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IMF seeks donor funding to cancel Liberia debt

Sat 14 Jul 2007, 7:42 GMT

WASHINGTON (Reuters) - The International Monetary Fund has proposed a financing package to ease Liberia's huge foreign debt and is looking for funding commitments from donor countries, the organization said on Friday.

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The African country's debt -- totaling around \$4 billion -- is too high and it is urgent to agree on writing it off, John Lipsky, the IMF's first deputy managing director, said in a statement.

IMF "management has proposed a financing package that provides a reasonable basis for mobilizing the necessary financing and looks forward to specific commitments from a wide group of bilateral contributors to ensure that sufficient resources will be in place expeditiously," Lipsky said.



Once the world's fifth-largest iron ore exporter and home to the world's largest rubber plantation, Liberia's economy collapsed during an on-off 1989-2003 civil war.

The new government of President Ellen Johnson-Sirleaf, Africa's first women leader, last year inherited a country ruined by violence and rampant corruption.

Johnson-Sirleaf and her finance minister spent large parts of their first year in government trying to persuade creditor nations to write off Liberia's foreign debt.

The United States, Liberia's largest creditor, has promised to cancel \$391

million under a global debt relief program for poor countries administered by the IMF and the World Bank.

Still, despite the difficult circumstances, Lipsky said Liberia's government had established "an encouraging" track record under a 2007 IMF-monitored economic program.

"It is also important for the government to work closely with the legislature to ensure passage of the 2007/08 budget as soon as possible," Lipsky added.

He urged the government to raise civil service salaries and develop a civil service reform strategy to ensure future salary increases are sustainable.

Lipsky also said the government should put into effect a recently adopted anticorruption strategy and should establish an independent anticorruption commission.

Draft legislation for the commission should be submitted to the legislature, and the government should seek early involvement by donors in finishing an operational plan for the commission, he added.

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