

while encouraging their engagement into forest and biodiversity conservation. This Action will directly support these commitments.

On the PFM side, the 2009 PFM Law is a basic reference. Revenue collection holds utmost importance, necessitating a reassessment of waivers and tax holidays. All civil servants will undergo performance reviews. The new Government is determined to turn Liberia into a well-functioning and wealthy nation.

After the 2023 elections the new government presented a revised draft budget on 14 March (the previous government's budget was not approved by the legislative). The House of Representatives passed the budget at the end of April. The budget was published on 26 June 2024. This quick revision process demonstrates as well the government's commitment.

In conclusion, the new administration is actively working towards finalising a new Arrest Agenda for Inclusive Development, building on its political ARREST agenda, which already serves as a relevant and owned foundation for such a strategy. The eligibility (in the framework of an SRBC) can be considered as met under the assumption that the new NDP – set to be adopted shortly – will be assessed as sufficiently relevant, inclusive and credible. Furthermore, it will be gradually complemented by sector policies that are relevant to this Action.

2.3.2 Macroeconomic Policy

The macroeconomic situation has moderately improved in recent years, especially in terms of monetary policy indicators such as inflation, exchange rates, interest rates, and reserve requirements. In 2021, Liberia's economy began to recover from the 3% budget contraction experienced in 2019 and 2020. Economic growth reached 5% in 2022 and is expected to be 4.6% in 2023, reflecting the negative effect of global uncertainties and anticipated commodity price shocks. Growth is projected to average 5.3% in 2024. In 2022, the annual average inflation slowed to 7.6%, down from 7.8% in 2021. Food prices declined by 1.6% due to relatively good agriculture harvests, whereas non-food inflation reached 10.6%, primarily driven by rising energy prices. This non-food inflation is expected to gradually reduce to 8% by 2024.

In 2022, the overall fiscal deficit was 6.9% of GDP, up from 2.4% in 2021. This increase was partly due to the change in World Bank IDA lending policy in July 2020, lower-than-expected royalties from iron mining and expenditure overruns for goods and services, transfers, and subsidies. The fiscal deficit further increased in 2023 as the overall country PFM system discipline weakened during the election period at the end of the year. Persistent fiscal deficits over the last two years have led to increased borrowing. Therefore, public debt rose to 54.6% of GDP in late 2022, up from 53.2% in 2021. With a debt-to-GDP ratio of 53.4%, the debt sustainability analysis assesses Liberia as being at moderate risk of external debt distress and high risk of overall debt distress. This has led to limited fiscal space to accommodate economic shocks and finance investments. The situation probably worsened slightly in 2023, but data are not yet available.

The current account deficit narrowed in 2022 to 17.4% of GDP, down from 17.7% in 2021, mainly due to an increase in gold exports. The trade balance improved from a deficit of 13.1% of GDP in 2021 to 11.8% in 2022, largely driven by higher volumes and export prices of gold. Various initiatives to modernise the tax administration achieved some results with the support of technical assistance from the International Monetary Fund (IMF), the African Development Bank (AfDB), the World Bank (WB) and the Swedish Tax Agency. The DRM strategy identified seven areas for further tax restructuring, including duty waivers, tax withholding for Government contractors, and exemptions granted by decree, and in concession agreements. A new DRM strategy for the next 5 years has been drafted and is set to be endorsed by the new Government in 2024.

Liberia benefited from concessionary loans from the IMF's Poverty Reduction and Growth Trust (PRGT). One of the PRGT's facilities is the four-year Extended Credit Facility (ECF), aiming to support the country to achieve a sustainable and stable macroeconomic position. The ECF programme, which began in December 2019, aimed to ensure a relative sustainability of key macroeconomics indicators and the harmonisation of the wage bill. Liberia also benefitted from the Rapid Credit Facility (June 2020), a debt service relief from the IMF's Catastrophe Containment and Relief Trust (April 2020 to April 2022), and a general special drawing rights (SDR) allocation (August 2021). Overall financial support from the IMF as of 2019 has totalled USD 550 million (14 % of GDP), most of which was supposed to build up Liberia's international reserves.