

Board Statement by US Executive Director, Mr. Ian Solomon

Date of Meeting: June 29, 2010

Liberia - Enhanced HIPC Debt Initiative Completion Point and Multilateral Debt Relief Initiative and PRSP Progress Report and Joint IDA-IMF Staff Advisory Note

We welcome today's discussion of Liberia's Enhanced Heavily Indebted Poor Countries (HIPC) Debt Initiative Completion Point and the Multilateral Debt Relief Initiative (MDRI) as well as the Poverty Reduction Strategy Paper (PRSP) First Annual Progress Report (APR) and IDA-IMF Staff Advisory Note (JSAN). We thank Staff for the bilateral exchanges and underline our full support for Liberia's continued progress.

Liberia has persevered through the economic crises and its performance in meeting the HIPC triggers illustrates a determined commitment to economic reform. We applaud the authorities for their drive in moving to HIPC completion point in such a timely manner, and heartily welcome Liberia's reaching completion point under the Enhanced HIPC Initiative. This is a momentous day for the authorities and they deserve our continued support as they work to rebuild Liberia.

We also thank Staff and the numerous donor countries and development partners who have worked with the Liberian authorities as well as the donors who have contributed generously to help relieve Liberia's debt burdens. This step moves forward the country's efforts to address its unsustainable debt burden, to make progress in advancing economic reforms, and to build a foundation for sustainable growth and poverty reduction.

We applaud the authorities for their continued strong performance on fiscal policy and look forward to the completion of the ongoing public financial management reforms. However, we urge the authorities to adopt a cautious approach to future debt accumulation and management, prioritizing projects that have high returns that contribute to economic growth and government revenues. The temptation to fund pressing needs, even with concessional debt, must be managed within a strong budget and debt framework if Liberia is to reap the benefits of debt relief. To this end, Liberia will need continued technical support and the assistance of donors to implement reliable debt management procedures.

We also welcome Liberia's designation as an EITI compliant country, the first country in Africa and the second in the world to be validated. This is a strong example of leadership and should serve the country well in terms of investment and in benefitting from its resource development strategy.

Finally, with respect to the Liberia Poverty Reduction Strategy (LPRS), we note that the results of the first year of implementation of the ambitious reform agenda of the LPRS were below expectations despite notable achievements in reforms to curb corruption and delivery of basic services. We join Staffs in commending the authorities' response to the APR findings by adopting the Rapid Results Approach to improve implementation. We encourage the authorities to continue to pursue governance and judicial

reforms and implement programs and reforms aimed at improving the business climate and creating employment.

With these comments, we wish Bank Management and Staff and the Liberian authorities much success.