-II)										
201657 740	Liberia Health Systems Strenthning	IDA	MPW	\$ 10	\$ 3.5	12/27/16	60%	1%	6	38	
201556 800	Additional Financing for the Acelerated Electricity Expansion Project	IDA	LEC/L ME	\$ 60	\$ 28.6	9/7/16	60%	1%	6	38	
201657 910	Liberia Poverty Reduction Strategy Credit I	IDA	MDG	\$ 10	\$ 1.2	8/29/17	60%	1%	6	38	
201761 500	LR-Public Sector Modernization Project	IDA	LEC	\$ 23	\$ -	-	33%	1%	10	40	
201222 4313	LR Poverty Reduction Support Credit I	EIB	LEC	\$ 65.9	\$ 61.6	8/30/13	37%	1%	4	24	
201222 4744	Smallholder Agricultural Productivity Enhancement & Commercialization Project (SAPEC)	AFD B	MOA	\$ 6	\$ 2.6	6/27/12	60%	1%	10	40	
201369 3004	ADF-Fish Town-Road Phase-I	AFD B	MPW	\$ 34	\$ 19.0	9/7/13	60%	1%	10	50	
201318 9004	NTF -Fish Town-Road Phase-I	AFD B	MPW	\$ 10	\$ 3.7	9/7/13	42%	1%	7	27	
201330 094	CLSG Power Project	AFD B	LEC	\$ 12	\$ 2.1	8/26/14	59%	1%	10	50	
201330 095	CLSG Rural Electrification Project	AFD B	LEC/L ME	\$ 26	\$ 0.3	8/26/14	59%	1%	10	50	
201431 846	AFDB Ebola Support Loan-2	AFD B	MOH	\$ 52	\$ 49.2	11/11/14	58%	1%	10	40	
201484 5	AFDB Ebola Support Loan-1	AFD B	MOH	\$ 8	\$ 7.3	11/11/14	58%	1%	10	40	
201222 4857	KFD GREENVILLE PORT REHABILITATIO N	GOK	NPA	\$ 14	\$ 5.9	4/10/14	33%	2%	4	26	
201285 2	IFAD-SMALLHOLDER TREE CROP REVITALIZATIO N	IFAD	MOA	\$ 17	\$ 15.3	6/27/12	56%	1%	10	50	
201418 5	Agricultural Sector Rehabilitation Project	IFAD	MOA	\$ 3	\$ 1.9	7/11/14	58%	1%	10	40	
201400 9	BADEA RIA Rehab Project	BAD EA	RIA	\$ 10	\$ 7.0	8/12/15	51%	1%	10	30	
201563 5	RIA Rehabilitation Project	GOS A	RIA	\$ 20	\$ 12.6	8/12/15	49%	1%	10	30	

201554 4	Mano River Union Road Development Transport Facilitation Program	AFD B	MPW	\$ 38	\$ 9.3	5/1/15	52%	1%	10	30
201535 1	Mano River Union Road Transport Program	AFD B	MPW	\$ 36	\$ 0.4	5/1/15	52%	1%	10	30
201693 9	Gbarnga-Salayea Road Project	GOK	MPW	\$ 17	\$ 2.0	12/14/17	35%	1%	5	20
201617 02	Upgrading of Gbarnga-Salayea Road Project	OFID	MPW	\$ 20	\$ 0.8	8/19/16	35%	1%	5	20
201608 27	Development of Gbarnga-Salayea Road Project	BAD EA	MPW	\$ 12	\$ 0.6	8/19/16	54%	1%	10	20
201663 2	Tree Crops Expansion Project	IFAD	MOA	\$ 13	\$ 0.2	5/12/17	56%	1%	10	40 year
201639 7	MRU/RDTFP	AFD B	MPW	\$ 35	\$ 15.3	10/5/16	51%	1%	10	40
201659 4	RIA Upgrade and Expansion Project	CEB	LAA	\$ 52	\$ 49.3	10/3/16	27%	2%	7	20
201768 5	Saudi Gbarnga Salayea Road Project	GOS A	MPW	\$ 20	\$ 0.8	7/13/17	49%	1%	10	30
201759 690	IDA-REDISSE	IDA	MOH	\$ 15	\$ 1.2	9/5/17	60%	1%	6	38
201761 160	Third Poverty Reduction Support-IDA	IDA	MFDP	\$ 6	\$ 5.7	6/27/17	58%	1%	6	38
201765 43	Liberia Energy Efficiency Access Project (LEEAP)	AFD B	LME	\$ 13	\$ -	11/6/17	51%	1%	10	40
201710 51	Liberia Energy Efficiency Access Project 1	AFD B	LME	\$ 6	\$ -	11/6/17	58%	1%	10	40 years
201719 89	Liberia Energy Efficiency Access Project	AFD B	LME	\$ 10	\$ -	FY 12/13	42%	1%	7	27
		IDA	MOA	\$ 25	\$ -	10/6/19	41%	1%	6	38