Report of the Chair of the Liberia Configuration of the Peacebuilding Commission’s virtual visit to the International Monetary Fund and the World Bank

May 2020

1. H.E. Ms. Anna Karin Eneström, Chair of the Liberia Configuration of the Peacebuilding Commission (PBC), held a virtual discussion with the International Monetary Fund (IMF) on 5 May 2020, followed by a virtual discussion with the World Bank on 12 May 2020. The objective of the meetings was to receive an update on the socioeconomic situation in Liberia in light of the COVID-19 pandemic and to explore ways of strengthening joint engagement and analysis with international financial institutions, utilising the platform of the Peacebuilding Commission (PBC). The virtual meetings followed up on the virtual PBC meeting on Liberia held on 15 April 2020 and took place in lieu of a visit to Washington, D.C. due to travel restrictions imposed by the pandemic.

2. At the IMF, the Chair met with Ms. Mika Saito, Mission Chief, and Mr. Geoffrey Oestreicher, Resident Representative in Liberia. At the World Bank, the Chair met with Mr. Hafez Ghanem, Vice President for Africa, Mr. Franck Bousquet, Senior Director of the Fragility, Conflict, and Violence (FCV) Group, Mr. Pierre Frank Laporte, Country Director for Liberia, and Dr. Khwima Nthara, Country Manager for Liberia. H.E. Ingrid Wetterqvist, Ambassador of Sweden to Liberia, and Ms. Katerina Limenopoulu, Chief, Peacebuilding Commission Support Branch on behalf of the United Nations Peacebuilding Support Office, joined the meeting with the IMF. Mr. Oscar Fernandez-Taranco, Assistant Secretary-General for Peacebuilding Support, joined the meeting with the World Bank.

3. Recognizing that the COVID-19 pandemic was a health crisis first, the IMF and the World Bank agreed on the need to also address its secondary impact on the socioeconomic situation. The severe impact on the macroeconomic outlook was demonstrated by a decrease in the projected annual growth rate to -2.5% and a fiscal gap of 5% of GDP, which constituted close to 150 million USD. There was a large projected revenue shortfall for the rest of the year and recovery was not expected until sometime in 2021. In addition, the majority of people entering unemployment due to the pandemic were in the informal sector. Liberia would also be affected by the expected decrease in global remittance flows during 2020 as a result of the economic crisis induced by the pandemic.

4. In COVID-19 response, the IMF had in April approved debt relief for Liberia under the Catastrophe Containment and Relief Trust and was currently in negotiations with the Government on budget support under the Rapid Credit Facility. The budget support under the Rapid Credit Facility was expected to be finalized in the near future and aimed at filling the country’s fiscal gap. When planning this program, the IMF looked closely at how to best
complement budget support from other donors as IMF support was only made up of loans (zero interest, 10 year term with 5½ years grace). IMF officials emphasized the importance of not pushing Liberia into high risk of external debt distress in regard to the debt situation. This would have significant implications for support from other international financial institutions and if Liberia were to come out of the current situation without borrowing space, it risked increasing the country’s fragility. The IMF intended to introduce a number of measures to ensure transparency and accountability, including a post-program audit, and a requirement that called for all Government agencies to effect expenditure through the government’s integrated financial management system. The IMF was working closely with the United Nations World Food Programme and the World Bank in order to help the government procure and distribute emergency food aid, as a large share of budget support was going to be used for this purpose (through the COVID-19 Household Food Support Program (COHFSP)). The remaining part of the budget support would primarily go towards paying wages. In addition, the IMF expected incoming off-budget support to the COVID-19 response in Liberia from other partners to reach 52 million USD, of which not all would be spent this fiscal year.

5. The IMF noted the Government’s demonstrated commitment to staying on track with the four-year arrangement under the Extended Credit Facility (ECF), that had been established by the end of 2019, which required discipline and effort. The IMF expected to work with Liberia in order for the country to remain on track with the arrangement, as the policy set contained in that program remained appropriate and was central to supporting Liberia during and after the COVID-19 crisis. The program has three objectives: 1) restoring macroeconomic stability; 2) providing a foundation for medium-term sustainable inclusive growth; 3) addressing weaknesses in governance. The next step in the IMF’s engagement with Liberia, after the finalization of the Rapid Credit Facility support, was to conclude the first review of the ECF-supported program that had been delayed due to the pandemic.

6. The World Bank was assisting Liberia in dealing with the health crisis – building on the country’s experience in responding to the Ebola crisis – while simultaneously helping the country respond to the economic challenges. On the economic side, the Bank was taking action in the following areas (in order of priority): 1) promoting social protection with cash transfer programs and strengthening safety nets; 2) reducing food insecurity, including by addressing breakdowns in supply chains and the impact on agriculture; 3) supporting the private sector to minimize job losses; 4) supporting the Government to continue its operations, including through budget support. The Bank had approved budget support of 40 million USD through the International Development Association (IDA) in March (made up of 20 million USD in grant and 20 million USD in concessional credit) to support a series of pro-poor reforms and alleviate fiscal challenges imposed by shocks likely to be exacerbated by the pandemic. Through IDA, the Bank had also approved 7.5 million USD (made up of 3.75 million USD in grant and 3.75 million USD in concessional credit) to strengthen the Government’s immediate capacity to
respond to the COVID-19 pandemic and in the longer-term strengthen its response to disease outbreaks and emergencies. Substantial funds were also being made available for COVID-19 response through existing World Bank programs in Liberia. The Bank was now frontloading IDA19 support while focusing on health, agriculture, energy, social protection and women’s empowerment. On women’s empowerment, Bank officials highlighted that one of the long-term effects of the Ebola crisis had been that many girls did not return to school, which was a risk important to mitigate in the COVID-19 response. The Chair stressed the importance of adopting a gender sensitive approach in the response, including considering the situation for women and girls in Liberia. This issue was also highlighted at the PBC meeting held on 15 April.

7. The World Bank emphasized that the significant risk of the pandemic exacerbating drivers of fragility in Liberia, such as social tension and food insecurity, and stressed the importance of conflict sensitivity in all COVID-19 responses, including careful consideration of distribution of Government support. Recognizing land concessions as a possible driver of fragility, the World Bank was supporting the Government in this area with projects dealing with 1) forestry management; and 2) land administration with community involvement. The pandemic also risked delaying the senatorial elections scheduled for October 2020, which called for consultations with all stakeholders to reduce the risk of friction and violence. The Bank underscored that the COVID-19 crisis could be used to build back better to reduce fragility, including by empowering local communities.

8. Both the World Bank and the IMF emphasized food insecurity as an urgent issue to address in Liberia. There was currently only four months of food supply available in the country and two million people were expected to be food insecure. The IMF envisioned 25 million USD to be allocated towards response to food insecurity, with the World Food Programme as the implementing partner. The IMF stressed the importance of ensuring that the program reached the most vulnerable people and cautioned against distributing the support too widely and thereby reducing its impact. The World Bank informed that a diverse committee had been set up to ensure inclusivity in the distribution process. The program would also be linked with the Government’s efforts to increase COVID-19 testing, by making this available when providing food assistance in communities.

9. The IMF and the World Bank highlighted governance capacity challenges in need of further attention, and which had affected the World Bank’s ability to provide more financing before the outbreak of the COVID-19 pandemic. The World Bank stressed the importance of the UN’s work to increase capacity and mentioned that the United Nations Resident Coordinator’s Office had asked the Bank to finance capacity building measures in the office of the National Response Coordinator for the Executive Committee on Coronavirus. The IMF noted that advances had been made in recent years on reporting of fiscal data and highlighted its availability to assist
Liberia more in this area. In relation to the COVID-19 pandemic, a joint mechanism had been set up to track all incoming resources in support of pandemic response. The IMF underscored that reinforcement by international partners of the value of improved data, detailed reporting, and increased transparency would be helpful to their work. The Chair noted the importance of accountability, good governance and anti-corruption to peacebuilding, and the emphasis placed on this messaging in the Peacebuilding Commission.

10. Both the IMF and the World Bank recognized the benefits of further strengthening the partnership with the PBC. The World Bank highlighted the Commission’s broad convening power and the added value of connecting the Bank’s work to the range of peacebuilding dimensions discussed in the PBC. The Bank particularly highlighted the important message on the need for inclusivity that had been conveyed during the recent PBC meeting of 15 April 2020. The Assistant Secretary-General reiterated both the World Bank and IMF’s critical roles in helping countries chart a path out of fragility towards sustainable peace and development, noting that the PBC offered a platform for the IMF and the World Bank to share their approaches, and for the encouragement of coordination and sequencing between entities where useful. He underscored that PBC members had a good understanding of the political buy-in that could support IMF and World Bank operations in support of Liberia. The Chair thanked the World Bank and the IMF for their continued engagement with the PBC, and looked forward to advancing the partnership and continuing to draw on each other’s comparative advantages.