

# GOVERNMENT OF LIBERIA

**MINISTRY OF FINANCE AND DEVELOPMENT PLANNING**

**Debt Management Unit (DMU)**

**January 01– March 31, 2019**



**MINISTRY OF FINANCE & DEVELOPMENT PLANNING (MFDP)**

**March 2019**

## **FOREWORD**

The quarterly debt report covers public and publicly guaranteed for both domestic and external stock and flow for the Third Quarter (January – March) of FY 2018/2019. Improvements to this report include quarterly debt stock and service trends as well as analysis on the initial projection by the Debt Management Unit (DMU) on debt service against the amount appropriated by the Department of Budget at the Ministry of Finance and Development Planning.

## **EXECUTIVE SUMMARY**

Liberia's Gross Domestic Product (GDP) for 2018 has been revised downward to 1.2 percent from 2.5 percent. The significant slowdown in the growth rate of the economy was due to declines in all sectors of the economy except the mining sector. The mining sector grew by 24.2 percent spurred up by expansion of new mining sites and increased investment in the gold sector. However, the non-mining sector which accounts for almost 90 percent of GDP contracted by 1.3 percent. The production of key agriculture products in the Liberian economy was zero, while the service sector remained flat due to weakened demand as a result of UNMIL withdrawal. The Liberian dollars came under extreme pressure which caused the exchange rate to depreciate by 26 percent and triggered the inflation rate to accelerate to double digit figure to about 28 percent over the period of 2018.

Growth forecast of 2019 has also been revised to 0.4 percent from 4.7 percent, a 4.3 percentage point decline in the initial 2019 GDP growth forecast. The poor performance of the economy deteriorated GoL fiscal position amidst growing expenditure demands to improve services delivery for the poor. The limited financing alternatives mainly underpinned by lower limits on borrowing and tight fiscal conditions, unpredictable and low external aid.

The government is now faced with the daunting task of pursuing a demanding development agenda in the face of high expectations; The Pro-Poor Agenda for Prosperity and Development (PAPD). The External resource mobilization through grants and loans are now integral part of undertaking the daunting developmental initiatives.

As at end of third quarter of FY 2018/2019, the Government of Liberia's (GoL) public and publicly guaranteed debt stock stood at US\$1.06 billion. The stock of debt is composed of Pre-HIPC restructured debt in the amount of for US\$312.34 million and Post-HIPC debt of

US\$751.62 million and includes the disbursed portion of total new borrowing and restructured (Pre-HIPC) debt.

Total debt stock also consists of external debt and domestic debt. At the end of the period, external debt accounted for US\$799.09 million while domestic debt accounted for US\$264.86 million. Domestic debt is comprised of CBL long term loans, Commercial Banks loans, court debt and other vendors' claims; while the external debt component is made up of multilateral and bilateral creditors. At the end of the third quarter, GoL total borrowing (ratified loans) shows a total of US\$1.14 billion with the portion of the undisbursed post-HIPC loans accounting for US\$337.1 million and total disbursed loans which also contain restructured Pre-HIPC amounted to US\$799.09 million.

During the quarter under review, the stock of external debt increased to US\$799.09 million from US\$776.42 million at the end of quarter two, accounting for 2.84 percent increment. The increase in disbursement of the external debt is attributable to new disbursements of US\$22.97 million from the World Bank, AFDB, China Exim Bank, and Saudi Arabia to accelerate ongoing programs and projects approved by the National Legislature. Disbursement from external creditors during the third quarter decreased by 43.24 percent to US\$22.97 million from US\$66.21 million as compared to the second quarter.

Public debt service during the period under review amounted to US\$2.55 million, of which total external principal repayments accounted for US\$0.86 million; while interest external payments amounted to US\$1.69 million. However, there was no interest and principal repayment under domestic debt category.

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## 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 Debt 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

## 1. Introduction

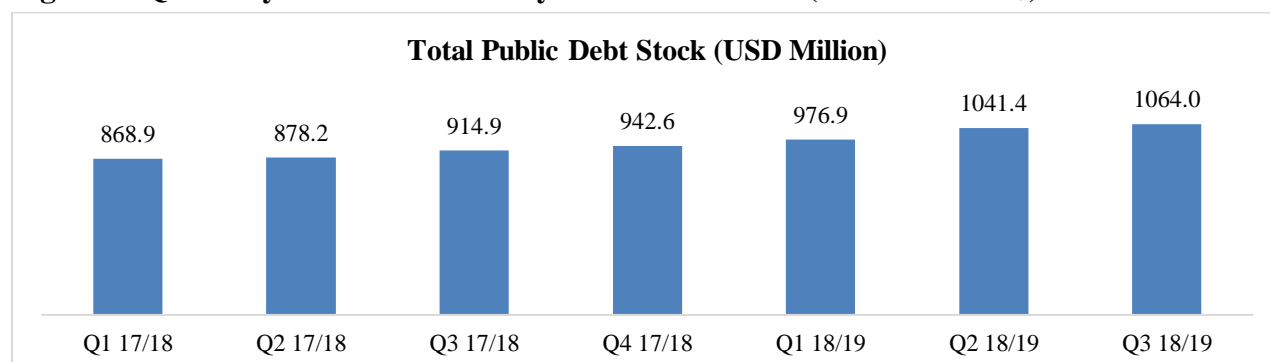
The report covers the period of January 1, 2019 through March 31, 2019 and represents the outstanding total public and publicly guaranteed debt as at the end of the third quarter i.e. 31 March 2019. The report builds on information contained in the second quarter FY2018/2019 Public Debt Management Report as well as previous reports and publications of the Debt Management Unit of the Ministry of Finance and Development Planning. The report also highlights the composition of total public debt including Pre-HIPC outstanding restructured obligations and Post-HIPC new loans for both domestic and external debt.

Liberia's Gross Domestic Product (GDP) for 2018 declined to 1.2 percent from 2.5 percent in 2017, while the growth forecast for 2019 has also been revised to 0.4 percent from 4.7 percent in 2018, a 4.3 percentage point decline in the initial 2019 GDP growth forecast. The economy continues to experience a decline position as a result of the Ebola virus outbreak and subsequent commodity prices decline. Liberia's debt distress level is considered moderate given the debt to GDP position at 31.85 percent. The Nominal Gross Domestic Product (GDP) for 2018 is approximately US\$3.30 billion with a total debt stock of US\$1.06 billion.

## 2. Composition of Public Debt Stock

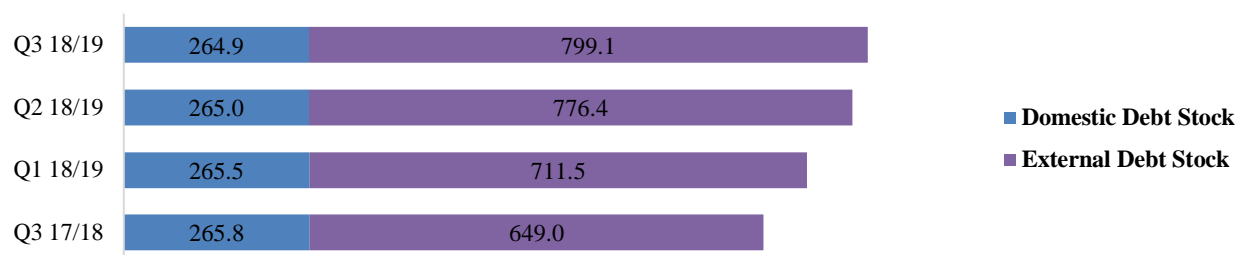
The Government's public debt stock as at end-March 2019, third quarter, FY2018/19 is US\$1.06 billion. Between the third quarters FY2017/18 and FY2018/19 the total public debt grew by US \$149.15 million or a net increase of 14.02 percent. It is expected that the total public debt stock will continue to grow as funds from existing ratified loans continue to be disbursed on mobilized projects and programs.

**Figure 1. Quarterly Public and Publicly Guaranteed Debt (Millions of US\$)**



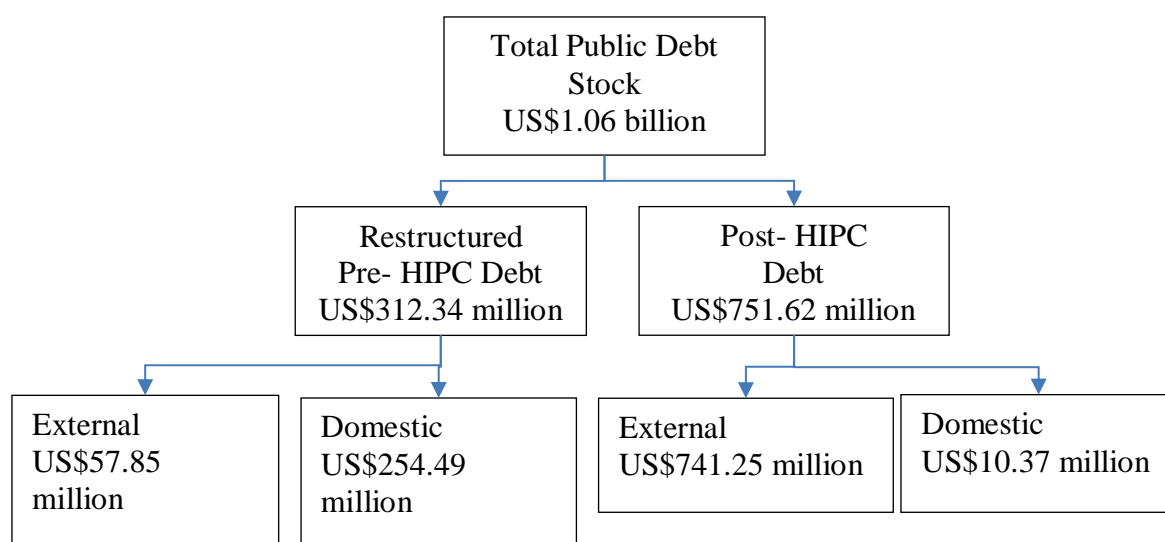
The public debt stock including publicly guaranteed debt for quarter three of FY 2018/2019 is comprised of domestic debt (US\$264.86 million or 25 percent) and external debt (US\$799.09 million or 75 percent), respectively.

**Figure 2 Total Public Debt by Domestic and External Creditors (Millions of US \$)**



GoL's total public and publicly guaranteed debt also consists of Pre-HIPC restructured loan at completion of the Heavily Indebted Poor Countries (HIPC) debt initiative 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 disbursement of new loans after the debt relief process. The debt stock includes Pre-HIPC restructured debt of US\$312.34 million and post-HIPC debt of US\$751.62 million. (Figure 3)

**Figure 3: Structure of Public Debt Stock – Pre HIPC & Post -HIPC**

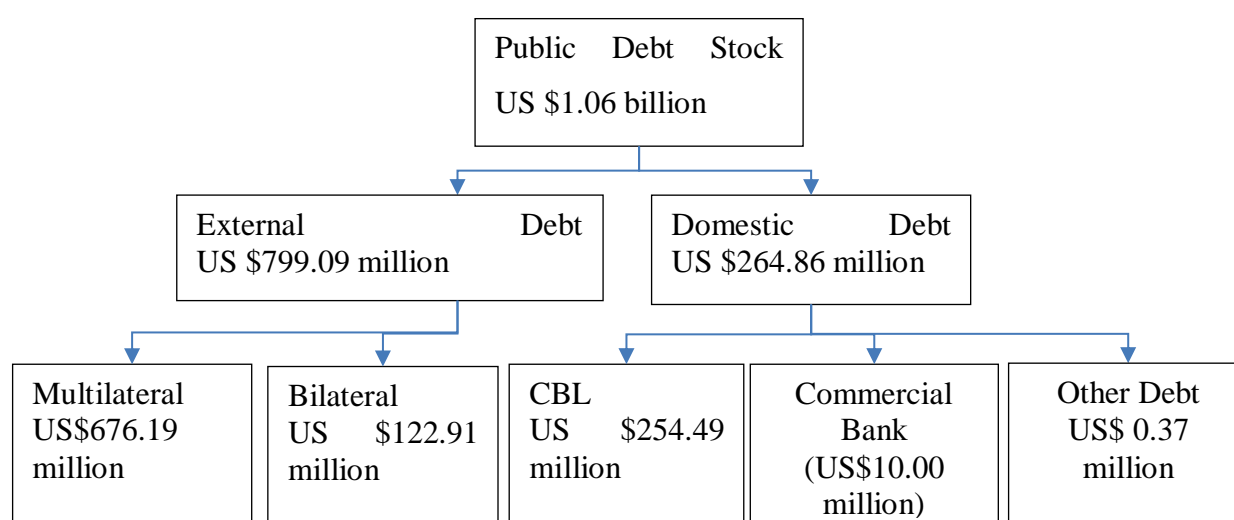




### 3. Structure of Public Debt Stock by Creditors

The total public and publicly guaranteed debt of GoL is also made up of external debt and domestic debt. As at end of the period, i.e., March 2019, public and publicly guaranteed external debt accounted for US\$799.09 million, while domestic debt accounted for US\$264.86 million. The domestic debt comprised of Central Bank Liberia (CBL) loans, Commercial Banks loans, court debt and vendors claim. Sources of external debt include multilateral and bilateral creditors.

**Figure 4 Break-up of Public Debt Stock by Creditors**

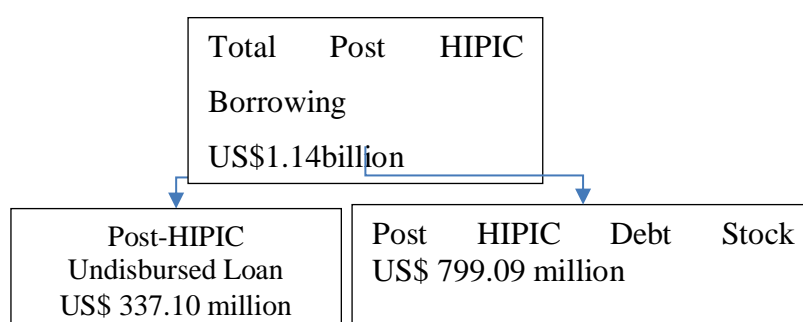


### 4. Government of Liberia Total Borrowing

Total borrowing refers to all GoL signed and ratified loans including total disbursed and undisbursed loans; while the stock of public and publicly guaranteed debt is the disbursed portion of the total borrowing. As at end of the third quarter FY2018/2019, GoL total borrowing showed the amount of US\$1.14 billion (*Figure (5)*). The undisbursed post-HIPC loans portion accounted for US\$337.10 million, while total disbursed loans which also includes restructured Pre-HIPC amounted to US\$799.09 million (Referred to as the total public and publicly guaranteed debt stock).

The domestic component of total debt stock accounted for US\$264.86 million, of which pre-HIPC accounted for US\$254.49 million and Post-HIPC accounted for US\$10.00 million, while court debt and vendors claim accounted for US\$0.37 million. However, the Debt Management Unit continued to update court debt and vendors claim component of the domestic debt.

As at end March 2019, total disbursement fell by 1.88 percent from US\$66.21 million in quarter two to US\$22.97 in quarter three of FY2018/2019. Principal repayments fell by 0.70 percent from US\$1.46 million to US\$0.86 million in the same period. As such, Government and creditors are re-intensifying efforts on project performance and disbursement execution rates to ensure that loans are translated into capital and economic benefits by timely implementing projects.



**Figure 5: Total Post HIPIC Borrowing**

## 5. Total Debt Service

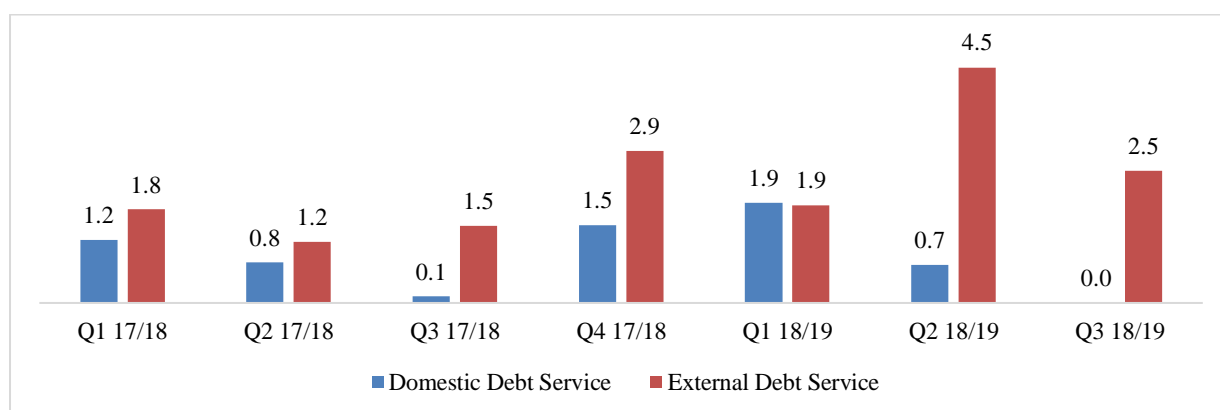
Total public debt service for the third quarter amounted to US\$2.55 million, which was entirely used to service external debt obligations. Public debt service is made up of principal repayment and interest payments. Total principal repayments accounted for US\$0.86 million while interest payments amounted to US\$1.69 million.

Table 1 Total Public Debt Service (Million USD)

Detail	Principal	Interest	Total	Percentage (%)
External	0.86	1.69	2.55	100%
Domestic	0	0	0	0%
<b>Total</b>	<b>0.86</b>	<b>1.69</b>	<b>2.55</b>	<b>100%</b>

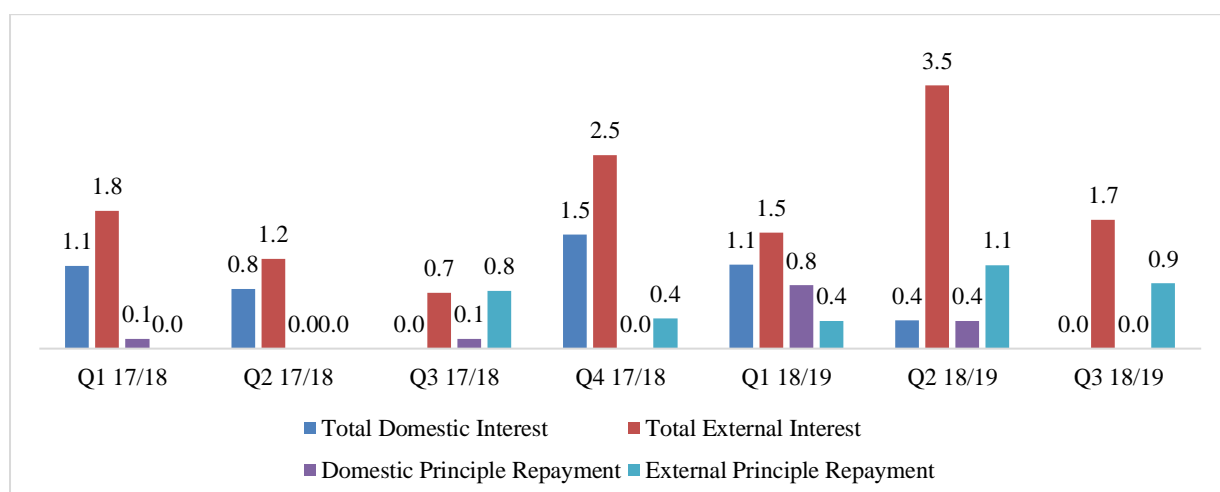
**Source:** Debt Management Unit, Ministry of Finance & Development Planning.

**Figure 6: Quarterly Debt Service Trends by Domestic Creditors and External Creditors (USD Million)**



Debt service between Quarter two and three FY 2018/2019 indicates that interest payments accounted for the majority of debt payments. It is expected that external debt payment will continue to form a larger share of future debt service. Though the Debt Management Unit does not operate with a current Medium Term Debt Management Strategy (MTDS), however, the previous MTDS prefers lower interest rate and US Dollar denominated debt.

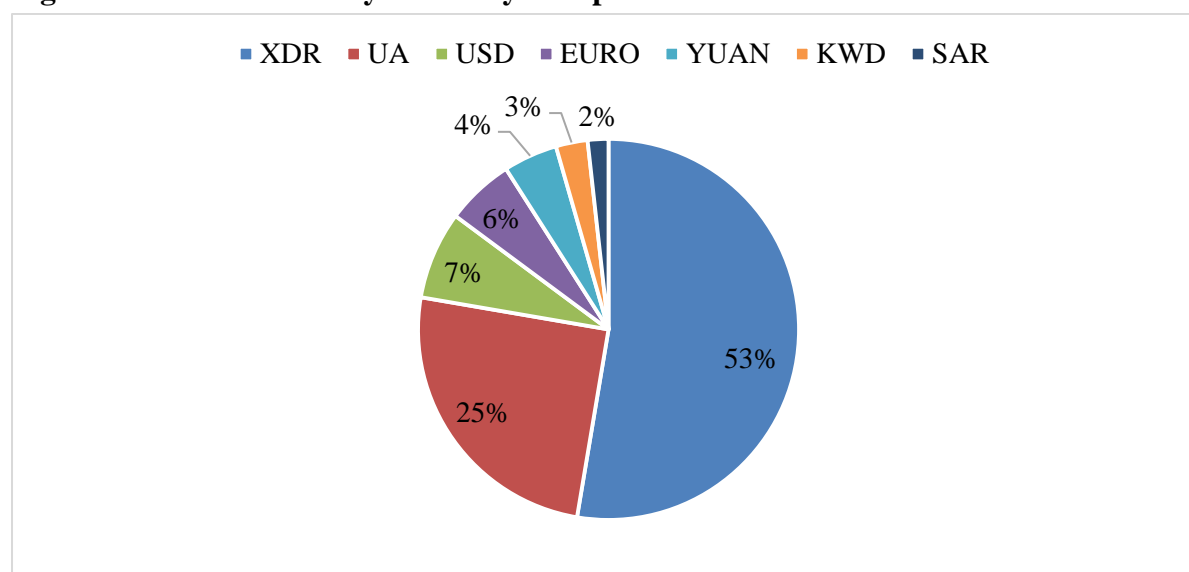
**Figure 7: Quarterly Debt Service by Interest and Principle (USD Million)**



As at end March 2019, interest payments fell by 1.26 percent from US\$3.82 million in quarter two to US\$1.69 in quarter three for FY2018/2019, while principal repayments declined by 0.70 percent from US\$1.46 million to US\$0.86 million in the same period.

The currency composition of the public and publicly guaranteed external debt stock is mainly comprised of the Special Drawing Rights (SDR), Units of Account (UA), US Dollars (USD), Euro, Chinese Yen (CNY), Saudi Riyal (SAR), and other currencies.

**Figure 8: External Debt by Currency Composition**



As at end March 2019, the SDR accounts for about 53 percent of the total public and publicly guaranteed external debt stock. This is followed by the UA (25 percent); USD (7 percent); EUR (6 percent); YUAN (4 percent); KWD (3 percent); and the SAR (2 percent) among others.

## 6. External Financing Sources

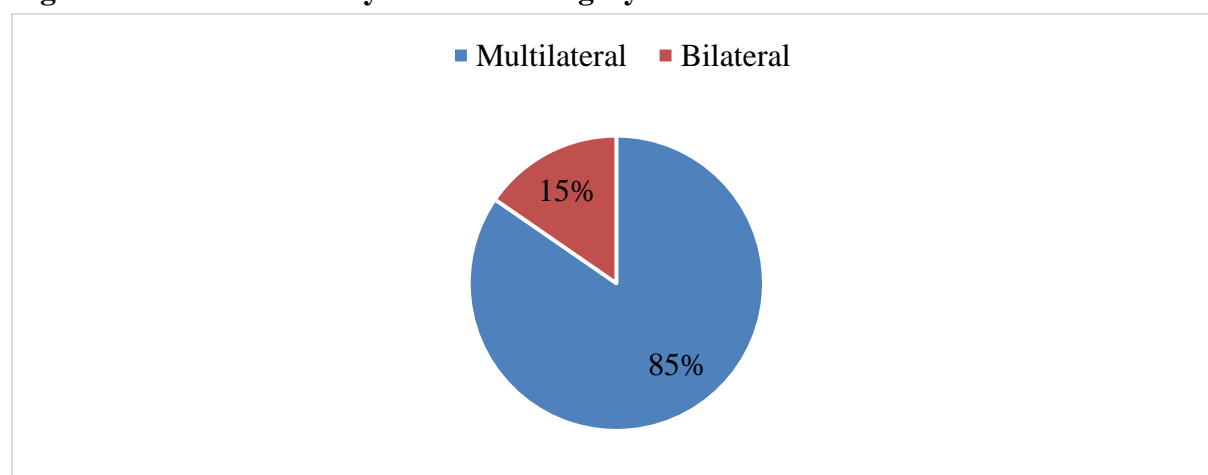
External financing is a vital source of support to GoL, particularly for the construction/rehabilitation of major roads, energy, ports, and other infrastructure projects contained in the Public Sector Investment Plan (PSIP). Multilateral creditors such as the World Bank Group, the African Development 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.

## 7. External Debt Stock by Creditor

As at end-March 2019, the stock of the public and publicly guaranteed external debt category (Figure 9) showed the amount of US\$799.09 million. The share of multilateral creditors amounted for 676.19 million (84.62 percent), while the share of bilateral creditors accounted for US\$122.91 million (15.38 percent), respectively.

Compared to the second quarter, the stock of public and publicly guaranteed external debt rose by 2.84 percent from US\$776.42 million. The multilateral component of the public and publicly guaranteed external debt stock rose by 2.89 percent while the bilateral component rose by 2.52 percent. The increase in the external debt stock was mainly attributed to disbursement of US\$22.97 million from the World Bank 38.77 percent, AfDB 47.45 percent, Saudi Arabia with 13.48 percent for Gbarnga Salayea Road Project and the China Exim bank with 0.30 percent for the rehabilitation and upgrading of the Roberts International airport (RIA) Terminal. Even though the debt stock increased on the average, other creditors recorded declines in the stock due to principal repayments as well as exchange rate loss of the IMF Rapid Credit facility owing to the appreciation of the USD against the SDR.

**Figure 9: External Debt by Creditor Category**

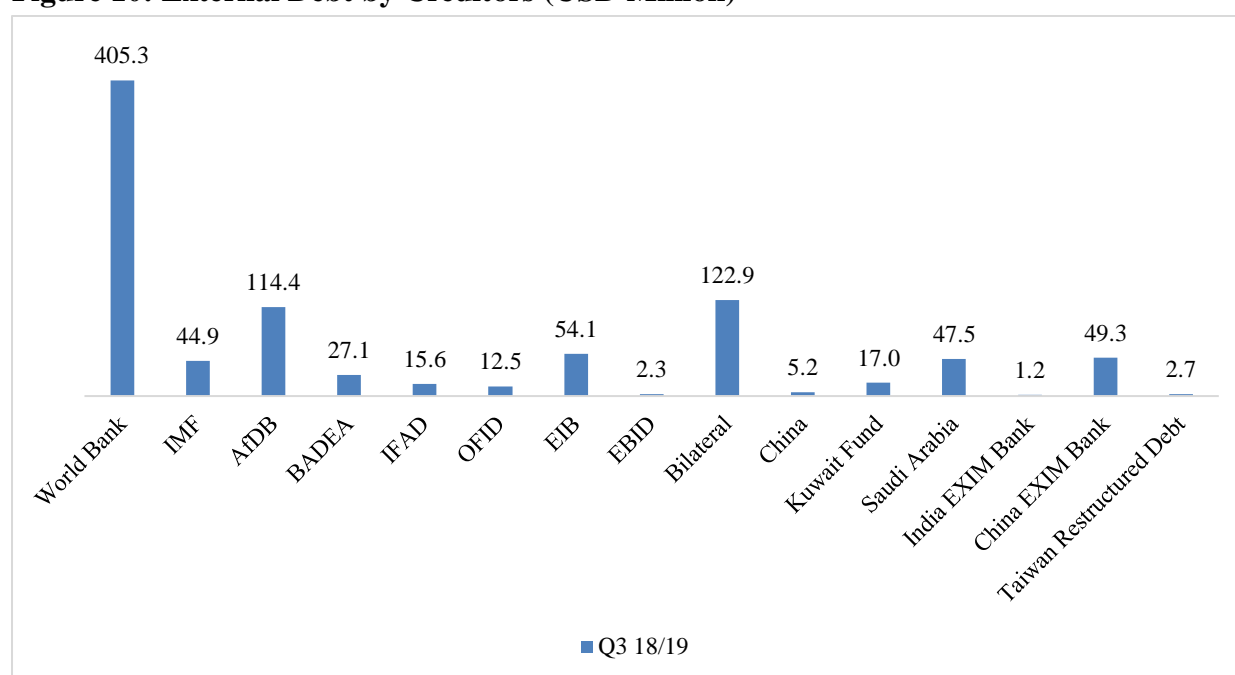


## 8. Outstanding Public and Publicly Guaranteed External Debt by Creditor

At end of March 2019, The World Bank Group maintained the highest share of the country's external creditor composition at US\$405.30 million or 50.72 percent, followed by The AfDB

Group at US\$114.40 million (14.32 percent); the EU/EIB at US\$54.10 million (6.78 percent); IMF at US \$44.90 million (5.62 percent) representing ECF/RCF support; Saudi Arabia at US\$47.50 million (5.94 percent); China Exim Bank at US\$49.30 (6.17 percent); Kuwait Fund at US\$17.0 (2.13 percent); BADEA at US\$27.10 (3.39 percent); IFAD at US\$15.60 (1.95 percent); China at US\$5.2 million (0.65 percent); India Exim Bank at US\$1.2 million (0.15 percent); and Taiwan Restructured at US\$2.7 million (0.34 percent).

**Figure 10: External Debt by Creditors (USD Million)**

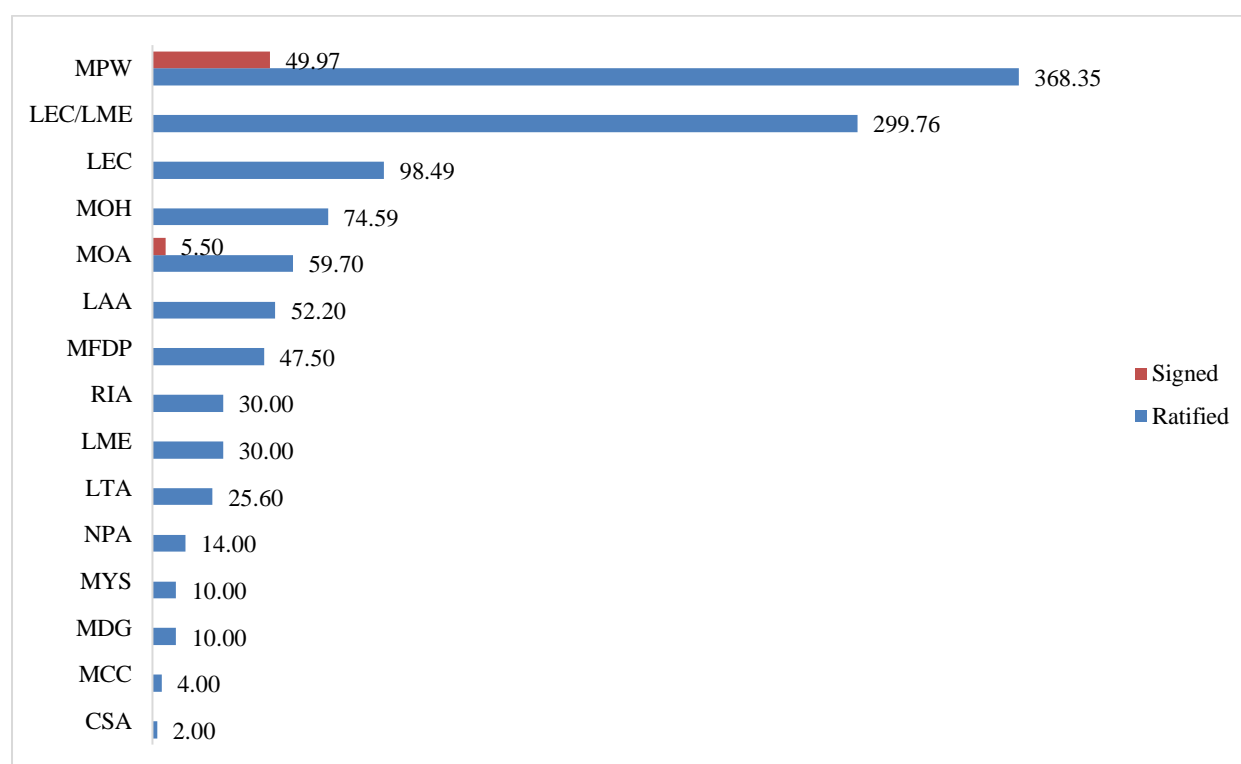


## 9. Signed & Ratified External Loans by Implementing Agency

Government of Liberia borrowing is primarily targeted to high-return infrastructure projects; ie ports, energy and infrastructure, as enshrined in the expired 2017 Medium Term Debt Management Strategy (MTDS). The current debt portfolio by implementing agencies reflects this prioritization. As at end March 2019, total signed and ratified loan amounted to US\$1.19 billion. Of this amount, the Ministry of Public Works (MPW) had an allocation of US\$548 million (46.01 percent) of total signed and ratified loans (*Figure 13*), which was the highest allocation among all implementing agencies. The purpose of the loans was to facilitate projects including; the Liberia Road Asset Management Project (LIBRAMP), Liberia Urban and Rural Infrastructure Rehabilitation Project (LURIRP), Fish Town Harper Road Project, Mano River Union Road Development Transport Facilitation Program, etc.

The energy sector has the second largest allocation with the amount of US\$300 million (25.19 percent) through the Liberia Electricity Corporation (LEC) and Ministry of Lands Mines and Energy (MLME). Funding to the MLME/LEC is to facilitate critical energy projects including the regional West Africa Power Pool CLSG- Power systems redevelopment, Liberia Accelerated Electricity Expansion Project (LACEEP), Liberia Electricity System Enhancement (LASEP) Additional Financing, etc.

**Figure 11: Signed and Ratified Loan Amount by Implementing Agency (USD million)**



### Changes in External Debt Stock

As at end of quarter three FY 2018/2019, the stock of public and publicly guaranteed external debt increased by US\$22.67 million to US\$799.09 million Q3 FY 2018/2019 from US\$776.42 million Q2 FY 2018/2019. The 2.84 percent increase is attributable to total new disbursement from multilateral and bilateral institutions including the World Bank Group, African Development Bank (AfDB), BADEA, Saudi Arabia and China Exim Bank. However, US\$1.69 million principle repayment reduced the amount of stock owed to EBID and BADEA.

Moreover, the stock of the IMF debt recorded a slight reduction by US\$0.07 million due to exchange rate losses as a result of depreciation in the value of the SDR. Interest payments during the period decreased by 1.26 percent to US\$1.69 million from US\$3.82 million reported in quarter three of FY2018/2019.

**Table 2: Changes in External Debt Stock (million USD) for the last 4 quarters**

Details	Q3	Q2	Q1	Q3
	FY2018/19	FY2018/19	FY2018/19	FY2017/18
<b>Disbursed Outstanding Debt(period Start)</b>	776.42	711.45	676.39	878.17
<b>Disbursement (borrowing)</b>	22.97	66.21	35.78	36.75
<b>Principal Repayments</b>	0.86	1.09	0.36	0.88
<b>Exchange rate/Other Adjustments</b>	0	0	0	0
<b>Net Flows on Debt Stocks</b>	22.11	65.12	35.42	35.87
<b>Interest Payments</b>	1.69	3.45	1.52	0.73
<b>Exchange rate/Other Adjustments</b>	0	0	0	0
<b>Net Interest Payments</b>	1.69	3.45	1.52	0.73
<b>Disbursed Outstanding Debt(period Ends)</b>	799.09	776.42	711.45	914.90

## 10. Disbursement Profile

Disbursement for the third quarter of FY2018/19 by external creditors fell by 1.88 percent from US\$66.21 million during the second quarter to US\$22.97 million. This decline was mostly triggered by decrease in disbursements by the World Bank, AfDB, China Exim Bank, and Saudi Arabia.

**Table 3: Disbursement Profile (million USD)<sup>1</sup>**

Creditor	Q3 FY2018/19	Q2 FY2018/1	Q1 FY2018/1	Q3 2018/19:Purpose
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<sup>1</sup>Source: Debt Management Unit, Ministry of Finance and Development Planning



		<b>9</b>	<b>9</b>	
<b>European Investment Bank (EIB)</b>	-	-	-	Mount Coffee Rehab.
<b>International Fund for Agriculture Dev. (IFAD)</b>	-	-	0.12	Small Tree Crop Revitalization Support.
<b>AfDB Group</b>	10.9	4.67	7.22	Fish town harper phase-1and CSLG Power Systems Re-development.
<b>World Bank / IDA Credits</b>	8.9	23.55	16.75	Small Tree Revitalization Support, CSLG Power Systems Re-development, Red Light Ganta High Way Additional Financing, Liberia Health Systems Strengthening, Liberia Accelerated Electricity Expansion Project and Youth Opportunities Projects.
<b>Kuwait</b>		2.01	-	Support for Gbarnga-Salayea Road Project
<b>Saudi Arabia</b>	3.09	-	10.88	
<b>China Exim Bank</b>	0.068	34.27	-	RIA Upgrade and Expansion Project.
<b>BADEA</b>	-	1.71	-	RIA Runway Rehabilitation.
<b>OFID</b>	-	-	0.81	Upgrading of Gbarnga – Salayea Road Project
<b>Total Disbursements</b>	22.96	66.21	35.78	

**Table 3** shows that the African Development Bank and the World Bank have been consistent with disbursements over the last two quarters. The World Bank disbursement of US\$8.90 million was to facilitate road construction projects, electricity enhancements, and Small Tree Crop Revitalization. The AfDB disbursement of US\$10.90 million was targeted towards the Small Tree Crop Revitalization Project in Liberia; while OFID disbursement was for the upgrading of the Gbarnga - Salayea Road Project.

## 11. Total External Debt Service

Total debt service of external debt for the third quarter of FY2018/2019 contracted by 1.07 percent from US\$3.82 million in quarter two to US\$1.69 million. Of the total debt service, principal repayment constituted about 0.86 percent while interest payment constituted about 1.69 percent. **Table 4** shows Principle repayments as well as interest payments to multinational creditors (The World Bank, The AfDB Group, BADEA, EU/EIB, India Exim Bank and China Exim Bank). However, there was no capital subscription paid during the period. Interest payment fell by 1.26 percent to US\$1.69 million during the period from US\$3.82 million during the previous period, while principal repayment declined by 0.7 percent to US\$0.86 million from US\$1.46 million reported for the previous period.

**Table 4: Total External Debt Service by Quarter (million USD)**

Category	Q3 2018/19	Q2 FY2018/19	Q1 FY2018/19
<b>Principal</b>	0.86	1.46	1.19
<b>Interest</b>	1.69	3.82	2.62
<b>Total External Debt Service (TDDS)</b>	2.55	5.28	3.81

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

### Forecast of External Debt Principal Re-payments

Based on debt service forecast of GoL's debt management process, Post-HIPC principal repayment on external debt is projected to be low and sustainable during the periods of 2017 to 2020. However, based on the redemption profile, a significant amount of repayments on principal is expected to commence in the year 2020 up to 2024, the peak period for principle payment.

## 12. Domestic Sources of Financing

Government of Liberia borrowing options within the domestic market are challenging given the lack of developed domestic debt market and other related financial activities. Borrowings from domestic sources are being channeled through the Central Bank of Liberia (CBL) financing and commercial banks' lending facilities. However, some notable efforts have been made by the CBL in advancing the operationalization of Treasury Bills (T-Bills) issuances. The primary purpose of issuing these treasury instruments is to sterilize the Liberian dollar to achieve stability in the foreign exchange market.

Between January and March 31, 2019, T-Bills in Liberian Dollar (LD) recorded in USD equivalent of US\$1.50 million issuances were made. During the same period, three (3) issuances totaling US\$0.86 were redeemed. It is important to note that the debt stock does not include T-Bills in that proceeds are being held in an escrow account from where repayments are made. Hence, T-bills repayments are effected through a roll-over from the T-bill escrow account with only interest payments handled by the Debt Management Unit. Moreover, the amount of US\$0.14 million was paid as interest charges on the T-Bills that matured during the third quarter.

## 13. Domestic Debt by Creditors

Domestic debt obligations for the third quarter are mainly owed to financial institutions as well as claims arising from court litigation and vendor arrears. However, the domestic debt stock fell marginally (*Table 5*) from US\$265.01 million at end of quarter two to US\$264.86 million in quarter three for FY2018/2019. The decrease in total domestic debt were due to exchange rate adjustments over the period as a result of depreciation of the Liberian Dollar against the US Dollar since the CBL instruments are denominated in Liberian Dollars but recorded in US Dollar.

**Table 5: Domestic Debts owed to Financial Institutions**

Category	Q3 2018/19 Debt Outstanding	Q2 2018/19 Debt Outstanding	Q1 2018/19 Debt Outstanding

<b>Financial Institutions</b>	264.5	264.64	264.76
<b>O/w CBL</b>	254.5	254.64	254.76
<b>Infrastructure Loans(syndicated to several local banks)</b>	10	10	10
<b>Other Debts</b>	0.37	0.37	0.73
<b>Total</b>	264.86	265.01	265.49

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

#### **14. Domestic Debt by Instrument**

As at end-March 2019, the United States Dollar component of the CBL Long-Term Loan (LTL) constituted the largest share of the domestic debt, accounting for 91.24 percent (*Table 6*). Both CBL Long-Term Loan - Liberia Dollar component and the CBL Capital Notes account for 2.16 percent and 2.64 percent, respectively. CBL alone accounted for 96.04 percent of total domestic debt by instrument. Debt owed on infrastructure loan which is also managed by the CBL accounted for 3.77 percent. Reductions on CBL-LTLII (LRD) were due to (LRD-USD) exchange rate adjustments.

**Table 6: Domestic Debt by Instrument**

<b>Instruments</b>	<b>Q3 FY2018/19</b>		<b>Q2FY2018/19</b>		<b>Q1 FY2018/19</b>	
	Stock	%	Stock	%	Stock	%
<b>CBL Capital Notes</b>	6.99	2.64	6.99	2.64	6.99	2.63
<b>CBL-LTLI</b>	241.79	91.24	241.79	91.24	241.79	91.07
<b>CBL-LTLII (LRD)</b>	5.71	2.16	5.86	2.21	5.98	2.25
<b>Infrastructure Loan</b>	10	3.77	10	3.77	10	3.77
<b>Other Debt</b>	0.37	0.14	0.37	0.14	0.73	0.27
<b>Total</b>	264.86	100	265.01	100	265.49	100

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

#### **15. State Owned Enterprises (SOEs) Reporting**

As at the production of the third Quarter Quarterly Debt Management Report, no new SOE debt data was available to be included in the final output. It is expected that SOE debt data will be

made available in the soonest possible time. In an effort to strengthen oversight, it is intended that SOE contingent debt shall be added to the DMU systems (CS-DRMS) for tracking, once the system is fully updated and upgraded to a newer version. It should be noted that under the MFDP Strategic Plan, SOE borrowing fully falls within the remit of the Debt Management Committee and Debt Sustainability Analysis (DSA) is also required prior to the approval of new loan obligations.

## **16. Domestic Debt Service**

There were no payments made for both domestic debt service on principal repayment and interest payment for the reporting period. However, debt service for the third quarter of FY 2018/2019 was meant only for the service of external principle repayment and interest service.

**Table 7: Domestic Debt Service (million USD)**

<b>Category</b>	<b>Q3 FY2018/19</b>	<b>Q2FY2018/19</b>	<b>Q1FY2018/19</b>
<b>Principal</b>	0.00	0.36	0.83
<b>Interest</b>	0.00	0.37	1.09
<b>Total Domestic Debt Service (TDDS)</b>	0.00	0.73	1.92

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

## **17. Debt Sustainability Indicators**

Liberia has an estimated Nominal Gross Domestic Product (GDP) of US\$3.30billion<sup>2</sup> and total public debt stock of US\$1,063.96 million, which placed the Debt to GDP ratio at 31.85 per cent. Government has placed emphasis on external borrowing based on concessional terms; low interest rate a 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, particular spurred by further slump

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

in commodity prices as a result of deteriorating global conditions which could further weakened Liberia's fragile fiscal space; a lower foreign exchange inflow; significant revenue shortfall as a result of slower than projected economic recovery as a result of the Ebola epidemic and UNMIL drawdown; and declining external aid.

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.

The GoL maintains its effort to ensure a sustainable debt level while balancing funding needed for critical and high-return investments that would improve economic productivity and are confident of economic recovery in the medium to longer term.

**Table 8: Debt Service Forecast Against Actual Appropriation for FY 2018/2019**

<b>Name/Title</b>	<b>Projection/Forecast (US\$ million)</b>	<b>Appropriation (US\$ million)</b>	<b>Variance</b>
<b>Domestic Debt</b>	123.07	6.79	-94%
<b>External Debt</b>	23.95	23.21	-3%
<b>Total</b>	146.96	30	-80%

During the formulation of the FY 2018/2019 draft National Budget, the Debt Management Unit submitted a debt service projection in the amount of US\$146.96 million for obligations to its partners to the Department of Budget and Development Planning. 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 appropriated 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.

Due to the limited fiscal space, the Government of Liberia appropriated US\$30 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 appropriation for FY 2018/2019 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.

**18. Key Risks and Constraints going into the next quarter**

Key risks going into the next quarter include a tight fiscal envelop and associated cash flow constraints potentially limiting the ability to sign and service additional loan, commitment charges and interest from new loans in the short term. Though November 2017 concluded the IMF ECF 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.

## 19. Appendix A: List of Post-HIPC Ratified Loan (Million USD)

Project Code	Name of Project	Donor	Implem. Agency	Credit amt	Signing Date	Status	Date ratified	Interest Rate	Grace Period	Maturity
IDA-48420	Lib. Elect. System Enhancement Project(LESEP)	World Bank	LEC	10.0	2-Dec-10	Ratified	30-May-11	0.75%	10 yrs	40 yrs
IDA-48550	West Afri. Regional Communications Infrast. Program(WARCIP)	World Bank	LTA	25.6	8-Feb-11	Ratified	30-May-11	0.75%	10 yrs	40 yrs
IDA-49080	Emergency Monrovia Urban Sanitation Project(EMUS)	World Bank	MCC	4.0	4-May-11	Ratified	2-Sep-11	0.75%	10 yrs	40 yrs
IDA-49070	Economic Governance & Institution Reform-Additional Financing (EGIRP)	World Bank	MFDP	7.0	4-May-11	Ratified	26-Oct-11	0.75%	10 yrs	40 yrs
IDA-48830	West Afri. Agricultural Productivity Program-IC(WAAPP)	World Bank	MOA	6.0	30-Jun-11	Ratified	2-Sep-11	0.75%	10 yrs	40 yrs
IDA-49500	Liberia Road Asset Management Project(LIBRAMP)	World Bank	MPW	67.7	13-Jul-11	Ratified	5-Apr-12	0.75%	10 yrs	40 yrs
IDA-50550	Liberia Electricity System Enhancement Project-Additional Financing (LESEP)	World Bank	LEC/LME	22.0	20-Mar-12	Ratified	13-Aug-12	0.75%	10 yrs	40 yrs
IDA-50260	Liberia Integrated Public Fin. Management Reform Project (LIPMRP)	World Bank	MFDP	5.0	20-Mar-12	Ratified	13-Aug-12	0.75%	10 yrs	40 yrs
IDA-51010	Liberia Small Tree Crop Revitalization Support Project(LSTCRP)	World Bank	MOA	15.0	18-Jul-12	Ratified	30-Apr-13	0.75%	10 yrs	40 yrs
IDA-51100	Cote Dvore, Liberia, Sierra Leone & Guinea Power System Redevelopment (WAAP)	World Bank	LEC/LME	144.5	16-Aug-12	Ratified	5-Apr-13	0.75%	10 yrs	40 yrs
IDA-51670	Liberia Road Asset Management Project (LIBRAMP)	World Bank	MPW	50.0	19-Dec-12	Ratified	11-Nov-14	0.75%	10 yrs	40 yrs
IDA-52440	Health Systems Strengthening Project	World Bank	MOH	10.0	3-Jul-13	Ratified	10-Apr-14	0.75%	10 yrs	40 yrs
IDA-52770	Liberia Poverty Reduction Strategy Credit-I(LPRSC-I)	World Bank	MFDP	10.0	22-Jul-13	Ratified	10-Apr-14	0.75%	10 yrs	40 yrs
IDA-52520	Liberia Acceleration Electricity Expansion Project(LACEEP)	World Bank	LEC/LME	35.0	3-Jul-13	Ratified	29-Aug-13	0.75%	10 yrs	40 yrs
IDA-53510	Liberia Urban & Rural Infrast. Rehabilitation Project (LURIRP)	World Bank	MPW	19.6	8-Apr-14	Ratified	11-Nov-14	0.75%	10 yrs	40 yrs
IDA-53590	Liberia Public Sector Modernization Project(LPSMP)	World Bank	CSA	2.0	8-Apr-14	Ratified	11-Nov-14	0.75%	10 yrs	40 yrs
IDA-55500	Liberia Poverty Reduction Support Credit-II(LPRSC-II)	World Bank	MFDP	20.0	20-Nov-14	Ratified	1-May-15	0.75%	6 yrs	38 yrs
IDA-57590	Liberia Renewable Energy Access Project	World Bank	LME	2.0	19-Feb-16	Ratified	5-Sep-17	0.75%	6 yrs	38 yrs
IDA-56210	Youth Opportunities Project	World Bank	MYS	10.0	24-Feb-16	Ratified	7-Sep-16	0.75%	6 yrs	38 yrs
IDA-57740	Liberia Urban Water Supply Project	World Bank	MPW	10.0	27-Apr-16	Ratified	27-Dec-16	0.75%	6 yrs	38 yrs
IDA-56800	Additional Financing Agreement for the Accelerated Electricity Project	World Bank	LEC/LME	60.0	20-Aug-15	Ratified	7-Sep-16	0.75%	6 yrs	38 yrs
IDA-57910	Liberia Social Safety Nets Project	World Bank	MDG	10.0	19-Sep-16	Ratified	29-Aug-17	0.75%	6 yrs	38 yrs
IDA- 61500	Additional Financing Agreement for the West Africa Power Pool-Cote d'Ivoire,	World Bank	LEC	22.6	11-Dec-17	Ratified		0.75%	10 yrs	40 yrs



	Liberia, Sierra Leone and Guinea Power Interconnection Project and Amendment to the Original Project									
EIB-243113	Mount Coffee Hydro Project	EIB	LEC	65.9		Ratified	30-Aug-13	1.43%	4 yrs	24 yrs
SAPEC-AFDB	Small Agricultural Productivity & Enhancement Commercialization Project	AfDB	MOA	6.4	#####	Ratified	27-Jun-12	0.75%	10 yrs	40 yrs
ADF-2100	Fish Town Harper Road Project-I	AFDB	MPW	33.8		Ratified	7-Sep-13	0.75%	10 yrs	50 yrs
NTF-2200	Fish Town Harper Road Project-I	NTF	MPW	9.9		Ratified	7-Sep-13	0.75%	7 yrs	27 yrs
CLSG-ADF	CSLG-Power Systems Re-development	AfDB	LEC/LME	38.3	3-Dec-13	Ratified	26-Aug-14	0.75%	10 yrs	50 yrs
Ebola-OP-CI Liberia	Anti-Ebola Support Project	AfDB	MOH	51.9		Ratified	11-Nov-14	0.75%	10 yrs	40 yrs
Ebola-OP-CI Liberia	Anti-Ebola Support Project	AfDB	MOH	7.7		Ratified	11-Nov-14	0.75%	10 yrs	40 yrs
KF-857	Port Rehabilitation Project	Kuwait Fund	NPA	14.0		Ratified	10-Apr-14	1.50%	4 yrs	26 yrs
STCRSP I-852	Small Holder Tree Crop Revitalization Support Project	IFAD	MOA	16.8		Ratified	27-Jun-12	0.75%	10 yrs	50 yrs
STCRSP L-i-898-A	Small Holder Tree Crop Revitalization Support Project	IFAD	MOA	2.5		Ratified	11-Jul-14	0.75%	10 yrs	40 yrs
BADEA-RIA 791	RIA runway rehabilitation	BADEA	RIA	10.0	31-Oct-14	Ratified	12-Aug-15	1.00%	10 yrs	30 yrs
SFD-0635/03	RIA runway rehabilitation	Saudi Arabia	RIA	20.0	10-Oct-14	Ratified	12-Aug-15	1.00%	10 yrs	30 yrs
AFDB-MRU ROAD	Mano River Union Road Development Transport Facilitation Program	AfDB	MPW	37.5	FY 14/15	Ratified	1-May-15	0.75%	10 yrs	30 yrs
AFDB-MRU ROAD	Mano River Union Road Transport Program	AfDB	MPW	36.3	FY 14/15	Ratified	1-May-15	0.75%	10 yrs	30 yrs
KFD-KONIA ROAD	Gbarnga-Salayea Road Project	KFD	MPW	16.62	FY 15/16	Ratified	14-Dec-2017	1.00%	5 yrs	20 yrs
OFID-KONIA ROAD	Gbarnga-Salayea Road Project	OFID	MPW	20.0	22-Feb-16	Ratified	19-Aug-16	1.00%	5 yrs	20 yrs
BADEA-KONIA ROAD	Gbarnga-Salayea Road Project	BADEA	MPW	12.0	#####	Ratified	19-Aug-16	1.00%	10 yrs	20 yrs
IFAD-TCEP-0632	Tree Crops Extension Project(TCEP)	IFAD	MOA	13.0	22-Feb-16	Ratified	12-May-17	0.75%	10 yrs	40 year
AFDB-MRU ROAD-II	Mano River Union Road Transport Facility Program-II	AfDB	MPW	35.0	8-Jul-16	Ratified	5-Oct-16	0.75%	10 yrs	40 yrs
CEB-594	RIA Upgrade and Expansion Project	CHINA EXIM BANK	LAA	52.2	27-Sep-16	Ratified	3-Oct-16	2.00%	7 yrs	20 yrs
Saudi Fund-KONIA ROAD	Gbarnga-Salayea Road Project	Saudi Arabia	MPW	20.0	10-Feb-17	Ratified	13-Jul-17	1.00%	10 yrs	30 yrs
IDA-59690	Regional Disease Surveillance Systems	World	MOH	15.0	#####	Ratified	5-Sep-17	0.75%	6 yrs	38

	Enhancement (REDISSE)	Bank									ysr
IDA-61160	Third Poverty Reduction Support Development Policy Operation (DPO-Budget Support)	World Bank	MFDP	5.5	27-Jun-17	Ratified	27-Jun-17	0.75%	6 yrs	38 yrs	
AfDB (ADF) T&D expansion	Liberia Energy Efficiency Project	ADF	LME	12.8	10-Mar-17	Ratified	6-Nov-17	0.75%	10 yrs	40 yrs	
AfDB (Transport) T&D Expansion	Liberia Energy Efficiency Project	TSF	LME	5.7	10-Mar-17	Ratified	6-Nov-17	0.75%	10 yrs	40 years	
AfDB (Nigeria) T&D Expansion	Liberia Energy Efficiency Project	NTF	LME	9.5	10-Mar-17	Ratified	6-Nov-17	0.75%	7 yrs	27 yrs	
TOTAL				1136							