CENTRAL BANK OF LIBERIA

ANNUAL REPORT 2014

CENTRAL BANK OF LIBERIA
ANNUAL REPORT
2014

JANUARY 1, 2014

TO

DECEMBER 31, 2014

CENTRAL BANK OF LIBERIA

Office of the Executive Governor

January 23, 2015

Her Excellency
Madam Ellen Johnson-Sirleaf
PRESIDENT
Republic of Liberia

Madam President:

In accordance with part XI Section 49(1) of the Central Bank of Liberia (CBL) Act of 1999, I have the honor on behalf of the Board of Governors and Management of the Bank to submit, herewith, the Annual Report of the Central Bank of Liberia to the Government of Liberia for the period January 1 to December 31, 2014.

Respectfully yours,

J. Mills Jones

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TEL.: (231) 226-991, FAX: (231) 226-144, TELEX: 44215

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Acronyms Used

AACB	-	Association of the African Central Banks
ABLL	-	Access Bank Liberia Limited
AC	-	The Audit Committee
ACH	-	Automated Clearing House
ACICO	-	Accident & Casualty Insurance Company
ACP	-	Automated Check Processing
AFBLL	-	Afriland First Bank Liberia Limited
AfDB	-	African Development Bank
AFRACA	-	African Rural and Agricultural Credit Association
AGLIC	-	Atlantic Life & General Insurance Company
AICOL	-	African Insurance Corporation of Liberia
AIIC	-	ACTIVA International Insurance Company
AMSCO	-	African Management Services Company
ATM	-	Automated Teller Machine
AUG	-	American Underwriter Group
BCEAO	-	Bank Centrale des Etats de l'Afrique de l'ouest
BCIC	-	Blue Cross Insurance Company
BOP	-	Balance of Payments
CAR	-	Capital Adequacy Ratio
CGLIC	-	Continental General & Life Insurance Company
CMA	-	Capital Market Act
CNDRA	-	Centre for National Documents and Records Agency
CRO	-	Credit Risk Officer
CPI	-	Consumer Price Index

CSWAMZ	-	College of Supervisors of the West African Monetary Zone
EBID	-	ECOWAS Bank for Investment and Development
EBLL	-	Ecobank Liberia Limited
ECB	-	European Central Bank’s
ECF	-	Extended Credit Facility
ECOWAS	-	Economic Community of West African States
EPM	-	Economic Policy Management
ERM	-	Enterprise Risk Management
ERMC	-	Enterprise Risk Management Committee (ERMC)
ERMS	-	Enterprise Risk Management Section
EIB	-	European Investment Bank
EU	-	European Union
EVD	-	Ebola Virus Disease
FI Bank	-	First International Bank
FIU	-	Financial Intelligence Unit
FSC	-	Financial Stability Committee
FX	-	Foreign Exchange
GBLL	-	Global Bank Liberia Limited
GDP	-	Gross Domestic Product
GGFC	-	Ghana Growth Fund Company
GoL	-	Government of Liberia
GTAC	-	Global Trust Assurance Company
GTBLL	-	Guaranty Trust Bank Liberia Limited
IBLL	-	International Bank Liberia Limited
IC	-	Investment Committee

ICA	-	Insurance Company of Africa
IDEA	-	Integrated Data Extraction Analysis
IFC	-	International Finance Corporation
IFRS	-	International Financial Reporting Standards
IIA	-	Institute of Internal Auditors
IICL	-	International Insurance Corporation of Liberia
IIP	-	International Investment Position
IMF	-	International Monetary Fund
IPPF	-	International Professional Practice Framework
LBA	-	Liberia Bankers Association
LBDI	-	Liberian Bank for Development and Investment
LEAF	-	Loan Extension and Availability Facility
LEDFC	-	Liberian Enterprise Development Finance Company
LIBA	-	Liberia Business Association
LIGIS	-	Liberia Institute of Statistics and Geo-Information Services
LNP		Liberia National Police
LRC	-	Law Reform Commission
LWSC	-	Liberia Water & Sewer Corporation
M1	-	Narrow Money
M2	-	Broad Money
M&A	-	Ministries and Agencies
MBA	-	Mutual Benefit Assurance
MIC	-	Medicare Insurance Company
MICR	-	Magnetic Ink Character Recognition
MMPRC	-	Money Management and Policy Review Committee
NBFI	-	Non-Bank Financial Institution

NDA	-	Net Domestic Assets
NPLs	-	Non-Performing Loans
OIC	-	OMEGA Insurance Company
OPEC	-	Organization of Petroleum Exporting Countries
PFM	-	Public Financial Management
PIC	-	Palm Insurance Company
POS	-	Point of Sales
PSPSC	-	Payments System Project Steering Committee
RCFIs	-	Rural Community Finance Institutions
REAP	-	Resident Examiners Attachment Program
RGDP	-	Real Gross Domestic Product
ROA	-	Return on Asset
ROE	-	Return on Equity
RPPD	-	Research, Policy and Planning Department
RTGS	-	Real-time Gross Settlement
SIIC	-	Sky International Insurance Company
SME	-	Small-Medium Enterprises
SRF	-	Standardized Reporting Format
SRIC	-	Secure Risk Insurance Company
SSSS	-	Scripless Securities Settlement System
T-bill	-	Treasury Bill
TOT	-	Terms of Trade
UBALL	-	United Bank for Africa Liberia Limited
UEMOA	-	Union Econonomique et MonetaireOuestAfricaine
UNDP	-	United Nations Development Programme
UNMIL	-	United Nations Mission in Liberia

US - United States

VSLA - Village Saving and Loan Associations

WABA - West African Bankers Association

WAIFEM - West African Institute for Financial and Economic Management

WAMA - West African Monetary Agency

WAMI - West African Monetary Institute

WAMZ - West African Monetary Zone

WB - World Bank

WEO - World Economic Outlook

HIGHLIGHTS

World Economy 	The pace at which global growth rebounded in the second half of 2013 was marked down by the changing dynamics of 2014. World output was projected at 3.6 percent for the year. Growth in the US showed strong recovery, but the Euro area was characterized by slow and uneven growth. Growth in emerging markets and developing economies was uneven while sub-Saharan Africa continued to remain strong.
Domestic Economy 	Real GDP growth at end-2014 was estimated at 0.3 percent, from 8.7 percent at end-2013, as a result of decline in the prices of the country's primary commodities exports (particularly iron ore and rubber) and the outbreak of the Ebola Virus Disease (EVD). Inflation averaged 9.9_percent in 2014 following a slowdown in the rate of depreciation of the Liberian dollar due mainly to CBL's aggressive intervention in the foreign exchange market during the second half of 2014.
Conducive Banking Environment 	The performance of the banking sector showed growth in key balance sheet indicators of the commercial banks. At end-October, 2014, total assets grew by 14.4 percent. Total capital also increased by13.9 percent. Liquidity remained on a strong path in 2014 with the liquidity ratio standing at 48.2 percent, 28.2 percentage points above the minimum requirement of 20.0 percent.
Exchange Rate Stability 	The average exchange rate between the Liberian and the US dollars at end-2014 depreciated by 0.9 percent to L$82.61/US$1.00, compared with L$81.88/US$1.00 at end-December, 2013. The lower rate of depreciation in 2014 compared with 2013 was largely as a result of CBL's intervention in the foreign exchange market and the slowdown in trade related activities reflecting in narrowing trade deficit.

Performance in Meeting WAMZ Criteria

The CBL maintained a cordial working relationship with its traditional multilateral partners including the International Monetary Fund (IMF), World Bank, and The African Development Bank.

The CBL also collaborated with sub-regional and regional institutions including the West African Monetary Institute (WAMI), West African Monetary Agency (WAMA), West African Institute for Financial and Economic Management (WAIFEM) and the Association of African Central Banks (AACB).

Liberia's performance on the quantitative macroeconomic convergence scale for 2013 remained unchanged. Liberia satisfied 3 primary convergence criteria and 1 secondary for 2013.

Payments System

The CBL in collaboration with the West African Monetary Institute (WAMI) continued to implement series of reform initiatives aimed at modernizing the payments system in line with international standards.

The key solution components of the modernization include Real-time Gross Settlement System (RTGS), Scripless Securities Settlement System (SSSS), Automated Check Processing (ACP) and Automated Clearing House (ACH) system.

Microfinance

In 2014, the CBL established 3 Rural Community Finance Institutions (RCFIs) Project to further enhance access to finance for greater segment of the rural population and also foster inclusive growth and economic development.

Reserve Position of the Bank 	Liberia's gross external reserves at end-November, 2014 stood at US$290.5 million, from US$241.0 million at end-December, 2013. The rise was due, in part, to increase in balances with banks abroad and lower level of intervention by the CBL in the FX market.
Treasury Operations 	Money market development accelerated in 2014 with the issuance of GoL Treasury Bills (T-bills) amounting to L$1,977.2 million and redemption totaling L$1,132.4 million. Additionally, a total of LD$3,972.8 million of CBL's notes was issued at an average discount rate of 5.18 percent with redemption amounting to LD$2,972.8 million, signaling a marked improvement in liquidity management.
The Non-Bank Financial Sector 	During 2014, the Central Bank of Liberia (CBL), in collaboration with Afriland First Bank Liberia Limited (AFBLL), supported the establishment of four (4) rural community finance institutions (RCFIs). At end-November, 2014, the total number of licensed bureaux was 111, reflecting an increase of 56.3 percent over 2013, 247 percent over 2012 and 344 percent over 2011.
CBL Finances 	The CBL's un-audited income statement for the year ended 2014 revealed gross income of L$1,975.48 million, compared with L$1,843.38 million in 2013.
Inflation 	Inflation during the year was contained at moderate level despite the exchange rate pressure during the first half of 2014 and low domestic food production mainly as a result of the outbreak of the Ebola Virus Disease (EVD). Average annual headline inflation for 2014 stood at 9.9 percent, from 7.6 percent average rate recorded for 2013. Core inflation which excludes food and transport from the overall Consumer Price Index on a year-on-year basis,

	increased to 10.2 percent in 2014, from 4.4 percent on average at end-2013.
Insurance 	In keeping with its supervisory plan for 2014, the CBL commenced on-site examination of licensed insurance companies for the first time. The process was an additional effort to foster growth and ensure a sound and vibrant insurance sector that is responsive to the needs of the public.
Enterprise Risk Management 	The CBL embarked on the implementation of an Enterprise Risk Management (ERM) framework, intended to help manage the risks it faces to enhance its ability to attain the bank's strategic objectives. The ERM Framework specifically addresses the structures, processes and standards implemented to manage risks on an enterprise-wide basis in a consistent manner.

MISSION AND OBJECTIVES

MISSION STATEMENT

The Central Bank of Liberia was created by an Act of the National Legislature in 1999 as a functionally independent institution which seeks to carry out its statutory responsibility in the public interest. It is to contribute to a sound economic and financial well-being of the country.

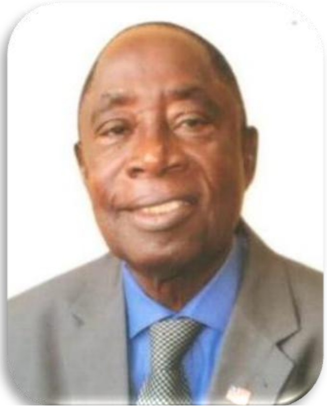
OBJECTIVES

The Bank seeks to achieve this mission by devising and pursuing policies designed to:

- promote, achieve and maintain price stability in the Liberian economy;
- maintain constant regulatory surveillance and effective prudential controls over the domestic financial sector, while encouraging competition, improved financial services and accessibility for the benefit of the public;
- encourage the mobilization of domestic and foreign savings and their efficient allocation for productive economic activities to engender sustained economic growth and development;
- promote macroeconomic stability; internal and external equilibrium in the national economy;
- facilitate the creation of financial and capital markets that are capable of responding to the needs of the national economy; and
- foster monetary, credit and financial conditions conducive to orderly, balanced and sustained economic growth and development.
- provide sound economic and financial advice to the Government.

BOARD OF GOVERNORS
AS AT DECEMBER 31, 2014

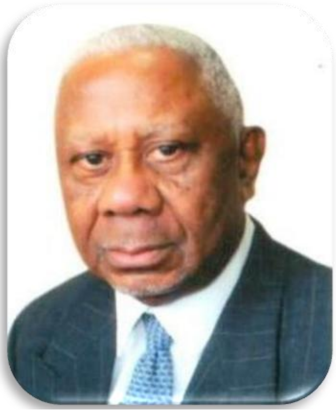
Dr. J. Mills Jones
Executive Governor and
Chairman of the Board



John G. Bestman
Board Member

David K. Vinton
Board Member

Mrs. Mildred B. Reeves
Board Member



Mr. David M. Farhat
Board Member

CHAPTER I
GOVERNANCE AND ORGANIZATIONAL STRUCTURE

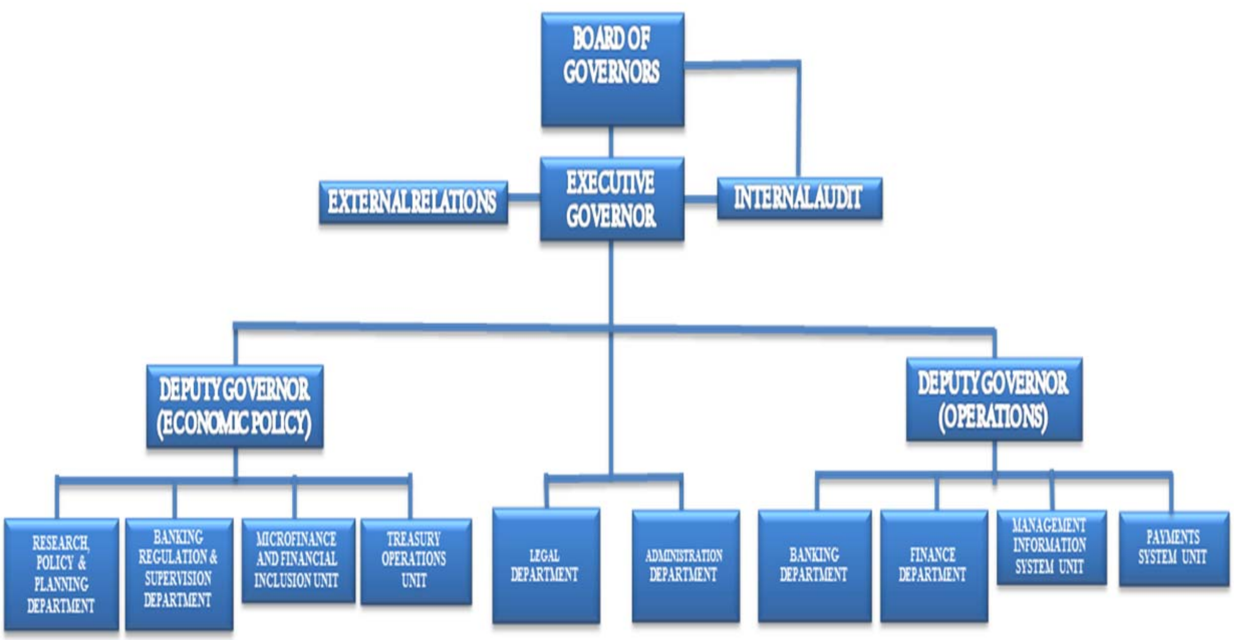
1.1 The Board of Governors

The governing body of the Bank, as stipulated in the Central Bank of Liberia Act of 1999 in Part IV Section 9 is the Board of Governors. It is responsible for the formulation and implementation of the country's monetary policy. The Board of Governors consists of 5 Governors who are appointed by the President of Liberia and confirmed by the Liberian Senate. The Executive Governor runs the day to day activities of the Bank, and Chairs the Board.

As at end-December, 2014, the Board of Governors was composed of the following:

1. Dr. J. Mills Jones – Executive Governor/Chairman
2. Mr. John G. Bestman– Member
3. Mr. David K. Vinton– Member
4. Mr. Mildred B. Reeves– Member
5. Mr. David M. Farhat – Member

Chart 1: Organizational Structure
As at December 31, 2014



1.2 Committees of the Board

The Board of Governors is currently composed of 2 committees: the Audit and the Investment. The Audit Committee (AC) has a mandate to ensure quality assurance in the operation and management of the Bank consistent with international best accounting practice and internal controls procedures. On the overall, the AC helps in ensuring that the CBL is in compliance with established accounting and auditing standards and statutory obligations. For the Investment Committee (IC), it has the mandate to assist the CBL in finding innovative investment plans regarding the placement of the Bank's financial resources in line with its investment policy and make recommendations to the Board for approval.

1.3 Policy Decisions by the Board

During 2014, the Board of Governors took the following decisions:

1. amended Regulation for the Management of Foreign Exchange Risk Exposure and Placement Abroad. This amendment provides that the level of placement abroad by commercial banks, which was 50% of the foreign currency deposits, be reduced to 40% as a means of creating incentive for the banks to deploy some of their excess US dollar liquidity domestically;

2. approved the Mobile Money Regulation. This regulation replaces the guidelines for mobile money which was issued in 2011 to allow for the establishment of non-bank financial institutions (NBFIs) for the purpose of providing mobile money services;

3. amended the Regulation concerning the Maintenance of Reserve Requirement. The amendment reduced the reserve requirement ratio for US dollars from 22.0 percent to 15.0 percent for the objective of enhancing liquidity in the banking system for support to critical sectors of the economy and also help in smoothening the short-term foreign exchange needs of the economy;
4. amended the Prudential Regulation for Asset Classification. The amendment allows for flexibility in the restructuring of delinquent loans by commercial banks and the implementation of a write-off policy by banks;

5. approved the Fit and Proper Guidelines. These guidelines define the general standards and requirements for the evaluation and assessment of senior and key staff as well as shareholders and members of the boards of directors of financial institutions to ensure that individuals and institutions involved in the management and ownership meet certain acceptable standards with respect to character, integrity, and competence. The guidelines also complement the standards and due diligence requirements of the licensing regulations and the corporate governance regulation for financial institutions;

6. amended the Regulation on Dormant Accounts and Abandoned Property. The amendments are intended to strengthen the administration and internal controls regarding inactive, dormant accounts and abandoned properties held by banks;

7. approved the Consumer Protection and Market Conduct Regulation. The Regulation is intended to promote transparency in the activities of financial institutions, as a means of empowering consumers to make informed decisions; to foster confidence in the financial services sector by ensuring that financial institutions provide quality services to their customers and other stakeholders; and to require financial institutions to establish and implement efficient and effective mechanisms for handling consumer complaints relating to the provision of financial products and services. It also requires the Liberian Bankers Association (LBA) to develop a code of professional conduct for commercial banks to promote ethical and professional standards in the banking industry;

8. approved the new capital requirements for insurance businesses as follows: general insurance business, US$1,500,000; life business, US$750,000; and reinsurance business, US$5,000,000 to be paid over a 3-year period, beginning 2015 through 2017.

9. approved a policy for putting into place a mechanism to provide liquidity support to the banking system should the need arise, given the potential impact of the Ebola crisis on the banking sector;

10. approved a policy for the exercise of dispensation with regard to specific regulations in order to reduce the regulatory burdens on the commercial banks, as a means of enabling the commercial banks to refinance the private sector. For purpose of clarity, this dispensation will be considered on a case-by-case basis, taking into account specific sectors of the economy;

11. approved a policy requiring banks to exercise flexibility in the restructuring of delinquent facilities, including suspension of penal charges and coming up with better repayment terms, for facilities that fall in the dispensation category;

12. approved a policy to extend the repayment period of the various CBL's stimulus packages by 2 years and reducing the interest rates to 2 percent, as a means of reducing the financial burdens of the crisis on the banks and improving their balance sheet;

13. approved a policy pursuant to count 11 above, requiring banks benefiting from the stimulus packages to restructure delinquent facilities under the stimulus packages with a 6-month grace for resumption of repayment. This measure is intended to provide sufficient time for small and medium Liberian businesses to restart their business activities with minimum burdens and strengthen their capacity to service their obligations; and

14. approved a policy to set the new banking hours: from 9:00am to 2:00pm, Mondays to Fridays; and 9:00 am to 12 noon, Saturdays. These adjustments are intended to reduce the high operational costs to the banks in the wake of reduced banking transactions as the result of the Ebola epidemic.

1.4 Internal Committees

The number of internal committees at end-2014 remained 3, namely: the Money Management and Policy Review Committee (MMPRC), the Financial Stability Committee (FSC), and the Payments System Project Steering Committee (PSPSC).

The MMPRC deliberated on various policy matters aimed at ensuring the realization of the strategic goal of price stability of the CBL. The development of the infrastructure upgrade for the National Payments System and other related payments system issues were the main focus of the PSPSC during the period. The FSC deliberated on those issues relating to the soundness and stability of the financial system from the perspective of banks and non-bank financial institutions.

CHAPTER II
THE GLOBAL ECONOMY

2.1 World Output Growth

The momentum with which global growth rebounded in the second half of 2013 was marked down by the changing dynamics of 2014. In its April 2014 edition of the World Economic Outlook (WEO), the International Monetary Fund (IMF) projected a global output of 3.6 percent for the year. However, due to the slow pace of growth in major economies and the outcome of the financial crisis including high unemployment and debt overhang; the cloudy future of major advanced economies and the rising geopolitical risk in other economies, have caused the IMF revise its projection downward to 3.3 percent.

During the year, the US policy actions which helped stabilized the global economy saw the cloudy outlook of 2014 removed. Europe's upward risks were reduced due to the implementation of policies at both the national and regional levels that led to a substantial improvement in market confidence. Japan gained strength against deflation and has been rebuilding consumer confidence while in emerging markets and developing economies, readjustment after several periods of volatility was on track.

Despite setbacks and sluggish first half performance of the global economy, the US continued to show strong recovery after the poor first quarter performance during the year. Driven by strong investment in residential housing, solid personal consumption and a pickup in consumer and business confidence, growth in 2014 was projected at 2.2 percent. However, major risks to this growth prospect at both the domestic and external fronts include the labor force, which is aging could hamper the US medium-term growth prospects which suggest that policies toward upgrading human capital and infrastructure should be prioritized to avert this risk. Additionally, the easing of monetary policy must be carefully directed to sustaining the recovery and prevent negative domestic or global spillovers.

In the euro area, a slow and uneven pace in economic activities began to take place in the second half of the year. But it was not consistent. Growth was stronger in the core but weaker in the periphery as a result of high debt, unemployment and credit constraints that weigh down on growth prospect.

Table 1: Growth of Selected Global Output

	2012	2013	Projections 2014	2015	Difference from July 2014 WEO Update	
World Output	**3.4**	**3.3**	**3.3**	**3.8**	**-0.1**	**-0.2**
Advanced Economies	**1.2**	**1.4**	**1.8**	**2.3**	**0.0**	**-0.1**
United States	2.3	2.2	2.2	3.1	0.5	0.0
Euro Area	-0.7	-0.4	0.8	1.3	-0.3	-0.2
Japan	1.5	1.5	0.9	0.8	-0.7	-0.2
United Kingdom	0.3	1.7	3.2	2.7	0.0	0.0
Canada	1.7	2.0	2.3	2.4	0.1	0.1
Emerging Market and Developing Economies	**5.1**	**4.7**	**4.4**	**5.0**	**-0.1**	**-0.2**
Commonwealth of Independent States	3.4	2.2	0.8	1.6	-0.1	-0.5
Emerging and Developing Asia	**6.7**	**6.6**	**6.5**	**6.6**	**0.1**	**0.0**
China	7.7	7.7	7.4	7.1	0.0	0.0
India	4.7	5.0	5.6	6.4	0.2	0.0
Latin America & the Caribbean	2.9	2.7	1.3	2.2	-0.7	-0.4
Middle East , North Africa, Afghanistan, &Pakistan	4.8	2.5	2.7	3.9	-0.4	-0.9
Sub-Saharan Africa	4.4	5.1	5.1	5.8	-0.4	0.0
Consumer Prices						
Advanced Economies	2.0	1.4	1.6	1.8	0.0	0.0
Emerging and Developing Economies	6.1	5.9	5.5	5.6	0.1	0.3

Source: IMF World Economic Outlook: Oct. 2013 Edition

Though encouraging steps had been taken to reinforce progress, but the lingering concern about low productivity and competitiveness along with the differences in growth prospects in the region have caused the IMF to project a 0.8 percent growth for the year.

Growth in emerging markets and developing economies continued to be uneven. While it remained strong in Hungary, Poland, and Turkey as a result of stronger demand from advanced economies, it slowed in the southeastern parts of the region. Heightened market volatility associated with monetary policy normalization in the US, larger domestic and external imbalances in other parts and the geopolitical risks in Ukraine and Russia could potentially affect commodity prices, supply chains and financial flow in the near term. Overall, output in emerging market and developing economies is expected to decline to 4.4 percent for the year as forecast by the October, 2014 edition of the WEO.

The improvement in demand from advanced economies and the developments in China along with the supportive macroeconomic policies across the region saw growth strengthening for the region in the second half of the year. China is expected to remain firm at 7.4 percent for the year but slow to a more sustainable level of 7.1 percent next year due largely to high infrastructure spending, support to small and medium enterprises, housing support and robust exports growth. In other parts of the region, growth in India is projected to increase to 5.6 percent for the rest of the year and further increase to 6.4 percent in 2015. These recent developing prospects have caused the IMF in its October, 2014 edition of the WEO to project a 6.5 percent growth for the region.

Robust growth forecast for sub-Saharan Africa continued to remain strong. Supported by improved domestic demand conditions, growth in public and private investments in infrastructure and mining activities in most parts of the region may see growth sustained in the near term. However, the devastating impact of the Ebola Virus Disease (EVD) on Liberia, Guinea and Sierra Leone; electricity and labor constraints; low business confidence along with some macroeconomic imbalances and the difficult security situation in other parts of the region are potential risks that could offset this strong growth outlook. Forecast for the region puts growth at 5.1 percent for 2014, with the likelihood of improved prospects for 2015.

2.2 Global Inflation

Inflation continues to stay at bay in advanced economies as a result of substantial economic slack. The US inflation rate is expected to be 1.6 percent for the year and gradually increase to the 2.0 percent (Federal Reserve targeted rate) in the near term. As the recovery in the euro area continues, inflation is set to gradually increase to 0.9 percent in 2015 but may well stay below the European Central Bank price stability objective. In Japan, inflation is moving below target at 1.3 percent. Given the persistent output gaps, weak credit conditions among others, inflation will remain subdued in advanced economies, while it is expected to be broadly unchanged in emerging markets and developing economies (Table 1).

2.3 Commodity Market

Slow, weak and uneven growth in the world economy, particularly in China and the Eurozone, greatly impacted the global commodity markets in 2014, with the global energy, industrial inputs and food price indices declining by 6.0 percent, 6.8 percent and

5.4 percent on average during the year, respectively, compared with the average levels registered in 2013. Largely, low demand as a result of weak macroeconomic fundamentals in major consumption markets against the rising levels supply levels of major commodities on the international markets necessitated the downward spirals in commodity prices during the year.

2.3.1 Crude Oil

Despite the heightened level of geo-political tensions in major oil producing regions (particularly Russia, the Middle East and Nigeria) during the year, the annual average price of crude oil fell by about 5.8 percent to US$98.1 per barrel in 2014, from US$104.1 per barrel in 2013 and US$105.0 per barrel in 2012, largely driven by weak global energy consumption demand and rising supply levels. The fracking revolution in the US and persistence on the part of the Organization of Petroleum Exporting Countries (OPEC) to increase production despite declining crude oil demand drove the fall in crude oil prices during the year. With US oil production still on the rise and OPEC countries expected to maintain current production levels, oil prices are projected to decline further during the short-to-medium term.

2.3.2 Iron Ore

Iron ore price plummeted by 28.1 percent to an annual average of US$97.4 per metric ton in 2014, from US$135.4 per metric ton in 2013, largely occasioned by declining consumption demand, particularly as a result of the slowdown in the Chinese real estate sector and steel industry coupled with weak economic activities in the Eurozone. Increasing global supply of iron ore, mainly from Australia, in the face of low demand was also a key factor driving down prices in 2014 and may persist in the short-to-medium term.

2.3.3 Rubber

On the back of weak industrial demand coupled with the increased supply of the commodity on the international markets in 2014, rubber price declined by about 30.7 percent to US$1,936.9 per metric ton during the year, from US$2,794.6 million in 2013. Compared with the average price in 2012, rubber price registered a 42.7 percent decline in 2014. Though there are improved prospects for industrial demand for the commodity from increasing activities in the US economy, the rising level of rubber supply, mainly from

Malaysia, Thailand and Indonesia, partly necessitated the downward trend in rubber price during the year and may persist in the short-to-medium term.

2.3.4 Round Logs

Round log price declined by 7.5 percent to an average of US$282.5 per cubic meter in 2014, from US$305.4 per cubic meter in 2013. Compared with the average price in 2012, average log price fell by 21.6 percent. The slowdown in the Chinese economy, particularly the real estate sector, was the major factor that drove down log price during the year.

2.3.5 Rice

Despite lower-than-projected production performances for key rice-producing countries (India, Nepal & Thailand) during the first half of 2014 and strong import demand throughout the year, rice price fell by about 18.3 percent to an average of US$424.1 per metric ton, from US$518.8 per metric ton in 2013, largely on account of improved harvests during the second half of the reporting year.

2.4 Implication for the Liberian Economy

Developments in the global commodity market in 2014 had mixed impacts on the Liberian economy. Low crude oil prices during the year led to lower-than-expected import payments while declines in iron ore and rubber prices greatly weakened the country's terms of trade, leading to lower-than-expected export performance during the year. Though prospects of lowering international oil prices in the short-to-medium term remain high, with positive outlook for inflation in 2015, the ongoing declining patterns of iron ore and rubber prices will be a major challenge to export earnings, exchange rate and economic growth in the coming year. There is an urgent need to diversify the structure of the economy, moving away from the existing enclave sector raw material export regime to sustained investments in agriculture and value addition, thus reducing the over-reliance on imported food and other consumables while at the same time boosting the export base. This will require speeding up the ongoing public sector infrastructure projects, particularly in energy and road networks.

CHAPTER III
DEVELOPMENTS IN THE LIBERIAN ECONOMY

3.1 Overview

Liberia's real GDP declined to a projected US$894.5 million, compared with an earlier projection of US$944.7 million largely on account of declines in the international prices of Liberia's primary export commodities (mainly iron ore and rubber) and the EVD epidemic and its socio-economic consequences on the economy resulting into a slowdown in activities in all sectors of the economy.

Inflation stood at an average rate of 9.9 percent at end-2014, compared with 7.6 percent at end-2013. The rise in the price level during the year was largely driven by decline in domestic food production, increases in domestic transport fares and imported food prices, all due to the impact of the EVD outbreak.

Commercial bank credit to the economy at end-November, 2014 grew by 4.3 percent compared with the level at end-December, 2013. The moderation in credit expansion in 2014 was largely on account of the slowdown in general economic activities due to the EVD epidemic. The moderate credit growth came mainly from construction, manufacturing and agriculture, with the services sector (mainly Trade, Hotel and Restaurant sub-sector) being the hardest hit. The private sector retained the giant share of total credit extended to the economy during the year, accounting for 97.0 percent, with the public sector accounting for mere 3.0 percent.

There were mixed developments on the interest rate front during the year. Average lending rate reduced slightly, while mortgage, time deposits, savings and personal loan rates recorded increases. Monetary aggregates at end-November, 2014 show decreases relative to their levels at end-December, 2013.Broad money (M2) and narrow money (M1) declined by 8.2 percent and 13.9 percent, respectively.

From provisional statistics, Liberia's balance of payments (BOP) registered an overall deficit of US$37.4 million in 2014, from a deficit of US$5.8 million during the preceding year, driven largely by decline in inflows in the financial account (mainly foreign direct investment) as a result of the EVD outbreak.

The Liberian dollar-US dollar nominal average exchange rate depreciated by 0.9 percent to L$82.61/US$1 at end-December, 2014, compared with L$81.9/US$1 recorded at the end of the preceding year, largely on account of deteriorating terms of trade and EVD-led poor export performance.

Liberia's public debt stock at end-September, 2014 stood at US$694.8 million, indicating an increase of 10.2 percent relative to the level recorded at end-September 2013.

3.2 Real GDP Performance

The growth rate of the Liberian economy at end-2014 was estimated at 0.3 percent, from 8.7 percent at end-2013. The slowdown in growth was largely attributed to the decline in the prices of the country's primary commodities exports (particularly iron ore and rubber) and the outbreak of the EVD. The epidemic caused the departure of expatriate staff of foreign concession companies from the country, decline in the number of flights and vessels coming into the country and internal quarantines of some counties to contain the further transmission of the virus, etc. Major sectors in the economy contributing to the estimated decline in growth for 2014 relative to 2013 are: agriculture & fisheries to negative 2.9 percent (from negative 0.3 percent); forestry to negative 2.0 percent (from 0.5 percent); mining & panning to 0.1 percent (from 49.6 percent); manufacturing to 3.0 percent (from 9.2 percent); and services to 0.4 percent (from 7.2 percent).

Growth in 2015 is projected at negative 1.1 percent due largely to further contraction in all of the major sectors of the economy except for the agriculture & fisheries sector which is expected to contract slightly. However, this negative rate of growth in 2015 could be reversed if concerted efforts are put in place by the Government and its partners to ensure that the virus is contained by early 2015 and also allowing for greater support for a financial inclusive and diversified economy with emphasis on value addition, especially in the agriculture and manufacturing sectors of the economy.

Table 2: Sectoral Origin of Gross Domestic Product (GDP)
(At 1992 Constant Prices: 2012-2015)
(In Millions of US$)

Sector	**2012+**	**2013+**	**2014***	**2015****
Agriculture & Fisheries	226.3	225.1	218.6	214.2
Forestry	90.4	90.9	89.1	89.1
Mining & Panning	68.9	119.4	119.4	111.2
Manufacturing	59.5	65.0	64.5	63.8
Services	384.5	391.4	403.1	406.7
Real Gross Domestic Product	**829.6**	**891.7**	**894.7**	**885.0**

Source: Liberian Authority and IMF Staff Estimates and Projections
*+Revised   *Estimates   **Projections*

3.3 Real Sector Performance

Output in the Agricultural & Forestry sector was mixed during the year 2014. Rubber, round log and sawn timber recorded increases while cocoa beans production declined. Rubber output increased by 22.6 percent, up from 56,431 metric tons recorded in 2013 to an estimated 69,168 metric tons at end-2014. The rise in rubber production was largely due to commencement of production on new farms. Output of rubber fluctuated over the last 2 years, though it remains the second largest contributor to GDP (Table 2).

At end-2014, total round logs production significantly increased by 305,543 cubic meters to an estimated 390,099 cubic meters, up from 84,556 cubic meters reported at the end of the preceding year. The growth in round logs production was mainly on account of partial lifting of the moratorium placed on private-user permit regime. Compared with output level 2 years ago, round logs production in 2014 was also estimated to increase by 82.5 percent to 213,774 cubic meters. Similarly, sawn timber production rose to an estimated 548,295 pieces during the year, 2014, from 501,602 pieces recoded in 2013.

On the other hand, cocoa beans production in 2014 plummeted by 25.5 percent to an estimated 6,768 metric tons, down from 9,085 metric tons recorded at end-2013. The decline in cocoa beans output was primarily due to the Ebola outbreak which largely disrupted farming activities mainly for the second half of the year. Data on coffee production during the year was not available.

Table 3: Key Agricultural & Forestry Production (2012-2014)

Commodity	Unit	2012	2013+	2014*
Rubber	Mt.	63,047	56,431	69,168
Cocoa Beans	Mt.	8,082	9,085	6,768
Coffee	Mt.	135	202	N/A
Round Logs	M^3	213,774	84,556	390,099
Sawn Timber	Pcs.	315,257	501,602	548,295

Source: Ministry of Commerce & Industry (MoC&I); Liberia Produce and Marketing Corporation (LPMC); Forestry Development Authority (FDA)*Estimate, +Revised

Cement production was estimated at 261,926 metric tons at end-2014, up from 193,992 metric tons recorded in the preceding year. Expansion in cement output was mainly on account of growing activities in the construction sector during the first half of the year which coincided with the dry season. However, due largely to slow construction activities as the result of the intensity of the EVD, cement production began to experience slowdown during the second half of the year.

Total output of beverages at end-2014 stood at 19,186,246 litres, 10,361,255 litres (35.1 percent) lower than the amount produced in the preceding year. The decline in beverages production was largely attributed to slowdown in general economic activities in the country driven by the outbreak of the EVD. Total production of beverages was also 31.7 percent lower than the output in 2012 (Table 4).

Table 4: Key Industrial Output (2012-2014)

Commodity	Unit	2012	2013+	2014*
Cement	Mt.	121,592	193,992	261,926
Beverages	Liter	28,099,740	29,547,501	19,186,246
Paints	Liter	354,005	281,987	193,693
Candle	Kg.	299,299	172,074	160,420
Chlorox	Liter	681,160	766,209	1,600,363
Rubbing Alcohol	Liter	198,620	260,557	234,986
Mattresses	Pcs.	108,667	100,346	89,516
Gold	Ounce	20,609	18,869	17,204
Diamond	Carat	34,271	47,820	79,747
Iron Ore	Mt.	2,369	4,948,095	4,813,676
Finished Water	Gal.	1,752,158,793	1,809,781,771	1,047,399,512

Source: Ministry of Commerce & Industry (MoC&I); Ministry of Lands, Mines & Energy (MLM & E) Liberia Water and Corporation (LWSC)
****estimate, + Revised***

Paint production during the year was estimated at 193,693 litres, a 31.3 percent decline compared with total output at end-2013. The contraction in paint production in 2014 was largely on account of slowdown in construction activities coupled with low supply of raw materials (inputs) during the second half of the year. Compared with the output level in 2012, paint production at end-2014 declined drastically by 160,312 litres, down from 354,005 litres.

Candle production at end-2014 was estimated at 160,420 kilograms, 6.8 percent lower than the output level during the previous year. The continue decline in candle production for the last 2 years was mainly due to increased usage of dry cell lamp as major alternative source of lighting in many rural homes. When matched against the output level in 2012, candle production during the review year contracted by 46.4 percent.

The estimated output of chlorox was 1,600,363 litres in 2014, up from 766, 209 litres produced at end-2013, representing a significant growth of 109 percent. The expansion in the output of the commodity was largely due to its growing demand for hand washing (antidote against the spread of Ebola). When compared with the output level in 2012, chlorox production increased by 135.9 percent.

The estimated diamond output at end-2014 stood at 79, 747 carats, up from 47,820 carats recorded in 2013. The 66.8 percent surge in diamond production was largely due to increased mechanization of the production process of the commodity. Over the last 2 years, diamond produced grew by 132.7 percent, from 34,271 carats recorded in 2012. On the contrary, iron ore and gold production declined by 2.7 percent and 8.8 percent, respectively, at end-2014. The slump in iron ore production during the year was mainly due to declining global prices of the commodity.

Total supply of finished water at end-2014 was estimated at 1,047,399,512 gallons, down from 1,809,781,771 gallons recorded in 2013, a 42.1 percent slump in output. The decline was largely attributed by technical breakdown at water treatment plant of the Liberia Water and Sewer Corporation (LWSC) and leakages of several of its pipes (wastage).

The number of mattresses produced during the year was estimated at 89,516 pieces, a decline by 11.3 percent, from 100,346 pieces recorded at end-2013.

The decline in production of mattresses was largely on account of slowdown in economic activities caused by the EVD. Compared with the output in 2012, production level of mattresses also slumped by 17.6 percent.

3.4 Price Development

Inflation in 2014 was contained at moderate level, despite the exchange rate pressure during the first half of the year and low domestic food production mainly as a result of the outbreak of the EVD. The aggressive intervention by the CBL during the second half of 2014 largely contributed to stabilizing exchange rate pressure, which help to limit the pass-through effect of imported inflation to domestic consumer basket. Average annual headline inflation for 2014 stood at 9.9 percent, from 7.6 percent average rate recorded for 2013.

The major drivers of inflation in 2014 compared with 2013 were alcoholic beverages to 10.4 percent (from 6.2 percent); clothing and footwear to 16.9 percent (from 4.9 percent); furnishings and household equipment to 11.2 percent (from 5.7 percent); health to 16.2 percent (from 0.1 percent); transport to 17.9 percent (from 5.6 percent); and miscellaneous goods and services to 16.8 percent (from 6.8 percent).

Core inflation, which excludes food and transport from the overall Consumer Price Index (CPI), on an annual average basis, reached 6.1 percent at end-December, 2014, from 8.3 in September, 13.0 percent in June and 12.9 percent at end-March, 2014. On a year-on-year basis, underlying inflation increased to 9.9 percent in 2014, from 4.4 percent on average at end-2013.

For 2015, the realization of single-digit inflation will depend mainly on the rapid containment of the Ebola virus; the level of CBL's intervention in the foreign exchange market; the state of domestic roads, energy, and food production; and favorable international oil and food prices.

Table 5: Year-on-Year Rate of Inflation
(2012-2014)
(December 2005=100)

	2012	2013	2014
January	8.9	8.0	7.7
February	10.3	5.5	7.9
March	8.7	8.4	8.9
April	7.7	8.7	9.8
May	6.7	6.5	9.6
June	7.1	7.0	11.7
July	3.6	7.1	10.9
August	4.2	7.5	10.1
September	5.7	8.2	13.5
October	4.8	8.5	12.7
November	7.3	7.0	7.9
December	7.7	8.5	7.7
Average	**6.9**	**7.6**	**9.9**

Source: Central Bank of Liberia and Liberia Institute of Statistics and Geo-Information Services

Chart 2: Year-on-Year Rate of Inflation
(2012-2014)
(December, 2005=100)

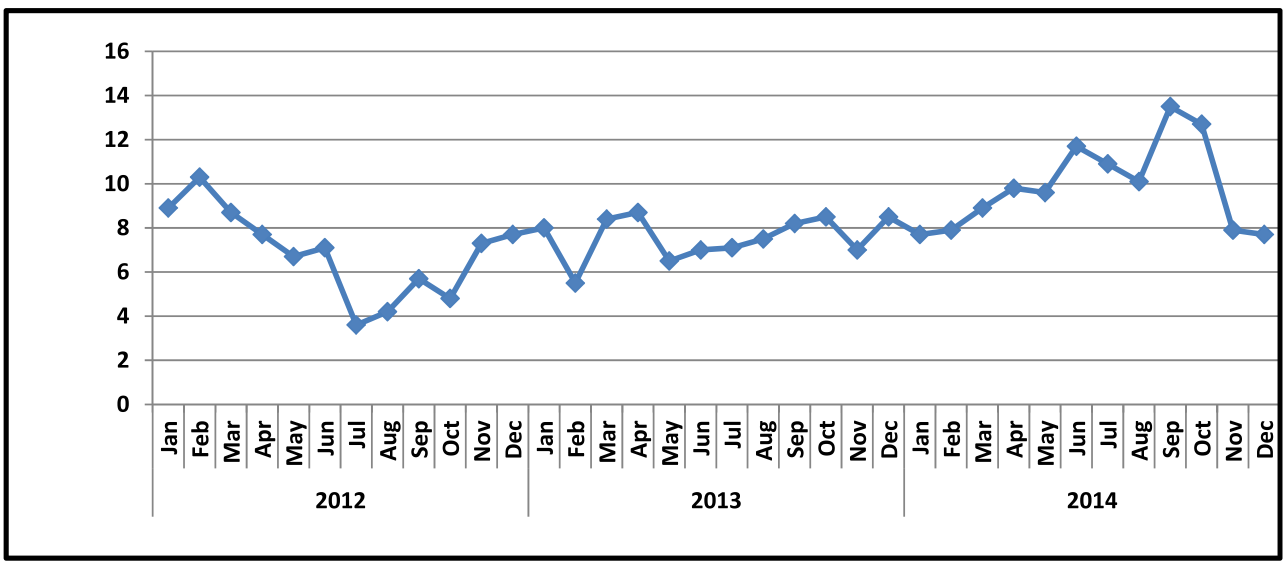


Table 6: CPI and Core Inflation
(In percent)
(2013-2014)

Year	Inflation	Weight	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	HCPI (Gen)	100.0	8.0	5.5	8.4	8.7	6.5	7.0	7.1	7.5	8.2	8.5	7.0	8.5
	Core (Inf)	51.3	0.9	1.6	1.5	0.8	2.0	3.0	5.7	7.5	7.9	6.5	7.2	8.5
2014	HCPI (Gen)	100.0	7.7	7.9	8.9	9.8	9.6	11.7	10.9	10.1	13.5	12.7	7.9	7.7
	Core (inf)	51.3	10.5	8.9	12.9	15.2	11.8	13.0	9.3	8.3	8.4	8.1	6.2	6.1

Source: Central Bank of Liberia and Liberia Institute of Statistics and Geo-Information Services

Chart 3: HCPI and Core Inflation
(In Percent)
(2013-2014)

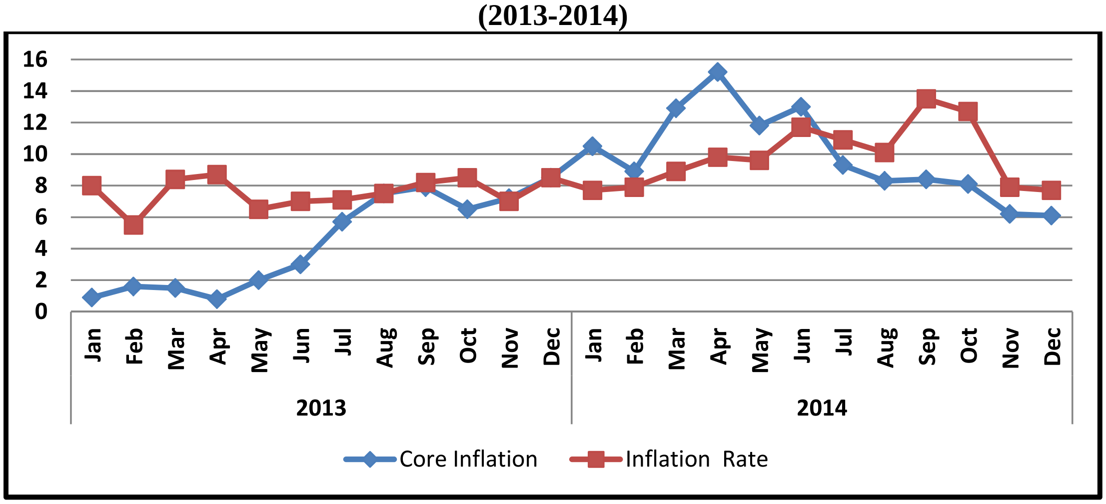


Table 7: Harmonized Consumer Price Index (HCPI) By Major Groups
Year-on-Year Rates of Inflation

MAJOR GROUP	WEIGHT	Jan-14	Feb-14	Mar-14	Apr.-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
FOOD AND NON-ALCOHOLIC BEVERAGES	45.20	55.5	6.40	5.48	5.42	7.28	9.17	10.45	9.28	16.34	14.93	7.60	9.95
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	3.03	11.81	8.66	10.40	15.43	14.05	13.86	12.11	10.77	7.07	4.65	7.66	8.29
CLOTHING AND FOOTWEAR	7.75	14.89	15.17	19.67	22.77	18.01	22.30	18.53	22.87	11.91	11.67	13.08	11.96
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	12.00	0.07	-0.24	1.83	2.62	0.79	1.59	-0.90	-1.45	6.35	7.38	-0.64	5.67
FURNISHING, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE	5.25	23.00	12.06	20.04	27.42	17.22	12.56	4.98	2.41	3.93	4.31	4.74	1.51
HEALTH	3.91	5.19	8.12	22.15	22.15	15.91	17.21	17.21	17.21	17.21	17.21	17.21	17.21
TRANSPORT	6.11	8.50	12.59	12.65	12.98	13.72	24.36	24.15	22.34	21.98	21.98	21.29	-0.20
COMMUNICATION	1.53	1.43	1.02	1.47	1.80	1.62	1.87	1.69	0.64	0.72	0.58	0.42	0.28
RECREATION AND CULTURE	3.85	9.88	9.64	11.91	12.75	9.34	8.57	9.31	7.55	3.10	2.78	1.53	1.23
EDUCATION	3.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RESTAURANTS AND HOTELS	4.64	12.60	12.34	14.98	16.41	14.34	17.40	12.54	7.02	7.67	6.66	5.77	5.04
MISCELLANEOUS GOODS AND SERVICES	3.53	15.27	14.11	18.72	19.91	20.47	23.81	15.39	12.58	23.17	21.97	12.39	3.88
GENERAL RATES OF INFLATION	100.00	7.68	7.86	8.91	9.78	9.58	11.66	10.88	9.72	13.49	12.66	7.91	7.66
SPECIAL RATES OF INFLATION													
ALL IMPORTED ITEMS	41.73	10.67	7.49	9.04	9.05	13.52	13.52	12.80	10.17	18.05	15.92	11.73	14.02
ALL DOMESTIC ITEMS	58.27	5.69	8.13	8.81	10.31	6.79	10.30	9.48	9.39	10.14	10.31	5.18	3.25
IMPORTED FOOD ITEMS	23.87	9.40	5.26	5.05	3.76	12.64	11.56	11.53	7.33	21.86	18.69	12.58	16.54
DOMESTIC FOOD ITEMS	21.33	2.06	7.57	5.91	7.18	1.83	6.68	9.34	11.29	10.65	11.19	2.72	3.55
IMPORTED FUEL	2.14	6.31	2.91	3.34	4.64	7.35	12.53	11.85	4.67	4.49	3.56	2.39	2.52

Source: Central Bank of Liberia and Liberia Institute of Statistics and Geo-Information Services

3.5 Monetary Developments

3.5.1 Commercial Bank Credit

On aggregate, credit to all sectors of the economy at end of the 11-month period up to November, 2014 stood at L$28,329.5 million, reflecting a modest growth of 4.3 percent relative to 43.7 percent recorded at end-December, 2013. Sectors leading credit growth moderation were Transportation, Storage & Communication, which moderated by 71.1 percentage points from 70.1 percent at end 2013 to -1.0 percent at end-November, 2014 and Construction, from 125.6 percent in 2013 to 63.2 percent at the end of the reporting period. Transportation, Storage & Communication; Trade, Hotel & Restaurant and Agriculture sectors which formed parts of growth drivers in 2013 were hit hard by the EVD outbreak causing a slowdown in activities during 2014. In terms of the private and public sectors' shares of total credit, the private sector accounted for the largest, L$27,481.7 million (97.0 percent) and the public sector, L$847.9 million (3.0 percent), reflecting greater emphasis on more support for the private sector as the engine for sustainable economic growth and development (Table 8 & Chart 4).

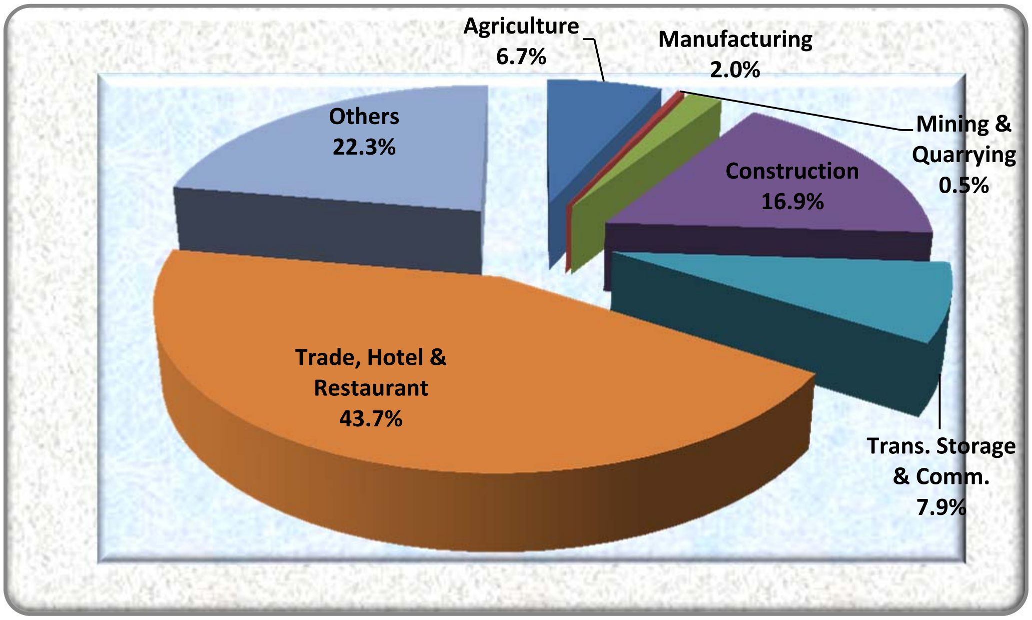
Table 8: Commercial Bank Loans by Economic Sectors (2012-November, 2014) (In Millions L$)

Sector	Dec-12	Share of Total	Dec-13	Share of Total	Nov-14	Share of Total	Percentage Change (Dec-13-Nov-14)
Agriculture	848.8	4.5	1,495	5.5	1,898.6	6.7	27.0
Mining & Quarrying	114.9	0.6	100	0.4	132.3	0.5	31.9
Manufacturing	279.2	1.5	372	1.4	557.3	2.0	49.8
Construction	1,300.50	6.9	2,934	10.8	4,788.3	16.9	63.2
Trans. Storage & Comm.	1,337.30	7.1	2,274	8.4	2,250.8	7.9	-1.0
Trade, Hotel & Restaurant	8,325.70	44.0	10,861	40.0	12,391.3	43.7	14.1
Others*	6,695.20	35.4	9,134	33.6	6,310.9	22.3	-30.9
TOTAL	**18,901.60**	**100.00**	**27,169.37**	**100.00**	**28,329.5**	**100.00**	**4.3**

Source: Central Bank of Liberia, Monrovia, Liberia

****The "Others" Sector comprises loans to Individual, Service Institutions, GoL, Public Corporations, CBL and other institutions not categorized in any sector. However, in the chart below credit to GoL and public corporations are separated from the "others" sector. Since 2012, CBL has not received any loan from the commercial banks.***

Chart 4: Percentage Distribution of Commercial Banks' Loans by Economic Sectors (November, 2014)



3.5.2 Interest Rates

At end of the 11-month period, trends in average interest rates generally show upward movement. Except for the average rate on lending which fell by 20 basis points, the rates on personal loan rose by 3 basis points; mortgage by 13 basis points; time deposits by 80 basis points and savings by 1 basis point.. The average rate on certificate of deposits was not reported at end-November, 2014, (Table 9).

Table 9: Commercial Bank Interest Rates (2012 - November, 2014)

Commercial Bank Rate	Dec-12	Dec-13	Nov-14
Avg. Lending Rate	13.20	13.73	13.53
Avg. Personal Loan Rate	14.04	14.01	14.04
Avg. Mortgage Rate	13.99	14.29	14.42
Avg. Time Deposit Rate	2.90	3.60	4.40
Avg. Savings Rate	2.00	1.99	2.00
Avg. Rate on CD'S	3.00	3.00	3.00?

Source: Central Bank of Liberia, Monrovia, Liberia
NA=not available

3.5.3 Monetary Policy Stance

The conduct of monetary policy by CBL has been directed towards containing inflation through a more stable exchange rate. Also, the CBL continues to issue CBL notes to mop up excess Liberian dollar liquidity to maintain exchange rate stability and limit the pass-through to domestic prices.

3.5.4 Monetary Aggregates

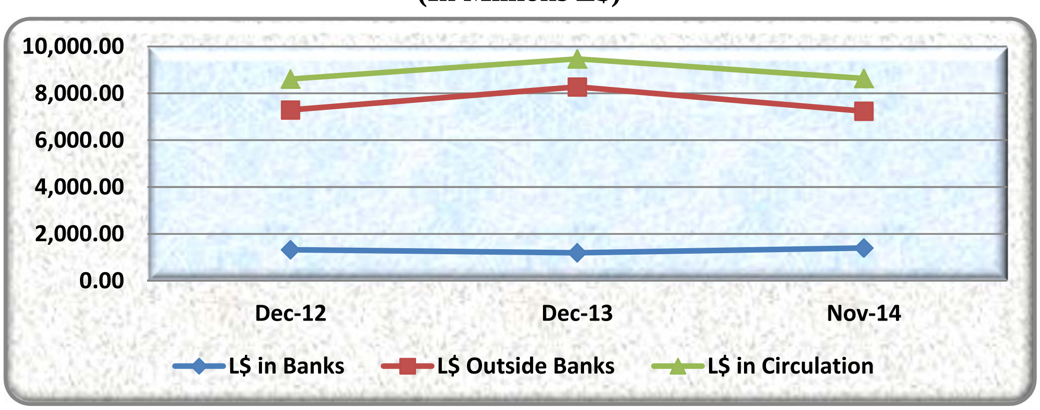
Liberian dollars in circulation[1] at end-November, 2014 stood at L$8,639.3 million, reflecting a decline of 8.8 percent, from L$9,468.0 million at end-December, 2013. The fall was on account of a 12.5 percent plunge in currency outside banks which more than offset a 16.9 percent growth of currency in banks. Of the total currency in circulation, currency in the hands of the public accounted for 83.8 percent, down from 87.4 percent at end-2013. The reduction in currency outside banks signifies the effect of the CBL's on-going effort to mop up Liberia dollars to mitigate the pressure in the foreign exchange market.

Table 10: Liberian Dollar in Circulation
(2012-November, 2014)
(In Millions L$)

	L$ in Banks	L$ Outside Banks	L$ in Circulation
	A	B	A+B=C
Dec-12	1,322.9	7,291.3	8,614.2
Dec-13	1,196.2	8,271.7	9,468.0
Nov-14	1,398.1	7,241.2	8,639.3

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 5: Liberian Dollars in Circulation
(2012-November, 2014)
(In Millions L$)



[1]Currency in circulation equals currency in banks plus currency outside banks

Narrow money supply (M1)[2] at end-November, 2014 totaled L$33,279.6 million, falling by 13.9 percent compared with L$38,666.5 million reported at end-December, 2013. The contraction was driven by 14.3 percent slump in demand deposits as well as a 12.5 percent decline in currency in the hands of the public. Quasi money[3] rose by 5.4 percent, to L$17,175.4 million largely on account of a 5.4 percent increase in time and savings deposits (Table 11).

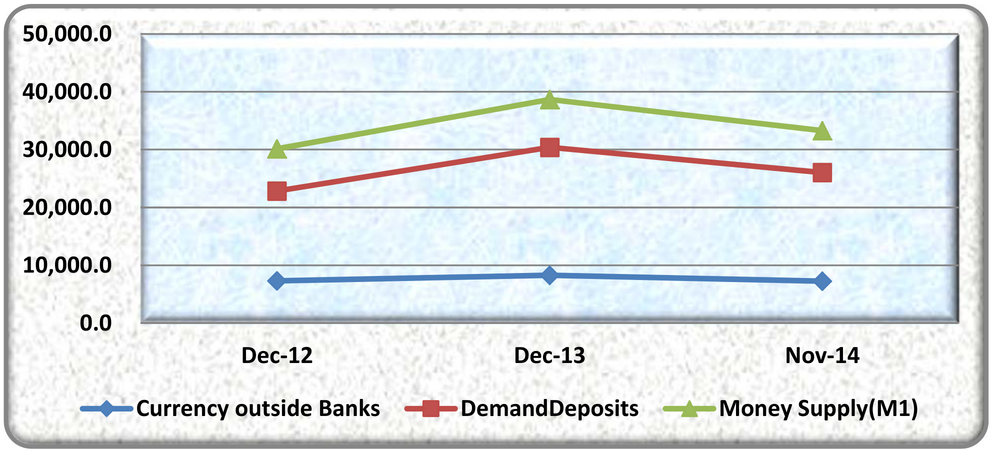
Table 11: Money Supply and its Sources
(2012 – November, 2014)
(In Million L$)

Monetary Aggregates	Dec-12	Dec-13	Nov-14	Percent Change	
				2013−Nov,14	*2012-Nov,14*
1.0 Money Supply, M2 (1.1 + 1.2)	**44,742.4**	**54,956.0**	**50,455.0**	**-8.2**	**12.8**
1.1 Money Supply, M1	**30,132.7**	**38,666.5**	**33,279.6**	**-13.9**	**10.4**
1.1.1 Currency outside banks	*7,291.3*	*8,272.0*	7,241.2	-12.5	-0.7
1.1.2 Demand deposit 1/	*22,841.4*	*30,395.0*	26,038.4	-14.3	14.0
1.2 Quasi Money	**14,609.7**	**16,290.0**	**17,175.4**	5.4	17.6
1.2.1 Time & Savings deposits	13,273.2	16,252.0	17,125.0	5.4	29.0
1.2.2 Other deposits 2/	*1,336.5*	*38.0*	50.4	34.2	-96.2
2.0 Net Foreign Assets	**25,420.0**	**28,359.0**	**35,258.6**	24.3	38.7
2.1 Central Bank	16,144.6	18,010.0	23,554.2	30.8	45.9
2.2 Banking Institutions	9,275.4	10,349.0	11,704.4	13.1	26.2
3.0 Net Domestic Assets (1 - 2)	**19,322.4**	**26,597.0**	**15,196.4**	-42.9	-21.4
3.1 Domestic Credit	37,715.5	48,834.0	46,182.5	-5.4	22.4
3.1.1 Government (net)	15,528.0	17,309.0	11,947.8	-31.0	-23.1
3.1.2 Pvt. Sector & Other Pvt. Sector	22,187.6	31,525.0	34,234.7	8.6	54.3
3.2 Other assets Net (3 - 3.1)	18,393.1	22,237.0	30,986.1	39.3	68.5
Memorandum Items					
1. Overall Liquidity	44,742.4	54,956.0	50,455.0	-8.2	12.8
2. Reserve Money	30,298.0	30,941.0	28,770.8	-7.0	-0.5
Currency outside banks	*7,291.3*	*8,272.0*	7,241.2	-12.5	-0.7
Banks Reserves	*23,006.8*	*22,670.0*	21,529.6	-5.0	-6.4

Source: Central Bank of Liberia, Monrovia, Liberia
1/ Excludes Manager's checks from commercial banks
2/Includes official and managers Checks issued by the Central Bank

[2] M1 is the narrowest definition of money supply. It is made up of currency outside banks plus demand deposits
[3]Quasi Money is defined as savings and time deposits in both currencies

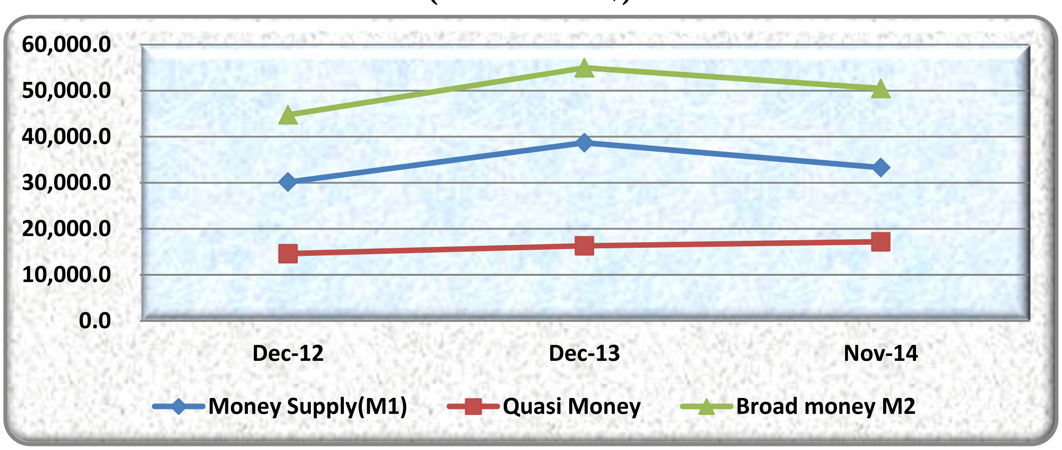
Chart 6: Money Supply (M1)
(2012–November, 2014)
(In Millions L$)



Broad money (M2)[4], the measure of the overall liquidity in the banking system, plunged by 8.2 percent to L$50,455.0 million at end-November, 2014, from L$54,956.0 million at end-December, 2013 on the back of a 42.9 percent decline in net domestic assets (NDA). Reserve money shrank by 7.0 percent. Reductions in currency outside banks and commercial banks' reserves underpinned the slowdown in banks' reserves. The US dollar share of broad money at end-November, 2014 accounted for 72.1 percent (L$36,388.0 million[5]), reflecting the highly dollarized nature of the Liberian economy (Table 12 & Chart 8).

Chart 7: Broad Money (M2)

(2012 - November, 2014)
(In Millions L$)



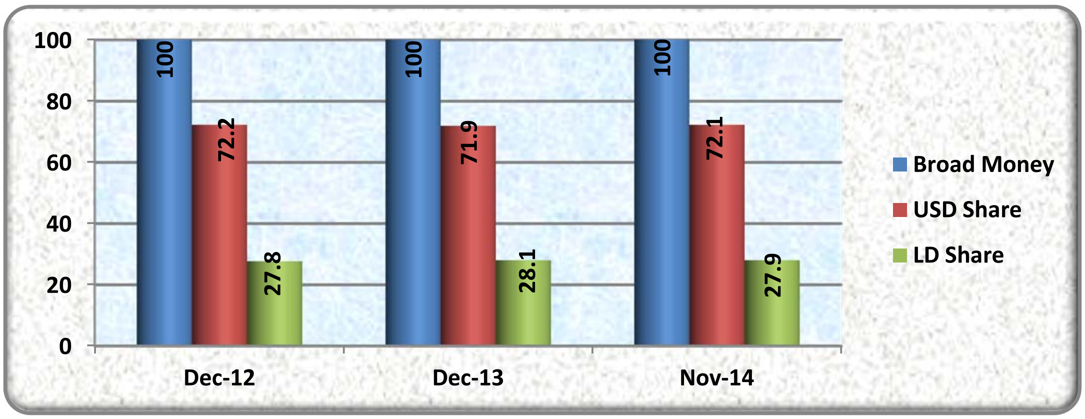
[4]Broad Money (M2) is defined as M1 plus Quasi Money
[5]US-dollar share converted to L$

Table 12: Broad Money (M2): Share of US and Liberian Dollars
(2012 - November, 2014)
(In Millions L$)

	Dec-12	% Share	Dec-13	% Share	Nov-14	% Share
Broad Money	44,742.40	100	54,956.4	100	50,455.0	100
US$ Share	32,301.70	72.2	39,509.7	71.9	36,388.0	72.1
L$ Share	12,440.70	27.8	15,446.7	28.1	14,067.0	27.9

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 8: Broad Money (M2): Share of US and Liberian Dollars
(2012 - November, 2014)
(In Percent)



3.5.5 Money Market Developments

Money market developments continued to deepen in 2014 with the issuance of Government of Liberia Treasury bills and the CBL notes as policy instruments available to the CBL to adequately manage Liberian-dollar liquidity. As confidence in the market continues to improve, participations in both auction programs are now been extended beyond commercial banks to include major business organizations.

3.5.6 GoL T-bills Operation

In 2014, a total of L$1,977.2 million of GoL T-bills was issued with a complementary redemption totaling L$1,132.4 million. The total value of bids received was L$2,626.7 million and over-subscription of L$666.7 million, signifying excess liquidity in the banking system.

In an effort to gauge institutional investor's appetite and confidence in the GoL T-bills program, a one-year Treasury bond or T-Bond was issued in the amount of L$500.0

million and it was overly subscribed by L$170.0 million or 34 percent, giving a strong indication that our nascent debt market for government T-bill is taking shape. The weighted average yield was 6.85 percent. For the period under review, the weighted average discount rate for the GoL T-bills, which indicates the cost of borrowing, remained steadily around 4.0 percent.

Table 13: GoL Treasury bill Auction Details
(Jan – December, 2014)

Date	Amount Offered	Amount Issued	Value of bid(s) Received	Over/(Under) Subscription (LR$)	Cut-Off Interest Rate (%)	Weighted Average Discount Rate (%)
4-Dec-14	83,500,000	35,050,000	35,050,000	-48,450,000	4.75	4.57
7-Nov-14	169,000,000	140,700,000	140,700,000	28,300,000	4.75	4.41
2-Oct-14	337,958,086	169,000,000	242,100,000	168,958,086	4.5	4.16
4-Sep-14	172,100,000	169,000,000	172,100,000	3,100,000	4.8	4.15
7-Aug-14	259,000,000	165,000,000	259,000,000	94,000,000	4.95	3.87
3-Jul-14	181,000,000	144,600,000	144,600,000	-36,400,000	5	3.92
12-Jun-14	670,000,000	500,000,000	670,000,000	170,000,000	7.15	6.85
5-Jun-14	282,600,000	173,000,000	282,600,000	109,600,000	4	3.32
1-May-14	296,200,000	171,000,000	296,200,000	125,200,000	4.33	3.69
3-Apr-14	126,950,000	85,500,000	126,950,000	41,450,000	4.85	3.58
6-Mar-14	100,150,000	83,500,000	100,150,000	16,650,000	5	3.9
6-Feb-14	80,500,000	58,300,000	58,300,000	-22,200,000	4.5	3.71
2-Jan-14	98,950,000	82,500,000	98,950,000	16,450,000	3.1	2.51
Total/Average	**2,857,908,086**	**1,977,150,000**	**2,626,700,000**	**666,658,086**		**4.05**

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 9: GoL Treasury Bills Weighted Average Discount Rate
(January – December, 2014)

3.5.7 CBL Notes

The issuance of CBL notes has become one of the effective policy tools being used to manage Liberian-dollar liquidity. In 2014, a total of LD$3,972.8 million of CBL's notes was issued at an average discount rate of 5.18 percent (Table 14). Of this amount, LD$2,972.8 million has been redeemed.

Table 14: CBL Bills Auction Details (2014)

Date	Amount Offered	Amount Issued CBL (LR$)	Value of bid(s) Received CBL (LR$)	Over/(Under) Subscription (LR$)	Cut Off Rate (%)	Weighted Average Discount Rate
9-Oct-14	1,000,000,000	1,000,000,000	1,240,000,000	240,000,000	7.35	7.05
2-Jul-14	2,000,000,000	1,367,750,000	1,367,750,000	-632,250,000	6.13	5.03
17-Jan-14	1,500,000,000	720,000,000	720,000,000	-780,000,000	6.75	5.78
10-Jan-14	2,000,000,000	885,000,000	885,000,000	-115,000,000	4	3.01
Total/Ave	**6,500,000,000**	**3,972,750,000**	**4,212,750,000**	**-1,287,250,000**	**6.07**	**5.18**

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 10: Weighted Average Discount Rate of CBL's Bill (2014)

3.5.8 CBL Foreign Exchange Auction

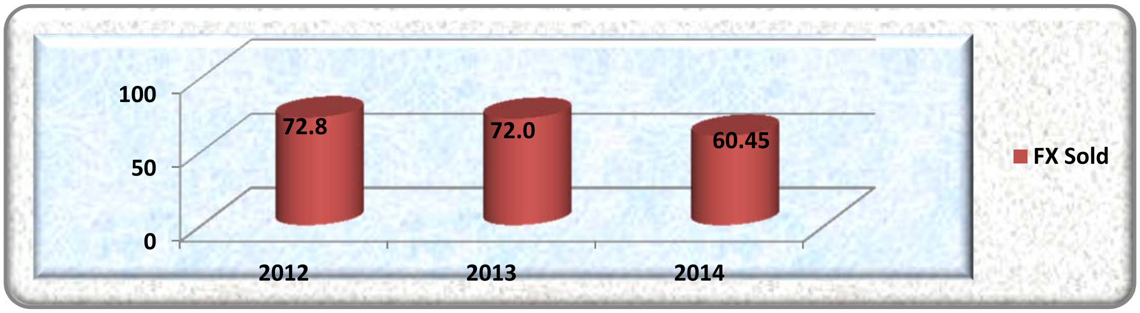
The total amount of foreign exchange sold during the year amounted to US$60.5 million, down from US$72.0 million sold during 2013 (Table 15 & Chart 11). However, the aggressive intervention in the foreign exchange market by the CBL during the second half of 2014 helped to reduce the exchange rate pressure on the Liberian dollar, which was experienced during the first half of 2014.

Table 15: Foreign Exchange Auction
(2012-2014)
(In Million US$)

	2012	2013	2014
FX Sold	72.8	72.0	60.5

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 11: Foreign Exchange Auction
(2012- 2014)
(In Millions US)



3.6 External Sector Developments

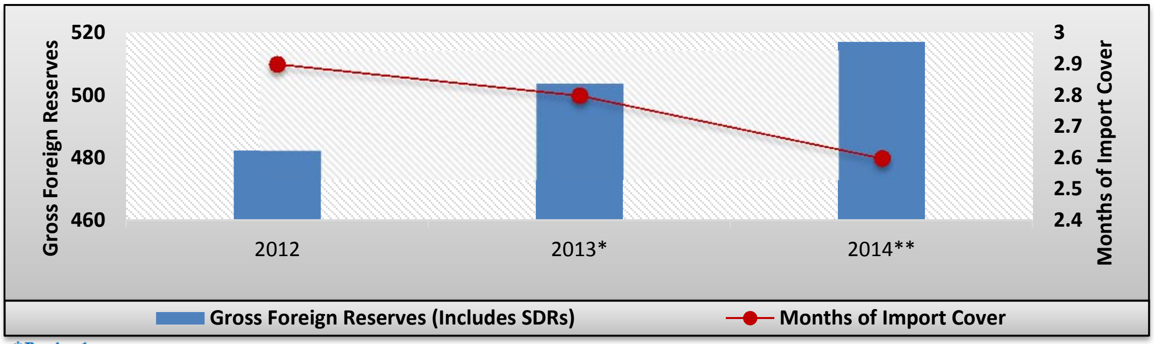
3.6.1 Balance of Payments[6]

Provisional estimates show that Liberia's overall balance of payments (BOP) position deteriorated to a deficit of US$37.4 million in 2014, from a deficit of US$5.8 million in 2013. The worsening in the overall BOP deficit was largely on account of the 12.7 percent decline in inflows in the financial account. The decline in foreign direct investment during the year as a result of the EVD outbreak largely explained the decline in the financial account balance. However, compared with the level recorded in 2012, the overall BOP deficit narrowed by 36.4 percent (Table 16).

On account of the rise in total external payments (goods and services imports), Liberia's gross foreign reserves (including SDRs) in months of import cover registered 2.6 months at end-2014, from 2.8 months and 2.9 months at end-2013 and end-2012 respectively. Liberia remains below the West African Monetary Zone (WAMZ) minimum requirement of 3.0 months (Table 16 & Chart 12) in 2014.

6 Provisional Balances measured on IMF Balance of Payments Manual 5 (BPM5) Standards

Chart 12: Gross Foreign Reserves in Months of Import Cover: 2012-2014 (Millions of US dollars, unless otherwise indicated)

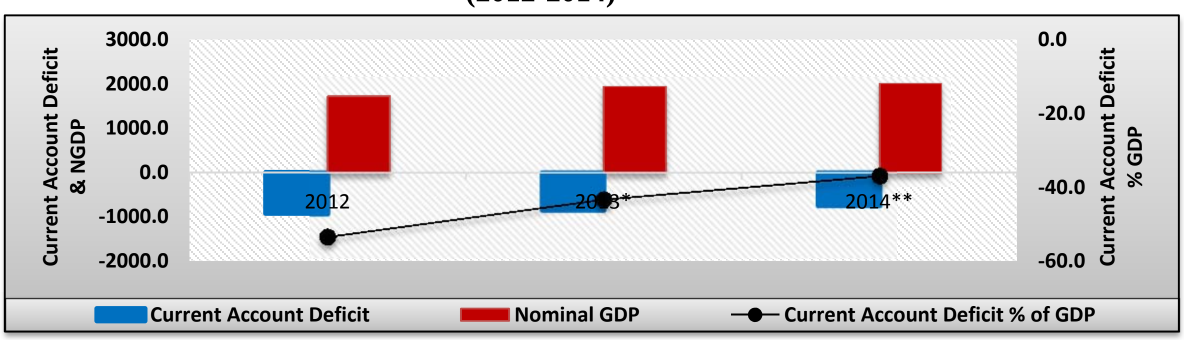


**Revised*
***Preliminary*

3.6.1.1 Current Account

The current account deficit narrowed by 11.7 percent to US$742.5 million in 2014, from US$840.9 million in 2013, largely explained by the declines in the trade and net income deficits. The trade deficit improved by 9.1 percent to US$418.6 million during the year from US$460.6 million in the preceding year, on account of the 3.9 percent decline in imports payments coupled with a 0.3 percent inch-up in export receipts. Net income payments (or liabilities) declined by 16.8 percent to US$382.7 million in 2014 from US$460.1 million in 2013 on account of the 15.5 percent decline in investment income resulting from the EVD outbreak. Compared with the level recorded in 2012, the current account deficit narrowed by 19.6 percent during the year, explained similarly by declines in trade and net income deficits. As a percent of GDP, the current account deficit averaged 30.9 percent in 2014, from 43.2 percent and 53.3 percent in 2013 and 2012, respectively (Table 16&Chart 13).

Chart 13: Current Account Deficit as Percent of GDP (2012-2014)



**Revised*

***Preliminary*

3.6.1.2 Trade Balance

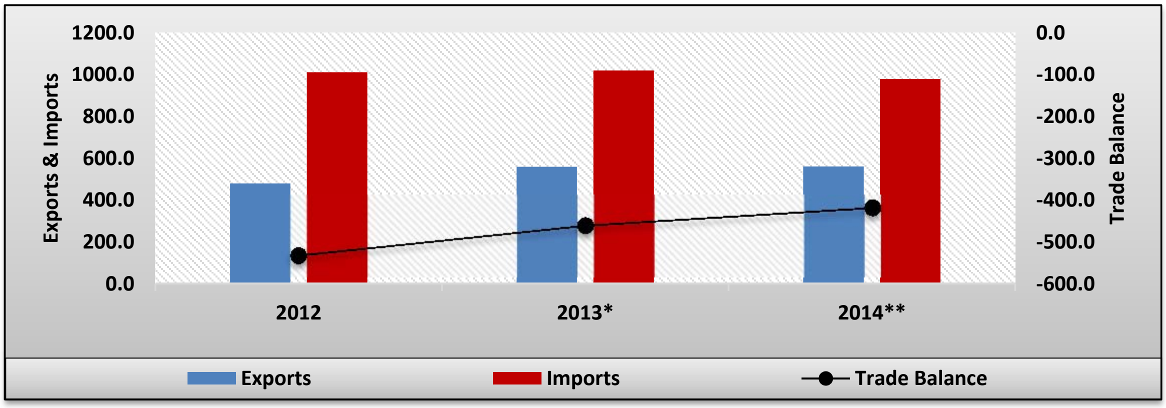
From provisional data, the trade deficit narrowed by 9.1 percent during the year compared with the preceding year on the back of mixed developments on the external trade front. Merchandise export earnings inched up by 0.3 percent while import payments declined by 3.9 percent in 2014 compared with the preceding year. The lower-than-expected export performance during the year was mainly driven by the impacts of the EVD outbreak on rubber and iron ore production on the domestic front and the ongoing declines in the prices of these commodities on the global markets. Though the EVD outbreak greatly affected the agriculture sector and exacerbated the dependence on imported food, especially during the second half of the year, the decline in machinery and equipment imports as a result of low construction and mining activities and falling international oil prices drove the decline in import payments in 2014 compared with the preceding years. Compared with the level recorded in 2012, the deficit narrowed by 21.3 percent (Table 16 & Chart 14) in 2014.

Table 16: Balance of Payments: 2012-2014
(Millions of US dollars, unless otherwise indicated)

Year	2012*	2013*	2014**	Y-on-Y % Growth Rate 2013-2014	Y-on-Y % Growth Rate 2012-2014
Current Account Balance	**-924.0**	**-840.9**	**-742.5**	**-11.7**	**-19.6**
Current Account Balance, excluding grants	-1696.2	-1507.4	-1697.6	12.6	0.1
Trade Balance	**-531.6**	**-460.6**	**-418.6**	**-9.1**	**-21.3**
Merchandise Exports (FOB)	479.4	558.9	560.8	0.3	17.0
Iron ore	117.1	314.2	380.2	21.0	224.8
Rubber	176.8	132.8	97.7	-26.4	-44.7
Non-Iron Ore & Non-Rubber Exports	185.6	111.9	82.9	-25.9	-55.3
Merchandise Imports (FOB)	-1011.0	-1019.6	-979.4	-3.9	-3.1
Oil (Petroleum)	-229.9	-234.0	-235.6	0.6	2.5
Rice	-68.8	-88.6	-97.5	10.0	41.7
Machinery & Transport Equipment	-276.7	-245.4	-211.9	-13.6	-23.4
Others	-435.7	-451.5	-434.4	-3.8	-0.3
Services (Net)	**-706.9**	**-836.4**	**-1127.8**	**34.8**	**59.5**
Receipts	151.9	155.3	133.9	-13.8	-11.9
Payments	-858.8	-991.8	-1261.7	27.2	46.9
Income (Net)	**-612.6**	**-460.1**	**-382.7**	**-16.8**	**-37.5**
Compensation of Employees (net)	25.6	16.2	19.8	21.9	-22.5
Investment income (net)	-638.1	-476.3	-402.5	-15.5	-36.9
Current transfers (Net)	927.2	916.2	1186.6	**29.5**	**28.0**
Public transfers (net)	772.2	845.2	955.1	13.0	23.7
Grants (net)	760.0	652.4	808.9	24.0	6.4
Others	12.2	14.1	146.2	938.4	1094.2
Private transfers (net)	154.9	71.0	231.5	226.1	49.5
Workers' Remittances (net)	140.3	50.8	186.1	266.4	32.6
Others	14.6	20.2	45.5	124.9	211.9
Capital & Financial Account	**681.7**	**1003.1**	**900.0**	**-10.3**	**32.0**
Capital Transfers (Net)	45.9	63.7	80.4	26.1	74.9
Financial Account	**635.8**	**939.4**	**819.6**	**-12.7**	**28.9**
Direct investment in reporting economy	369.9	541.5	276.7	-48.9	-25.2
Portfolio Investment (Net)	0.0	0.0	0.0	0.0	0.0
Other Investment (Net)	321.6	376.5	529.6	40.7	64.7
Currency & Deposits (net)	-88.9	-98.5	33.6	-134.2	-137.8
Trade Credit & Advances (net)	-17.1	21.6	-25.4	-217.9	48.4
Reserve Assets	-55.7	21.4	13.3	-37.9	-123.9
Net Errors and Omissions	**183.5**	**-168.0**	**-194.9**	**16.0**	**-206.2**
OVERALL BALANCE	**-56.8**	**-5.8**	**-37.4**	**540.0**	**-36.4**
Financing	**56.8**	**5.8**	**37.4**	**540.0**	**-36.4**
Change in gross official reserves (increase -)	55.7	-21.4	-13.3	-38.1	-123.8
Net use of Fund credit and Loans	0.0	0.0	45.3		
Disbursements	0.0	23.0	45.3		
Repayments	0.0	0.0	0.0	0.0	0.0
Exceptional Financing	3.1	4.2	5.3	24.7	72.9
Debt forgiveness	0.0	0.0	0.0	0.0	0.0
Change in arrears	0.0	0.0	0.0	0.0	0.0
Others-Intergovernmental Grants	3.1	4.2	5.3	24.7	72.9
Financing Gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum Items					
Nominal GDP	1734.5	1945.8	2010.2	3.3	15.9
Gross Foreign Reserves (Including SDRs)	482.3	503.7	517.0	2.6	7.2
Current Account Balance (% of GDP)	-53.3	-43.2	-36.9		
Overall Balance (% of GDP)	-3.3	0.9	-1.9		
Exports (% of GDP)	27.6	28.7	27.9		
Imports (CIF) (% of GDP)	-65.5	-58.9	-55.4		
Trade Balance (% of GDP)	-30.6	-23.7	-20.8		
Foreign Reserves in Months of Import Cover/1	**2.9**	**2.8**	**2.6**		

Source: Central Bank of Liberia
***Preliminary*
**Revised*
/1 Goods and services imports, excluding concession related imports

Chart 14: Exports, Imports & Trade Balance: 2012-2014
(Millions of US dollars)



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3.6.1.3 Merchandise Exports

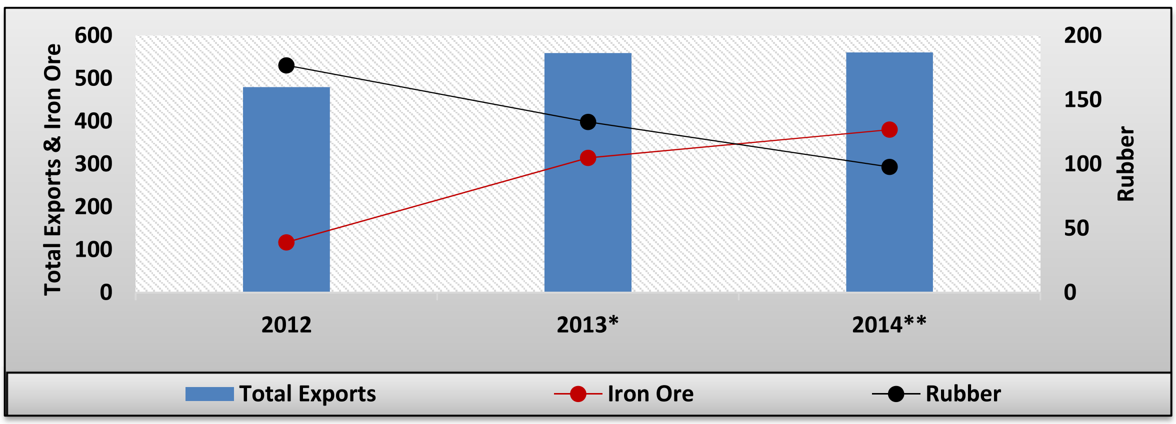
Largely on account of mixed directions in rubber and iron ore export receipts total merchandise export earnings remained broadly stable, inching up by 0.3 percent to an estimated US$560.8 million in 2014 from US$558.9 million in 2013. Rubber export receipts plummeted by 26.4 percent to US$97.7 million in 2014 from US$132.8 million in 2013 on account of decline in production and export volumes on the domestic front largely as a result of the EVD outbreak and the ongoing downward spiral in rubber price on the international front. Rubber price declined by an estimated 30.4 percent to an average ofUS$1,944.8 per metric ton in 2014 from US$2,794.6 per metric ton in 2013. Compared with 2012, rubber price declined by 42.4 percent in 2014. Low external demand as a result of weak and slow global growth, mainly in the Chinese and the Eurozone economies, coupled with increasing rubber supply on the global market from top exporters (mainly Malaysia, Thailand and Indonesia) largely explained the downward trend in rubber prices in 2014. Compared with the amount recorded in 2012, rubber export receipts declined by an estimated 44.7 percent in 2014.

Despite the annualized declines in iron ore prices on the global markets, Liberia's iron ore export earnings rose by 21.0 percent to US$380.2 million in 2014 from US$314.2 million in 2013 largely on account of increased export volume, in the face of the EVD outbreak on the domestic front. The surge in iron ore export volume (largely from inventory) might have been triggered by fear of a prolonged EVD crisis and compounded by the concerns for further declines in the global market price of the commodity.

Iron ore declined by 28.0 percent to an average of US$97.5 per metric ton in 2014, from US$135.4 per metric ton in 2013. Increasing global supply of the commodity (mainly from Australia, the top exporter of iron ore) in the face of weak global demand, largely explained the decline in iron ore prices during the year. Compared with the average price in 2012, annual average iron ore price declined by 24.1 percent in 2014.

Export receipts from other commodities, including diamond, gold and round logs, declined by 25.9 percent in 2014 compared with 2013 largely on account of the EVD crisis. Compared with the levels recorded in 2012, export receipts from commodities other than rubber and iron ore declined by 55.3 percent. The enclave sector export earnings (iron ore and rubber) accounted for 85.2 percent of total merchandise export receipts in 2014, from 80.0 percent in 2013 and 61.3 percent in 2012 (Table 16& Chart 15).

Chart 15: Iron Ore & Rubber Composition of Total Exports: 2012-2014
(Millions of US dollars)



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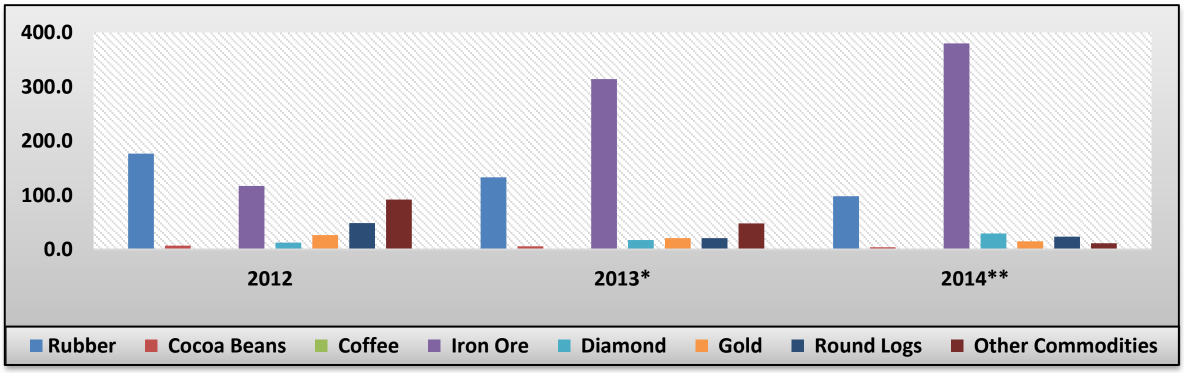
****Revised***

Table 17: Commodity Composition of Exports: 2012-2014
(Millions of US dollars, unless otherwise indicated)

	2012		2013*		2014**	
Commodity	**Value**	**% Share**	**Value**	**% Share**	**Value**	**% Share**
Iron Ore	**117.1**	**24.4**	**314.2**	**56.2**	**380.2**	**67.8**
Rubber	**176.8**	**36.9**	**132.8**	**23.8**	**98.0**	**17.5**
Cocoa Beans	6.6	1.4	5.5	1.0	3.9	0.7
Coffee	0.1	0.0	0.1	0.0	0.0	0.0
Diamond	12.4	2.6	17.2	3.1	29.1	5.2
Gold	26.3	5.5	20.6	3.7	14.7	2.6
Round Logs	48.4	10.1	20.8	3.7	23.4	4.2
Others	92.0	19.2	47.8	8.6	11.4	2.0
Total	**479.4**	**100.0%**	**558.9**	**100.0%**	**560.8**	**100.0%**

Sources: Ministry of Commerce & Industry, Firestone, Ministry of Lands, Mines & Energy and BIVAC

Chart 16: Commodity Composition of Exports: 2012-2014
(Millions of US dollars)



***Preliminary*
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3.6.1.4 Merchandise Imports

From provisional trade data, merchandise import payments (f.o.b) declined by 3.9 percent to US$979.4 million in 2014 from US$1,019.6 million in 2013, largely driven by declines in import payments toward machinery & transport equipment and consumer goods other than rice and petroleum. On account of the decline in general economic activities during the year (especially in relation to the mining and construction sectors) as a result of the EVD outbreak, payments on machinery and transport equipment by 13.6 percent to US$211.9 million in 2014 from US$245.4 million in 2013. Import payments on items other than rice and petroleum also declined by 3.8 percent in 2014 compared with 2013. On account of the declining price of petroleum products on the international markets and the EVD-led decline in general economic activities during the year, petroleum import payments inched up by 0.6 percent to US$235.6 million in 2014, from US$234.0 during the preceding year.

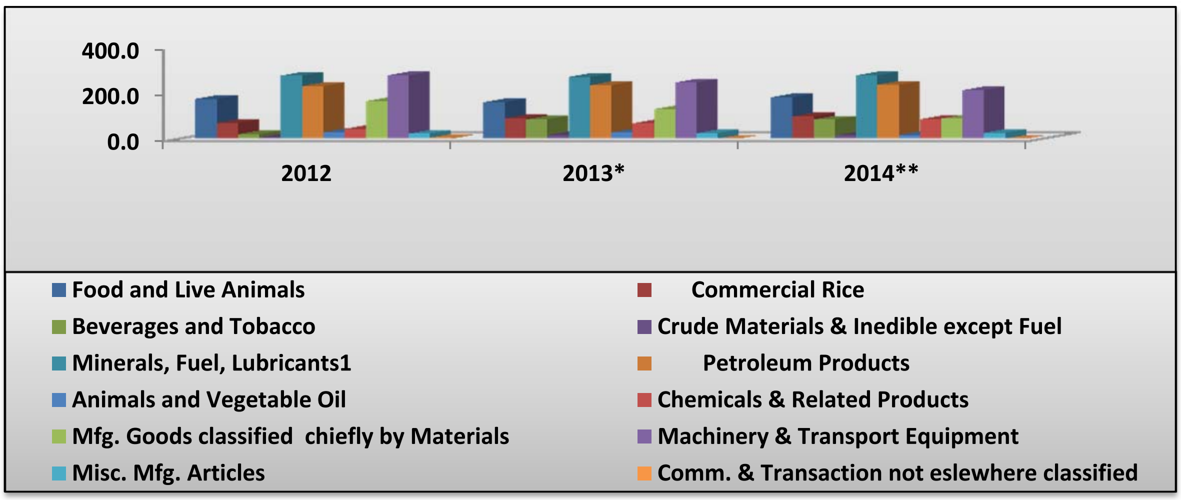
Compared with the import bill in 2012, petroleum imports rose slightly by 2.5 percent. The EVD-led decline in agricultural activities and food production, particularly rice, exacerbated the country's dependence on imported food during the year, with rice imports rising by 10.0 percent to US$97.5 million during the year, from US$88.6 million in 2013. Compared with the level recorded in 2012, import payments on rice increased by 41.7 percent. Matched against the level recorded in 2012, total merchandise import payments declined by 3.1 percent in 2014, largely on account of the 23.4 decline in payments toward machinery & transport equipment in 2014 compared with level recorded in 2012 (Tables 16 & 2).

Table 18: Commodity Composition of Imports (f.o.b): 2012-2014
(Millions of US dollars, unless otherwise indicated)

Commodity	2012		2013*		2014**	
	Value	% Share	Value	% Share	Value	% Share
Food and Live Animals	**173.9**	**17.2**	**159.1**	**15.6**	**180.9**	**18.5**
O/w Commercial Rice	68.8	6.8	88.6	8.7	97.5	10.0
Beverages and Tobacco	19.1	1.9	84.1	8.2	83.5	8.5
Crude Materials & Inedible except Fuel	5.6	0.6	14.9	1.5	13.2	1.3
Minerals, Fuel, Lubricants1	275.4	27.2	269.8	26.5	276.6	28.2
O/w Petroleum Products	**229.9**	**22.7**	**234.0**	**23.0**	**235.6**	**24.1**
Animals and Vegetable Oil	27.9	2.8	27.1	2.7	15.5	1.6
Chemicals & Related Products	42.8	4.2	66.9	6.6	84.9	8.7
Mfg. Goods classified chiefly by Materials	164.1	16.2	128.7	12.6	87.6	8.9
Machinery & Transport Equipment	**276.7**	**27.4**	**245.4**	**24.1**	**211.9**	**21.6**
Misc. Mfg. Articles	21.8	2.2	23.6	2.3	25.3	2.6
Comm. & Transaction not elsewhere classified	3.8	0.4	0.0	0.0	0.0	0.0
TOTAL IMPORTS (F.O.B)	**1,011.0**	**100.0%**	**1,019.6**	**100.0%**	**979.4**	**100.0%**

Source: BIVAC & Ministry of Commerce & Industry
*****Preliminary***
****Revised***

Chart 17: Commodity Composition of Imports: 2012-2014
(Millions of US dollars)



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3.6.2 Direction of Trade

North America, Asia and Europe were Liberia's leading trade partners during the year, accounting for 30.1 percent, 26.1 percent and 16.1 percent of total merchandise exports respectively. On the import front, the three trading partners registered 40.5 percent, 22.4 percent and 16.7 percent of total merchandise import payments respectively. The EVD outbreak greatly impacted intra-ECOWAS trade during the year, with Liberia's export trade with the sub-region declining by 2.4 percentage points to 2.7 percent of total export receipts from 5.1 percent in 2013 (Tables 4 & 5).

3.6.2.1 Destination of Exports

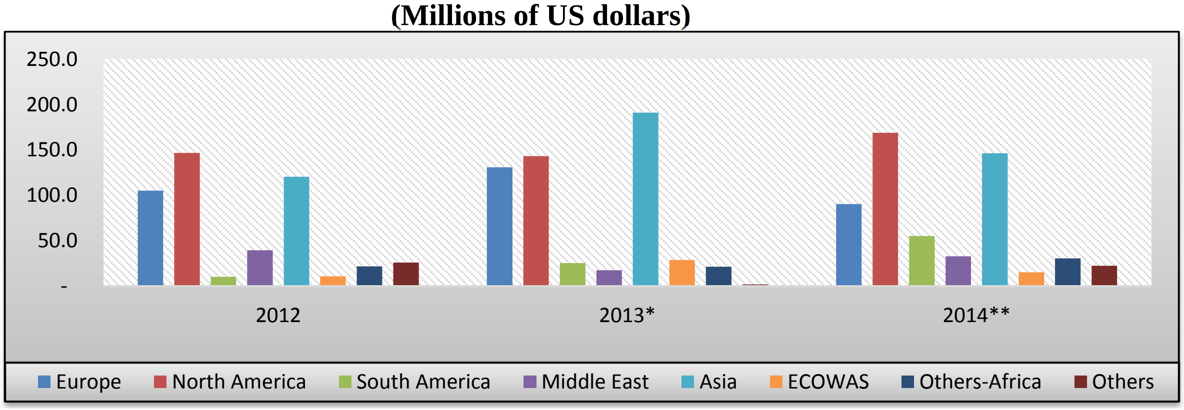
North America overtook Asia as the leading trading partner in 2014, largely indicative of the improvements in the US economy, with North America's share of estimated total exports increasing by 4.5 percentage points to 30.1 percent in 2014 from 25.6 percent in 2013. Asia and Europe were the next top export destinations during the year as was the case in previous years (Table 4).

Table 19: Destination of Exports: 2012-2014
(Millions of US dollars, unless otherwise indicated)

Region	2012		2013*		2014**	
	Exports	% Share	Exports	% Share	Exports	% Share
Europe	105.0	21.9	130.8	23.4	90.3	16.1
North America	146.7	30.6	143.1	25.6	168.8	30.1
South America	10.1	2.1	25.2	4.5	55.1	9.8
Middle East	39.3	8.2	17.3	3.1	32.6	5.8
Asia	120.3	25.1	191.1	34.2	146.4	26.1
ECOWAS	10.5	2.2	28.5	5.1	15.1	2.7
Others – Africa	21.6	4.5	21.2	3.8	30.3	5.4
Others	25.9	5.4	1.7	0.3	22.2	4.0
Total	**479.4**	**100.0%**	**558.9**	**100.0%**	**560.8**	**100.0%**

Sources: BIVAC, Ministry of Lands, Mines & Energy, Forestry Development Authority, Ministry of Commerce & Industry

Chart 18: Destination of Exports: 2012-2014
(Millions of US dollars)



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3.6.2.2 Sources of Imports

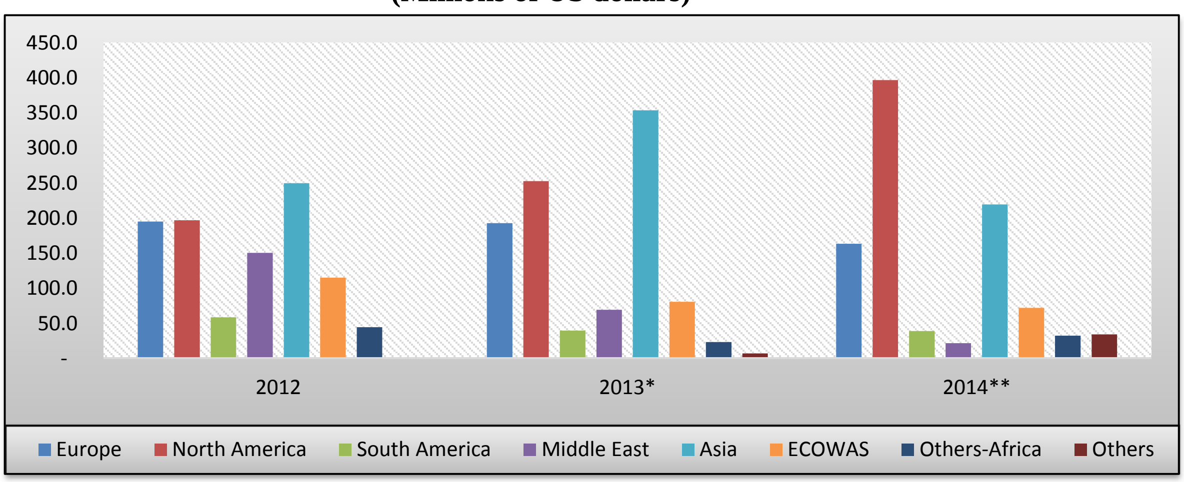
Largely on the back of the huge importation of health-related products and equipment toward the fight against the EVD, North America, particularly the United States, was the leading source of imports during the year. North America accounted for 40.5 percent of total merchandise imports followed by Asia (22.4 percent) and Europe (16.7 percent) (Table 5).

Table 20: Sources of Imports: 2012-2014
(Millions of US dollars, unless otherwise indicated)

Region	2012		2013*		2014**	
	Imports	% Share	Imports	% Share	Imports	% Share
Europe	195.1	19.3	192.7	18.9	163.3	16.7
North America	197.1	19.5	252.9	24.8	396.9	40.5
South America	58.6	5.8	39.8	3.9	39.0	4.0
Middle East	150.6	14.9	69.3	6.8	21.6	2.2
Asia	249.7	24.7	353.8	34.7	219.6	22.4
ECOWAS	115.3	11.4	80.5	7.9	72.2	7.4
Others - Africa	44.5	4.4	23.5	2.3	32.4	3.3
Others	-	0	7.1	0.7	34.4	3.5
Total Imports (F.O.B)	**1,011.0**	**100.0%**	**1,019.6**	**100.0%**	**979.4**	**100.0%**

Sources: BIVAC, Ministry of Commerce & Industry, Customs-Ministry of Finance & Development Planning

Chart 19: Destination of Imports: 2012-2014
(Millions of US dollars)



***Preliminary*
**Revised*

3.6.3 Services, Income &Current Transfers

3.6.3.1 Services

Net service payments rose by 20.5 percent to an estimated US$1,007.8 million in 2014 from US$836.4 million in 2013, largely indicative of the increased freight and insurance charges incurred on imported goods during the year and decline in service receipts as a result of the departures of expatriates, all due to the EVD outbreak. Service receipts fell by 13.8 percent while service payments rose by 15.1 percent in 2014 compared with the levels recorded in 2013. Compared with net service payments incurred in 2012, net service payments rose by 42.6 percent in 2014 (Table 1).

3.6.3.2 Income

The income sub-account deficit fell by 16.8 percent to US$382.7 million in 2014 from US$460.1 million in 2013, largely explained by decline in foreign direct investment inflows during the year (mainly in the form of reinvested earnings) as a result of the EVD crisis. Compared with the level registered in 2012, the income deficit fell 37.5 percent in 2014.

3.6.3.3 Current Transfers

Net inward current transfers rose by 29.5 percent to an estimated US$1,186.6 million in 2014, from US$916.2 million in 2013, largely reflective of the huge international assistance received during the year toward the fight against the EVD outbreak. Grant-related transfers rose by 24.0 percent while personal remittances rose by US$135.3 million in 2014 compared with 2013. Compared with the level registered in 2012, net inward current transfers rose by 28.0 percent in 2014 (Tables 1 & 6).

3.6.3.4 Personal Remittances

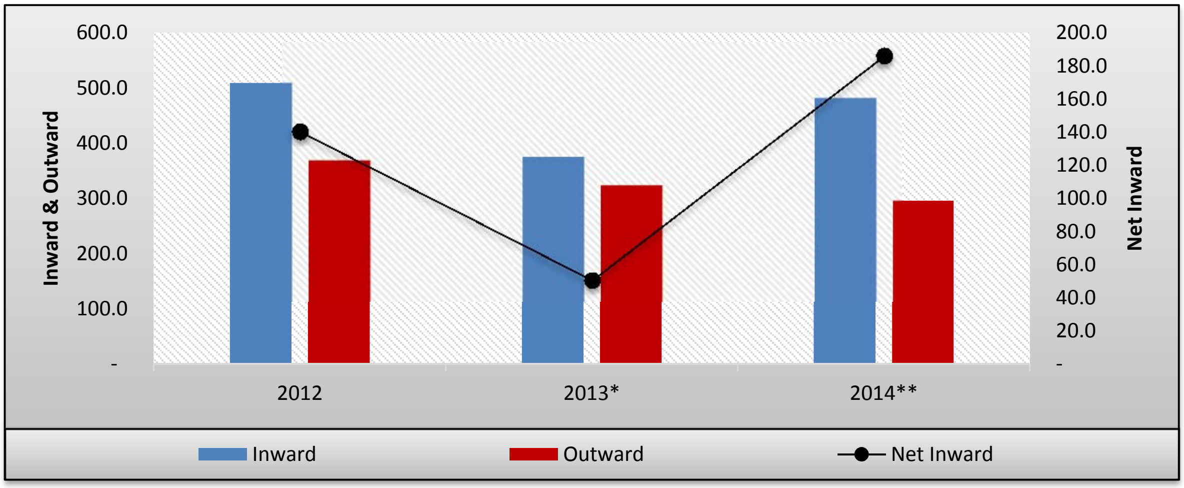
Provisional data show that net inward personal remittances surged by US$135.3 million to US$186.1 million in 2014, from US$50.8 million in 2013, driven largely by the huge inflows of international assistance toward the combat against the EVD outbreak. Outward remittances fell by 8.8 percent to US$295.7 million in 2014 from US$324.1 in 2013, largely reflective of the departures of expatriates during the year as a result of the health crisis. Compared with level recorded in 2012 however, provisional statistics show a 5.3 percent decline (Table 6).

Table 21: Personal Remittances: 2012-2014
(Millions of US dollars, unless otherwise indicated)

Personal Remittances	2012	2013*	2014**	2013-14**	2012-14
				Annualized % Growth Rates	
Inward	509.0	374.8	481.8	28.5%	-5.3%
Outward	368.6	324.1	295.7	-8.8	-19.8
Net Inward	**140.3**	**50.8**	**186.1**	**266.4**	**32.6**

Source: Central Bank of Liberia

Chart 20: Personal Remittances: 2012-2014
(Millions of US dollars)



**Preliminary
*Revised

3.6.4 Capital & Financial Account

Despite the 48.9 percent fall in foreign direct investments (largely in the form of low reinvested earnings) due to the EVD crisis, provisional statistics show that the capital and financial account balance remained broadly stable during the year, inching up by 0.5 percent to US$986.7 million in 2014 from US$981.7 in 2013, on account of the increases in capital transfers and other investment assets. On the back of the EVD-led inflow of equipment and international assistance toward fixed asset accumulation, capital transfers rose by 26.1 percent to US$80.4 million in 2014, from US$63.7 million in 2013. Net other investment (assets) rose by 67.2 percent to US$629.6 million in 2014 from US$376.5 million in 2013, largely on account of the accumulation of financial assets abroad during the year. Net currency & deposits (balances held abroad) rose to an asset position of US$33.6 million during the year under review from a deficit position of US$98.5 million in 2013 (Table 1).

3.7 Exchange Rate Developments

The average exchange rate between the Liberian and the US dollars depreciated by 0.9 percent to L$82.61/US$1.00 compared with L$81.88/US$1.00 at end-December, 2013 (Tables 22 & Chart 21) largely as a result of high demand for imports and low domestic food production, reflective of the high demand for foreign exchange through the CBL's foreign exchange auction.

Table 22: Market Exchange Rates: Liberian Dollars per US Dollar (2012- December, 2014)

Market Rate	**Dec-12**	**Dec-13**	**Dec-14**
End-of-Period	72.50	82.50	82.50
Period Average	72.50	81.88	82.61

Source: Central Bank of Liberia, Monrovia, Liberia

Table 23: Monthly Averages of Buying and Selling Rates of Liberian Dollar per US Dollar (2012–December, 2014)

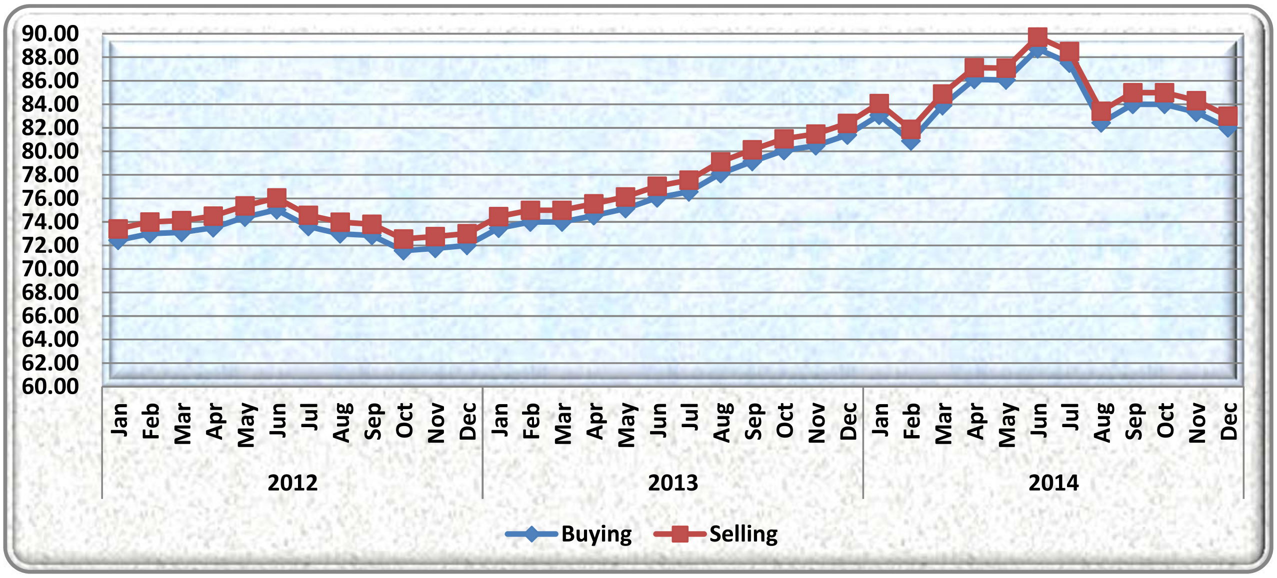
	2012		**2013**		**2014**	
Period Average	**Buying**	**Selling**	**Buying**	**Selling**	**Buying**	**Selling**
2006						
January	72.44	73.40	73.46	74.46	83.07	84.07
February	73.00	74.00	74.00	75.00	80.88	81.88
March	73.11	74.11	74.00	75.00	83.88	84.88
April	73.50	74.50	74.54	75.54	86.12	87.12
May	74.41	75.37	75.13	76.13	86.07	87.07
June	75.04	76.04	76.04	77.04	88.72	89.72
July	73.62	74.58	76.56	77.56	87.50	88.50
August	72.99	73.99	78.11	79.11	82.42	83.42
September	72.84	73.80	79.14	80.14	84.00	85.00
October	71.56	72.56	80.07	81.07	84.00	85.00
November	71.75	72.75	80.48	81.48	83.32	84.32
December	72.00	73.00	81.38	82.38	82.11	83.11

Source: Central Bank of Liberia, Monrovia, Liberia
****Projection***

The total demand for foreign exchange through the FX auction was US$302.5 million in 2014. Of the total amount of foreign exchange demanded, only US$60.5 million (20.0 percent) was provided by the CBL; resulting into an excess demand of US$242.0 million..

Also, for the 11-month period ended November, 2014, Liberia's terms of trade deteriorated by 35.2 percent compared with end-November, 2013.

Chart 21: Monthly Averages of Buying and Selling Rates of Liberian Dollar per US Dollar
(2012–December, 2014)



3.8 National Stock of Debt

3.8.1 Overview

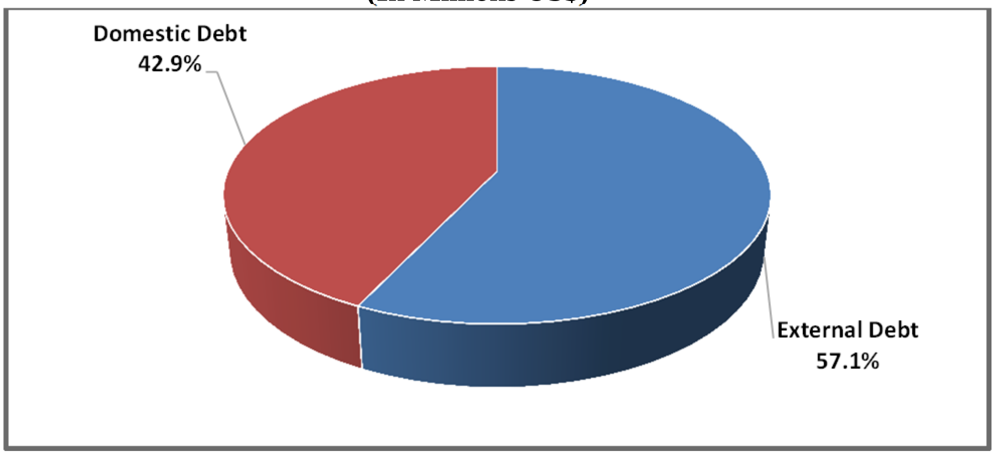
Liberia's public debt stock at end-September, 2014, rose by US$64.2 million (10.2 percent) to US$694.8 million (33.2 percent of GDP), up from US$630.6 million (32.1 percent of GDP) recorded at the end of 2013. Matched against the level recorded at end-December, 2012, it grew by US$114.8 million or 20.0 percent. External and domestic debt stocks at the end of the review period stood at US$396.5 million (18.9 percent of GDP) and US$298.4 million (14.3 percent of GDP), constituting 57.1 percent and 42.9 percent of Liberia's total public debt stock at end-September, 2014. The rise in public debt stock was attributed to increased credit from both international and domestic financial institutions to help finance the country's fiscal deficit in the wake of the Ebola virus outbreak.

Table 24: Liberia's Overall Public Debt Position by Composition
As at September 30, 2014
(In Millions US$)

Debt Composition	2012	2013	2014 September
Total External Debt	291.0	337.8	396.5
Total Domestic Debt	288.2	292.7	298.4
Total Public Debt	**579.2**	**630.6**	**694.8**

Source: Ministry of Finance, Republic of Liberia

Chart 22: Liberia's Overall Public Debt Position by Composition
As at September 30, 2014
(In Millions US$)



3.8.2 External Debt

External debt stock at end-September, 2014, amounted US$396.5 million (18.9 percent of GDP), increasing by US$58.7 million (17.4 percent) and US$105.5 million (36.2 percent) against the stockpiles recorded at ends-December, 2013 and 2012, respectively. Multilateral and bilateral debt stocks stood at US$275.1 million, and US$121.3 million, constituting 39.6 percent and 17.5 percent of the country's public debt stock at the end of the review period. The growth in the Liberia's external debt stock was attributed to new credits or disbursements from the World Bank, IMF, and the EU/EIB.

3.8.3 Domestic Debt

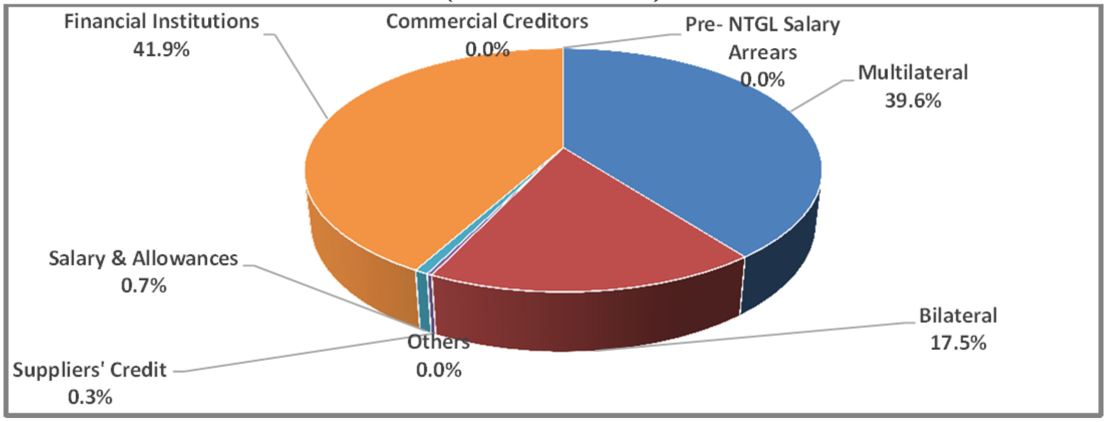
At end-September, 2014, domestic debt stood at US$298.4 million (14.3 percent of GDP), growing by US$5.7 million (1.9 percent) and US$10.2 million (3.5 percent) compared with the amounts accumulated at ends-December, 2013 and 2012, respectively. The rise was on account of a new disbursement of an emergency Ebola loan from the CBL. Domestic debt stock to financial institutions rose by US$5.6 million (2.0 percent) to US$291.4 million, up from US$285.8 million recorded at end-December, 2013, and constituted 41.9 percent of Liberia's public debt stock for the period. Domestic debt to suppliers' credit, and salary & allowances at end-September, 2014, stood at US$1.9 million and US$5.0 million, respectively.

Table 25: Liberia's Overall Public Debt Position by Creditors
As at September 30, 2014
(In Millions US$)

Creditors	2012	2013	2014
			September
Multilateral	157.1	215.5	275.1
Bilateral	133.9	122.4	121.3
Commercial Creditors	-	-	-
Total External Debt	**291.0**	**337.8**	**396.5**
Suppliers' Credit	1.9	1.9	1.9
Salary & Allowances	3.7	5.0	5.0
Financial Institutions	280.5	285.8	291.4
Pre- NTGL Salary Arrears	1.3	-	-
Others	0.8	-	-
Total Domestic Debt	**288.2**	**292.7**	**298.4**
Total Public Debt	**579.2**	**630.6**	**694.8**

Source: Ministry of Finance, Republic of Liberia

Chart 23: Liberia's Overall Public Debt Position By Creditors as at September 30, 2014 (In Millions US$)



CHAPTER IV
FINANCIAL SYSTEM DEVELOPMENTS

4.1 Overview

The number of licensed and operating banks in the Liberian banking sector in 2014 remained nine (9) as was the case in 2013. However, commercial banks' branch network around the country rose by 3, from 82 in 2013 to 85 branches.

At end- 2014, the non-bank financial sector comprised 1 development finance company—the Liberian Enterprise Development Finance Company (LEDFC), 1 microfinance deposit–taking institution—Diaconia MDI, which was issued a license during the course of the year, and 20 licensed insurance companies with 30 branches. The number of registered licensed foreign exchange bureaux increased from 71 in 2013 to 111 in 2014. There are 23 registered microfinance institutions, 225 credit unions, 599 village savings and loans associations and 4 rural community finance institutions in the country. The sector also experienced an increased use of mobile money services and automated teller machines (ATMS), Point of Sale (POS) Terminals in the country, and several new proprietary financial products introduced by some banks as part of the modernization of payment and transfer services in the country.

In spite of the negative impact of the Ebola epidemic on all sectors of the Liberian economy, including the financial sector, the sector remained resilient, safe and sound. Employment in the sector was stable. The sector also continues to play an important role in creating employment through its services to the private sector, particularly, the SME sector.

4.2 The Banking and Non-bank Financial Institutions

4.2.1 The Banking Sector

The 9 licensed banks operating in the Liberian banking sector are the Liberian Bank for Development and Investment (LBDI), International Bank Liberia Limited (IBLL), Ecobank Liberia Limited (EBLL), First International Bank (FIBank) Liberia Limited, Global Bank Liberia Limited (GBLL), United Bank for Africa Liberia Limited (UBALL), Guaranty Trust Bank Liberia Limited (GTBLL), Access Bank Liberia Limited (ABLL) and Afriland First Bank Liberia Limited (AFBLL).

Eleven of the 15 counties now have at least 1 bank branch while 3 of the 4 counties without bank branch now have at least 1 rural community finance institution in operation. The counties include Grand Kru, Gbarpolu and River Gee. Significant progress has been made for the opening of the Rivercess Community Finance Institution, which is expected in the early part of 2015.

Table 26: Expansion of Bank Branches by County (2013 and 2014)

County	Number of Branches	
	2013	2014
Montserrado	48	50
Margibi	9	9
Grand Cape Mount	1	1
Grand Bassa	6	6
Sinoe	1	1
Maryland	4	4
Bong	2	3
Nimba	7	7
Lofa	2	2
Grand Gedeh	1	1
Bomi	1	1
Total	**82**	**85**

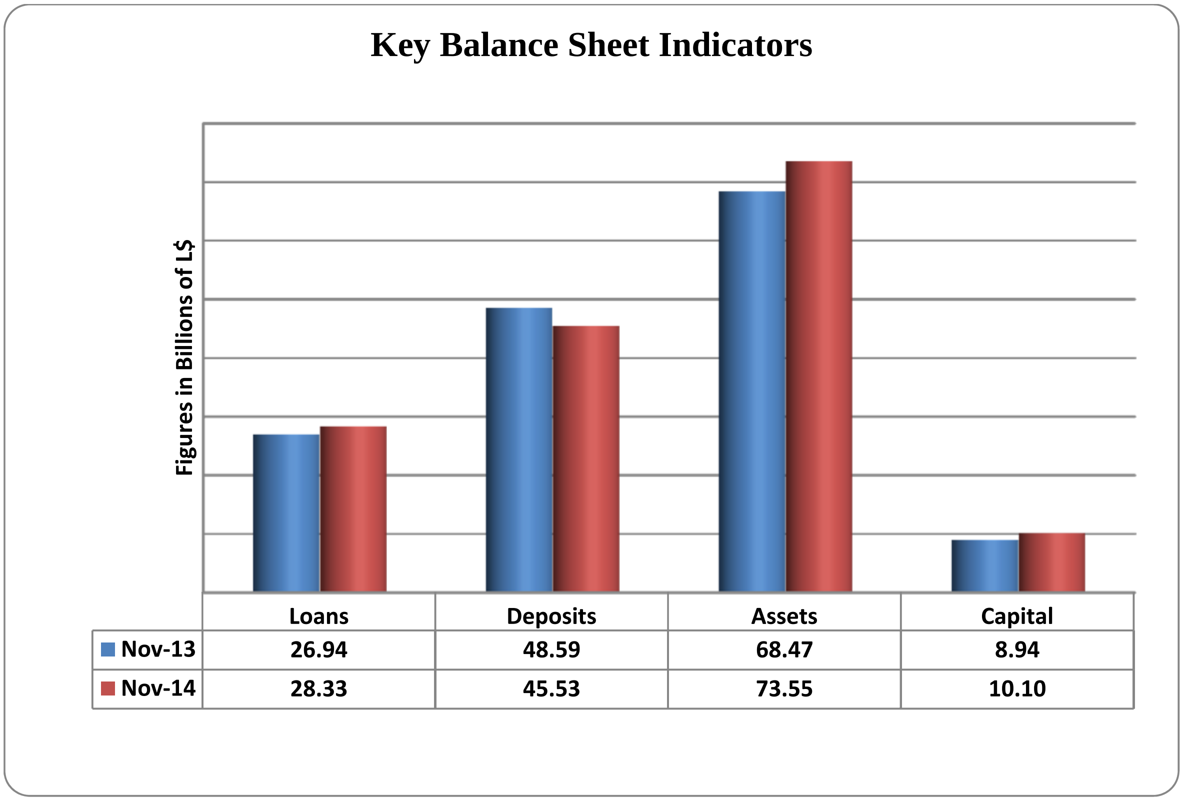
Source: Central Bank of Liberia

The banking system continued to experience an increase in the number of Automated Tellers Machines (ATMs) and Point-of-Sale (POS), with 2 of the 3 banks offering debit visa card services in addition to their proprietary debit cards, while there are 2 banks involved in providing mobile money services.

4.2.1.1 Balance Sheet of the Banking Sector

The performance of the banking sector shows growth in key balance sheet indicators of the commercial banks. At end-November, 2014, total assets grew by 7.4 percent to L$73,554 million, from L$68,469 million at end-November 2013. Similarly, total loans and advances increased by 5.2 percent to L$28,330 million, up from L$26,939 million during the same period a year ago. Also, total capital increased by 13.0 percent, from L$8,938 million to L$10,102 million and deposits shrank by 6.3 percent, from L$48,586 million to L$45,529 million over the same period. Total banking industry’s assets to GDP was 43.5 percent compared to 42.7 percent at end-November, 2013.

Chart 24: Key Balance Sheet Indicators of the Banking Sector
(as at November, 2014)



The total number of loan accounts in the banking system as at November 30, 2014 was 40,814. For the same period, out of the bank's total assets of L$73,554 million, loans and advances constituted the highest share, accounting for 38.5 percent as compared to 39.3 percent in 2013. Additionally, liquid assets constituted 29.5 percent of total assets compared to 26.3 percent for 2013. Reserves (which is not considered as part of the liquid assets of banks) constituted 9.6 percent of the total assets of the banking system, compared with 14.6 percent for 2013. The 5.0 percentage points increase in the share of reserves manifests the reduction in the reserve requirement from 22.0 percent to 15.0 percent.

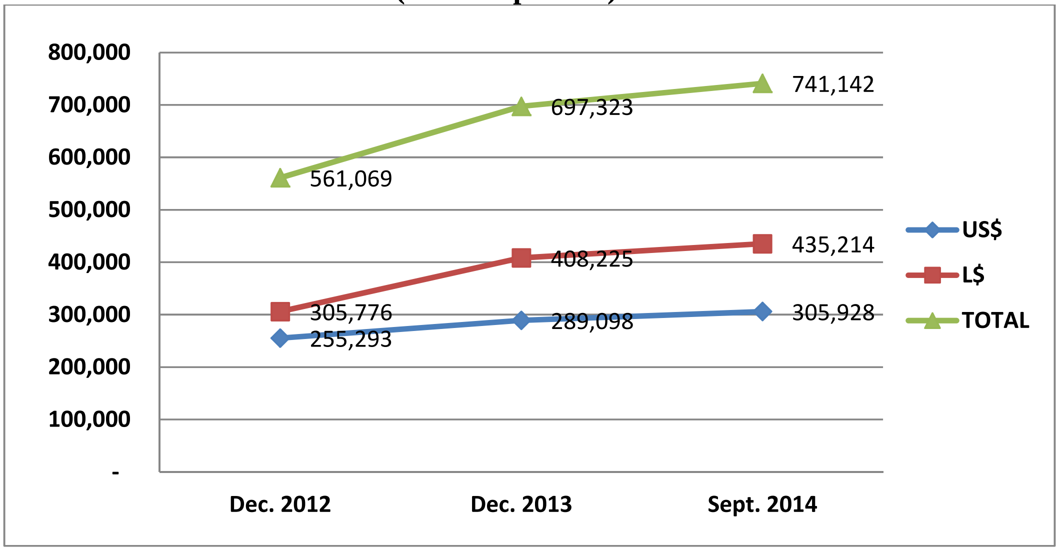
Table 27: Composition of the Banking Industry's Assets (Nov. 2013- Nov. 2014)

Items	Year	
	(In Percent)	
	Nov. 2013	Nov. 2014
Cash	6.0	5.1
Balances with the Central Bank (C/A)	3.2	4.4
Net Balances at Commercial Banks	14.6	16.2
Short Term Securities	2.4	3.9
Liquid Assets	26.3	29.5
Reserve Requirement	14.6	9.6
Checks for Clearing	2.2	1.6
Accounts Receivable	4.7	5.9
Bonds & Long Term Securities	1.0	0.9
Gross loans, Overdrafts and other advances	39.3	38.5
Accrued Interest	0.9	1.1
Shares & Other Long Term Investments	1.0	1.3
Other Assets	6.5	7.7
Fixed Assets	3.5	3.9
TOTAL ASSETS	100.0	100.0

Source: Central Bank of Liberia

At end-November, 2014, demand deposits constituted 61.1 percent of total deposits compared with 64.7 percent as at the same period in 2013; also, saving deposits constituted 33.1 percent of total deposits compared with 27.3 percent during the same period in 2013.The total number of deposit accounts in the banking system increased by 3.0 percent from 697,323 accounts as at end-December, 2013 to 741,142 accounts as at end-September, 2014 (Chart 24).

Chart 25: Commercial Bank Deposit
(2012- Sept 2014)



4.2.1.2 Financial Soundness Indicators

The financial soundness indicators at end-November, 2014 showed that the banking sector remains safe and sound, and continues to contribute towards overall economic growth and development (Table 28). Nevertheless, non-performing loans (NPLs) and poor earnings remained the major challenges in the sector; however, the CBL, working with the banking sector, instituted a number of measures to help address this situation.

Table 28: Industry Financial Soundness Indicators (2013 & 2014)
(In Thousands L$)

	Nov. 2013	Nov. 2014
Gross Assets	68,468,863	73,554,317
Net Assets	65,584,982	70,029,379
Net Loans	24,664,453	25,009,177
Deposits	48,586,354	45,529,247
Reported Capital Net of Provisions	8,938,153	10,102,486
Reported Net Capitalization (SSR 32)	13.6%	14.4%
Capital Adequacy Ratio	22.9%	22.2%
Classified Loans to Total Loans (SSR 66)	18.3%	22.3%
Non-performing Loans to Total Loans (SSR 67)	14.4%	18.2%
Provisions to Classified Loans Net of Interest in Suspense (SSR 69)	46.1%	48.6%
Provisions to Non-performing Loans Net of Interest in Suspense (SSR 68)	58.8%	60.4%
Return on Assets (SSR 70)	-0.7%	0.0%
Return on Equity (SSR71)	-5.4%	0.2%
Non-interest Income to Total Revenue (SSR 73)	54.8%	50.0%
Net Interest Margin over Average Assets (SSR 72)	6.4%	7.3%
Liquid Assets to Net Assets (SSR 76)	2.5%	31.0%
Net Loans to Deposits (SSR 75)	50.8%	54.9%
Liquidity Ratio	37.0%	47.7%

Source: Central Bank of Liberia, Monrovia, Liberia

The banking sector recorded strong growth in most key balance sheet components; strong capital position in terms of both Capital Adequacy Ratio (CAR) and the shareholders' funds or net worth (Table 28).

This level of capitalization has made it possible for banks to continuously support lending to the private sector in the country, withstand shocks of business cycles in the economy, and provide greater protection for depositors' funds.

Asset quality, measured by the ratio of non-performing loans to total loans, deteriorated by 3.8 percentage points, from 14.4 percent in 2013 to 18.2 percent in 2014.This deterioration is largely explained by the slowdown in economic activities, precipitated by the outbreak of the Ebola Virus Disease, which has made it difficult for some borrowers to make repayments on their loan obligations to banks.

Gross earnings for the period ended November, 2014 stood at L$6,773 million and net profit for the same period was L$23.47 million, compared with a net loss position of L$484.76 million in the same period in 2013. Return on Equity (ROE) and Return on Asset (ROA) at end-November 2014 were 0.23 percent and 0.03 percent, respectively, compared with negative 5.42 percent and 0.71 percent ROE and ROA during the same period in 2013. Also, Non-interest income, mainly fees and commissions, constituted the largest portion, 51.15 percent of the income of the sector, while interest income constituted 48.85 percent. One of the factors responsible for the lower share of interest income is the problem of NPLs; banks are required to suspend interest on NPLs thereby shrinking the interest income component of the commercial banks' income.

Liquidity position of the industry remained strong in 2014. Liquidity ratio for the sector was 47.7 percent as at November 30, 2014, reflecting 10.7 percentage points above the liquidity ratio recorded for the same period in 2013, and 27.7 percentage points above the minimum requirement of 20 percent.

4.2.1.3 Transition to International Financial Reporting Standards

The commercial banks have begun reporting their audited financial statements in keeping with International Financial Reporting Standards (IFRS). Given that IFRS is now the internationally acceptable financial reporting standards, its adoption will facilitate comparison of the financial positions and performance of banks in Liberia with other banks in the sub-region and the rest of the world.

Additionally, the adoption of IFRS has enhanced the disclosure requirements of banks; especially disclosures relative to risk management and corporate governance. These disclosure requirements will further promote market discipline and the confidence of users of the information, which include investors, government, and depositors. In addition to publications in the local dailies, banks are now required to have their IFRS-audited financial statements available on their websites for free and easy access by the general public.

The adoption of IFRS standards by the commercial banks in Liberia is an important milestone for the banking system and the on-going reform of the system by the Central Bank of Liberia.

4.2.1.4 Attachment of CBL Examiners to Commercial Banks

During the period under review, the CBL introduced the Resident Examiners Attachment Program (REAP). The program, which involves the assignment of CBL examiners at various commercial banks, is intended to further enhance and deepen the examiners' understanding of commercial banks' operations, risk profile and institutional setup, as a means of developing the appropriate supervisory strategy and plan for each bank, in line with the Risk-Based Supervision Framework. This policy is also part of the Bank's strategy to ensure an effective and robust supervisory regime.

4.2.1.5 Adoption and Implementation of Stress Testing

In 2014, the CBL issued the Stress Testing Guidelines to commercial banks, as part of the Bank's continuous effort to strengthen and improve its regulatory and supervisory processes.

The Stress Testing Guidelines were developed to assist banks in preparing and implementing their internal stress testing frameworks, and to conduct one stress test, at least semi-annually.

In keeping with the Guidelines, the Central Bank has also commenced conducting stress testing of the banking system, mainly in the context of a forward-looking financial stability and macro prudential analysis and reporting. This exercise uses bank-by-bank data and broad assumptions about economic and financial developments in the country.The results are being used by the CBL to assess areas of vulnerabilities in the banking system and to take the appropriate policy measures to respond to such vulnerabilities. The adoption of a stress testing framework for Liberia will further strengthen confidence in and enhance the competitiveness of the CBL's supervisory processes.

4.2.2 Developments in the Non-bank Financial Sector

The non-bank financial institutions (referring to licensed, regulated and supervised institutions) currently comprises the licensed insurance companies; 1 deposit–taking microfinance institution (DIACONIA Microfinance Deposit-taking Institution, 4 rural community finance institutions, and the 111 foreign exchange bureaus.

4.2.2.1 Rural Community Finance Institutions

During the course of the year, the Central Bank of Liberia (CBL), in collaboration with Afriland First Bank Liberia Limited (AFBLL) as the technical support partner, supported the establishment of 3 rural community finance institutions (RCFIs) in Grand Kru, River Gee and Gbarpolu Counties, in addition to the Gbeh-Ley Geh RCFI in Karnplay, Nimba County, which was established in December, 2013. Preparatory works for the establishment of the River Cess RCFI are in the advance stage, and set for opening to the public. The Central Bank is providing both financial and technical support to the RCFIs with the approval of the Board of Governors.

The RCFIs, which are owned and managed by members of the community, are licensed to provide banking services in the rural area, including taking deposits, extending credits, paying civil servant salaries as well as carrying out money transfer services, such as Western Union and MoneyGram. During 2014, the RCFIs of Grand Kru, River Gee and Gbarpolu facilitated the payment of civil servants salaries with the support of AFBLL.

The promotion and establishment of RCFIs throughout the country, particularly in places without formal financial institutions, remains a cardinal objective of the CBL's financial inclusion agenda to extend formal financial services to all parts and segments of the Liberian society

4.2.2.2 Foreign Exchange Bureaux Operations

At end-November, 2014, the total number of licensed bureaux was 111, reflecting an increase of 56.3 percent over 2013, 247 percent over 2012 and 344 percent over 2011, the year CBL commenced the reform process of the foreign exchange sector. Sixty-three of the 111 bureaux are in Category A (i.e. bureaux with higher deposit requirement) and 48 in Category B (i.e. those with lower deposit requirement). Aside from the licensed bureaux' participation in the CBL foreign exchange auction, as major players in the foreign exchange market, a couple of the bureaux are also engaged in providing mobile money services as sub-agents of the commercial banks.

Also, during the year, the CBL, in collaboration with the Association of Foreign Exchange Bureau and the Liberia National Police (LNP), conducted several enforcement exercises to remove illegal foreign exchange operators from the streets of Monrovia and its environs. This exercise was aimed at bringing order in the foreign exchange market, consistent with the monetary policy operations of the Bank. The exercise has made a number of illegal operators to consolidate their businesses and conform to the regulatory requirements by obtaining licenses from the CBL to operate as legal foreign exchange operators.

4.2.2.3 Insurance Sector

The CBL, working in collaboration with development partners as well as other local key stakeholders, made significant stride in strengthening the legal, institutional, and regulatory framework of the insurance sector.

In view of this, the new Insurance Law of 2013 was passed into law, replacing the 1973 Act. Several new regulations, aimed at further strengthening the sector, including the new capital requirements, were also developed to be issued and published early 2015.

The performance of the sector in 2014 show significant progress in the sector compared to previous years. The total assets of the insurance industry as at October 31, 2014 valued US$39 million and total liabilities valued US$14.58 million. Gross premium was at

US$28 million. There was also significant improvement observed in corporate governance, internal control, and risk management. However, due to the Ebola epidemic, the sector, like all other sectors of the economy, faced serious challenges, in terms of slowdown in acquiring new businesses and delinquency in premium payments during the year.

At end-2014, the number of licensed insurance companies was 20. They are: Atlantic Life & General Insurance Company (AGLIC), ACTIVA International Insurance Company (AIIC),Accident &Casualty Insurance Company (ACICO),American Underwriter Group (AUG),Capital Express Assurance Company (CEAC),International Insurance Corporation of Liberia (IICL),Medicare Insurance Company (MIC),Palm Insurance Company (PIC),SAAR Insurance Company (SIC),Secure Risk Insurance Company (SRIC),Sky International Insurance Company (SIIC),OMEGA Insurance Company (OIC), African Insurance Corporation of Liberia (AICOL),Blue Cross Insurance Company (BCIC),Global Trust Assurance Company (GTAC),Continental General &Life Insurance Company (CGLIC),Mutual Benefit Assurance (MBA), Insurance Company of Africa (ICA),Equity Assurance Company (EAC) and Family Dollar Universal Insurance Services(FDUIS).

The current number of insurance companies reflects a significant reduction up from 24 prior to CBL taking over the regulation and supervision of the sector. At the same time, CBL placed a moratorium on the licensing or entry of new companies in the insurance sector, which remains in force. The moratorium is intended to safeguard the sector from oversaturation, which has the potential of undermining the viability of the sector. Going forward, the Bank intends to implement measures aimed at further strengthening the sector; some of those measures will require consolidation and merger among existing companies.

4.3 Host of the 2014 Annual General Meeting of the West African Insurance Companies Association (WAICA)

In a bid to further strengthen regional collaboration, the CBL hosted the 36th Annual General Meeting & Education Conference of the West African Insurance Companies Association (WAICA) in Monrovia from May 4th- 6th, 2014. The purpose of the meeting was to engender the use of modern technology in the development of the insurance industries in WAICA member states as well as stressed the importance of WAICA membership and the huge benefits associated with the members of the association including insurance education and training. One of the important outcomes of the conference was the election of Liberia, represented by Mr. H. Momo Fortune, the President of the Association of Insurers of Liberia (AIL), as the President of WAICA for one year. The CBL also co-hosted the first meeting of the Full Technical Committee of the West African Insurance Sector Integration Council (WAISIC) in Monrovia from December 16th- 17th, 2013, which enabled the adoption of a Charter of the WAISIC and the Terms of Reference for the Technical Committee of WAISIC with the objective of facilitating the integration of the insurance sector in the West African Monetary Zones (WAMZ). The WAISIC is responsible to oversee the integration of the insurance sector in member countries of the WAMZ, while the Technical Committee is responsible to advice WAISIC on the harmonization of the regulatory frameworks, operational processes, and the creation of a common platform for cross border insurance operations in the WAMZ.

4.4 Microfinance Activities

The approach of promoting financial inclusion in Liberia through the engagement of microfinance institutions, community credit unions and Village Savings and Loan Associations (VSLAs) continued during 2014. The CBL also continued the process of working with mass-based organizations in structuring their members as financial credit union as a means of gradually integrating them into the formal financial system. During the year, eighteen microfinance institutions operated in Liberia but with activities essentially in Montserrado County and few of the closer counties. The Central Bank continued the active engagement of credit unions through the Liberia Credit Union National Association (LCUNA) and VSLAs primarily because these are the two categories of institutions that serve the rural areas.

The UN Capital Development Fund (UNCDF) Micro Lead Project which began the previous year continued in its second year with some recognizable achievements.

Three of the 4 regional professional credit unions offices were constructed and began operations while renovation of the LCUNA headquarters is about 90 percent completed. That project is being implemented by the World Council of Credit Union (WOCCU).

On the VSLAs front, CBL completed the process of structuring a national apex (NAPEX) for VSLAs in the country. At the first national convention a new national leadership was elected and NAPEX is already engaged in the registration of all VSLAs around the country and assisting with training of new VSLA groups.

Also, the Central Bank of Liberia licensed Diaconia Microfinance Deposit-Taking Institution (Diaconia MDI), in keeping with the requirements of the Prudential Regulations for microfinance deposit-taking institution. Diaconia MDI is a specialized microfinance financial institution which is allowed to take deposit and perform essential banking services for the micro, small, and medium enterprises and the low income population in the country, including marketers, "yanny boys", petty traders and "pen-pen boys".

4.4.1 Improving the Regulatory Environment

Under a grant from the Alliance for Financial Inclusion, CBL began a project to update the Liberian National Strategy for Financial Inclusion in 2013. The draft of the final document was approved at a National Validation Conference held in 2014. A final report of the national baseline survey which collected demand and supply side data on financial inclusion in Liberia was also completed.

During the year, the CBL published the new Mobile Money Regulations, liberalized mobile money business, which was previously restricted to commercial banks. This means that any licensed non-bank financial institution (NBFI) can now do mobile money business in Liberia. These new regulations followed a Landscape Assessment Mission which brought together the UN Capital Development Fund, USAID-GEMS, GSMA together with national stakeholders to assess the regulatory environment and identify the challenges and constraints faced by mobile money operations in Liberia. The CBL also completed the draft of the Regulatory Framework for the credit union sector in Liberia.

4.4.2 Creating opportunities for Access to Finance

The CBL continued to support initiatives intended to enhance job creation and improve general access to finance particularly in rural Liberia during the year. These initiatives were aimed at enhancing growth and economic development. The following economic interventions initiatives were continued:

1. The Loan Extension and Availability Facility (LEAF): a collateral-free soft loan placement to non-bank financial institutions: microfinance institutions, credit unions and VSLAs. This has helped to improve access to finance in the microfinance sector to stimulate economic activities in rural Liberia.

2. The CBL Credit Stimulus Initiative for Members of the Liberia Business Association (LIBA): providing access to finance for Liberian-owned businesses and is being implemented in conjunction with 3 commercial banks.

4.4.3 Delivering Financial Services

CBL continued the implementation of the Rural Community Finance Institutions (RCFIs) Project during the year. The establishment of these RCFIs is consistent with the Government's focus on creating an inclusive financial environment in the country. Services to be provided by these Rural Community Institutions will include: saving mobilization, checking accounts, loan, direct deposits, money transfer services, including MoneyGram and western union.

In addition, 3 new RCFIs were opened: The Grand Kru RCFI in Barclayville, Grand Kru County, the River Gee RCFI in Fishtown, River Gee County and the Gbarpolu RCFI in Bopolu City, Gbarpolu County. These institutions have already taken over the payment of salaries to government employees in their respective counties.

4.4.4 Microfinance Deposit-Taking Institutions (MDI)

In August, 2014, the Central Bank of Liberia licensed Diaconia Microfinance Deposit-Taking Institution (Diaconia MDI), in keeping with the requirements of the Prudential Regulations for microfinance deposit-taking institution. Diaconia MDI is a specialized microfinance financial institution which is allowed to take deposit and perform essential banking services for the micro, small, and medium enterprises and the low income population in the country, including marketers, "yanny boys", petty traders and "pen-pen boys".

CHAPTER V
INTERNAL DEVELOPMENTS

5.1 Overview

The activities of the CBL during 2014continued to center mainly around strengthening of the capacity of staff to meet the current market-skill requirements for the changing work environment, promotion and recruitment of new staff to help meet the growing service delivery demands on the CBL by both the public and the private sectors, enhancing financial system reform, continuing the financial inclusion for inclusive growth strategy of the CBL through enhancing access to finance mainly for Liberian businesses, fostering adherence to best accounting and audit standards, and strengthening communication with stakeholders.

5.2 Human Resources Management

The total number of employees of the CBL as at December 31, 2014 was 311 compared to 301 employees at end-December of last year. To encourage hard work and productivity, the management promoted several employees to middle and senior level positions during the year under review.

The bank sponsored a total of 101 senior and middle level employees to various workshops, seminars and conferences in and out of Liberia during the year with the objective of building the capacity of its employees. The training courses held at these workshops, seminars and conference included but not limited to Specialized Report Writing Skills and Presentation Techniques; Basis Statistics, Econometrics and Research Method; Bank Supervision; Enterprise Risk Management; Data Analysis for Macro Economics and Debt Management; Monetary Operation and Liquidity Management; Balance of Payment and International Investment Position; Microfinance Forum; Combating Money Laundering; community-Based Microfinance; Planning and Implementing Strategic Change; Advance Risk-Based Auditing; Advanced Financial Statement Analysis; Coin Management; Computerized Records and Data Management; Revenue Collection Analysis; Payments System; International Financial Reporting System; Advanced Reconciliation; and Insurance.

The CBL also granted study leave to 6 employees with financial as well as material support from the Bank which enabled them to pursue advanced degrees in various specialized fields abroad.

5.2.1 Capacity Building Initiatives for the Financial Sector

The CBL and the Liberia Bankers Association (LBA), in collaboration with the West Africa Institute for Financial & Economic Management (WAIFEM), in May 2014 conducted a two-day workshop on Corporate Governance for Board of Directors of the 9 commercial banks at a local hotel in Monrovia. The objective of the workshop was to apprise participants on contemporary issues in corporate governance and enterprise risk management as well as to highlight the key requirements of the Corporate Governance Regulations for financial institutions. The workshop enlightened directors of their oversight roles and responsibilities relative to Risk Management Practices, Governance, Bank Management, Compensation, Bank Ownership & Control, Safety & Soundness, Supervisory Enforcement, etc.

The workshop was facilitated by Mindset Resource Consulting, UK and staff of Regulation and Supervision Department (RSD) with 30 participants in attendance.

5.3 Management Information System (MIS)

The Management Information System (MIS), with an unflinching and dynamic interest in advancing the Bank’s agenda, undertook plans and strategies to enhance the enterprise, upgrade the computer system infrastructure, develop staff capacity and deliver pristine user support and experience both to internal and external stakeholders.

As a result, MIS have since upgraded to Active Directory 2012, Microsoft's latest centralized repository for the management, administration and maintenance of over 2,500 objects: users, computers, printers, servers, applications, and network accessories of the enterprise. The deployment of the latest email messaging platform, Exchange 2013, and the latest disaster recovery infrastructure both at Main, Disaster Recovery sites and Business Continuity site were done. The enterprise has been positioned on the fiber optic backbone with LIBTELCO, with the augmentation of network security using interoperation and integrated robust firewalls.

MIS was the focal point for the infrastructure upgrade and implementation of the Payment System project, collaborating under this multi-vendor solution providers compilation.

Several MIS staff members have been trained in Lagos, Nigeria, Johannesburg South Africa, Accra Ghana, Nairobi Kenya, and Tunis Tunisia in deployed, new, and emerging technologies to deal with the more automated and modernized Line-of-business (LOB) application, both silo and heterogeneous to cope with the changing dynamics of Information Technology.

During the year, the MIS collaborating with the Supervision Department and BSystems, the solution provider to "stand-up" or establish the Collateral Registry of Liberia. MIS Head amongst many, served as one of the West African Institute for Financial and Economic Management (WAIFEM) facilitators in March, lecturing on the topic "The Role of IT in Human Resource Management".

The deployment of the Magnetic Ink Character Recognition (MICR) check printing solution to the Banking Department was a major development to the payment systems project. MIS successfully installed, configured and commissioned the solution according to standards. During the process MIS technical team conducted a study of the solution’s intended end-product and discovered significant gaps with strategic security lapses. Its technical team crafted and build the logical framework leading to the development of a middleware to bridge the security flaw unearthed in the MICR printing solution. Adequate security and transparency is now ensured in the process of MICR checkbooks production.

Finally, the Section implemented the complete reengineering of the incumbent clearing house software. The reengineered version, developed considering future trends, is intended to meet the current demands of the emerging financial sector in the country. It also provides a suitable platform for continuity purposes in the event of breakdowns and/or disasters to the Automated Clearing System being deployed by BFI Tunisia, under the terms of the National Payment Systems project.

5.4 Banking Operations

The CBL, in close collaboration with the Liberia Revenue Authority (LRA), increased the number of revenue collection windows in Monrovia and its environs during the year 2014 to 10, from 5 windows recorded in the preceding year.

Of the 10, 7 windows are currently active. These Revenue Collection Windows are strategically placed in areas of convenience for taxpayers.

The CBL has over the years, assigned professional staff to collect on behalf of the Government of Liberia, taxes, fees and fines on a real time basis for immediate posting to the consolidated Revenue Account, thereby maximizing the general revenue collection. As a result of this extension services provided to the public, a tax payer can expediently process customs duties at the National Port Authority NPA/CBL annex and clear goods from the port within a limited time period. Likewise, a petty trader can easily make business registration payment at the Liberia Business Registry (LBR) annex operated by the CBL.

As part of the Payment Systems Modernization Project Report Underway, the CBL standardized all checks issued by the bank to its customers (Government Ministries, Sectorial Agencies and Commercial Banks), which entailed the printing of MICR coded images readable during scanning process by a specialized scanner. The Clearing House process was also automated during the year, which will help facilitate reduction of the clearing cycle when it goes live.

5.5 Payments System Modernization

The CBL has been working in partnership with the West African Monetary Institute (WAMI) to implement series of reform initiatives aimed at modernizing the payments system in the country in line with international standards. The key solution components of the modernization include Real-time Gross Settlement System (RTGS), Scripless Securities Settlement System (SSSS), Automated Check Processing (ACP) and Automated Clearing House (ACH) system. The goal is to upgrade the country's financial infrastructure to a level of other countries in the sub-region like Ghana and Nigeria in preparation for the launch of a single currency in the region. This will enhance the countries' participation in intra-regional trade and commerce.

Owing to the importance the CBL attaches to this major financial sector reform, it established a separate unit in 2012 to spearhead the modernization efforts. Since its establishment, the Unit has coordinated efforts with the relevant stakeholders in moving the process forward.

One of the first key achievements to-date is the drafting of the Payments System Act which was submitted to the national legislature for passage into law since 2012. This act will provide the legal framework for oversight and regulation of the National Payments System in Liberia. The said act has been enacted by the national legislature and is awaiting presidential approval and printing into hand bills.

5.5.1 Status of Actual Implementation Efforts

The entire modernization effort involves the development of networks and shared physical infrastructure that enable the effective operation of financial intermediaries, the exchange of information and data, and the settlement of payments between wholesale and retail market participants. During the course of the year, the CBL commenced the implementation on the infrastructure. Significant progress was reported in terms of getting the data environment ready, deploying the networks and telecommunication equipment that will enable the exchange of information and data between the system participants. However, the project suffered a serious setback due to the escalation of the Ebola epidemic causing the contractors to withdraw their engineers from the country. In terms of completion of the overall infrastructure component, at least 80 percent has been completion. The CBL is in discussions with the contractors to return to the country and resume work.

In addition to work being done on the physical infrastructure, efforts are also on-going on the solutions components. Implementation of the Automated Clearing House (ACH) and Automated Check Processing (ACP), kicked off in June. Notable progress has been made in terms of installation and deployment of all equipment at the headquarters of the CBL and the participating commercial banks.

5.5.2 Status of the National SWITCH Project

In furtherance to evaluation process for the national switch, the Central Bank of Liberia, in June 2014, commissioned a cross functional team, comprising the CBL project implementation team and the Project Consultant to implement a National Payment Switch Project. This project will complement and also integrate with the program of reforms being implemented by West African Monetary Institute (WAMI), the aim of which is to facilitate interoperability of existing payments network such as ATMs and PoS terminals and also enable financial inclusion for the unbanked population.

In terms of its current status, the preliminary engagement meetings have been held with stakeholders including commercial banks, telecommunications services providers, utilities companies. During the course of these engagements, discussions were held on the requirements for the project. The outbreak of the Ebola and the subsequent movement restriction to and from the country impacted on the delivery of the project. However, the team continues to hold regular meetings remotely with the Vendor. A number of important deliverables which does not require the physical presence of the Vendor have been accomplished.

5.6 Supervisory and Regulatory Activities

5.6.1 Establishment of the Collateral Registry of Liberia

In June 2014, the CBL launched the Collateral Registry of Liberia, with support from International Finance Corporation (IFC). The establishment of the Liberia's Collateral Registry made Liberia to be the second country, next to Ghana, to establish a properly functioning and state-of-the-art Registry in the West African Monetary Zone (WAMZ).The Registry receives stores and makes available to the public financing statements relating to security interests, finance leases and liens in moveable collaterals.

As at end- 2014, the Registry had thirty (30) registered clientsor creditors. It also had thirty three (33) loans, collateralized with movable assets, registered in the registry's system, which totals a loan amount of two hundred twenty-six million nine hundred eighty-eight thousand four hundred fifty-two United States dollars and seventy-eight cents (US$226,988,452.78) and thirty-four million six hundred eighteen thousand six hundred fifteen Liberian dollars and twenty-eight cents (L$34,618,615.28); and this amount was granted to 33 debtors in the following categories: nineteen (19) individuals, three (3) small firms, six (6) medium firms and five (5) large firms.

In September 2014, the Registrar of the Collateral Registry presented on the development of the Collateral Registry at IFC's 5th Financial Infrastructure and Risk Management

Training in Rabat, Morocco. The workshop was attended by over one hundred participants, representing various stakeholders, including central banks, banking supervisors, commercial banks, lenders' associations, micro-finance institutions associations, credit registries, small private credit bureaus, collateral registries, and policy makers, from Africa and the Middle East. The principal goal of the workshop was to share experiences on the latest trends and insights on the operations of secured transaction regimes and collateral registries across the world and how to facilitate access to credit by micro, small and medium enterprises. At the workshop, the Liberia's Collateral Registry was considered a case study for Malawi, Zambia and Nigeria that are currently in the process of developing their Collateral Registries.

5.6.2 Strengthening of the Consumer Protection Regime

Since the establishment of the Consumer Protection Unit at the Central Bank of Liberia in 2011, there has been considerable reduction in customer complaints against banks. Banks are required to have a complaint desk to investigate customers' concern and logged the concerns to the CBL.

The primary objective of the unit is to promote good business practices and market conduct in the financial system, and enhance consumer confidence in the system. As a further step to strengthen consumer protection and market conduct in the financial system, the CBL, during the period issued and published a Consumer Protection and Market Conduct Regulation. The Regulation seeks to promote transparency in the activities of financial institutions, as a means of empowering consumers to make informed decisions; to foster confidence in the financial services sector by ensuring that financial institutions provide quality services to their customers and other stakeholders; and to encourage financial institutions to establish and implement efficient and effective mechanisms for handling consumer complaints relating to the provision of financial products and services. It also requires the development of a code of ethical standards for banks under the responsibility of the Liberian Bankers Association (LBA).

The Regulation also requires commercial banks to adequately educate and inform consumers about their new products and services, as a means of empowering the public and consumers to make informed decisions. These measures are intended to alleviate the burdens of the crisis on the banking system and allow the system to continue its support to the private sector.

5.7 Research and Publication

The Research, Policy and Planning Department (RPPD) of the CBL continued to provide technical and analytical reports aimed at informing policy decision-making for monetary policy management during the year. The CBL also collaborated with institutions and partners at the national, regional and global levels relative to policy harmonization and coordination. The Department provided regular updates to senior management on macroeconomic developments including exchange rate movements, inflation dynamics, GDP growth, and the balance of payments situation.

The CBL, along with the Liberia Institute of Statistics and Geo-Information Services (LISGIS) jointly conducted the weekly market price survey covering goods and services in the consumer basket, from which information on price developments in the economy are obtained and published on monthly basis for use by both the public and private sectors. The information is published in the regular monthly Factsheet, the bi-monthly Financial Statistics, the Quarterly Financial & Economic Bulletin other macroeconomic reports.

In a related development, an enterprise survey was held in the last quarter of the year in order to update the various accounts in the BOP and the International Investment Position (IIP). In a similar vein, the CBL began the daily liquidity forecasting of bank balances within the system.

5.8 CBL Accounting and Finances

The CBL's financial statements for the sixth year are being prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements were audited by PricewaterhouseCoopers-Ghana, the Bank's external auditor. The 2014 statutory audit is expected to be conducted on schedule, consistent with the provisions of Section 50 of the CBL Act.

5.8.1 Income and Expenditure

- The CBL's un-audited Income Statement for the year ended 2014 revealed gross income of L$1,975.48 million, compared with L$1,843.38 million in 2013. The gross incomes include interest income, fees and commission and other income. The increase in gross income in 2014 was mainly due to the recognition of income

  under accrual basis of accounting resulting from the settlement of the TRADEVCO Loan case. The main revenue drivers were interest income of L$ 602.26 million and Fees & commission and other income amounting to L$1,195.11 million.

- Total expenditure for the year amounted to L$2,591.08 million, compared with L$1,698.21 million in 2013. This increase is attributed to increase in capital expenditures and operating expenses resulting from the expanding activities of the Bank.

5.8.2 Financial Position

The CBL's un-audited Statement of Financial Position excluding IMF related balances recorded total assets of L$54,755.61 million for the year ended 2014 compared with L$45,600.23 million in 2013. This 20.07 percent increase was mainly due to increase in cash and balances with central banks and commercial banks, loans and advances to government of Liberia and also increase in property, machinery and equipment and other assets. Excluding the IMF, approximately 45.07 percent of total assets are represented by claims on the Government of Liberia. The loans are currently performing based on a memorandum of understanding (MOU) signed in 2007 between the CBL and the Government of Liberia.

- The CBL's un-audited total liabilities excluding IMF related liabilities at year-end 2014 amounted to L$36,707.42 million compared with L$32,165.18 million in 2013. The increase in liabilities of L$4,542.24 million was mainly attributed to increase in deposit from Government of Liberia and its agencies, deposits from banks as well as increase in retirement & benefit obligations.

- The CBL's un-audited total owners' equity at year-end 2014 was L$14,272.78 million compared with L$11,711.01 million in 2013, on account of increase in assets in 2014.

5.8.3 The Budget

- The CBL implemented the 2014 budget as approved by the Board of Governors. The budget was based on interest income on loans and advances to GOL, interest on placements abroad as well as service fees and commission which were used as sources of income inflows in addition to the Bank's own reserves to cover operating expenses and other non-recurrent and capital expenditures.

- The Bank's provisional net Foreign Reserves for the year ended December 31, 2014 was US$220 million, down from US$229.0 million in 2013. The above net foreign reserve comprised CBL net foreign reserve and net SDR Holdings (SDR Holdings less ECF Loan). The decrease of US$9.0 million was mainly due to increase in capital and some recurrent expenditures associated with the expanding activities of the Bank.

5.9 Enterprise Risk Management

Current trends in corporate governance have given special prominence to the process of risk management and institutions are required to ensure that the process of risk management receives special attention throughout the organization and that all levels of management know, understand and comply therewith. Enterprise Risk Management (ERM) is the process whereby an entity both methodically and intuitively addresses the risks attached to its activities with the goal of achieving sustained benefit within each activity and across a portfolio of activities. ERM is, therefore, recognized as an integral part of sound organizational management and is being promoted internationally as good business practice applicable to the public and private sectors.

In view of this, the Central Bank of Liberia (CBL) during the year embarked on the implementation of an ERM framework, which is intended to help the CBL effectively manage the risks it faces to enhance its ability to attain the bank's strategic objectives. To achieve this objective, the CBL took a series of steps aimed at establishing and implementing an ERM function. These include:

1. Setting up the Enterprise Risk Management Section (ERMS) within CBL to take responsibility for the risk management process within CBL;

2. Appointing a Chief Risk Officer (CRO);
3. Amending the charter of the Board Audit committee, pending the approval of the Board of Governors, to give said Committee oversight responsibility for enterprise risk management.
4. Selecting risk coordinators within each Department/Section to help drive the ERM process within the Departments/Sections;
5. Developing an enterprise risk register that will serve as the basis of the risk management activities of the bank; and
6. Establishing the Risk Management Policy Framework to be approved by the Board of Governors for active implementation

The Enterprise Risk Management Framework specifically addresses the structures, processes and standards implemented to manage risks on an enterprise-wide basis in a consistent manner and it intends to:

The development of the ERM framework means that CBL has undertaken to ensure that the process of risk management receives special attention throughout the institution and that all levels of management know, understand, and comply with the framework document. The Framework, which specifically addresses the structures, processes and standards to be implemented to manage risks in a consistent manner on an enterprise-wide basis, intends to:

1. Advance the development and implementation of modern management practices and to support innovation throughout the CBL;

2. Contribute to building a risk-smart workforce and environment that allows for innovation and responsible risk-taking while ensuring legitimate precautions are taken to protect the bank; and

3. Provide guidance for Management and staff when overseeing or implementing the development of processes, systems and techniques for managing risks.

The capabilities inherent in ERM would help management of the CBL achieve performance and other targets and prevent loss of resources. The specific benefits of the Enterprise Risk Management Framework will be as follows:

1. **Aligning risk appetite and strategy** – CBL's management will consider the risk appetite in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks;

2. **Providing an ability to prioritize the risk management activity –** Risk quantification techniques will assist management in prioritizing risks to ensure that resources and capital are focused on high priority risks faced by the bank;

3. **Enhancing risk response decisions** – ERM will provide the basis for management to identify and select alternative risk responses;

4. **Reducing operational surprises and losses** – CBL will gain enhanced capability to identify potential events and establish responses, reducing surprises and associated costs or losses;

5. **Identifying and managing multiple and cross-enterprise risks -** CBL faces a myriad of risks affecting different areas of its business activities and Enterprise Risk Management will facilitate an effective response to the interrelated impacts, and an integrated responses to the multiple risks;

6. **Seizing opportunities -** By considering a full range of potential events, CBL management will be in a position to identify and proactively realize opportunities; and

7. **Increasing probability of achieving objectives** – Enterprise Risk Management will assist management in achieving CBL's objectives and prevents loss of resources.

5.10 Internal Audit

The Internal Audit Department remained focus to the provision of independent, purposeful assurance and advisory services designed to enhance the Bank's operations. Its approach took into consideration a systematic evaluation of the structures and mode of operations adopted by Management in achieving planned objectives. This way, issues were identified and reported with the appropriate adjustments recommended to mitigate would-be risks. With these controls, management's planned objectives were achieved without material hindrances.

5.11 Legal Services

The Legal Department continued its role and responsibilities among other duties in providing legal advice and support to the CBL management towards the implementation of their functions relative to the CBL achievement of the monetary policy objective of Liberia, including strengthening the legal and regulatory framework in the country.

During the period under review, the CBL sought for the enactment of the Payments System Act and the Insurance Act of 2013 into law. The Insurance Act of 2013 was passed into law by the National Legislature and the Payments System Act is awaiting presidential approval. Also, a Capital Market Act (CMA), which is in progress and at the vetting stages, is next in line for submission to the legislature for enactment into law.

5.12 Communication with Stakeholders

The CBL remained highly committed to strong communication with the public and private sector on macroeconomic developments and activities of the Bank. The CBL consulted with major stakeholders including the Executive arm of Government, the Banking and Currency Committees of the National Legislature, the Bankers Association, the Liberia Business Association, the Foreign Exchange Bureau Association, and Liberia Marketing Association on consensus building and understanding of policy decisions and various initiatives of the CBL intended mainly for private sector development, empowerment of Liberian businesses through increased access to finance, and sustainable job creation through inclusive growth.

In ensuring the availability of adequate information on developments in the economy, the CBL continued to provide the public regularly with various publications on financial and economic developments and also held talk shows to provide better explanation on issues of concerns relating to the economy.

5.13 Central Bank of Liberia Community Outreach Initiatives in 2014

In a continuous effort to deliver financial services to the bottom of the financial pyramid, the Central Bank of Liberia opened 3 Rural Community Financial Institutions (RCFIs) in Fishtown, River Gee County; Barclayville, Grand Kru County; and Bopolu, Gbarpolu County during the year. The CBL provided US$100,000.00 as capital investment to the RCFIs in order to provide financial services to these areas. Moreover, the CBL disbursed L$149,133,000.00 to 339 informal financial services providers including, 3 microfinance institutions, 101 credit unions, 235 village savings and loan associations and other self-help groups across the 15 counties.

Pursuant to revitalizing the credit union movement, the CBL, through funding from World Council of Credit Unions, opened three regional credit unions in Zwedru, Grand Gedeh County, Ganta, Nimba County, and Buchanan, Grand Bassa County.

The CBL provided L$129,750,000 to the National Rubber Brokers and Farmers Union of Liberia as stimulus loan in order to revitalize the entire rubber sector including small holder farmers and rubber brokers within the industry as part of its outreach to all sectors of the Liberian economy.

Extending its gesture as part of its social responsibilities to communities and the society at large, the CBL awarded scholarships to students at the African Methodist Episcopal

University located on Camp Johnson Road. This was predicated upon the students' continuous efforts in obtaining higher education in fulfillment of their career choices.

The Microfinance and Financial Inclusion Unit of the Center Bank of Liberia with funding from the United Nations Development Program (UNDP) conducted training of trainers (TOT) workshop for the National Apex of the VSLAs. The training was an additional effort at enhancing economic empowerment of members of the VSLA groups drawn from the 15 counties.

Finally, the Central Bank Staff Association (CEBSA) identified with the people of Massatin Island in Grand Cape Mount County during the year. CEBSA donated food and non-food items to the remote community.

CHAPTER VI
EXTERNAL RELATIONS

6.1 Overview

Like in 2013, the CBL maintained a cordial working relationship with its traditional multilateral partners including the International Monetary Fund (IMF), World Bank and the African Development Bank during the year under review, holding regular meetings, consultations on policy matters relative to financial and macroeconomic developments in the economy, benefiting from trainings and technical assistance as well as exchanging data. There was also good and close working relationship with sub-regional and regional institutions including the West African Monetary Institute (WAMI), West African Monetary Agency (WAMA), West African Institute for Financial and Economic Management (WAIFEM) and the Association of African Central Banks (AACB).

6.2 International Monetary Fund and the World Bank

6.2.1 International Monetary Fund

The CBL continued its engagement with the IMF at the level of policy consultation, technical assistance, memorandum of understanding and the request for waiver and modification of non-observance of performance criterion under the Extended Credit Facility Arrangement (ECF). The IMF also continued its technical assistance to the CBL in areas of capacity development, helping with the improvement of the quality of research, compilation of monetary and liquidity forecasting, price, and balance of payments statistics as well as financial soundness indicators, capital market development and the insurance sector.

6.2.2 The World Bank

During the year, the CBL also continued its engagement with the World Bank Group's institutions, the International Finance Company (IFC) and the FIRST Initiative in areas of financial system reform including support to the establishment of a collateral registry and development of the capital market. The Bank also remains a key development partner of the Government in the provision of financial support to ongoing infrastructure projects, especially electricity and road.

6.3 Regional and Sub-Regional Organizations

During the year under review, the Central Bank of Liberia participated in a series of meetings of regional institutions in Africa including those of the West African Monetary Zone (WAMZ), the ECOWAS COMMISSION (EC) and the Association of African Central Banks (AACB). The WAMZ is an association of six West African Countries working for the creation of a single currency to be launched by the end of 2020. The launching was scheduled for end of 2015 and this is the third postponement.

The first statutory meeting of the WAMZ covering the first half of 2013 was held in Banjul, The Gambia, from January 13-17, 2014, while the second, covering the second half of the year took place in Abuja, Nigeria, from July 14-17, 2014.

The authorities of the host countries, in collaboration with the West African Monetary Institute (WAMI), organized the meetings. The objectives of the meetings were, among others things, for Governors of the Central Banks, Ministers of Finance and Trade & Commerce of member countries of the WAMZ to review and deliberate on the Macroeconomic Developments and Convergence Reports Prepared by WAMI to show the leave of performance of the economies of the WAMZ countries. The Reports particularly focused on the status of convergence and compliance with policy harmonization benchmarks among member countries as stipulated in the roadmap of the WAMZ Single Currency Program.

Attending both meetings were representatives of the member countries of the WAMZ, ECOWAS Commission and WAMI. Those attending as observes included representatives of the West African Monetary Agency (WAMA), the West African Institute for Financial and Economic Management (WAIFEM), the ECOWAS Parliament, Union Econonomique et MonetaireOuestAfricaine (UEMOA), Bank Centrale des Etats de l'Afrique de l'ouest (BCEAO), ECOWAS Bank for Investment and Development (EBID), Association of African Central Banks (AACB), International Monetary Fund (IMF), the World Bank and the African Development Bank (AfDB).

During its 30th and 31st statutory meetings in Banjul and Abuja, on January 16 and July 16, 2014, respectively, the Committee of Governors of the Central Banks of the member States of the WAMZ reviewed and deliberated on the status of implementation of the Work Program of the WAMZ for 2013. The Reports of the 36th and 37th meetings of the Technical Committee of the WAMZ formed the basis of the Governors' deliberations.

According to both Reports, the overall performance of member states on the quantitative macroeconomic convergence scale for 2013 remained unchanged. Liberia satisfied 3 primary convergence criteria and 1 secondary for 2013. The primary criteria include a single digit inflation, budget deficit/GDP ratio and central bank financing of government's budget deficit relative to previous year's tax revenue. It slipped on the gross external reserves criterion. For the secondary criteria, the country satisfied the tax revenue/GDP ratio criterion. It was expected that Liberia would achieve all of the four primary convergence criteria for 2014 but given the impact of the Ebola Virus Disease on the economy, this is unlikely.

Comparing Liberia's performance on the quantitative macroeconomic convergence scale for 2013 with counterparts shows that Sierra Leone satisfied 3 primary criteria, The Gambia, Ghana and Guinea Satisfied 2 criteria each, while Nigeria met all 4 primary criteria. Inflation and fiscal deficit continued to be the more challenging criteria for member states to comply with, while central bank financing and gross external reserves were the more frequently satisfied criteria. Performances of member countries toward satisfying the secondary convergence criteria have remained generally poor. Sustenance of performance has been the key challenge in the convergence process.

Under the single currency program of the WAMZ, macroeconomic performances of the member countries are assessed on a bi-annual basis to determine their levels of preparedness for the creation of the single currency.

Regarding the launch of the WAMZ Monetary Union by January 1, 2015, the Authority of the Heads of State and Government of ECOWAS at their 45th Ordinary Session held on July 10, 2014 in Accra, Ghana, endorsed the recommendations on the review of the macroeconomic convergence criteria in order to make them achievable in a timely manner, rationalization of the monetary integration institutions and revision of the Roadmap on the ECOWAS Single Currency Program. Consequently, January 2020 was selected as the new date for the launch of the single currency.

The Report on the Study of the state of preparedness of member countries of the WAMZ for the launch of the monetary union presented at the July 2014 meeting in Abuja, indicated that, as at end-December 2013, the level of macroeconomic convergence required for the establishment of the monetary union, and the countries' levels of institutional preparedness for the union were inadequate and that these were some of the reasons for the postponement of the launch of the single currency at end of 2015.

6.3.1 Strengthening of Supervisory Cooperation

During the course of the year, the CBL actively participated in the activities of the College of Supervisors of the West African Monetary Zone (CSWAMZ).

The Bank also signed a Memorandum of Understanding with the West African Monetary Union for the sharing of supervisory information and enhancing cooperation between the two institutions in the area of banking supervision. The sharing of information covers licensing, monitoring of on-going activities and handling of issues involving banking groups that are operating in both jurisdictions. The West African Monetary Union, comprises 8 countries, namely: Ivory Coast, Senegal, Mali, Togo, Benin, Niger, Burkina Faso and Guinea-Bissua.

The signing of the MoU with BCEAO brings to two (2) bilateral MoUs signed by the CBL, the first was signed with the Central Bank of Nigeria (CBN) in 2009. The Bank is also a signatory to the Charter of the CSWAMZ and the Committee of Bank Supervisors of West and Central Africa (CBSWCA).

6.3.2 Membership in the International Initiatives

As a member of the African Rural and Agricultural Credit Association (AFRACA) and the Alliance for Financial Inclusion, the CBL continues to play an important role in the activities of these international initiatives. The Bank has been able to leverage on the experiences of these international networks, which include policy makers, to advance its financial inclusion agenda and revolutionize finance for Agri-value chain.

Currently, the AFRACA has over 110 members with 13 central banks, including CBL; while the Alliance for Financial Inclusion has over members from over 90 countries, including the CBL.

The CBL was represented at a four-day conference on Revolutionizing Finance for Agri-Value Chains held on the premises of the Kenya School of Monetary Studies in Nairobi, Kenya. This Fin4agri International conference, which was held from July 14-18,2014 was sponsored by the Africa Rural and Agriculture Credit Association (AFRACA) in collaboration with the Central Bank of Kenya and the Kenya School of Monetary Studies. This conference brought together more than 700 individuals including participants, speakers and sponsors from 19 countries across the seven continents.

One of the cardinal objectives of this Fin4Ag conference is to catalyze the establishment of appropriate rural and agricultural finance policies and provision of inclusive financial services across Africa. This conference provided a platform to accelerate direct contacts with key players in the industry with a focus on the existing functional models on agri-value chain finance that enhance food security, job/wealth creation along with policy frameworks that support such initiatives. The Fin4Ag 2014 conference is set to jump start the revolution towards inclusive financial sector in Africa.