CENTRAL BANK OF LIBERIA

ANNUAL REPORT

2016

ANNUAL REPORT

CENTRAL BANK OF LIBERIA

2016

JANUARY 1, 2016

TO

DECEMBER 31, 2016

CENTRAL BANK OF LIBERIA

Office of the Executive Governor

January 23, 2017

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 - December 31, 2016.

Respectfully yours,

Milton A. Weeks

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ACRONYMS USED

AACB	-	Association of the African Central Banks
AC	-	The Audit Committee
ACDB	-	Agricultural and Cooperative Development Bank
ACH	-	Automated Clearing House
AfDB	-	African Development Bank
AML	-	Anti-Money Laundering
ATM	-	Automated Teller Machine
BM+	-	Bankmaster Plus
BPM	-	Balance of Payment Manual
CBL	-	Central Bank of Liberia
CENDEP	-	Central Bank Deposit Program
CPI	-	Consumer Price Index
DFID	-	Department for International Development
DFS	-	Digital Financial Services
EBLL	-	Ecobank Liberia Limited
ECOWAS	-	Economic Community of West African States
ERMS	-	Enterprise Risk Management Section
EVD	-	Ebola Virus Disease
FCIB	-	First Commercial & Investment Bank
FDIC	-	Federal Deposit Insurance Corporation
FIBLL	-	First International Bank Liberia Limited
FIMB	-	First International Merchant Bank
FIRST	-	Financial Institutions Reform and Strengthening Trust
FRBNY	-	Federal Reserve Bank of New York
FSC		Financial Stability Committee

FSDIP	-	Fiscal Sector Development Implementation Plan
FSDSC	-	Financial Sector Development Steering Committee
FUAB	-	First United American Bank
FX	-	Foreign Exchange
GDP	-	Gross Domestic Product
GGFC	-	Ghana Growth Fund Company
GIABA	-	Inter-Governmental Action Group against Money Laundering
GoL	-	Government of Liberia
GNBLL	-	Groupe Ndouom Bank Liberia Limited
GTBLL	-	Guaranty Trust Bank Liberia Limited
HIES	-	Household Income and Expenditure Survey
IBLL	-	International Bank Liberia Limited
IC	-	Investment Committee
IFAD	-	International Fund for Agriculture Development
IFRS	-	International Financial Reporting Standards
IIA	-	Institute of Internal Auditors
IMF	-	International Monetary Fund
KRI	-	Key Risk Indicators
LATA	-	Liberia Agriculture Transformation Agenda
LCUNA	-	Liberia Credit Union National Association
LEAF	-	Loan Extension and Availability Facility
LEDFC	-	Liberian Enterprise Development Finance Company
LIBA	-	Liberia Business Association
LISGIS	-	Liberia Institute of Statistics and Geo-information Services
LNB	-	Liberia National Bureau
LRA	-	Liberia Revenue Authority

LWG	-	Liquidity Working Group
M2	-	Broad Money
MBBL	-	Meridian Biao Bank Liberia Limited
MDI	-	Microfinance Deposit-Taking Institutions
MFDP	-	Ministry of Finance and Development Planning
MFI	-	Microfinance Institutions
MIS	-	Management Information System
MM4P	-	Mobile Money for the Poor
MMPRC	-	Money Management and Policy Review Committee
MOU	-	Memorandum of Understanding
NBFI	-	Non-Bank Financial Institutions
NDA	-	Net Domestic Asset
NEPS	-	National Electronic Payment Switch
NHSB	-	National Housing & Savings Bank
NPLs	-	Non-Performing Loans
OPEC	-	Organization for Petroleum Exporting Countries
PSPSC	-	Payments System Project Steering Committee
RCFIs	-	Rural Community Finance Institutions
RGDP	-	Real Gross Domestic Product
ROA	-	Return on Asset
ROE	-	Return on Equity
RPPD	-	Research, Policy and Planning Department
RSD	-	Regulations and Supervision Department
RTGS	-	Real-Time Gross Settlement System
SDR	-	Special Drawing Rights
SSSS	-	Scriptless Securities Settlement System

T-bills	-	Treasury bills
T-bonds	-	Treasury bonds
T24	-	Temenos
ToT	-	Terms of Trade
TPL	-	Third Party Liability
UBA	-	United Bank for Africa
UK	-	United Kingdom
UNCDF	-	United Nations Capital Development Fund
UNDP	-	United Nations Development Program
US	-	United States
VSLA	-	Village Saving and Loan Associations
WAICA	-	West African Insurance Companies Association Reinsurance
WAIFEM	-	West African Institute for Financial and Economic Management
WAISA	-	West African Insurance Supervisors Association
WAMA	-	West African Monetary Agency
WAMI	-	West African Monetary Institute
WAMZ	-	West African Monetary Zone
WB	-	World Bank
WEO	-	World Economic Outlook

FOREWORD BY THE EXECUTIVE GOVERNOR

The year 2016 was ushered in with a lingering Ebola legacy, accompanied by a severe slump in the global prices of Liberia's major export commodities, rubber and iron ore. These twin challenges put immense downward pressure on the value of the Liberian Dollar against the United States Dollar, and yielded an estimated real GDP growth of negative 0.5 percent for the year. Despite these trying macroeconomic conditions, the Central Bank of Liberia (CBL) forged ahead with prudent liquidity management, to contain annual average inflation within the single-digit range, at 8.7 percent; and made efforts to smooth out exchange rate volatility with selective interventions into the foreign exchange market. Our attempts to mitigate the exchange rate volatility fell below the total intervention for 2015, due mainly to the CBL's reserves accumulation policy. Our attempts were bolstered, however, by net inward personal remittances, the issuance of Treasury Bills (T-bills) for the Government of Liberia (GoL), and the introduction of the GoL Treasury Bonds (T-bonds).

Overall, the financial sector continued to expand and remain relatively resilient, despite the challenges described. Total credit to all sectors of the economy grew by 11.3 percent, during the year, due mainly to a resumption of economic activities in key sectors. The gradual improvements in the energy sector, and in farm-to-market and other roads, triggered this development, and saw the private sector capture 97.3 percent share of total credit. This reflects the growing contribution of the private sector as a driver of balanced and sustainable economic growth. It should be noted that despite the reported increase in credit to the economy, the level of non-performing loans significantly improved, from 18.5 percent in 2015 to 11.8 percent in 2016 due mainly to the stringent policy measures instituted by the CBL against delinquent borrowers, including the joint initiative with the Liberia Bankers Association of naming and shaming chronic defaulters.

While supporting the fiscal authorities to rightly steer the economy, in 2016, the CBL witnessed important institutional changes of its own. Dr. Joseph Mills Jones ended his tenure as Executive Governor of the Bank, in February 2016, after ten years of dedicated service. H.E. Madam Ellen Johnson Sirleaf, President of the Republic of Liberia, appointed me to take the mantle of leadership as the new Executive Governor in May 2016. Having served as a member of the Board of Governors of the CBL since December 2014, I humbly accepted this responsibility, mindful of the tremendous macroeconomic challenges the CBL and our country face. Other key administrative changes during the review period were the appointment of the Deputy Governor for Economic Policy, Dr. Mounir Siaplay, to replace

Hon. Boima S. Kamara who accepted to serve in the position of Minister of Finance & Development Planning; and the appointment of two new Governors to the Board of Governors, Hon. Kolli S. Tamba and Hon. Elsie Dossen Badio.

Working as a team, the new Board of Governors and Senior Management have set our focus on addressing the challenges ahead, charting the next leg in our journey toward a fully developed, robust and efficient financial system. Our strategy spans three years (2017 – 2019) and rests on three key pillars: i) Financial Sector Reform; ii) Financial Inclusion; and iii) CBL Reform. The Financial Sector Reform pillar represents our commitment to advance the modernization of the financial system to meet international standards for interoperability, efficiency, profitability and security. The Financial Inclusion pillar highlights the premium that CBL continues to place on lifting our most vulnerable citizens in urban and rural Liberia out of poverty, by giving them access to the affordable financial services that they so richly deserve. Through the CBL Reform pillar, the enterprise is poised to begin a new chapter in its long journey. Aiming to lead the financial sector's modernization drive by example, we are further automating our administrative processes to increase efficiency in the use of our time and other resources – and doing our share to spare the environment any unneeded strain.

We are also revising our organizational structure to meet the emerging needs of our ever-developing sector, adding new departments and units such as the Financial Markets Department to manage the exciting development of Liberia's capital markets; and the Financial Sector Development Unit to support the implementation of development initiatives in our financial sector. We are also upgrading the Enterprise Risk Management, Internal Audit, MIS and Human Resources Sections to full Departments, to reflect their key roles in managing our corporate evolution.

In November 2016, the Government launched the Financial Sector Development Implementation Plan (FSDIP). The FSDIP provides a prioritized, sequential and time-bound roadmap for orderly implementation of more than sixty reforms in the areas of: banking, insurance, payment systems, social security, digital finance, Anti-Money Laundering/Countering Financing of Terrorism, financial inclusion and enterprise access to finance. To fast track the process, a financial sector development steering committee (FSDSC) has been established to oversee the implementation of the project. While the plan is a sector-wide, coordinated intervention, the CBL's commitment to leading its implementation is fully reflected in the interventions detailed in its own three-year strategic plan.

Both the FSDIP and the CBL plan recognize the critical role that money and capital markets play in deepening the financial sector. Their programmed interventions, therefore, benefit from the CBL's work along with other stakeholders to ensure the passage of the Securities Market and the Central Securities Depository Acts, in 2016. These Acts will improve the money market and set the basis for the establishment of the capital market. It is important to note that three of the four steps that lead to the development of capital markets have successfully been completed. The Bank has also launched a clearing and settlement system for securities.

Let me stress that the CBL's financial inclusion strategy remains on track, through the FSDIP and the CBL plan, building on key interventions such as the licensing of another GSM company to become a Mobile Money Provider, in 2016. By this concession, the CBL brought to two the number of Mobile Money Providers in the country; and contributed to the increase in the number of mobile money agents from 912, in December 2015, to 2,110, as at November 2016. Given the high overhead costs associated with the operation of commercial banks' branches in hard-to-reach areas, we are confident in mobile money as a reliable, efficient and convenient vehicle to provide our unserved and hard to reach populations with accessible and affordable financial services.

The CBL also made interventions to bolster the operational efficiency of Rural Community Finance Institutions (RCFIs) and expand their operations to other parts of the country. To this end, the Government of Liberia, during the year, signed a US$6 million financing agreement with the International Fund for Agriculture Development (IFAD) to support capacity building for existing RCFIs and the establishment of additional RCFIs, all geared towards sustained financial deepening. This support aligns with the CBL's own programmed interventions for RCFI strengthening and expansion through its strategic plan and the FSDIP.

In addition to our medium to long term programs, the CBL prioritized its response to more immediate needs in the economy. These included replacing the significant proportion of the country's bank notes in circulation outside of the banking system that are severely mutilated. The CBL, during the year, worked with the National Legislature to arrange the printing of new bank notes to replace the soiled ones. The new currency, which is gradually being circulated in the preexisting denominations (L$5, L$10, L$20, L$50, L$100) with an additional L$500 note, contains high quality security features, such as an improved texture that enhances its durability. It also carries a special feature that aids visually impaired persons to distinguish between the six denominations. Sustained public awareness campaigns initiated in 2016 will continue into the New Year, to promote the currency's nationwide acceptance and proper valuation against the legacy notes and the US Dollar.

In the wake of the fundamentals obtaining in the global economy, Liberia's current macroeconomic challenges will persist in the coming year. In response, the CBL will remain committed to its aggressive financial sector reforms to foster monetary, credit and financial conditions that are conducive to the nation's orderly, balanced and sustained economic growth and development. The Bank's interventions will prioritize effective coordination with the fiscal authorities and other stakeholders, restoration of its autonomy, and strengthening of its liquidity management framework, to ensure sustained stability in the value of the Liberia Dollar.

These interventions, however, are necessary but insufficient, in the medium to long term, to reverse the current economic downturn. More robust and transformative actions are needed to regain Liberia's pre-2013 GDP growth levels. Realizing this will require a drastic shift away from the current overreliance on primary commodity exports, toward a more diversified economy that places a premium on value addition. Moreover, we all must commit to the wider use of the Liberia Dollar, as a means of ensuring economic stability – especially as we approach the next test of our fragile democracy, the 2017 general and presidential elections.

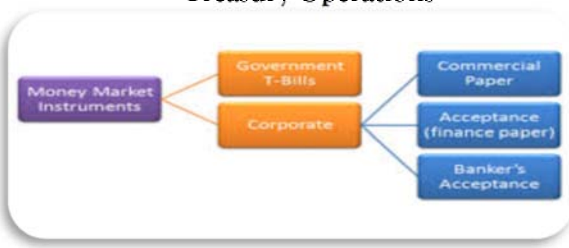
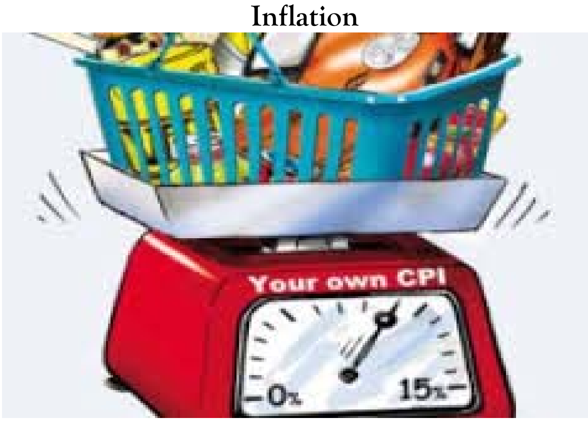
As we work to build a strong financial system and a robust economy, in the coming year, I remain grateful for, and reliant upon, the support, confidence and cooperation of H.E. President Ellen Johnson Sirleaf; our leaders in the National Legislature; the Members of the CBL Board of Governors; the Senior Management and the entire CBL staff. I am convinced that our shared commitment to the Bank's continued effectiveness, and to Liberia's inclusive development, will yield the transformative results that the Liberian people so rightly command.

Milton A. Weeks
EXECUTIVE GOVERNOR

HIGHLIGHTS

World Economy 	Projection for global growth showed a downward moderation to 3.1 percent for 2016 with prospect of improving to 3.4 percent in 2017. United States growth was daunted by loss of momentum. Euro area continued by at a weaker pace; emerging markets and developing economies remained strong while sub-Saharan Africa remained subdued due to falling commodity prices and disruption in oil supply. Global inflation slightly increased in advanced economies but remained largely subdued in emerging markets and developing economies in 2016.
Domestic Economy 	Real Gross Domestic Product (RGDP) of the Liberian economy was estimated at negative 0.5 percent for 2016. The contraction in real GDP was a result of declines in all of the major sectors of the economy, except the agriculture & fisheries sector. Average annual inflation for 2016 was recorded at 8.8 percent.
Conducive Banking Environment 	The banking industry witnessed strong growth in its balance sheet in 2016. Total assets, capital and deposits rose by 5.4 percent, 21.2 percent and 3.8 percent, respectively, compared with 7.5 percent, 0.8 percent and 16.0 percent in 2015, respectively. Overall, the financial system has grown stronger and remains resilient, despite some negative impacts.
Exchange Rate Stability 	The average exchange rate depreciated by 13.9 percent to L$100.8/US$1.00, from L$88.5/US$1.00 at end 2015, while the end of period exchange rate depreciated by 15.8 percent to L$102.5/US$1.00; largely on account of high demand for imports, reflected by the high demand for foreign exchange through the CBL's foreign exchange auction.

Performance in Meeting WAMZ Criteria	The Bank, during the year, maintained cordial working relationships with its traditional multilateral partners including the International Monetary Fund (IMF), World Bank (WB), and the African Development Bank (AfDB). The CBL collaborated with sub-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). The performance of Liberia on the quantitative macroeconomic convergence scale for the first half of 2016 improved, satisfying both the primary and secondary convergence criteria, compared with 3 and 2 for 2015, respectively.
Payments System	Liberia, through the WAMI's initiative, became a beneficiary of funding assistance from the AfDB following its accession to the WAMZ in February 2010 in order to upgrade its Payments System infrastructure, as part of the series of programs geared towards the economic integration program of the Zone. The CBL also implemented Scriptless Securities Settlement System (SSSS) which is being used to process the government treasury bills and FX auctions.
Microfinance 	The Central Bank during the year, continued its financial inclusion strategy through non-bank financial institutions including microfinance institutions, credit unions, village savings and loans associations and rural community finance institutions in the country. The operational framework of the LEAF program, which provides soft loans to the under-privileged and unbanked sector of Liberia, was amended and approved by

<table>
<tr><td></td><td>the Board of Governors during the course of the year.</td></tr>
<tr><td>Reserve Position of the Bank
</td><td>Liberia's gross international reserves position (including SDRs) at end-2016 grew by 4.8 percent to US$587.6 million, from US$560.6 million recorded at end-December, 2015, owing to drawings on reserves. Similarly, it also increased by 10.4 percent compared with the position (stock) recorded at end-2014.</td></tr>
<tr><td>Treasury Operations

</td><td>The Bank through the Treasury Operations Unit has successfully gone live and operationalized aspects of the Scriptless Securities Settlement System (DEPO/X). During the year, L$0.6 billion of GOL T-bills and L$6.0 billion T-bonds were sold.</td></tr>
<tr><td>The Non-Bank Financial Sector
</td><td>The CBL in collaboration with the West African Insurance Companies Association Reinsurance (WAICA RE) and the Liberia National Bureau of the ECOWAS Brown Card Scheme, hosted a 3-day training in reinsurance accounting treatment for life and non-life insurance businesses and a one-day workshop on the Protocols of the ECOWAS Brown Card Scheme and the operations of the Liberia National Bureau.</td></tr>
<tr><td>Inflation

</td><td>The general rate of inflation on average remained in single digit at 8.8 percent at end-2016, up from 7.7 percent a year ago, explained by the fall in the Liberian dollar exchange rate.
Average core inflation, which is the overall Consumer Price Index (CPI) less food and transport, slumped to 8.2 percent at end-2016 (from 9.9 percent a year earlier).</td></tr>
</table>

Insurance 	The insurance industry is generally strong and healthy in terms of capitalization and assets as evidenced by growth in key balance sheet indicators. During the year under review, total assets grew by 34.1 percent, capital increased by 30.7 percent and investment grew by 20.2 percent over the figures recorded in 2015.
Enterprise Risk Management 	In 2016, the Enterprise Risk Management Section (ERMS), pursuant to its mission "to initiate a comprehensive program that supports the identification of the CBL's mission-critical risks", identified sixty-seven (67) risks across the bank with varying degrees of magnitude.

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 the 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;
- foster monetary, credit and financial conditions conducive to orderly, balanced and sustained economic growth and development and
- provide sound economic and financial advice to the Government.

BOARD OF GOVERNORS
AS AT DECEMBER 31, 2016

Mr. Milton A. Weeks
Executive Governor and Chairman of the Board

Mr. David M. Farhat
Board Member

Mrs. Melisa Emeh
Board Member

Mrs. Elsie Dossen Badio
Board Member

Mr. Kolli S. Tamba
Board Member

CHAPTER I
GOVERNANCE AND ORGANIZATIONAL STRUCTURE

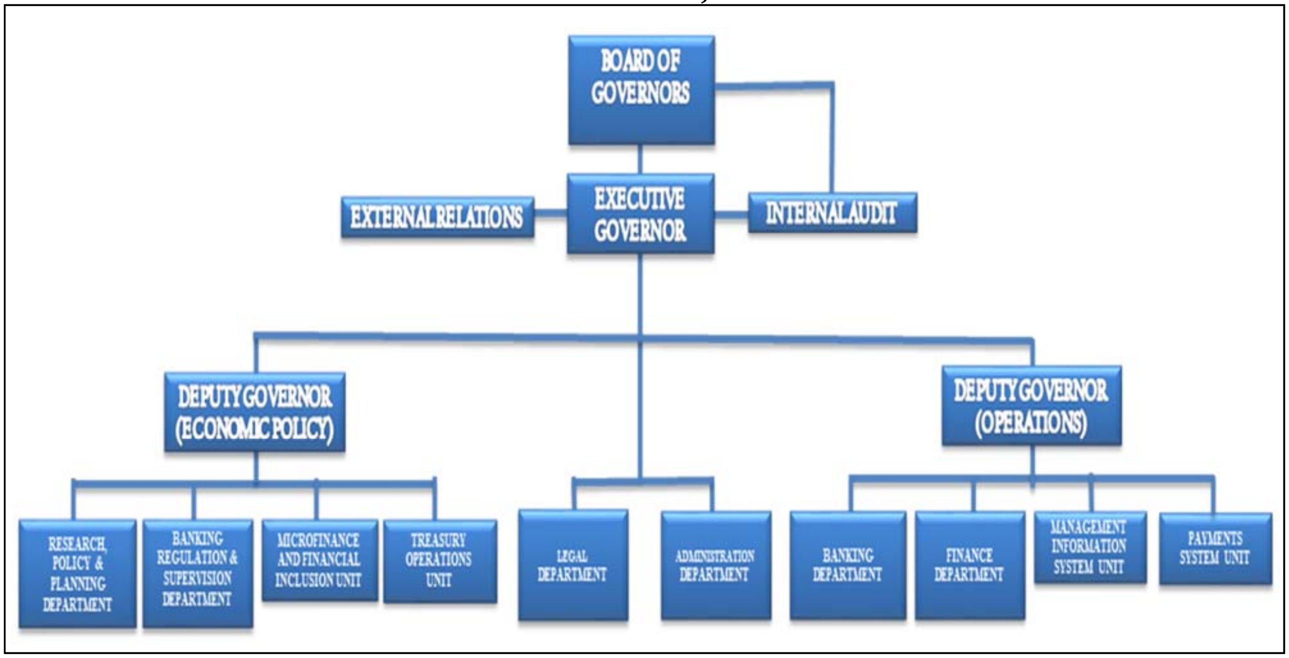
1.1 The Board of Governors

Under the CBL's Act of 1999, in part IV Section 9, the overall responsibility for the operations of the Bank is vested in the Board of Governors. The Board is responsible for the formulation and implementation of the country's monetary policy so as to ensure that the principal objectives of the Bank as set out in the Act are achieved. To this end, the Board has a direct oversight in the strategic planning and determination of the Bank's broad policy framework. For the full operationalization of the Bank, the Board approves the annual budget, monitors the financial and operational performance of the Institution, receives reports from the external auditors, and when it deems necessary, it may call for policy review. The Board of Governors comprises 5 members who are appointed by the President of Liberia and confirmed by the Liberian Senate. The Executive Governor steers the day-to-day activities of the Bank and Chairs the Board.

As at end-December, 2016, the Board of Governors was composed of the following:

1. Mr. Milton A. Weeks : – Executive Governor/Chairman
2. Mr. David M. Farhat: – Member
3. Mrs. Melisa Emeh: – Member
4. Mr. Kolli S. Tamba: – Member
5. Mrs. Elsie Dossen Badio: – Member

Chart 1: Organizational Structure
As at December 31, 2016



1.2 Committees of the Board

The Board of Governors is currently composed of 2 committees, namely: the Audit and the Investment. The Audit Committee (AC) has a mandate to supervise compliance with operational, statutory and international standards and internal controls procedures. On the overall, the AC ensures that appropriate and adequate accounting procedures, practices and controls are established. 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

In 2016, the Board of Governors of the Central Bank of Liberia took several decisions to ensure stability in the financial system, address the depreciating pressure on the Liberian Dollar vis-à-vis the US dollars, and further strengthen the CBL's policy framework to meet the emerging needs in the financial sector.

1. Cancellation of Nonperforming Facilities

The CBL resolved to cancel its contract with the Liberian Business Association (LIBA) for the operation of a public access point for the CBL's collateral registry, given that the facility was underutilized. LIBA had been considered a viable partner to host the facility given its effectiveness in organizing the target market for the registry – small businesses.

Disbursements against the Loan Extension and Availability Facility (LEAF) Program were discontinued, due to significant level of nonperformance. To this end, the Bank has redoubled its efforts to collect outstanding loan repayments and has revised the LEAF program framework to strengthen controls in its operations and enhance its impact.

2. Closure of FIBLL and Opening of GN Bank

In view of the illiquidity and undercapitalization of the First International Bank Liberia Ltd. (FIBLL), the CBL seized it early in 2016. A Purchase & Assumption (P&A) agreement was entered into with the Ghana Growth Fund Company (GGFC) for most of the assets and liabilities of FIBLL. The P&A took effect in June 2016. The CBL also cancelled all issued and outstanding shares of the FIBLL's capital stock, dismissed the Board and Management of the bank, and appointed a Provisional Administrator to facilitate the transition.

3. Investment in AFREXIMBANK Central Bank Deposit Program

During the year, the CBL invested in the Central Bank Deposit Program (CENDEP) Time Deposit Account at the African Export Import Bank (AFREXIMBANK). AFREXIMBANK is a Pan-African supranational trade finance institution created in 1993 under the auspices of the African Development Bank to stimulate consistent expansion and diversification of Africa trade, to rapidly increase Africa's share of global trade.

4. Printing of new Liberian Dollar bills

The CBL sought and obtained Legislative approval to print and release new bank notes in the denominations of L$5.00, L$10.00, L$20.00, L$50$, L$100.00 and L$500.00. The main purpose of the initiative was to replace the mutilated notes currently on the market. Prior to the release of the new currency, the CBL carried out a media campaign to raise public awareness to ensure their acceptance and proper valuation.

5. Efforts toward exchange rate stabilization

a. Bridge Finance to GOL

The CBL provided a bridge finance facility to the Government of Liberia (GoL), through the MFDP, for a period of 30 days, to address a temporary financing gap. The facility was successfully repaid in full.

b. Adjustments in Reserve Requirements for Commercial Banks

The CBL reduced commercial banks' US dollar reserve requirement from 15.0spercent to 10.0 percent and increased the Liberian dollar reserve requirement from 22.0 percent to 25.0 percent as additional monetary policy actions to address inflation and exchange rate pressures.

c. Personal Remittance Surrender Scheme

The CBL issued a regulation mandating all money transfer operators (MTOs) to pay remittance recipients 25.0 percent of the amount remitted in Liberian dollar, at the CBL's published selling rate, and 75.0 percent in US dollar. Banks are then required to surrender the US dollars equivalent of the 25.0 percent per transaction to the CBL, also at the selling rate. This regulation took effect on December 1, 2016, and represents the CBL's continued efforts to build its US dollar reserves.

6. New governance arrangements to strengthen controls in the financial system

The CBL established the following guidelines to enhance its regulation and supervision of banks and non-bank financial institutions to meet international standards:

a. *International Financial Reporting Standards;*
b. *Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Examination Manual;*
c. *Revised Framework for the Loan Extension and Availability Facility (LEAF); and*
d. *Guidelines for Rural Community Financing Institutions (RCFIs).*

The CBL also established a unit within the Regulation and Supervision Department, to ensure AML/CFT compliance in the financial system.

7. Strategic Plan and Human Resources Reform

The CBL developed a 3-year Strategic Plan for the period 2017-2019, focused on three (3) pillars: Financial Sector Reform, Financial Inclusion and CBL Reform. The key aim of the strategy is to enhance the governance framework, technology and capacity within the financial system to meet international standards, take advantage of emerging opportunities and avert risks. A key component of the CBL's internal reform is its revised organizational structure and an improved Performance Management System, aimed at further enhancing the CBL's leadership of the financial system.

8. Settlement of depositors' claims from failed banks

The CBL approved the settlement of all verified claims by depositors of the following failed banks: First International Merchant Bank (FIMB), First United American Bank (FUAB), EUROBANK Liberia Limited, Ducor Trade & Commerce (DUTCH) Bank, First Commercial & Investment Bank (FCIB), Meridian Biao Bank Liberia Limited (MBBLL), National Housing and Savings Bank (NHSB), and Agricultural and Cooperative Development Bank (ACDB). This decision follows the report of auditors Baker Tilly Liberia, which confirmed and verified claims of depositors of those institutions.

1.4 Internal Committees

The CBL, during the course of 2016 maintained 3 key internal committees, namely: the Money Management and Policy Review Committee (MMPRC), the Financial Stability Committee (FSC) and the Payments System Project Steering Committee (PSPSC). The FSC deliberated on several strategic issues with a view to safeguarding the stability of the financial system from the perspective of banks and non-bank financial institutions and to ensure efficiency in service delivery and greater degree of financial inclusion for both households and businesses. The MMPRC considered various policy matters aimed at ensuring the realization of the Bank's primary goal of price stability and fostering balanced economic growth; thus, contributing towards the broader national objective of sustained economic development. Also, 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 year.

CHAPTER II
THE GLOBAL ECONOMY

2.1 World Output Growth

Projection for global growth moderated to 3.1 percent for 2016 with prospect of improving to 3.4 percent in 2017. According to the World Economic Outlook (WEO) October, 2016 Edition, the downward revision of global output growth by 0.1 percentage point each for 2016 and 2017, respectively, relative to the April, 2016 WEO are primarily due to the United Kingdom exit from the European Union (Brexit) and the weaker-than-expected growth outturn in the United States.

The expectation of a strong pickup was daunted by the loss of momentum in the United States. Though consumption spending on average has remained strong due to firm labor market, the continued weakness in nonresidential investment in addition to large drawdown of inventories has weighed down on growth momentum. Decline in spending in the energy sector, the appreciation of the dollar and fears of the recession of late 2015 and early 2016 has weakened the outlook for the year. As a result, growth forecast for the U. S. is set at 1.6 percent for 2016 (Table 1).

Recovery in the euro area continued but at a weaker pace. Lower oil prices and moderate fiscal space along with slack monetary policy were expected to support the growth momentum for the zone. However, the uncertainty following the Brexit earlier during the year has weakened investor confidence which has weighed down on activity. Other major parts of the zone were expected to experience diverse growth for the year. Growth in Germany and Spain were expected to increase by 0.1 and 0.5 percentage point respectively. Italy and France on the other hand, were expected to experience declines in their growth figures by 0.1 and 0.2 percentage point, respectively. Underpinned by these fundamentals, growth for the zone was projected at 1.7 percent, 0.1 percentage point lower than the July, 2016 forecast of the WEO.

Growth forecast for emerging market and developing economies remained strong at a projected 4.2 percent for 2016, underpinned by robust growth performances in India and China. China's growth figure was projected at 6.6 percent as a result of policy actions to rebalance the economy from investment to consumption spending and from industrial to service activities.

However, the unsustainable nature of its nonfinancial debt coupled with resource misallocation cast a gloomy picture on the medium term growth prospect. In India, growth was estimated at 7.6 percent mainly due to gains in terms-of-trade and structural reforms.

Table 1: Growth of Selected Global Output

	Year-over-Year				
		Projections		Difference from July 2016 WEO update	
	2015	2016	2017	2016	2017
World Output	**3.2**	**3.1**	**3.4**	**0.0**	**0.0**
Advanced Economies	**2.1**	**1.6**	**1.8**	**-0.2**	**0.0**
United States	2.6	1.6	2.2	-0.6	-0.3
Euro Area	2.0	1.7	1.5	0.1	0.1
Japan	0.5	0.5	0.6	0.2	0.5
United Kingdom	2.2	1.8	1.1	0.1	-0.2
Canada	1.1	1.2	1.9	-0.2	-0.2
Emerging Markets and Developing Economies	**4.0**	**4.2**	**4.6**	**0.1**	**0.0**
Emerging and Developing Asia	**6.6**	**6.5**	**6.3**	**0.1**	**0.0**
China	6.9	6.6	6.2	0.0	0.0
India	7.6	7.6	7.6	0.2	0.2
Latin America & the Caribbean	0.0	-0.6	1.6	-0.2	0.0
Middle East, North Africa, Afghanistan & Pakistan	2.3	3.4	3.4	0.0	0.1
Sub-Sahara Africa	**3.4**	**1.4**	**2.9**	**-0.2**	**-0.4**
Consumer Prices					
Advanced Economies	0.3	0.8	1.7	0.1	0.1
Emerging Markets and Developing Economies	4.7	4.5	4.4	-0.1	0.0

Source: IMF World Economic Outlook October 2016 Edition

In sub-Saharan Africa, countries, especially those relying on commodity exports faced daunting outlook for their growth figures. Disruption in oil supply in some oil exporting countries and lower oil receipts helped weaken investors' confidence. In other parts of the region, policy uncertainty and drought severely affected growth outlook. However, especially in non-resource export countries, growth momentum was projected to remain strong due mainly to the favorable impact of low oil prices that has stimulated private consumption. Underpinned by these fundamentals, growth was projected at 1.4 percent for 2016.

2.2 Global Inflation

Headline inflation in advanced economies increased slightly as commodity prices stagnation began to fade but remained at bay in emerging market and developing economies. Inflation in advanced economies slightly inched up to 0.8 percent mainly from inflation rise in the US but remained stable in the euro area. Emerging market and developing economies inflation trend was on the opposite compared to advanced economies mainly due to exchange rate stability and appreciation in other parts the region. Forecast for 2017 showed that inflation will rise to 1.7 percent in advanced economies and decrease slightly by 0.1 percentage point to at 4.4 percent in emerging market and developing economies (Table 1).

2.3 Commodity Market

In the recent past, low demand as a result of weak and uneven global growth prospect continued to strangulate growth in global prices. At end-2016, average commodity price was expected to decline even further as indicated by the global commodity price index. Even though the decline in commodity price can be attributed to slump in several commodities during the year, but the main drivers were declines in the prices of petroleum and metal (iron ore).

2.3.1 Crude Oil[1]

Among all the world’s commodities, crude oil price had been highly hit by weakening global demand year to date. Annual comparisons of the price of the commodity indicated a projected decline of 15 percent, from US$50.8 per barrel to US$43.2 per barrel. The projected decline in the price of the commodity at end-December 2016 was attributed to expectation of increase in supply of oil from OPEC as the decision to cut down production by its members could not hold, in addition to the modest recovery in the rigs operations in the United States.

[1] Crude Oil is the simple average of three spot prices: Dated Brent, West Texas Intermediate, and the Dubai Fatah.

2.3.2 Iron Ore

Like other commodities, as of 2014, the price of iron ore has experienced sustained fall. From 2014 to 2015, the price of iron ore declined by 43 percent. Similarly, from 2015 – 2016, it declined by nearly the same magnitude, 42.9 percent.

The slump in the price of the commodity for the past two years has been on the back of weak demand mainly from China and the increasing supply of the product on the global market.

At end-2016, projected price of iron ore remained stable at US$55.2 per metric ton, compared with the price in 2015. The relative stability in the price of the commodity has been due to the growing demand from China as their steel industry boomed with increase in the price of steel.

2.3.3 Rubber

In 2016, the average global price of rubber rose by 3.0 percent to US$1,619.6 per metric ton from US$1,572.1 per metric ton at end December 2015. The rise in the price of the commodity during the period was significantly due to weaker global supply of the commodity in the wake of the implementation of the export-quota scheme by key exporters of the commodity as well as the earlier news from major rubber producing economies to cut down on production.

2.3.4 Rice

Rice price at end 2016, rose by 4.2 percent to US$396.1 per metric ton from US$380.1 per metric ton recorded at end-2015. The estimated rise in the price of the commodity during the year was as a result of slowdown in supply occasioned by unfavorable weather condition in major producing economies.

2.3.5 Cocoa Beans

Like most other export commodities, the global market price of cocoa beans, declined during the year compared with 2015. At end-November, 2016, the average price of the commodity fell to US$2,946.3 per metric ton, from US$3,135.2 per metric ton at end-December, 2015. The 6.0 percent decline in the price of the commodity comes on the back of improved weather conditions that enabled increasing supplies of the commodity, mainly from Africa.

2.4 Implication for the Liberian Economy

Iron ore, rubber and minerals (diamond and gold) as well as cocoa beans and other commodities are significant in boosting revenue for the economy. Developments in the Liberian economy are often hedged on global prospect as changes in global prices greatly impact major revenue generating commodities and payments to foreign economies.

Driving away from the lag-effect of the Ebola Virus crisis of 2014, decline in commodity prices have had mixed effects on the Liberian economy - the price slump of iron ore and rubber in 2016 were cardinal in causing decline in export receipts. Conversely, the decline in the price of petroleum outweighed the increase in the price of food (rice) and thus reduced the payments towards imports. Thus, the overall result of the decline in global prices has, to some extent, improved Liberia’s Terms of Trade as well as the current account balance.

CHAPTER III
DEVELOPMENTS IN THE LIBERIAN ECONOMY

3.1 Overview

Real Gross Domestic Product (RGDP) growth of the Liberian economy was estimated at negative 0.5 percent in 2016. The projected contraction in real GDP was a result of the respective declines in all of the major sectors of the economy, except the agriculture and fisheries sector. Average annual inflation in 2016 was 8.8 percent from 7.7 percent recorded at end-2015. The 1.0 percentage point rise in inflation was largely explained by the depreciation of the Liberian dollar.

3.2 GDP Performance

Real GDP at end 2016 was estimated at US$891.9 million, from US$896.4 million recorded in 2015. The estimated contraction in real GDP was attributed to the respective declines in forestry, to negative 7.0 percent (from 2.0 percent in 2015), mining & panning to negative 23.8 percent (from negative 15.9 percent in 2015), manufacturing to negative 4.9 percent (from negative 1.5 percent in 2015) and services to 3.9 percent (from 4.3 percent in 2015). However, the agriculture and fisheries sector grew by an estimated 6.4 percent (from 0.7 percent in 2015), mainly on account of the growth in rice and cassava production along with the production of oil palm which is a result of ongoing efforts to boost export diversification.

RGDP growth in 2017 is projected at 3.2 percent, and is expected to be driven by all major sectors of the economy (Table 2). The key risks, however, to growth outturn in 2017 will include further decline in the global market prices of the country's key export commodities (rubber and iron ore), delay in planned investments, infrastructural challenges, and the uncertainty surrounding the 2017 elections.

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

Sector	2014	2015	2016+	2017**
Agriculture & Fisheries	216.7	218.2	232.2	241.7
Forestry	92.9	94.8	87.6	90.2
Mining & Panning	123.1	103.5	78.9	83.2
Manufacturing	64.5	63.5	60.5	60.5
Services	399.2	416.4	432.8	445.3
Real Gross Domestic Product	**896.4**	**896.4**	**891.9**	**920.9**

Source: Liberian Authority and IMF Staff estimates and projections
*** Projection*
+ Revised/Actual

3.3 Real Sector Performance

Production outturn in 2016 remained mixed as it was in 2015 across the various sectors of the economy. Analysis of production showed that in the agriculture and fisheries sector, rubber output expanded by 9.4 percent, to an estimated 49,965 metric tons, from the revised actual of 45,657 metric tons produced in 2015. The estimated rise in the output of rubber was on account of a rise in its global market price. Cocoa production witnessed a 35.8 percent slump, to an estimated 9,603 metric tons, down from 14,968 metric tons a year ago. The decline in output was explained by the fall in the price of the commodity on the global market. Coffee output for the period expanded by 104 metric tons to 162.0 metric tons at end-2016, due to an increase in its world market price. Round Logs output also expanded by an estimated 72.5 percent, to 192,814 cubic meters in 2016, from 111,785 cubic meters driven by a rise in the international market price of the commodity. The year-on-year analysis on crude palm oil (CPO) could not be done as production data is only available for 2016 (Table 3).

Table 3: Key Agricultural & Forestry Production (2014-2016)

Commodity	Unit	2014	2015+	2016**
Rubber	Mt.	59,892	45,657	49,965
Cocoa Beans	Mt.	6,602	14,968	9,603
Coffee	Mt.	-	58	162
Round Logs	M^3	174,436	111,785	192,814
Sawn Timber	Pcs.	763,987	907,505	749,381
Crude Palm Oil (CPO)	Mt.	N/A	N/A	3,021

Source: Ministry of Commerce & Industry (MOCI); Liberia Produce & Marketing Corporation (LPMC); Forestry Development Authority (FDA); Sime Darby Plantations
+ Revised/Actual
***** Projection***

Production in the manufacturing sector revealed that total cement output at end-2016 was estimated at 247,880 metric tons, down from the 285,391 metric tons produced during 2015. The 13.1 percent slump in cement output was partly explained by the slowdown in construction activities.

Table 4: Key Industrial Output
(2014-2016)

Commodity	Unit	2014	2015+	2016**
Cement	Mt.	295,353	285,391	247,880
Beverages	Liter	21,282,032	22,913,475	25,162,015
Paints	Gal.	209,741	299,450	205,391
Candle	Kg.	195,196	183,803	179,768
Chlorox	Liter	1,128,740	926,504	1,584,369
Rubbing Alcohol	Liter	254,760	274,625	250,844
Mattresses	Pcs.	116,087	127,647	99,575
Gold	Ounce	19,938	9,466	5,356
Diamond	Carat	74,882	65,996	62,827
Iron ore	Mt.	4,921,391	4,529,531	1,522,076
Finished Water	Gal.	1,464,866,002	1,731,355,031	1,246,640,501,

Source: Ministry of Commerce & Industry (MOCI); Ministry of Lands, Mines & Energy; Liberia Water and Sewer Corporation
+ Revised /Actual
***** Projection***

Total beverage produced in 2016 was estimated at 25.2 million liters, up from 22.9 million liters produced a year ago. The rise in output was a result of the installation of an additional facility that helped to boost output during the year.

Total paint (water and oil) produced at end-2016 was estimated at 205,391 gallons, down from of 299,450 gallons produced in the previous year. The 31.4 percent fall in output was generally due to the slowdown in construction activities during the year.

Candle output at end-2016 was estimated at 179,768 kilograms, down from the revised volume of 183,803 kilograms produced in 2015. The 2.2 percent fall in candle production was attributed to the Liberia Electricity Corporation's effort to increase its coverage and supply of electricity within the country. The projection of chlorox during the period ended 2016 was estimated at 1.6 million liters, up from 0.9 million liters produced in 2015. The rise in production was due to increased demand for the product for health, specifically preventive and hygienic purposes.

Total quantity of rubbing alcohol produced during 2016 was estimated at 250,844 liters, down from 274,625 liters produced in the previous year. The estimated 8.6 percent decline in production was explained by lower supply of raw materials for production.

Iron ore output at end-2016 was estimated at 1.5 million metric tons, down from 4.5 million metric tons produced in preceding year.

The 66.4 percent contraction in output was mainly a result of the slowdown of activities of one of the major concessionaires. Similarly, gold and diamond output trended to an estimated 5,356 ounces and 62,827 carats,(from the 9,466 ounces and 65,966 carats, respectively) produced during the previous year. The fall in output was a result of the decline in the prices of gold on the international market. Total output of finished water during the review period was 1.2 billion gallons, down from 1.7 billion gallons produced a year ago. The 28.0percent slump in output was explained by a prolonged period of technical faults at the National Water Treatment Plant, the main source of water supply to Monrovia and its environs (Table 4).

3.4 Price Developments

The general rate of inflation on average was projected at 8.8 percent at end-2016, up from 7.7 percent a year ago. The 1.1 percentage point rise in inflation was generally explained by the fall in the purchasing power of the Liberian dollar during the year. Though inflation increased slightly, the Bank's prudent liquidity management as well as favourable international oil prices were the key contributors to the attainment of single-digit average inflation.

The major groups that drove inflation during 2016 compared with 2015 included food and non-alcoholic beverages, to 14.2 percent (from 5.9. percent); transport to 20.9 percent (from 14.4 percent); communication to 1.6 percent (from negative 10.0 percent); and restaurants and hotels to 6.7 percent (from 4.1 percent). On the other hand, core inflation, which is the overall Consumer Price Index (CPI) less food and transport, slumped to 8.6 percent at end-December 2016 (from 9.9 percent a year earlier).

Inflation outlook at end-2017 is expected to remain in single-digit, around 9.7 percent. However, the sustenance of a single-digit rate of inflation will largely depend on increased domestic food production, improved access to markets, the behavior of international oil and food prices, infrastructural developments such as roads and energy supply and the behaviour of the Liberian dollar exchange rate.

Table 5: Year-on- Year Rate of Inflation
(2014-2016)
(December 2005=100)

	2014	2015	2016
January	7.7	8.7	7.0
February	7.9	7.7	7.1
March	8.9	7.3	7.1
April	9.8	6.8	7.2
May	9.6	7.9	7.6
June	11.7	7.7	8.4
July	10.9	9.5	8.4
August	10.1	7.3	9.9
September	13.5	6.5	8.5
October	12.7	6.0	9.9
November	7.91	9.8+	12.0
December	7.7	8.0+	12.5.
Average	**9.9**	**7.8+**	**8.8**

Source: Central Bank of Liberia and Liberia Institute of Statistics and Geo-Information Services
+ Revised /Actuals

Chart 2: Year-on-Year Rates of Inflation
(2014-2016)
(December, 2005=100)

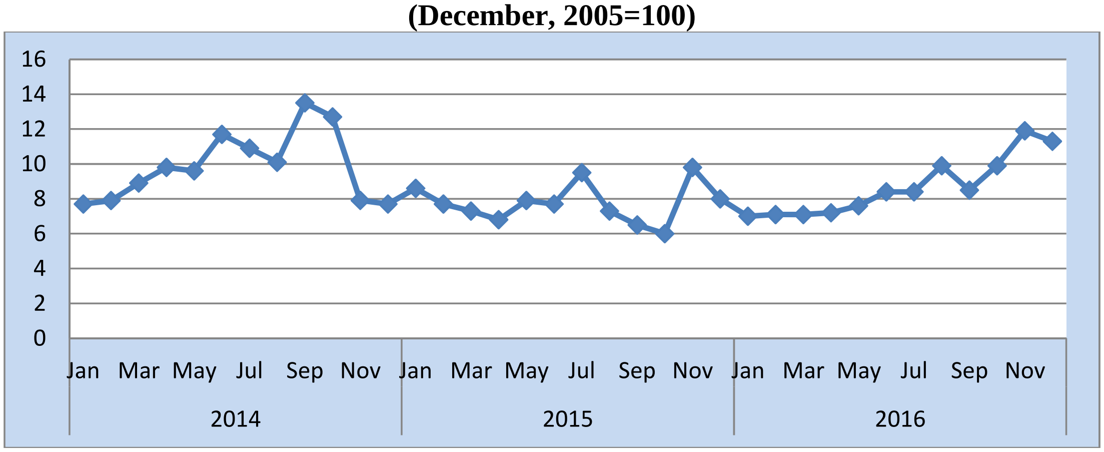


Table 6: HCPI and Core Inflation
(In percent)
(2015-2016)

Year	Inflation	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2015	HCPI (Gen)	8.7	7.7	7.3	6.8	7.9	7.7	9.5	7.3	6.5	6.0	9.8	8.0
	Core (Inf)	4.3	3.1	1.4	0.5	-0.8	2.0	4.1	7.2	9.6	10.0	10.9	9.9
2016	HCPI (Gen)	7.0	7.1	7.1	7.2	7.6	8.4	8.4	9.9	8.5	9.9	12.0	12.5
	Core (Inf)	5.9	7.9	6.1	10.0	12.1	12.1	10.9	7.6	4.5	5.7	6.9	8.6

Source: Central Bank Liberia and Liberia Institute for Statistics and Geo-Information Services
**Estimates*

Chart 3: HCPI and Core Inflation
(In Percent)
(2015-2016)

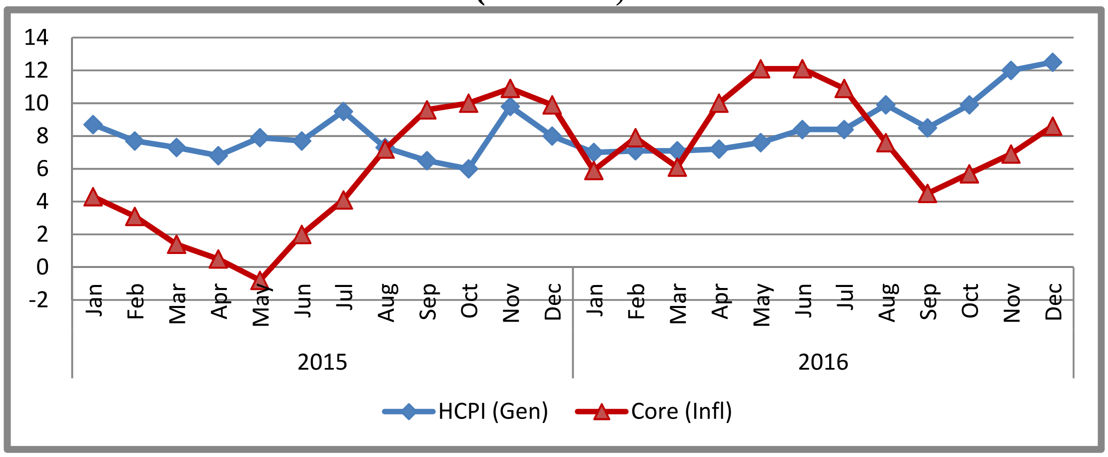


Table 7: Harmonized Consumer Price Index (HCPI) By Major Groups
Year-on-Year Rates of Inflation

Functions	WEIGHTS	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
FOOD AND NON-ALCOHOLIC BEVERAGES	**45.2**	7.40	5.47	5.61	3.05	1.94	4.08	5.76	10.80	9.84	11.73	14.41	14.22
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	**3.03**	9.11	14.23	10.93	10.50	9.87	15.69	14.21	9.28	6.09	10.35	16.92	17.01
CLOTHING AND FOOTWEAR	**7.75**	23.63	29.65	27.64	28.32	21.09	19.56	9.51	7.69	6.31	5.40	7.03	14.19
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	**12.00**	-25.32	-25.01	-18.83	0.39	0.36	0.96	0.99	-0.53	-0.37	-0.38	-0.53	4.36
FURNISHINGS, HOUSEHOLD, EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE	**5.25**	16.38	20.02	8.41	6.09	25.45	24.72	27.72	18.20	7.97	6.86	10.78	6.61
HEALTH	**3.91**	5.05	8.00	-2.37	-2.92	13.24	7.06	3.91	-2.30	-9.33	-6.85	-6.01	-5.90
TRANSPORT	**6.11**	9.08	15.61	26.45	26.71	30.60	22.39	15.41	14.70	20.04	20.43	23.09	20.94
COMMUNICATION	**1.53**	-6.10	-6.00	-6.00	-5.86	2.53	2.64	2.68	2.70	1.43	1.55	1.83	1.41
RECREATION AND CULTURE	**3.85**	6.16	5.94	6.80	7.17	7.60	12.12	12.62	18.81	12.20	17.37	15.42	16.11
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**	13.03	12.82	11.21	12.29	12.29	8.70	12.63	4.21	4.48	8.70	7.45	6.70
MISCELLANEOUS GOODS AND SERVICES	**3.53**	10.18	10.24	2.57	10.96	9.25	9.30	12.27	12.58	6.10	5.79	8.76	9.50
GENERAL RATE OF INFLATION	**100**	6.95	7.09	7.10	7.19	7.57	8.44	8.40	9.86	8.48	9.95	12.04	12.52

Source: CBL & LISGIS, Monrovia, Liberia

3.5 Monetary Developments

3.5.1 Commercial Banks' Credits to the Economy

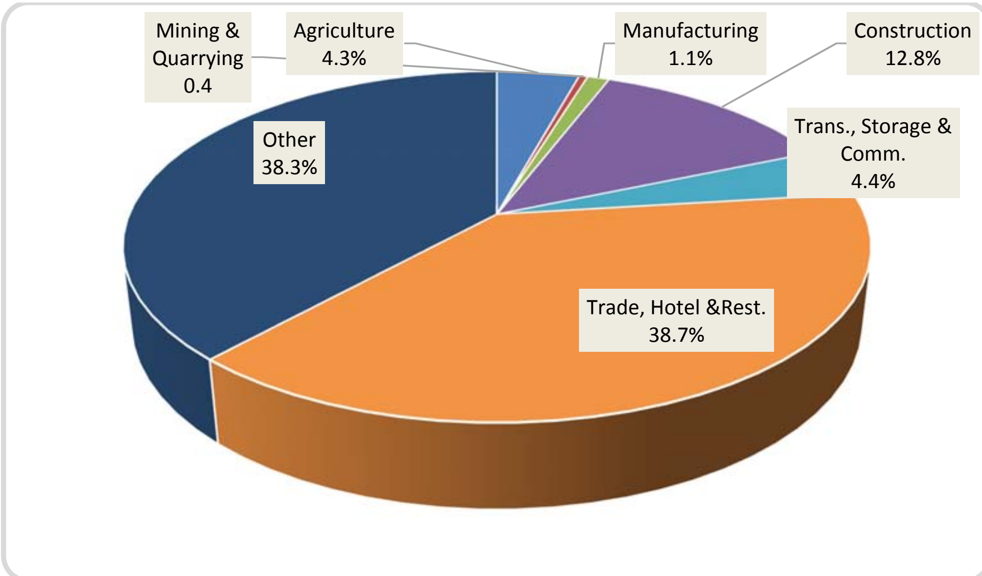
At end-November, 2016 total credit to all sectors of the economy amounted to L$39,249.3 million, indicating an expansion of 15.6 percent relative to the amount recorded at end-December, 2015. The main drivers of credit growth during the period under review, 2016 were Construction and Mining & Quarrying sectors. Also loans and advances to the Trade sub-sector as part of the Trade, Hotel & Restaurant sector as well as the "Others Sector" contributed significantly to credit growth in the year. Mining & Quarrying expanded by 21.7 percent; Construction by 3.2 percent; Trade, Hotel & Restaurant by 3.3 percent, and the "Others" Sector by 87.3 percent. The "Others Sector" comprises loans and advances to individuals, the government sector and loans not classified under any particular sector. The expansion in credit was mainly due to resumption of economic activities which were triggered by the improved and promising energy and road infrastructures. As in the previous year, the private sector accounted for nearly 98.0 percent of total credit for the period. The contribution of the private sector to credit growth reflects the growing activities in the sector which is necessary for a balanced and sustainable growth and development of the economy.

Table 8: Commercial Bank Loans by Economic Sectors
(2014-November, 2016)
(In Millions of L$)

	Dec-14	Share	Dec-15	Share	Nov-16	Share
Agriculture	1,869,181.78	6.8	2,389,737.13	7.0	1,674,034.46	4.3
Mining & Quarrying	177,210.00	0.6	140,715.00	0.4	171,201.69	0.4
Manufacturing	526,910.08	1.9	885,038.64	2.6	441,572.36	1.1
Construction	4,727,719.67	17.2	4,866,858.47	14.3	5,023,508.80	12.8
Trans., Storage & Comm.	2,032,301.28	7.4	2,946,854.84	8.7	1,738,230.39	4.4
Trade, Hotel &Rest.	12,039,093.50	43.8	14,707,810.54	43.3	15,186,369.14	38.7
Other	6,127,194.21	22.3	8,014,401.50	23.6	15,014,349.49	38.3
Total	27,499,610.51	100.0	33,951,416.11	100.0	39,249,266.33	100.0

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 4: Percentage Distribution of Commercial Banks' Loans by Economic Sectors (November, 2016)



3.5.2 Interest Rates

The trends exhibited by the annual average interest rates in the economy for the period under review showed diverse results. Average lending, personal loan, mortgage and time deposits rates decreased by 2.0, 14.0, 33.0 and 28.0 basis points, respectively, to 13.59 percent, from 13.61 percent, for lending; to 13.94 percent, from 14.07 percent for personal loan; to 14.16 percent from 14.50 percent for mortgage and to 3.77 percent, from 4.05 percent for time deposits rate at end-December, 2015. On the other hand, the average rates of savings and certificate of deposits both increased by 3.0 and 14.0 basis points, respectively (Table 9). The decreases in lending, personal loans rates, etc., were reflective of the many efforts by the banking sector to encourage private investment. The spread between average lending and savings rates for the review period declined by 5.0 basis points to 11.56 percent for the 11-month period compared with 11.61 percent for 2015.

Table 9: Average Commercial Banks' Interest Rates (2014- November, 2016)

COMMERCIAL BANKS RATES	2014	2015	Jan-Nov, 2016
Lending Rate	13.50	13.61	13.59
Personal Loan Rate	13.99	14.07	13.94
Mortgage Rate	14.25	14.50	14.16
Time Deposit Rate	4.16	4.05	3.77
Savings Rate	2.00	2.00	2.03
Rate on CD'S	2.25	2.00	2.14

Source: Central Bank of Liberia, Monrovia, Liberia

3.5.3 Monetary Policy Stance

The Monetary Policy stance of the Central Bank of Liberia (CBL) is aimed at the attainment of price stability via broad exchange rate stability. For the year under review, the CBL's intervention in the foreign exchange market has been the readily available policy instrument to influence domestic monetary conditions in the economy. The Government-of-Liberia's Treasury instruments (GoL's T-bills and T-bond) are also aiding liquidity management as it helps scale down excess liquidity in the banking system. The CBL, however, will remain strongly supportive of the national economic development agenda, particularly the agendum for financial inclusion, considering the need for access to finance by critical sectors of the economy, including agriculture and manufacturing.

3.5.4 Monetary Aggregates

Liberian dollars in circulation[2] at end-November, 2016, amounted to L$10,830.8 million, indicating an expansion of 4.6 percent, from L$10,357.3 million at end-December, 2015. The growth in currency in circulation was mainly on account of a 2.9 percent increase in currency outside banks. The Expansion of currency held by the public is historical as the festive season approaches and is usually typical of higher consumer outlays. Of the total currency in circulation at the end of the review period, currency in the hands of the public accounted for 91.7 percent.

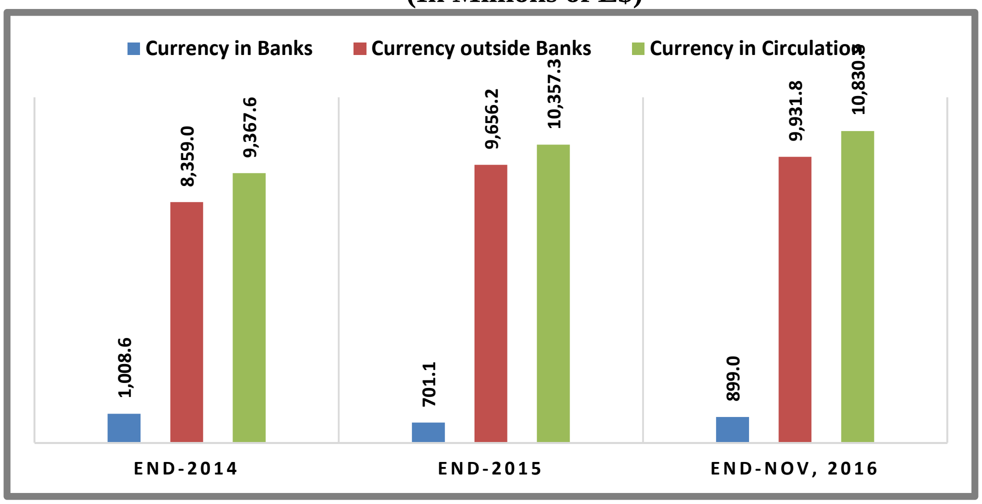
[2]Currency in circulation equals currency in banks plus currency outside banks

Table 10: Liberian Dollar in Circulation
(2014 - November, 2016)
(In Millions of L$)

	End-2014	End-2015	End-Nov, 2016
Currency in Banks	1,008.6	701.1	899.0
Currency outside Banks	8,359.0	9,656.2	9,931.8
Currency in Circulation	9,367.6	10,357.3	10,830.8

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 5: Liberian Dollars in Circulation
(2014-November, 2016)
(In Millions of L$)



Narrow money supply (M1)[3] as at 30th November, 2016, stood at L$40,831.8 million, declining by 0.5 percent compared with L$41,036.5 million as recorded at end-December, 2015. The slowdown in narrow money stock was triggered by a 1.5 percent reduction in demand deposits. Quasi money[4] rose by 10.6 percent, to L$21,675.9 million on account of an 11.1 percent increase in time and savings deposits.

[3] M1 is the narrowest definition of money supply. It is made up of currency outside banks plus demand deposits

[4] Quasi Money is defined as savings and time deposits in both currencies

Chart 6: Money Supply (M1)
(2014 – November, 2016)
(In Millions of L$)

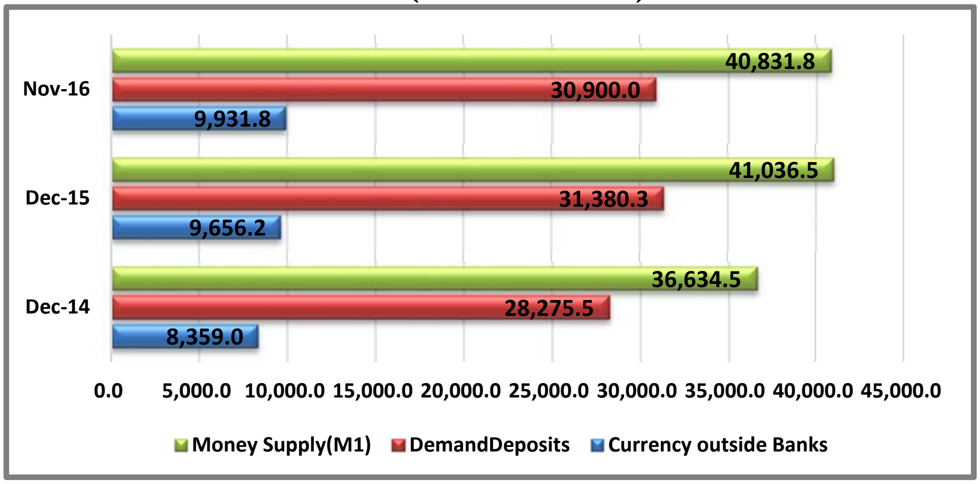


Table 11: Money Supply and its Sources
(2014 – November, 2016)
(In Millions of L$)

Monetary Aggregates	Dec-14	Dec-15	Nov-16	Percent Change	
				2015-Nov-16	2014-Nov-16
1.0 Money Supply M2 (1.1 + 1.2)	**53,696.9**	**60,627.3**	**62,507.7**	3.1	**16.4**
1.1 Money Supply M1	36,634.5	41,036.5	40,831.8	-0.5	**11.5**
1.1.1 Currency outside banks	*8,359.0*	*9,656.2*	*9,931.8*	2.9	**18.8**
1.1.2 Demand deposit 1/	*28,275.5*	*31,380.3*	*30,900.0*	-1.5	**9.3**
1.2 Quasi Money	**17,062.4**	**19,590.8**	**21,675.9**	10.6	**27.0**
1.2.1 Time & Savings deposits	17,011.4	19,496.3	21,651.6	11.1	**27.3**
1.2.2 Other deposits 2/	*51.0*	*94.6*	*24.3*	-74.3	**-52.4**
2.0 Net Foreign Assets	**34,864.9**	**33,876.97**	**30,513.3**	-9.9	**-12.5**
2.1 Central Bank	20,611.3	24,222.1	23,792.7	-1.8	**15.4**
2.2 Banking Institutions	14,253.6	9,654.9	6,720.5	-30.4	**-52.9**
3.0 Net Domestic Assets (1 - 2)	**18,832.0**	**26,750.3**	**31,994.4**	19.6	**69.9**
3.1 Domestic Credit	**48,584.7**	**49,943.1**	**63,791.8**	27.7	**31.3**
3.1.1 Government (net)	15,381.5	10,652.5	14,621.2	37.3	**-4.9**
3.1.2 Pvt. Sector & Other Pvt. Sector	33,203.2	39,290.6	49,170.6	25.1	**48.1**
3.2 Other Items Net (3 - 3.1)	29,752.8	23,192.8	31,797.4	37.1	**6.9**
Memorandum Items					
1. Overall Liquidity	53,696.9	60,627.3	62,507.7	3.1	**16.4**
2. Reserve Money	23,641.2	23,125.4	25,216.1	9.0	**6.7**
Currency outside banks	*8,359.0*	*9,656.2*	*9,931.8*	2.9	**18.8**
Banks Reserves	*12,529.0*	*12,220.8*	*14,574.4*	19.3	**16.3**
Other Deposits at CBL	*2,753.2*	*1,248.4*	709.9	-43.14	-74.22

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

The preliminary statistics showed that the overall liquidity in the banking system, Broad money (M2)[5], rose by 3.1 percent to L$62,507.7 million at end-November, 2016, from L$60,627.3 million recorded at end-December, 2015 on account of a 19.6 percent rise in net domestic assets (NDA). The growth in NDA, in turn, came as a resulted of a 37.3 percent and 25.1 percent expansions, respectively, in credits to both government (net) and credit to private sector including credit to non-bank financial institutions (NBFIs). Reserve money, for the period, grew by 9.0 percent, underpinned by a 19.3 percent growth in banks' reserve deposits at the CBL. The US dollar share of broad money at end-November, 2016 accounted for 68.4 percent (L$42,779.0 million[6]), signifying the high degree of dollarization of the economy (Table 12 & Chart 8).

Chart 7: Broad Money (M2)
(2014 - November, 2016)
(In Millions of L$)

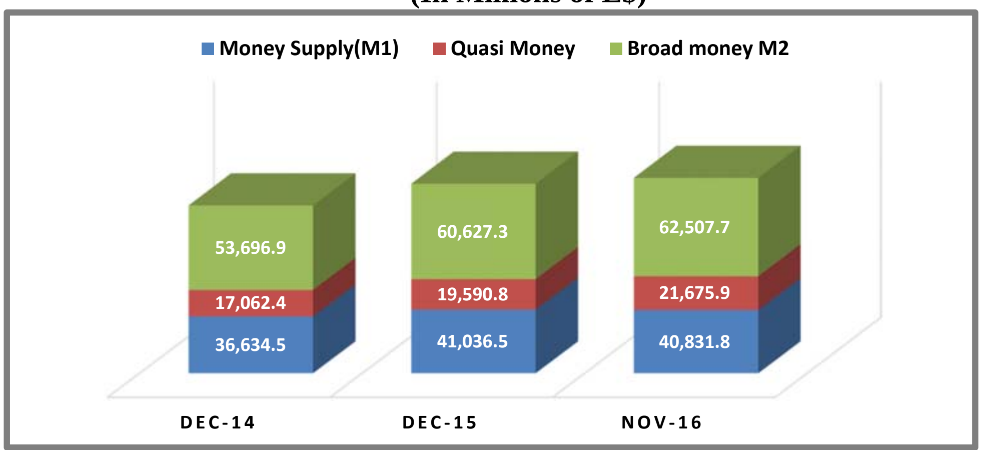


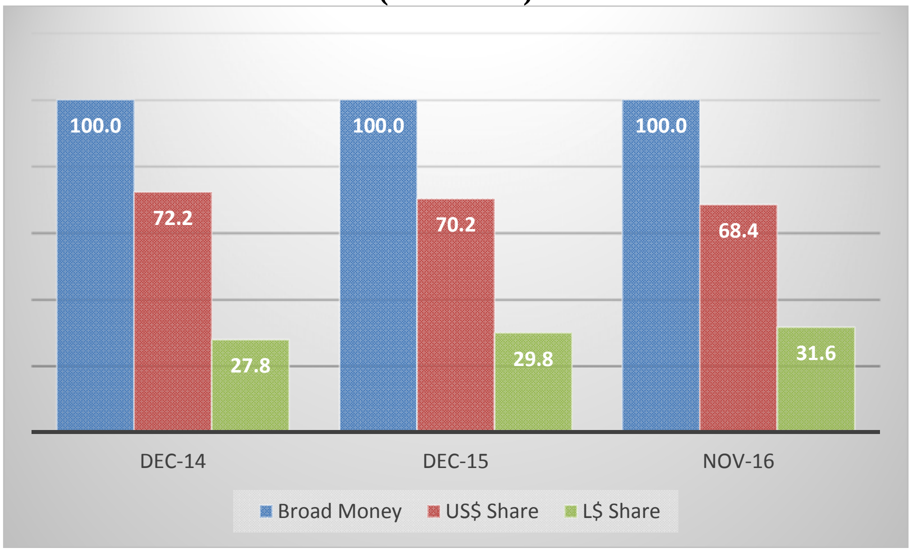
Table 12: Broad Money (M2): Share of US and Liberian Dollars
(2014 - November, 2016)
(In Millions of L$)

	Dec-14	Percent Share	Dec-15	Percent Share	Nov-16	Percent Share
Broad Money	53,696.9	100.0	60,627.3	100.0	62,507.7	100.0
US$ Share	38,783.1	72.2	42,557.4	70.2	42,779.0	68.4
L$ Share	14,913.8	27.8	18,069.9	29.8	19,728.6	31.6

Source: Central Bank of Liberia, Monrovia, Liberia

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

Chart 8: Broad Money (M2): Share of US and Liberian Dollars (2014 - November, 2016) (In Percent)



3.5.5 Financial Markets Developments

In continuation with effort to create a secondary market that would lead to a vibrant financial market, especially with regards to implementing the WAMZ Payment System Project, The Bank through the Treasury Operations Unit has successfully gone live and operationalized aspects of the Scriptless Securities Settlement System (DEPO/X). The DEPO/X system is a well-organized electronic platform that supports the conduct of the FX Auction and the processing of government securities.

During the year, a total of L$0.61 billion of GoL T-bills was issued with a complementary redemption of L$0.41 billion at a weighted average yield of 3.20 percent. In furtherance of the money market development, a Repo transaction was arranged among three commercial banks, the first of its kind on the Liberian market. Additionally, a two year Treasury bond of L$6.0 billion with a weighted average yield of 14.45 percent was issued, suggesting that the emerging debt market for government securities is gradually taking shape.

Table 13: GoL Treasury Bills Auction
(Jan – Dec, 2016)

	Date	Amount Issue	Value of Bids received	Over/(Uder) subscription	Cut-Off Interest Rate (%)	Weighted average Discount Rate (%)
12	1-Dec-16	49,250,000.00	53,550,000.00	4,300,000.00	4.50	3.13
11	4-Nov-16	49,000,000.00	53,400,000.00	4,400,000.00	4.00	3.27
10	6-Oct-16	97,500,000.00	102,500,000.00	5,000,000.00	3.50	2.94
9	1-Sep-16	48,750,000.00	104,850,000.00	56,100,000.00	3.00	2.93
8	4-Aug-16	46,750,000.00	103,575,000.00	56,825,000.00	3.00	2.96
7	7-Jul-16	47,250,000.00	69,850,000.00	22,600,000.00	3.0	2.9
6	2-Jun-16	45,750,000.00	91,875,000.00	46,125,000.00	3.25	3.11
5	5-May-16	45,250,000.00	69,150,000.00	23,900,000.00	3.50	3.15
4	7-Apr-16	45,250,000.00	772,525,000.00	727,275,000.00	3.70	3.01
3	3-Mar-16	45,250,000.00	88,650,000.00	43,400,000.00	3.75	3.57
2	4-Feb-16	45,250,000.00	60,725,000.00	15,475,000.00	4.00	3.73
1	7-Jan-16	43,750,000.00	51,537,500.00	7,787,500.00	4.50	3.69
	TOTAL	609,000,000.00	1,622,187,500.00	1,013,187,500.00		3.20

Source: Central Bank of Liberia, Monrovia, Liberia

Table 14: GoL Treasury Bond Auction (Jan-Dec, 2016)
In Billions of Liberian Dollar

	Date	Amount Issue	Value of Bids received	Over/(Uder) subscription	Cut-Off Interest Rate (%)	Weighted average Discount Rate (%)
2	6-Sep-16	2,410,000,000.00	2,410,000,000.00	0	15.00	14.51
1	15-Jul-16	3,590,000,000.00	3,590,000,000.00	0	15.00	14.39
	TOTAL	6,000,000,000.00	6,000,000,000.00	0		14.45

Source: Central Bank of Liberia, Monrovia, Liberia

3.5.6 CBL's Foreign Exchange Auction

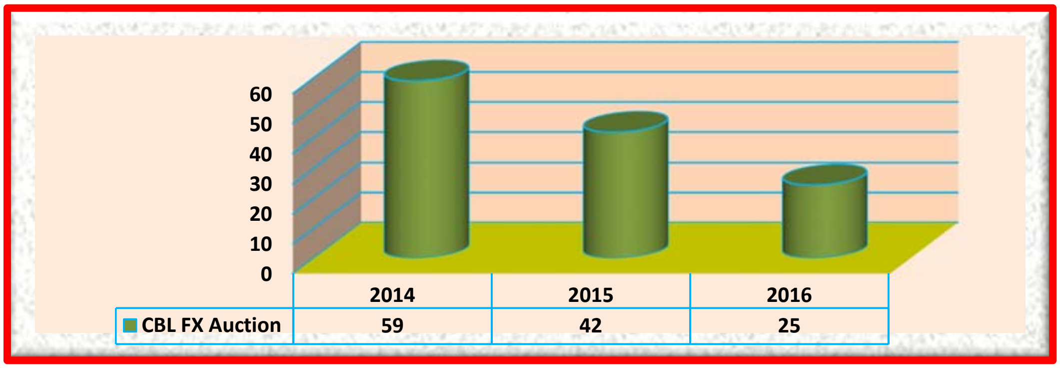
The total amount of US dollar sold during 2016 stood at US$24.5 million, down by 41.5 percent compared with the figure recorded for FX sale of US$$41.9 million in 2015. This level of intervention bolstered by the rise in net inward personal remittances in addition to the GoL T-bills and T-bonds helped to broadly stabilize the exchange rate between the US dollar and the domestic currency.

Table 15: CBL's Foreign Exchange Auction
(2014- 2016)
(In Millions of US$)

	2014	2015	2016
FX Sold	59.0	41.9	24.5

Source: Central Bank of Liberia, Monrovia, Liberia

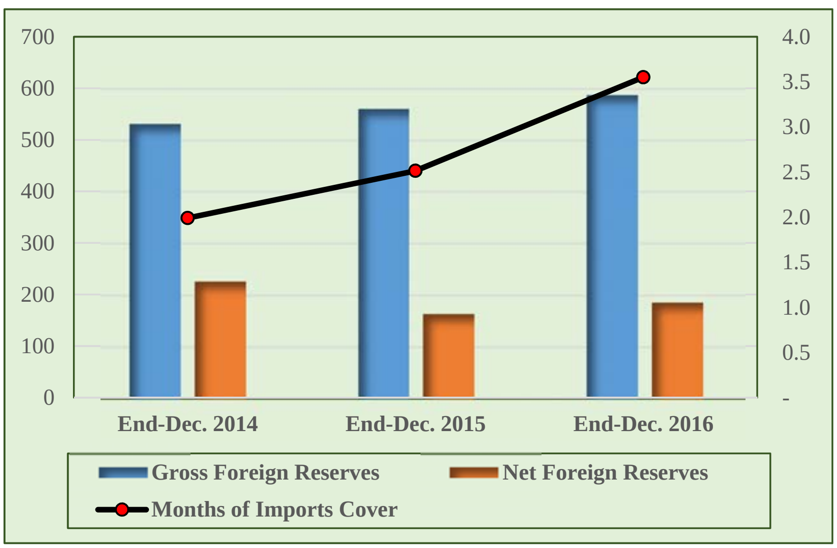
Chart 9: Foreign Exchange Auction
(2014- 2016)
(In Millions of US$)



3.5.7 International Reserves Position and Months of Imports Cover

Liberia's gross international reserves position (including SDRs) at end-2016 rose by 4.8 percent to US$587.6 million, from US$560.6 million recorded at end-2015, owing to CBL's policy of reserves accumulation. Similarly, it also increased by 10.4 percent compared with the position (stock) recorded at end-2014.

Chart 10: International Reserves Position



Also, the country's net foreign reserves position (excluding SDRs) rose by 13.7 percent to US$186.4 million at end-December, 2016, from US$164.0 million recorded at end-December, 2015. However, it declined by 18.2 percent compared with the stock of US$227.9 million recorded at end-December, 2014.

Gross international reserves in months of imports cover grew to 3.6 in 2016, up from 2.5 and 2.0 months recorded for 2015, and 2014, respectively, primarily on accounts of growth in external reserves coupled with declines in import payments for goods and services.

Table 16: Stock of International Reserves
(2014 - 2016)
(In Millions of USD, Except Otherwise Indicated)

Foreign Reserves	End-Dec. 2014	End-Dec. 2015	End-Dec. 2016
Gross Foreign Reserves	532.2	560.58	587.58
Net Foreign Reserves	227.86	163.97	186.37
Months of Imports Cover	***2.0***	***2.5***	***3.6***

Source: Central Bank of Liberia

3.6 External Sector Developments

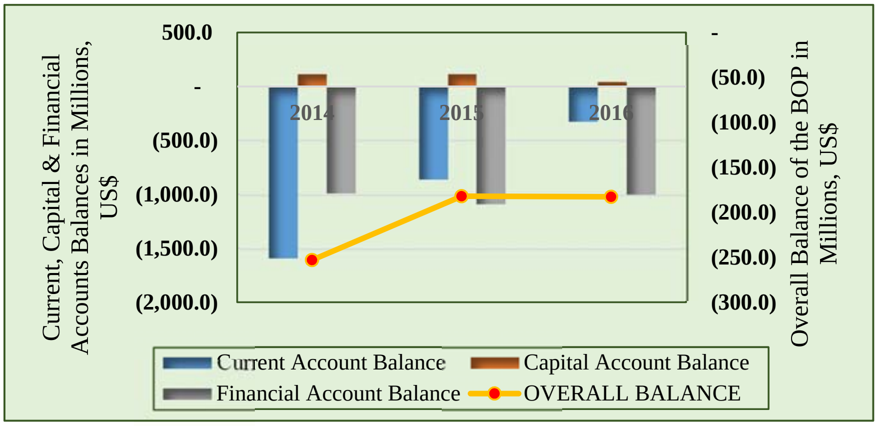
3.6.1 Balance of Payments [7]

From preliminary statistics, the overall balance of payments (BoP) deficit marginally deteriorated by 0.4 percent to US$182.8 million in 2016, against the deficit of US$182.2 million recorded in 2015. On a dissimilar trend, it significantly improved by 27.8 percent compared with the deficit recorded in 2014. The slight widening in the overall BoP deficit, despite improvement in the current account deficit was clearly reflective of Liberia's increasing dependence on external goods, services, income, and financial investment for domestic consumption.

[7] Provisional Balance of Payments measured on IMF Balance of Payments Manual 6 (BPM6) Standards

3.6.1.1 Current Account

Chart 11: BoP Accounts & Overall Balance Deficit



From preliminary statistics, the current account deficit improved by 61.8 percent to US$325.4 million in 2016, from a deficit of US$852.3 million recorded in 2015. Similarly, the reviewed deficit also improved by 79.5 percent compared with the deficit recorded in 2014. The improvement in Liberia's current account deficit in 2016 was explained by improvements in the goods (net) account (by 19.1 %), net service payments (by 37.3 %), net primary income (by 35.9 %) owed to payments of investment income that fell by 34.7 percent during the year, outweighing a 9.0 percent decline in secondary income (net) to current international cooperation and current transfers.

Table 17: Annual Balance of Payments (BoP) Statistics
(2014 -2016)
(In Millions of US$, Except Otherwise Indicated)

BPM6 Concept	2014	2015*	2016**
Current Account	**(1,587.9)**	**(852.3)**	**(325.4)**
Credit	2,284.0	2,401.2	2,122.0
Debit	3,872.0	3,253.4	2,447.4
Goods and services	**(2,342.0)**	**(2,041.1)**	**(1,514.1)**
Credit	687.5	499.4	370.4
Debit	3,029.5	2,540.5	1,884.6
Goods	**(1,372.3)**	**(1,286.1)**	**(1,040.7)**
Credit (Exports)	444.4	265.3	169.6
Iron Ore	*254.9*	*141.8*	*49.6*
Rubber	*85.1*	*61.1*	*58.8*
Other Commodity Exports	*104.4*	*62.4*	*61.2*
Debit (Imports)	1,816.7	1,551.4	1,210.3
Petroleum	*292.8*	*365.7*	*289.7*
Rice	*154.8*	*148.7*	*115.1*
Machinery & Equipment	*585.6*	*371.8*	*274.0*
Other Commodity Imports	*783.5*	*665.2*	*531.5*
General merchandise on a balance of payments basis	(1,390.3)	(1,294.6)	(1,045.1)
Credit	426.4	256.8	165.2
Debit	1,816.7	1,551.4	1,210.3
Nonmonetary gold	18.0	8.5	4.4
Credit	18.0	8.5	4.4
Debit	-	-	-
Services	**(969.7)**	**(754.9)**	**(473.4)**
Credit	243.1	234.1	200.8
Debit	1,212.8	989.1	674.2
Primary income	**(515.8)**	**(394.3)**	**(252.7)**
Credit	27.4	25.3	23.3
Debit	543.3	419.6	276.0
Secondary income	**1,269.9**	**1,583.1**	**1,441.5**
Credit	1,569.1	1,876.5	1,728.3
Debit	299.2	293.4	286.8
Capital Account	**116.7**	**114.2**	**41.6**
Credit	116.7	114.2	41.6
Debit	-	-	-
Net lending (+) / net borrowing (-) (balance from current and capital accounts)	**(1,471.2)**	**(738.1)**	**(283.8)**
Financial Account	-	-	-
Net lending (+) / net borrowing (-) (balance from financial account)	**(983.6)**	**(1,081.6)**	**(993.4)**
Direct investment	**(713.0)**	**(720.9)**	**(501.7)**
Net acquisition of financial assets	-	-	-
Net incurrence of liabilities	*713.0*	*720.9*	*501.7*
Other investment	**(270.6)**	**(360.7)**	**(491.7)**
Net acquisition of financial assets	*(255.0)*	*(353.6)*	*(469.1)*
Net incurrence of liabilities	*15.6*	*7.1*	*22.6*
NET ERRORS & OMISSIONS	***740.7***	***(161.4)***	***(526.8)***
OVERALL BALANCE	**(253.0)**	**(182.2)**	**(182.8)**
Financing (Reserves and related Items)	**253.0**	**182.2**	**182.8**
Reserve assets	*164.2*	*185.1*	*183.8*
MEMORANDUM ITEMS	**2014**	**2015**	**2016**
Gross Foreign Reserves Position	***565.0***	***564.3***	***545.4***
Import Payments (cif)	*1,996.6*	*1,687.2*	*1,311.0*
Imports (cif) & Service Payments	*3,209.4*	*2,676.3*	*1,985.2*
Current Account Bal. Excl. Grants	*(2,607.5)*	*(1,927.0)*	*(1,310.9)*
Nominal GDP	***2,012***	***2,034***	***2,112***
Current Account Bal. Incl. Grants % of GDP	*(78.9)*	*(41.9)*	*(15.4)*
Current Account Bal. Excl. Grants % of GDP	*(129.6)*	*(94.7)*	*(62.1)*
Trade Balance (in goods) Deficit % of GDP	*(68)*	*(63)*	*(49)*
Months of Imports Cover	***2.1***	***2.5***	***3.3***

Source: Central Bank of Liberia (CBL)
****Revised***
*****Preliminary***

3.6.1.2 Goods and Services

The goods and services (net) account experienced 25.8 percent improvement during the year. Payments towards goods and services decreased by 25.8 percent, and also declined by 25.8 percent relative to receipts. The narrowing in the good and services account highlights improvements in net service payments and the trade balance in goods (net) in 2016.

3.6.1.2.1 Trade (in goods) Balance

Liberia's trade (in goods) balance performance improved by 19.1 percent to a deficit of US$1,040.7 million during the review period, from a deficit of US$1,286.1 million recorded in 2015. Compared with the US$1,372.3 million recorded in 2014, it also improved by 24.2 percent. The improvement in the trade balance deficit during the year was occasioned by 22.0 percent fall in import payments that outweighed the 36.1 percent decline in export earnings.

Chart 12: Annual Trade Balance
(2014 - 2016)
(In Millions of USD, Except Otherwise Indicated)

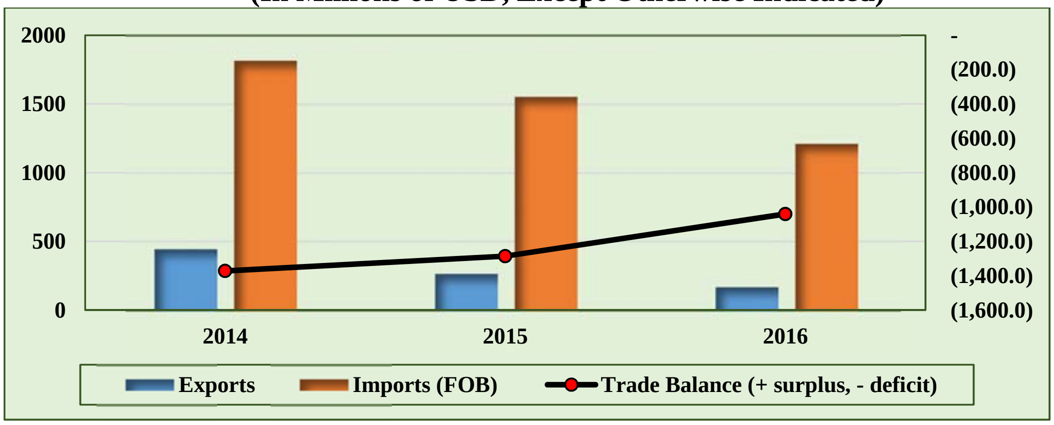


Table 18: Annual Trade Balance
(2014 - 2016)
(In Millions of USD, Except Otherwise Indicated)

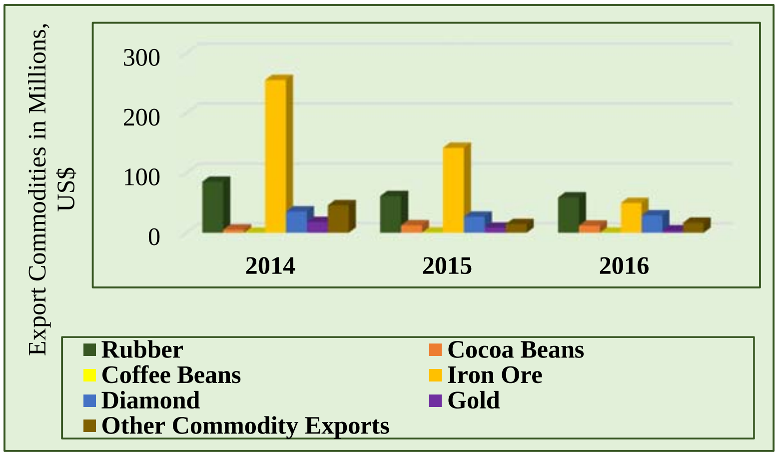
Trade Category	**2014***	**2015***	**2016****
Exports	444.4	265.3	169.6
Imports (FOB)	1,816.7	1,551.4	1,210.3
Total Trade (+ surplus, - deficit)	***(1,372.3)***	***(1,286.1)***	***(1,040.7)***

Sources: Customs - Liberia Revenue Authority (LRA), Central Bank of Liberia (CBL), & Firestone Liberia Ltd
**Revised*
***Preliminary*

3.6.1.3 Merchandise Exports

Preliminary statistics on export receipts reflects a further slump in receipts at end- 2016. Export receipts plummeted from US$265.3 million at end-December, 2015 to US$169.6 million at end-2016. The 36.1 percent decline in total export earnings was driven by declines in all receipts from Liberia's major export commodities, notably iron ore. Additionally, when comparing 2014 to 2015, statistics on exports earnings showed that exports declined by 40.3 percent, from US$444.4 million at end-2014 to US$265.3 million during 2015, with iron ore, mineral and rubber accounting for the overall decrease in export earnings.

Chart 13: Commodity Composition of Exports



Iron ore proceeds during the reviewed period declined by 65.0 percent to US$49.6 million, from US$53.5 million recorded in the previous year, while rubber and mineral (especially gold) fell by 3.8 percent and 7.2 percent, respectively. Even though average global price of iron ore seemed to have declined, the decline in proceeds of the commodity was basically due to rarely limited supply of the commodity in proportion to its price that was exported. Similarly, the fall in the earnings of rubber and gold were significantly attributed to producers' decision and government regulation in the mineral industry.

Chart 14: Trends in Iron Ore, Rubber, & Total Exports (2014 - 2016) (In Million US$, Except Otherwise Indicated)

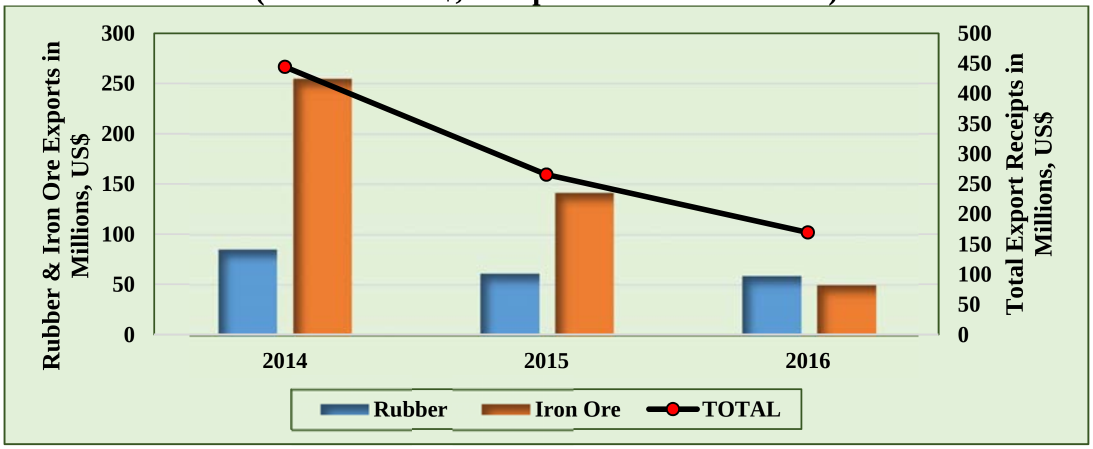


Table 19: Commodity Composition of Exports (2014 - 2016) (In Millions of US$, Except Otherwise Indicated)

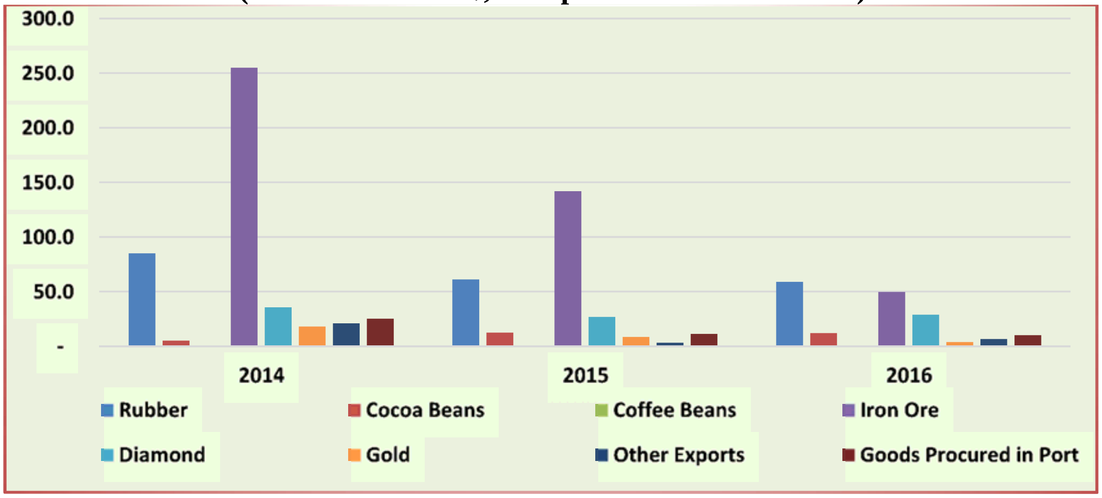
Commodity Composition of Exports	Unit	2014*			2015*			2016**		
		Export Volume	Export Value	% share of Total	Export Volume	Export Value	% share of Total	Export Volume	Export Value	% share of Total
Rubber	(000/Mt)	44.9	**85.1**	19.1	40.4	61.1	23.0	42.5	58.8	34.6
Cocoa Beans	(000/Mt)	168.3	5.0	1.1	227.6	12.3	4.7	119.5	11.9	7.0
Coffee Beans	(000/Mt)	0.3	0.0	0.0	161.2	0.3	0.1	20.7	0.1	0.1
Iron Ore	(000/Mt)	4,252.7	**254.9**	57.4	5,553.0	141.8	53.5	1,442.3	49.6	29.3
Mineral			**53.5**	12.0		35.3	13.3		32.7	19.3
Diamond	(000/Crt)	75.6	35.5	66.3	61.1	26.8	75.9	58.2	28.9	88.4
Gold	(000/Oz)	19.9	18.0	33.7	9.37	8.5	24.1	4.0	3.8	11.6
Other Exports			20.8	4.7		3.2	1.2		6.5	3.8
Goods Procured			25.1	5.7		11.2	4.2		10.1	5.9
TOTAL			**444.4**	**100.0**		**265.3**	**100.0**		**169.6**	**100.0**

Sources: Customs (Liberia Revenue Authority), Ministry of Lands, Mines & Energy and Firestone Liberia Ltd.

**Revised*

***Preliminary*

Chart 15: Commodity Composition of Exports
(2014 – 2016)
(In Millions of US$, Except Otherwise Indicated)



3.6.1.4 Merchandise Imports

Import payments in 2016 shrank by 22.0 percent to US$1,210.3 million, from US$1,551.4 million recorded in 2015. The fall in import payments during the review year was driven by declines in all of its main categories, namely, petroleum (by 20.8 percent), rice (by 22.6 percent), machinery & equipment (by 26.3 percent) and the 'other commodity exports' (by 20.1 percent).

Chart 16: Commodity Composition of Imports

Compared with the amount recorded in 2014, import payments also shrank by 33.4 percent during the review year on account of declines in all of its main categories.

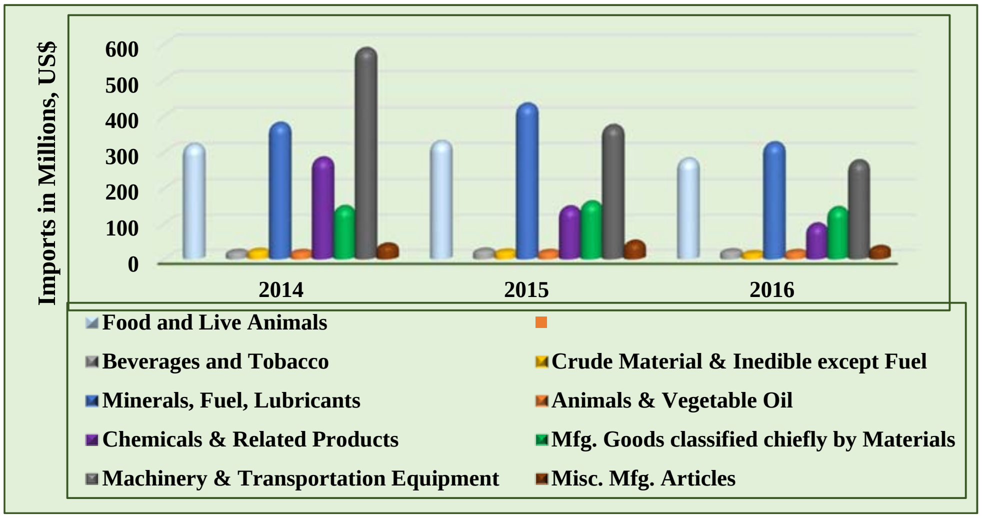


Table 20: Commodity Composition of Imports
(2014 - 2016)
(In Millions of USD, Except Otherwise Indicated)

Commodity Composition of Imports	2014*		2015*		2016**	
	Value	% share	Value	% share	Value	% share
Food and Live Animals	319.5	17.6	327.4	21.1	279.1	23.1
o/w Commercial Rice	152.0	47.6	134.4	41.0	104.6	37.5
Non-Commercial Rice	2.8	0.9	14.3	4.4	10.5	3.8
Beverages and Tobacco	21.1	1.2	24.9	1.6	22.9	1.9
Crude Material & Inedible except Fuel	24.2	1.3	22.1	1.4	16.7	1.4
Minerals, Fuel, Lubricants	378.0	20.8	431.6	27.8	323.8	26.8

3.6.2 Direction of Trade

3.6.2.1 Destination of Exports

Preliminary statistics on destinations of exports indicate that Africa (especially ECOWAS), Europe (o/w the Euro Zone) and North America (Mainly the United States of America) were the three leading regions that led Liberia's trade in exports (exports destinations). At end-2016, Africa's share constituted 30.8 percent of total exports destination, while Europe and North America shares commanded 25.6 and 20.5 percent, respectively. The rise in trade in Africa was largely attributed to improvements in intra ECOWAS trade which continued to expand gradually since 2015. Additionally, statistics showed that even though trade to Europe declined by 45.8 percent, from 2015 to 2016, Europe still remained one of the leading trading regions for Liberia.

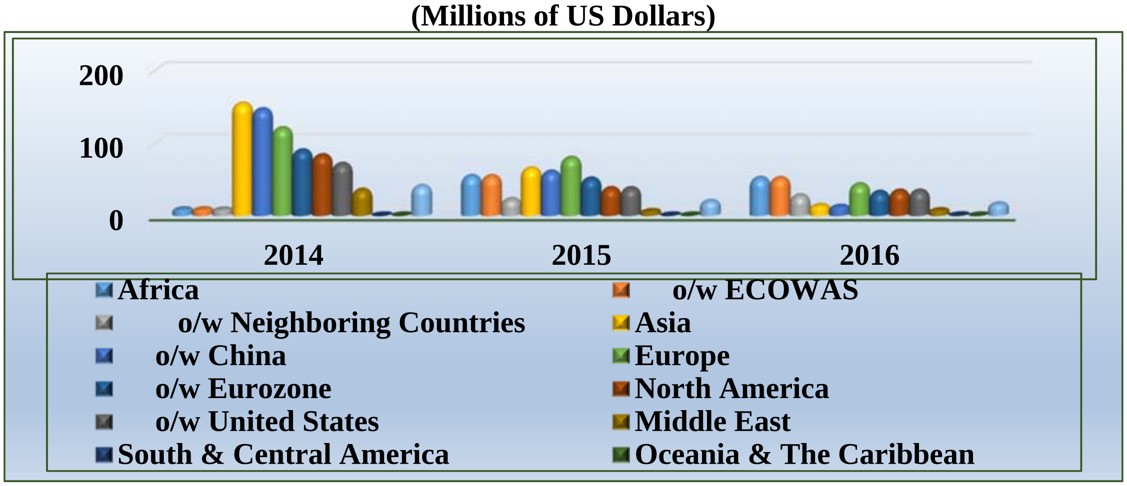
Revised data for 2014 showed that Asia, Europe and North America significantly commanded the highest destinations of exports, while in 2015, Europe, Asia and Africa were the three leading regional trading partners.

Table 21: Destination of Exports
(2014 - 2016)
(In Millions of USD, Except Otherwise Indicated)

Regions	2014*		2015*		2016**	
	Value	% share	Value	% share	Value	% share
Africa	**9.5**	2.1	**55.0**	20.8	**52.2**	30.8
o/w ECOWAS	9.5	99.7	54.7	99.3	52.1	99.8
o/w Neighboring Countries	9.1	96.3	22.9	41.8	28.2	54.0
Asia	**154.0**	34.7	**65.3**	24.6	**14.2**	8.4
o/w China	146.3	94.9	61.0	93.3	13.2	93.2
Europe	**120.1**	27.0	**80.0**	30.2	**43.4**	25.6
o/w Eurozone	90.3	75.2	51.5	64.3	33.1	76.3
North America	**83.6**	18.8	**38.2**	14.4	**34.7**	20.5
o/w United States	71.6	85.7	38.2	100	34.7	100.0
Middle East	**36.0**	8.1	**6.5**	2.5	**8.1**	4.8
South & Central America	**0.0**	0.0	**0.0**	0.0	**0.3**	0.2
Oceania & The Caribbean	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0
Other Countries (n.i.e)	**41.2**	9.3	**20.1**	7.6	**16.7**	9.9
TOTAL	**444.4**	**100.0**	**265.3**	**100.0**	**169.6**	**100.0**

Sources: Customs (Liberia Revenue Authority), Ministry of Lands, Mines & Energy and Firestone Liberia Ltd
**Revised*
***Preliminary*

Chart 17: Destination of Exports: 2014-2016
(Millions of US Dollars)



3.6.2.2 Sources of Imports

Statistics on sources of imports to Liberia have continuously declined from 2014 – 2016. At end 2016, preliminary statistics showed that North America and the Middle East experienced 33.9 percent and 30.0 percent declines in trade to Liberia.

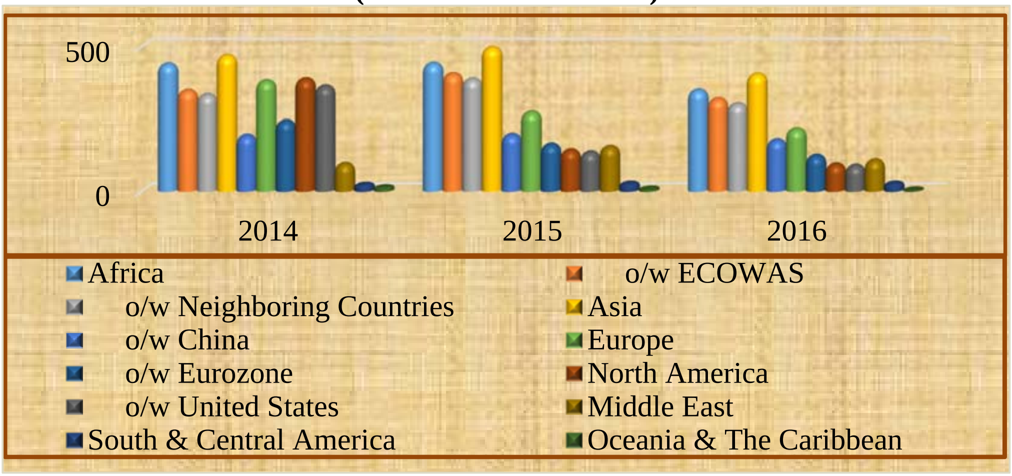
On the other hand, Asia (mainly China), Africa (especially ECOWAS) and Europe (specially the Euro Zone) were the top three regions which accounted for significant amount of imports payments from Liberia. Asia (mainly China) accounted for 33.4 percent of total import payments, while Africa (especially ECOWAS) and Europe (specially the Euro Zone) constituted 28.9 percent and 17.9 percent, respectively.

Table 22: Sources of Imports
(2014 - 2016)
(In Millions of USD, Except Otherwise Indicated)

Regions	2014*		2015*		2016**	
	Value	% share	Value	% share	Value	% share
Africa	**440.3**	14.2	**442.3**	28.5	**349.4**	28.9
o/w ECOWAS	348.2	79.1	406.0	91.8	319.2	91.4
o/w Neighboring Countries	333.8	95.8	388.0	95.6	301.8	94.5
Asia	**468.8**	25.8	**496.7**	32.0	**404.5**	33.4
o/w China	194.5	41.5	197.2	39.7	178.5	44.1
Europe	**381.6**	21.0	**273.8**	17.6	**216.7**	17.9
o/w Eurozone	244.0	63.9	163.5	59.7	125.0	57.7
North America	**388.3**	21.4	**143.5**	9.2	**94.9**	7.8
o/w United States	363.6	93.6	136.6	95.2	90.5	95.4
Middle East	**96.6**	5.3	**155.4**	10.0	**108.8**	9.0
South & Central America	**25.5**	1.4	**30.0**	1.9	**30.1**	2.5
Oceania & The Caribbean	**15.5**	0.9	**9.7**	0.6	**5.8**	0.5
TOTAL	**1,816.7**	**100.0**	**1,551.4**	**100.0**	**1,210.3**	**100.0**

Sources: Customs (Liberia Revenue Authority), Ministry of Lands, Mines & Energy and Firestone Liberia Ltd.
***Revised**
****Preliminary**

Chart 18: Sources of Imports: 2014-2016
(Millions of US Dollars)



3.6.3 Services, Income & Current Transfers

3.6.3.1 Services (net)

From preliminary statistics, the services account (net) improved by 37.3 percent to a deficit of US$473.4 million in 2016, from a deficit of US$754.9 million recorded in the preceding year. Similarly, it also improved by 51.2 percent compared with the amount registered in 2014. The improvement in net service receipts during the year was explained by 31.8 percent reduction in service payments, offsetting a 14.2 percent decrease in service receipts. Service payments toward transportation (owing to freight) declined by 23.0 percent reflecting decline in payments for petroleum imports in Liberia during the year compared with 2015. Matched against its trend in 2014, service payments toward transportation (due to freight) also fell by 42.4 percent during the year.

3.6.3.2 Primary Income

Preliminary statistics showed that the primary income (net) account narrowed by 35.9 percent to a deficit of US$252.7 million in 2016, from a deficit of US$394.3 million recorded in 2016, explained by 34.2 percent fall in income payments to non-residents, outweighing a 7.7 percent decline in income receipts to residents entities/individuals. Similarly, primary income (net) also improved by 51.0 percent during the review year compared with the deficit of US$515.8 million recorded in 2014.

Income from compensation of employees (net) during the year fell by 10.4 percent to US$17.4 million, from US$19.4 million recorded in 2015, explained by a 7.7 percent decline in employees' compensation (receipts) to residents of Liberia. Payments attributed to investment income (net) during the period shrank by 34.7 percent to US$270.1 million, from US$419.6 million recorded in 2015 owing to reinvested earnings' payments from direct investment and interest payments from other investment.

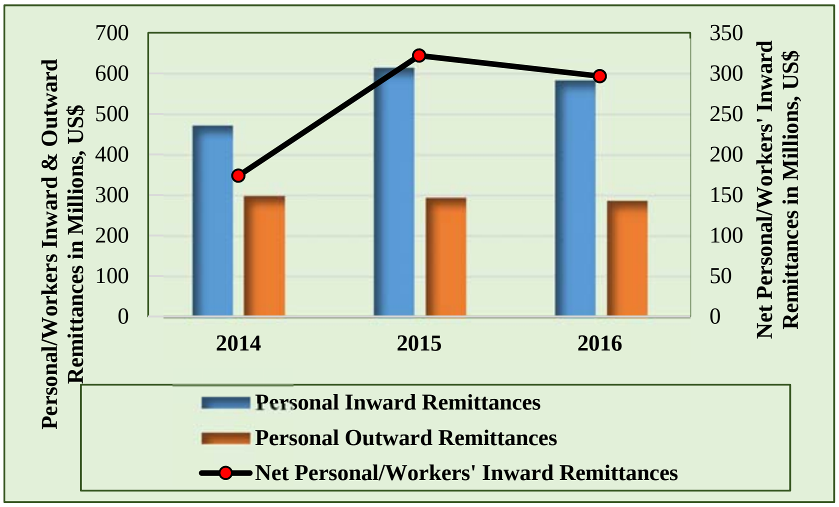
3.6.3.3 Secondary Income

Secondary income (net) account in 2016 shrank by 9.0 percent to US$1,441.5 million, from US$1,583.1 million recorded in the preceding period. The waning was occasioned by 7.9 percent decline in inward transfers to Liberia (owing to current transfers from current international cooperation for budget support & project aid, and personal transfers) that outweighed the 2.2 percent decrease in outward transfers. Conversely, compared with the amount recorded in 2014, the secondary income (net) account grew by 13.5 percent in 2016.

3.6.3.4 Personal Remittances

Net personal inward remittances fell by US$25.5 million (or 7.9 percent) to US$296.5 million during the review year, from US$322.0 million recorded in 2015, mainly explained by 5.2 percent decline in personal inward remittances.

Chart 19: Net Personal Inward Remittances



Conversely, compared with the US$173.8 million recorded in 2014, net personal inward remittances rose by US$122.7 million (or 70.6 percent) during the review year. Personal inward and outward remittances in 2016 amounted to US$583.3 million and US$286.8 million, respectively.

Table 23: Inward & Outward Personal/Workers Remittances (2014 - 2016) (In Millions, US$)

Personal/Workers Remittances	2014	2015	2016
Personal Inward Remittances	473	615.4	583.3
Personal Outward Remittances	299.2	293.4	286.8
Net Personal/Workers' Inward Remittances	**173.8**	**322.0**	**296.5**

Sources: Central Bank of Liberia & Commercial Banks
****Revised***
*****Preliminary***

3.6.3.5 Capital Account

From preliminary data, the capital account balance declined by 63.6 percent to US$41.6 million in 2016, from US$114.2 million recorded in the preceding year, primarily driven by reduction in capital transfers to Liberia during the period. Compared with the amount recorded in 2014, capital account, led by capital transfers also fell by 64.4 percent during the review period.

3.6.3.6 Financial Account

Preliminary statistics showed that Liberia's net lending and borrowing (balance) liabilities from the financial account declined by 8.2 percent to US$993.4 million in 2016, from US$1,081.6 million recorded in the preceding year, occasioned by 30.4 percent fall in direct investment liabilities that outweighed the 36.3 percent growth in other investment liabilities. Conversely, net lending and borrowing liabilities from the financial account slightly rose by 1.0 percent during the review period, from US$983.6 million recorded in 2014.

3.6.3.7 Direct Investment in Reporting Economy

From preliminary statistics, direct investment in the Liberian economy declined by 30.4 percent to US$501.7 million in 2016, from US$720.9 million invested in 2015. The decline, primarily explained by slowdown in investment related projects to Liberia by investors, coupled with the effect of global commodity price declines on the country's primary export commodities. Compared with the amount invested in 2014, direct investment in the Liberian economy also declined by 29.6 percent during the review year.

3.6.3.8 Other Investment (Net)

From preliminary statistics, other investment (net) liabilities rose by 36.3 percent to US$491.7 million in 2016, from US$360.7 million invested in 2015, primarily occasioned by 32.7 percent increase in net acquisition of financial assets. Components of other investment that drove the rise in liabilities during the quarter included currency & deposits (net), loans (net), trade credit & advances (net), and other account receivable/payable (net).

3.7 Exchange Rate Developments

Statistics from the foreign exchange market showed that both the end of period and average exchange rates of the Liberian dollar vis-à-vis the United States dollar, depreciated by double digits. Period average exchange rate depreciated by 13.9 percent to L$100.8/US$1.00, from L$88.5/US$1.00 at end 2015, while the end of period exchange rate depreciated by 15.8 percent to L$102.5/US$1.00. Over the years, the domestic currency remained under immense pressure against the US dollar. Comparative analysis showed that the end of period exchange rate continued to depreciate from 7.1 percent at end-December, 2014 to 12.0 percent at end 2015. The sustained depreciation of the domestic currency was largely due to high demand for FX to facilitate import payments, reflected by the continued oversubscription at the CBL's foreign exchange auction.

Table 24: Market Exchange Rates: Liberian Dollars per US Dollar (2014– 2016)

Market Rate	December 2014	December 2015	December 2016
End of Period	82.50	88.50	102.5
Period Average	84.84	88.50	100.8

Source: Central Bank of Liberia, Monrovia, Liberia

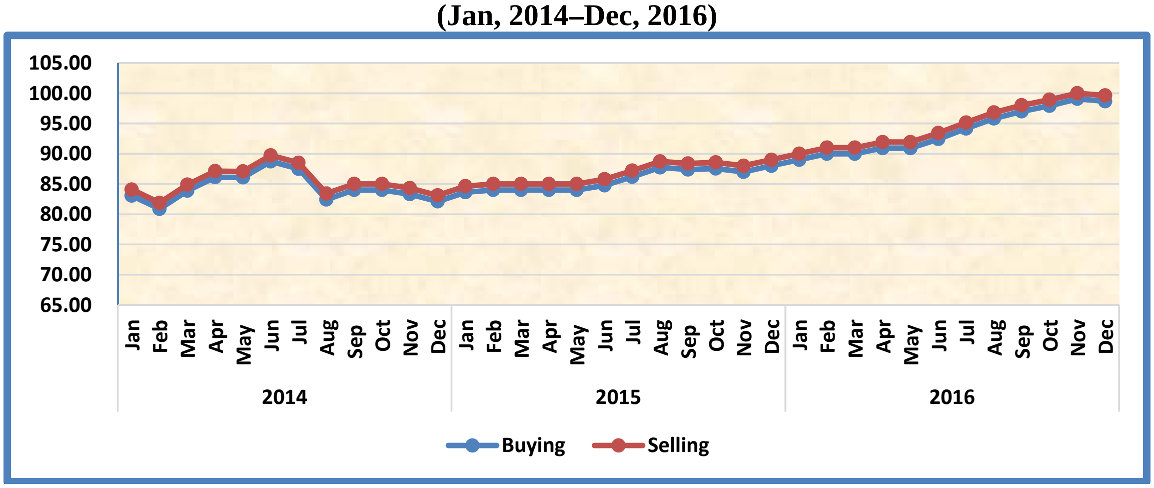
Table 25: Monthly Average: Buying and Selling Rates of Liberian Dollars Per US Dollar (2014 – 2016)

Period Average Exchange Rates	2014		2015		2016	
	Buying	Selling	Buying	Selling	Buying	Selling
January	83.07	84.07	83.63	84.63	89.00	90.00
February	80.88	81.88	84.00	85.00	90.00	91.00
March	83.88	84.88	84.00	85.00	90.00	91.00
April	86.12	87.12	84.00	85.00	90.92	91.92
May	86.07	87.07	84.00	85.00	90.92	91.92
June	88.72	89.72	84.77	85.77	92.42	93.42
July	87.50	88.50	86.19	87.19	94.15	95.15
August	82.42	83.42	87.73	88.73	95.81	96.81
September	84.00	85.00	87.38	88.38	97.00	98.00
October	84.00	85.00	87.56	88.56	97.92	98.92
November	83.32	84.32	87.00	88.00	99.08	100.00
December	82.11	83.11	88.00	89.00	100.3	101.3

Source: Central Bank of Liberia

The total demand for foreign exchange through the FX auction in 2016 declined by 42.7 percent to US$59.6[8] million, from US$104.1 million reported in 2015. Of the total amount of foreign exchange demanded, only US$21.5 million (36.1 percent) was provided by the CBL; resulting into an excess demand of US$38.1 million which has to be acquired from other sources, resulting to an upward pressure on the exchange rate.

Chart 20: Monthly Averages of Buying and Selling Rates of Liberian Dollar Per US Dollar (Jan, 2014–Dec, 2016)



[8] Total FX demand equals Total FX purchased for period plus total value of rejected bids plus over-subscription

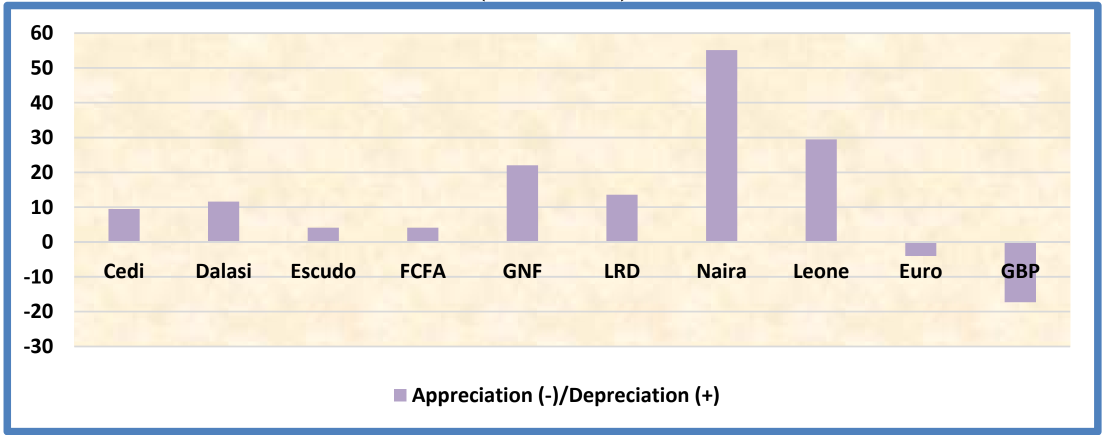
Following the exchange rates trends on the regional and global markets, all regional currencies showed depreciating trends, while the global currencies showed appreciation against the United States Dollars. For the period under review, all ECOWAS currencies recorded depreciation in the end-of-period exchange rates at end-December, 2016 compared with the rates at end-2015. Similarly, on the global front, appreciations were reported for major currencies such as the Euro and British Pound Sterling (Table 26). Depreciation in the regional currencies was attributed to declines in prices of the region's major commodity exports, infrastructural challenges ranging from roads to energy, among others. It is important to note that the low depreciation rates for the Escudo and the FCFA, is because the two currencies are pegged to the Euro (fixed exchange rate regime).

Table 26: Regional and Some Global Exchange Rate Movements

	Ex Rate at End-December 22, 2015*	Ex Rate at End-December 23, 2016**	Appreciation/Depreciation
Cedi	3.79	4.15	9.5
Dalasi	40.98	45.74	11.6
Escudo	101.44	105.58	4.1
FCFA	603.46	628.07	4.1
GNF	7,547.65	9,211.02	22.0
LRD	88.5	100.5	13.6
Naira	196.5	304.75	55.1
Leone	5,600.72	7,251.89	29.5
Euro	1.09	1.04	-4.05
GBP	1.48	1.23	-17.30

Sources: WAMA Exchange Rate (www.amao-wama.org) & IMF Representative Exchange Rates for selected currencies (www.imf.org)
**As at January 8 2016 daily exchange rate data at WAMA website were updated to December 22, 2015*
*** Rates at December 23, 2016*

Chart 21: Regional and Some Global Exchange Rate Movements
(At End-December, 2016)
(In Percent)



3.8 National Stock of Debt

3.8.1 Stock of Public Debt

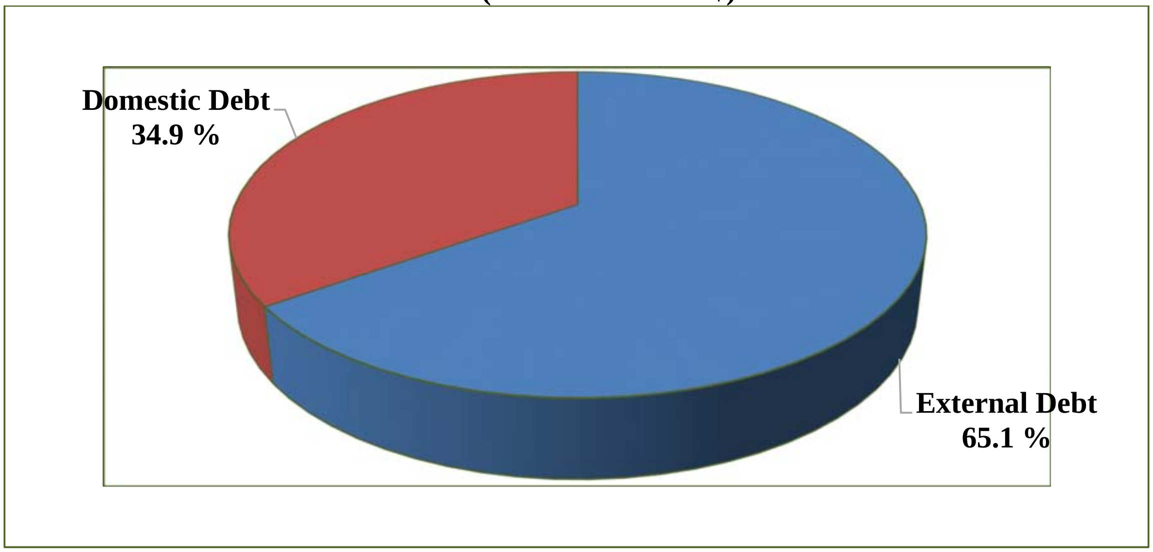
Liberia's public debt stock at end-November, 2016, rose by 17.9 percent to US$769.7 million (36.4 % of GDP), from US$653.0 million (32.1 % of GDP) recorded at the end-November, 2015. Matched against the level recorded at end-November, 2014, it also grew by 17.0 percent. External and domestic debt stocks at the end of the review period stood at US$501.4 million (23.7 % of GDP) and US$268.3 million (12.7 % of GDP), constituting 65.1 percent and 34.9 percent of Liberia's total public debt stock at end-November, 2016, respectively. The growth in total public debt stock was mainly attributed to increase in external debt stock to multilateral creditors by 32.2 percent during the review period.

Table 27: Liberia's Overall Public Debt Position by Composition
As At November 30, 2014-2016
(In Millions, US$)

Debt Composition	2014 End-November	2015 End-November	2016 End-November
Total External Debt	369.9	383.8	501.4
Total Domestic Debt	288.2	269.2	268.3
Total Public Debt	**658.1**	**653.0**	**769.7**

Source: Ministry of Finance, Republic of Liberia

Chart 22: Liberia's Overall Public Debt Position by Composition
As At November 30, 2016
(In Millions of US$)



3.8.1.1 External Debt

External debt stock at end-November, 2016, stood at US$501.4 million (23.7 % of GDP), increasing by 30.6 percent against the debt stock of US$383.8 million recorded during the corresponding period. External debt stock also rose by 35.5 percent compared with the stock of US$369.9 million registered at end-November, 2014. A disaggregation showed that multilateral and bilateral debt stocks stood at US$462.8 million and US$38.6 million, accounting for 92.3 percent and 7.7 percent of the country's external debt stock at the end of the review period, respectively. Multilateral and bilateral debt stocks contributed to the growth in Liberia's external debt stock during the review period by 92.3 percent and 7.7 percent, respectively.

3.8.1.2 Domestic Debt

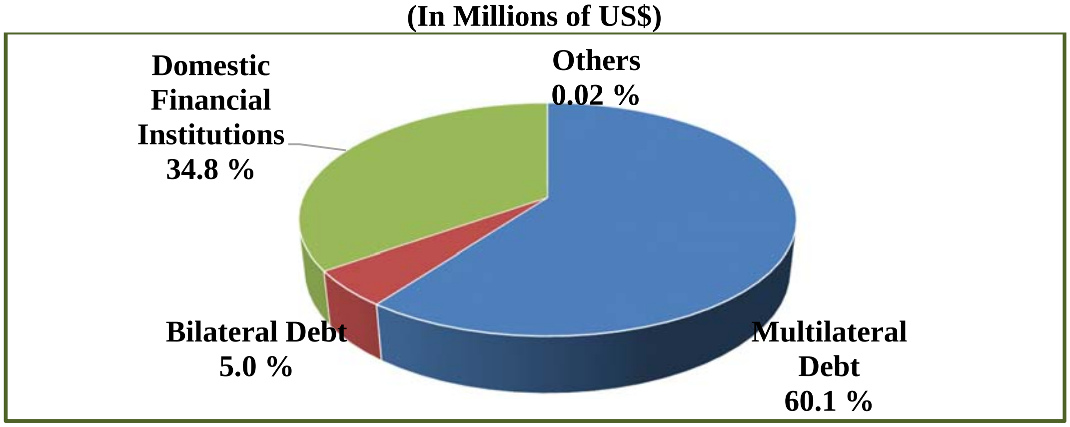
At end-November, 2016, domestic debt stock stood at US$268.3 million (12.7 % of GDP), marginally reducing by 0.3 percent against the debt stock recorded at end-November, 2015. It also declined by 6.9 percent against the stock recorded during the same period in 2014. The reduction in Liberia's domestic debt stock at end-November, 2016 against the stocks recorded at end-November, 2015 and end-November, 2014 was explained by 0.4 percent and 6.3 percent declines in debt to financial institutions, respectively.

Table 28: Liberia's Overall Public Debt Position by Creditors
As At November 30, 2014-2016
(In Millions, US$)

Creditors	2014 End-November	2015 End-November	2016 End-November
Multilateral	334.4	350.0	462.8
Bilateral	35.4	33.8	38.6
Commercial Creditors	-	-	-
Total External Debt	**369.9**	**383.8**	**501.4**
Suppliers' Credit	1.9	-	-
Salary & Allowances	-	-	
Financial Institutions	286.2	269.2	268.2
Pre- NTGL Salary Arrears	-	-	-
Others	-	-	0.1
Total Domestic Debt	**288.2**	**269.2**	**268.3**
Total Public Debt	**658.1**	**653.0**	**769.7**

Source: Ministry of Finance, Republic of Liberia

Chart 23: Liberia's Overall Public Debt Position by Creditors
As At November 30, 2016
(In Millions of US$)



CHAPTER IV
FINANCIAL SYSTEM DEVELOPMENT

4.1 Overview

The number of licensed and operating banks in the Liberian banking sector in 2016 remained 9 as it has been over the past 5 years. During the year, the CBL closed the First International Bank Liberia Limited (FIBLL) as a result of undercapitalization and illiquidity among other serious regulatory breaches. At the same time, the CBL licensed a new bank, Groupe Nduom Bank Liberia Limited (GNBLL) in June 2016. The entry of GNBLL into the Liberian banking sector was done through a Purchase and Assumption (P&A) transaction, involving the assets and liabilities of FIBLL. Commercial banks' branch networks, including windows and annexes across the country rose by 6, from 87 in 2015 to 93 in 2016.

The number of development finance companies, remained one (Liberian Enterprise Development Finance Company (LEDFC)). Similarly, the number of deposit-taking microfinance institution was one: the Diaconia MDI. There were 20 licensed insurance companies with 31 branches across the country. During the year, the CBL also licensed 2 insurance brokerage firms to provide insurance intermediation. The number of registered licensed foreign exchange bureaux also increased from 123 in 2015 to 131 in 2016. There are 16 registered microfinance institutions (MFIs) and 11 licensed Rural Community Finance Institutions (RCFIs). There are presently 260 credit unions, and 2,300 village savings and loan associations established across the country. During the year under review, the Bank licensed Cellcom Technologies Inc., a subsidiary of Cellcom Communication Company, to become a Mobile Money Provider. This brought to two, the number of Mobile Money Providers including Lonestar Cell MTN Mobile Money Inc. The number of mobile money agents increased from 912 in December, 2015 to 2,110 as at November, 2016.

The banking industry witnessed continued growth in its balance sheet in 2016. Total assets, capital and deposits rose by 5.4 percent, 21.2 percent and 3.8 percent, respectively, compared with 7.5 percent, 0.8 percent and 16.0 percent in 2015, respectively. Growth in total loans was 12.3 percent compared with 21.1 percent a year ago. Liquidity for the sector remained strong during the year with a liquidity ratio of 36.8 percent; 21.8 percentage points above the 15 percent minimum requirement.

Overall, the financial system has grown stronger and remains resilient, despite the legacy of the negative impact of the Ebola Crisis and the external shocks from the fall in international commodity prices.

4.2 The Bank and Non-bank Financial Institutions

4.2.1 The Banking Sector

The number of bank branches by county increased by 6 during the year. As was the case last year, eleven of the 15 counties now have at least one bank branch. The growth in branch network is a clear indication of the growing confidence in the banking sector in support of increased economic activities in the country and the goal to provide easy access to financial services throughout the country.

Table 29: Expansion of Bank Branches by County (2015 and 2016)

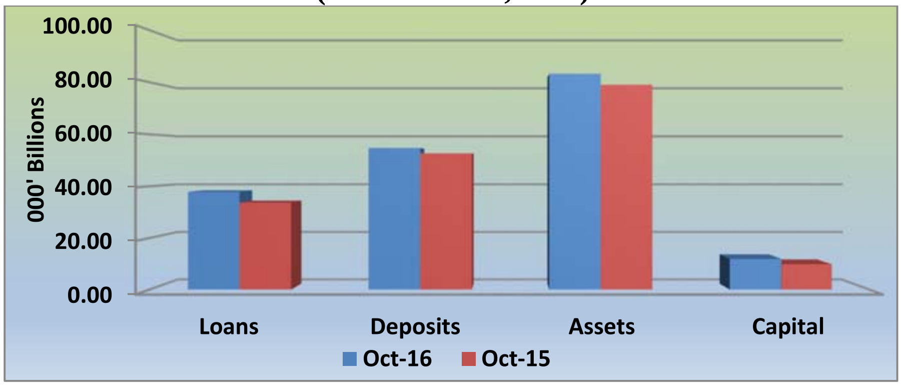
County		Number of Branches	
	Banks' presence	**2015**	**2016**
Montserrado	9	51	57
Margibi	4	10	10
Grand Cape Mount	1	1	1
Grand Bassa	6	6	6
Sinoe	1	1	1
Maryland	2	4	4
Bong	3	3	3
Nimba	5	7	7
Lofa	1	2	2
Grand Gedeh	1	1	1
Bomi	1	1	1
Total		**87**	**93**

Source: Central Bank of Liberia, Monrovia, Liberia

4.2.1.1 Balance Sheet of the Banking Sector

The performance of the banking sector showed strong growth in the balance sheet of the banks. At end-October, 2016, total assets grew by 5.4 percent to L$83.2 billion, from L$79.0 billion at end-October 2015. Similarly, total loans and advances increased by 34.2 percent to L$37.9 billion, up from L$33.8 billion during the same period a year ago. Additionally, total capital increased by 21.2 percent, from L$9.8 billion to L$11.9 billion and deposits grew by 2.1 percent to L$54.7 billion, from L$53.6 billion the same period a year ago.

Chart 24: Key Balance Sheet Indicators of the Banking Sector (As at October, 2016)



4.2.1.2 Financial Soundness Indicators

The financial soundness and performance indicators of the banking sector at end-October, 2016 showed that the sector is stable and contributing towards the overall economic growth and development of the country. However, non-performing loans and profitability remained major challenges in the banking sector during the year, which the CBL and the Liberia Bankers Association are working assiduously to address (Table 30).

Table 30: Industry Financial Soundness Indicators (2015 & 2016) (In Thousands L$) or otherwise stated

Indicators (figures in 000' of L$)	30-OCT-15	30-OCT-16
Gross Assets	79,927,355	83,245,436
Net Assets	75,554,904	78,993,062
Net Loans	29,913,573	33,638,023
Deposits	53,580,210	54,710,998
Reported Capital Net of Provisions	9,894,480	11,923,302
Reported Net Capitalization (SSR 32)	13.1%	15.1%
Capital Adequacy Ratio	20.6%	21.4%
Classified Loans to Total Loans (SSR 66)	23.8%	16.4%
Non-performing Loans to Total Loans (SSR 67)	18.0%	11.8%
Provisions to Classified Loans Net of Interest in Suspense (SSR 69)	52.7%	64.3%
Provisions to Non-performing Loans Net of Interest in Suspense (SSR 68)	67.1%	93.8%
Return on Assets (SSR 70)	-0.9%	1.1%
Return on Equity (SSR71)	-7.0%	7.8%
Non-interest Income to Total Revenue (SSR 73)	51.0%	50.9%
Net Interest Margin over Average Assets (SSR 72)	6.2%	6.9%
Liquid Assets to Net Assets (SSR 76)	29.0%	27.7%
Net Loans to Deposits (SSR 75)	55.8%	61.5%
Liquidity Ratio	39.1%	36.8%

Source: Central Bank of Liberia, Monrovia, Liberia

The banking sector continues to show strong capital position as reflected in the two main capital measures (Capital Adequacy Ratio (CAR) and reported capital net of provisions). This provided the sector with the leverage to continuously support lending to the private sector in the country. With respect to total reported capital, the sector recorded an average position of US$13.5 million, which exceeded the minimum requirement of US$10.0 million and represents an increase of 21.2 percent compared with the average capital for 2015. Asset quality, on the other hand, measured by the level of Non-Performing Loans (NPLs), witnessed a significant improvement from 18.5 percent in 2015 to 11.8 percent in 2016 due mainly to the stringent policy measures instituted by the CBL against delinquent borrowers, especially the naming and shaming policy. It is worth noting that the current level of NPLs can be partly attributed to the impact of both the EVD and fall in global commodity prices.

Gross earnings for the period ended October, 2016 stood at L$7.3 billion while net profit was L$934.9 million, compared with a gross earnings position for 2015 of L$6.63 billion and net loss of L$335.0 million. Return on Equity (ROE) and Return on Asset (ROA) for 2016 were 7.8 percent and 1.1 percent, respectively, compared with negative 6.6 percent and negative 0.8 percent respectively, for 2015.

Liquidity remained on a strong path in 2016 with a ratio of 36.8 percent, which is in excess of the minimum liquidity ratio of 15.00 percent. Non-interest income, mainly fees and commissions, constituted the largest portion of the income of the banking sector. Although this percentage has continued to decline over the years, it still points to the issues of low-level of intermediation by banks and the problem of NPLs which requires suspension of interest on NPLs thereby shrinking the interest income component of the commercial banks.

4.2.1.3 Rural Community Finance Institutions

During the year, two additional Rural Community Finance Institutions (RCFIs) were opened in Totota, Bong County and Tapita, Nimba County in February and July, respectively. To date, the CBL, in partnership with Afriland First Bank, has supported the establishment of eleven (11) RCFIs operating in eight (8) counties. All of the RCFIs are involved in the payments of civil servants' salaries and nine of the RCFIs are granting salary-based loans. The RCFIs are also involved in providing money remittance services (i.e. local transfers, Western Union & MoneyGram) and plans are underway for them to rollout mobile money services in 2017.

As at November 30, 2016, the total customer base for all RCFIs had grown to 8,029 which include savings and salary accounts customers and borrowers. The total deposit liabilities amounted to L$96.7 million and US$360.0 thousand. The RCFIs had an outstanding loan portfolio of L$6.2 million.

Table 31: Distribution of Rural Community Finance Institutions (RCFIs) by County, Date of Establishment, Shares, Deposits and Loans

	Official Name of RCFI	County	Date of Establishment	No. of shareholders	Total deposit		Total Loan
					L$	US$	L$
1	Gbahlay-Geh RCFI	Nimba	Dec. 11, 2013	289	11,152,942.00	14,144	532,690
2	Grand Kru RCFI	Grand Kru	28-Mar-14	862	17,269,165.00	56,421	344,572
3	Rivergee RCFI	River Gee	1-Apr-14	2858	2,692,967.00	160,352	396,847
4	Gbarpolu RCFI	Gbarpolu	28-Jun-14	313	1,169,075.00	32,175	2,692,967
5	Rivercess RCFI	River Cess	30-Jan-15	168	1,184,500.00	11,506	1,169,075
6	Sinoe RCFI	Sinoe	24-Mar-15	203	2,424,445.00	7,979	197,893
7	Sanniquellie RCFI	Nimba	15-Apr-15	408	13,561,106.00	43,571	129,000
8	Zorlayea RCFI	Lofa	Dec. 15, 2015	3,271	12,104,475.00	14,164	430,803
9	Kolahun RCFI	Lofa	Dec. 15, 2015	2,728	26,499,457.00	13,570	338,110
10	Totota RCFI	Bong	Feb. 16, 2016	862	5,164,780.00	4,265	0
11	Tappita RCFI	Nimba	16-Jul-16	259	3,518,975.00	1,610	0

Source: Central Band of Liberia

4.2.2 Development in the Insurance Sector

4.2.2.1 Financial Performance

The insurance industry is generally resilient and healthy in terms of capitalization and assets as evidenced by growth in key balance sheet indicators. During the year under review, total assets grew by 34.1 percent, capital increased by 30.7 percent and investment grew by 20.2 percent over the figures recorded in 2015. The growth rates in these indicators are supported by a surge in premium income, injection of additional capital and investment in GoL's treasury bills. Gross premium (comprising life and non-life businesses) grew by 13.0 percent, while net income recorded a growth of 38.9 percent.

Table 32: Key Financial Indicators (Oct. 2015 and Oct. 2016)
(In Liberian Dollars)

	October 2016 (In L$)	% change+/-	October 2015 (In L$)
Capital	**2,668,343,342.97**	30.71	2,041,416,578.70
Total Assets	**4,369,351,461.12**	34.14	3,257,366,076.90
Investment	831,179,871.48	20.17	691,675,044.30
Total Liabilities	**1,701,054,605.50**	39.87	1,216,130,127.30
Expenses	**940,090,103.18**	5.16	893,923,835.40
Claims	964,470,418.41	127.88	423,239,694.30
Gross Premium	**2,142,425,148.36**	12.96	1,896,668,602.20
Outstanding Premium	1,297,442,719.66	36.15	952,977,271.50
Underwriting Result	**1,148,936,255.84**	21.45	946,021,322.70
Net Income	**155,917,666.51**	38.91	112,245,556.50

Source: Central Bank of Liberia

4.2.2.2 Supervisory Activities

Update on Insurance Supervision in West Africa

In order to facilitate group-wide insurance supervision, provide permanent forum for cooperation and foster better understanding of supervisory practices and more efficient and effective supervision in the region, the insurance supervisory authorities of Nigeria, Liberia, Ghana, The Gambia and Sierra Leone signed a Memorandum of Understanding (MOU) which led to the formation of the West African Insurance Supervisors Association (WAISA).

4.2.2.3 Regulatory Activities

New Regulations in 2016

As part of the reform efforts of the insurance sector, in 2016, the CBL issued nine (9) insurance regulations as follows:

1. **Regulation N0.CBL/RSD/INS/001/2016 Concerning Overriding Principles and Business Conduct of Insurance:** This regulation highlights key principles governing the conduct of insurance business in the sector.

The regulation calls for insurance businesses to be conducted with honesty, care, due diligence and skills so as to guarantee that policy holders and prospective policy holders are treated fairly at all times prior to and during the subsistence of an insurance contract.

2. **Regulation N0.CBL/RSD/INS/002/2016 Concerning Reinsurance**
   This regulation is intended to ensure that insurers have adequate reinsurance covers and to notify the Authority prior to ceding any facultative business. Under this new Regulation, insurers must retain at least 20.0 percent of the total liability to which they are exposed and reinsure the remaining liability. The regulation requires a licensed insurer to provide notice of its intention to do business with foreign insurance intermediaries.

3. **Regulation N0.CBL/RSD/INS/003/2016 Concerning Financial Statements, Audit, Actuary Function and Appointed Actuary of Insurance Companies:** This regulation is intended to strengthen financial reporting within the insurance sector with the objective to ensure timely reporting and publication of financial statements. The regulation also sets specified accounting standards to be used as the basis for preparing financial statements and describing basic criteria for appointing an external auditor and an actuary including the responsibilities of the actuarial function.

4. **Regulation N0.CBL/RSD/INS/004/2016 Concerning Licensing of Insurance Companies and Changes in Ownership and Management:** The regulation describes and details the requirements for establishing an insurance company in Liberia. The requirements include submission of a business plan and conducting fit and proper assessment of directors, senior managers and key functions of the company.

5. **Regulation N0.CBL/RSD/INS/005/2016 Concerning Prudential Requirements of Insurance Companies:** This regulation is intended to strengthen the capitalization of the insurance sector and enhance public confidence with the objective to ensure that insurers are adequately capitalized at all times. It also describes the standards for establishing and maintaining investment policies, procedures and controls.

6. **Regulation N0.CBL/RSD/INS/006/2016 Concerning the Governance, Management and Control of Insurance Companies:** This regulation is intended to strengthen corporate governance practices in the insurance sector that will promote higher ethical standards and enhance public confidence in the financial system. The regulation defines the responsibilities of the board and senior management in providing ultimate oversight and management of the day-to-day affairs of the insurer.

7. **Regulation N0.CBL/RSD/INS/007/2016 Concerning Notifications and Reporting to the Authority:** This requires that licensed insurers notify the Authority prior to opening or closing a branch or agency office and acquiring or incorporating a subsidiary. The Regulation describes disclosure of matters that have material regulatory impact and it stresses the completeness and accuracy of matters disclosed.

8. **Regulation N0.CBL/RSD/INS/008/2016 Concerning No Premium No Cover of Insurance Companies:** This regulation is intended to strengthen liquidity in the insurance sector by ensuring that only insurance businesses for which at least 50.0 percent of premium has been received by the insurers will be covered and recognized as income on the books of the insurers. The Regulation describes the conditions for accepting reinsurance debtors in the insurer’s financial statements.

9. **Regulation N0.CBL/RSD/INS/009/2016 Concerning Capital Requirements for Insurance Companies Operating in Liberia:** This regulation is intended to ensure adequate capitalization and solvency of the insurance sector at all times. The regulation describes the new minimum capital requirements for the three classes of insurance businesses: General Insurance Business (US$1.5 million), life Insurance Business (US$750,000) and Reinsurance Business (US$5.0 million).

Payment of Brown Card Arrears

In order to settle the insurance sector’s outstanding contributions to the Council of Bureaux of the ECOWAS Brown Card Scheme and prevent the sanction to suspend Liberia National Bureau (LNB) from the activities of the Scheme due to this indebtedness, the CBL intervened and LNB paid 50 percent of its arrears to the Council. This supervisory intervention by the

CBL led to the lifting of the suspension over Liberia. The CBL in collaboration with the LNB are in favorable consultation with the Council for waiver of the remaining 50.0 percent and has assured the Council of Liberia's full compliance with the Protocols of the ECOWAS Brown Card Scheme going forward.

Motor Vehicle Third Party Liability Insurance Scheme

In an effort to regularize and reinforce the implementation of the Compulsory Motor Vehicle Third Party Insurance Liability (TPL) Scheme, a collaborative Memorandum of Understanding (MOU) has been agreed in principle between the CBL, Ministry of Transport, the Liberia National Police and the Association of Insurers of Liberia. The MOU will, inter-alia, establish a mutual basis for collaboration and consultation among the parties to achieve the following common objectives:

a. Foster efficient and effective enforcement mechanism for the TPL Scheme;
b. Develop strategies to step-up the frequency of enforcement of the TPL Scheme;
c. Review the current TPL's premium rates and come up with appropriate recommendations based on statistical data and
d. Promote consumer protection, insurance literacy and educational initiatives.

Strengthening Capacity in the Insurance Sector

During the year, the CBL in collaboration with the West African Insurance Companies Association Reinsurance (WAICA RE) and the Liberia National Bureau of the ECOWAS Brown Card Scheme, hosted a 3-day training in reinsurance accounting treatment for life and non-life insurance businesses and a one-day workshop on the Protocols of the ECOWAS Brown Card Scheme and the operations of the Liberia National Bureau. These capacity building initiatives are indicative of the CBL's continuous efforts to strengthen the capacity of the insurance sector.

Mobile Money Activities

The CBL made significant progress in achieving its financial inclusion commitment by engaging banks and non-bank financial institutions to expand their agent network and be more innovative in carrying out mobile money activities. During the period under review, mobile money activities continued to expand across the 15 counties of Liberia with an increase in the agent network from 912 in December, 2015 to 2,110 as at November, 2016.

The total number of subscribers or users of mobile money significantly increased over the period from 124,071 at end-December 2015 to 1,034,725 at November 30, 2016 with total transaction value of over US$1.7 million and L$320 million.

This increase was in part driven by the CBL's licensing of the second mobile money provider, Cellcom Technologies Inc. Four banks namely, Ecobank Liberia Limited (EBLL), Guaranty Trust Bank Liberia Limited (GTBLL), United Bank for Africa (UBA) and International Bank Liberia Limited (IBLL) have been approved as authorized agents to provide mobile money in partnership with Lonestar Cell MTN Mobile Money Inc. and Cellcom Technologies Inc.

The Bank continued its engagements with development partners including United Nations Capital Development Fund (UNCDF)/Mobile Money for the Poor (MM4P) with its focus on support of digitizing a range of payments using Digital Financial Services (DFS). During the year, a Working Group on DFS with the primary objective of providing a platform for aligning stakeholder activities and encouraging collaboration among the different players aimed at accelerating the development of the digital financial services ecosystem in Liberia was established. The DFS Working Group was formally launched on September 20, 2016.

The CBL also gave approval to Ecobank Liberia Limited to roll out Mobile Banking services which will form part of the Digital financial ecosystem. Activities of mobile money continued to expand in rural Liberia during the year in alignment with the Liberia Agriculture Transformation Agenda (LATA) project. LATA is being implemented by the Ministry of Agriculture in conjunction with the African Development Bank and leverages on the mobile money platform to bring about sustained economic growth through the payment and receipt of funds to and from farmers in the purchase and payback of farming products. This process brought on board more than hundreds of the small-scale farmers to actively use and facilitate payments using mobile money services across the country.

The Launch of the Financial Sector Development Plan

The CBL, with technical assistance from the World Bank Group and financial support from the Financial Institutions Reform and Strengthening Trust (FIRST) Fund Initiative, as well as inputs and guidance from government's ministries and agencies and the private and social sectors developed Liberia's Financial Sector Development Implementation Plan (FSDIP). The FSDIP provides a prioritized, sequenced and time-bound roadmap for implementing 63 reform recommendations in the following areas: banking sector, insurance sector, credit information systems, payments systems, digital finance, social security, financial inclusion, enterprise access to finance, anti-money laundering/countering financing of terrorism, regulation and supervision amongst others.

As a national document, the FSDIP was launched on November 18, 2016 at the Monrovia City Hall to declare the GoL's official adoption of the plan and to update and sensitize all stakeholders on key issues including GoL's priorities for reform in the financial sector.

4.2.2.4 Sub-Regional Supervisory College

During the year under review, the CBL actively participated in the activities of the College of Supervisors of the West African Monetary Zone (CWAMZ) and the Supervisory Colleges of three regional commercial banking groups; namely, Ecobank, United Bank for Africa and Afriland First Bank. These Supervisory Colleges bring together directors of the Banking Supervision Departments of Central Banks to discuss pertinent systemically important regulatory and supervisory issues as well as financial matters affecting these regional banks, amongst others.

The CBL attended the 2016 Alliance for Financial Inclusion (AFI) Global Policy Forum held in Nadi, Fuji, from September 7th – 9th, 2016. The AFI's eighth Global Policy Forum under the theme, "Building the Pillars of Sustainable Inclusion", was centered on eight key pillars of sustainable financial inclusion: gender, green financial inclusion, SME finance, de-risking and re-risking, financial inclusion data, technology and innovation, consumer empowerment, and partnerships.

4.3 Microfinance Activities

4.3.1 Overview

During the year, the CBL continued its financial inclusion strategy through non-bank financial institutions including microfinance institutions, credit unions, village savings and loans associations and rural community finance institutions in the country. In continuation of its support to credit unions, the CBL organized training workshops and facilitated the holding of the Liberia Credit Union National Association (LCUNA) Annual General Assembly, and also provided financial support to LCUNA for its participation in regional conferences.

In this regards, the UNCDF Microlead Project which was implemented by the World Council of Credit Unions, came to a successful end during the year.

The organizations along with the CBL completed the construction, equipping and staffing of the four regional credit unions offices as well as the renovation of the LCUNA headquarters in Paynesville.

Reducing poverty and accelerating the transition of the unbanked population into the formal banking sector remain one of the key priorities of the CBL. The Village Savings and Loan Association (VSLA) has over the years served as an effective channel in achieving the financial inclusion goal of the Bank. The CBL through the VSLA, has come in direct contact with the unbanked community and the cost of funds are more affordable than other non-bank financial institutions. In this light, the CBL has provided loans to the VSLAs under the Loan Extension and Availability Facility program to increase their outreach as well as their economic returns.

4.4 Sensitization Workshops on the Regulations for the Licensing and Operations of Credit Unions

During the year, the CBL conducted knowledge sharing and sensitization workshops throughout the country on the Regulations for the Licensing and Operations of Credit Unions in Liberia. These regulations which were published last year but were not implemented due to lack of dissemination within the credit union sector, provide the minimum regulatory requirements, prudential standards and operational guidelines required of credit unions which seek to offer savings deposit and loans to their members. These trainings and sensitization workshops were made possible through a grant from the United Nation Development Program (UNDP) to the CBL to undertake these activities.

4.5 Loan Extension and Availability Facility (LEAF)

The operational framework of the LEAF program, which provides soft loans to the under-privileged and unbanked sector of Liberia, was amended and approved by the Board of Governors during the year. The amended framework improved on operational efficiency that were not present in the original framework and incorporates the inclusion of other departments of the Bank in the decision making process for the granting of loans. The Bank embarked on a nationwide sensitization scheme during the last quarter of the year to inform the non-banked financial institution about the revised LEAF framework and also to remind the communities about their outstanding payments. As a result, of this outreach, the Bank received increased repayments and is optimistic that the outstanding collection will be received.

CHAPTER V
INTERNAL DEVELOPMENTS OF THE CBL

5.1 Overview

The Bank, in 2016, continued its infrastructure development and staff enhancement programs. During the year, a new Executive Governor, a Deputy Governor for Economic Policy and two new members of the Board of Governors were appointed by the President of the Republic of Liberia and confirmed by the Senate.

During the year, the CBL expanded its internal operations by creating additional revenue collection windows. It also adhered to best international accounting and audit standards and strengthened communication with stakeholders through its regular publications. Also the Bank worked towards improving the quality of its management information system in order to reduce the inherent risks to data management and dissemination.

5.2 Human Resources Management

During the year, a new Executive Governor,a Deputy Governor for Economic Policy and two new members of the Board of Governors were appointed by the President of the Republic of Liberia. Honorable Milton A. Weeks was appointed as Executive Governor of the Bank as the former Executive Governor, Dr. J. Mills Jones' tenure ended. Also, due to the appointment of former Deputy Governor for Economic Policy, Mr. Boima S. Kamara, as Minister of Finance & Development Planning, Dr. Mounir Siaplay was appointed. Mr Kolli Tamba and Mrs Elsie Badio were appointed to the Board of Governors.

In an effort to enhance staff performance, several staff of the Bank benefitted from a number of professional training programs offered by the International Monetary Fund (IMF),the West African Institute for Financial & Economic Management (WAIFEM), the African Development Bank, and the Federal Deposit Insurance Cooperation (FDIC) among others. The training covered several thematic areas including Economics and Financial Analysis, Regulatory and Supervisory training, Risks-Based Auditing, and Information Systems, amongst others.

Currently, five of the Bank's staff are on study leave pursuing graduate and post graduate degrees abroad.

5.3 Management Information System (MIS)

The Management Information System (MIS) section took on a state of the art computer network infrastructure much larger than what it had prior to the CBL's move to its new Headquarters, both in terms of size and technology. The payments system modernization project was the single largest new technology deployed during the year. Other major projects included the Regulatory and Compliance software which aimed at enhancing (automating) financial institutions returns submissions and reporting. Along the way, MIS had to deal with several vendors and solution providers for the delivery of these projects which have all gone live. Also in 2016, the National Electronic Payments Switch Project (NEPS) was initiated and the first phase completed. This project seeks to establish an interoperable platform from which debit or cash cards issued by a bank can be used across the platform among other banks.

MIS along with the Administration Department collaborated on the maintenance and administration of the Access Control and Surveillance Technology Systems of the new facilities. A new employee security awareness program was developed which informs the user community on conduct, use, and responsibilities that comes with the new computer network and facility technologies.

MIS completed all projects in its portfolio for 2016; relaunched the CBL website, New Intranet, Silo infrastructure deployments and "go-live" on each component of the Payments System, The National Electronic Payment Switch Infrastructure, WAN Integration with the Commercial banks, Migration of SWIFT Alliance Access version 7.1 to HQ, successful business continuity failover testing between facilities, the Regulatory Compliance and Supervision System software (vRegCoss) for commercial banks reporting, amongst others. The Section was also engaged with augmenting staff's capacity to manage the new technology.

5.4 Banking Operations

5.4.1 Improvement in Customer Services

The Banking Department during the year under review continued to provide banking services to the general public. During the year, the Department migrated from its legacy banking software, Bankmaster Plus (BM+) to Temenos (T24). This change of banking application software has improved the Bank's customer related services wherein customers' accounts are accessed speedily, and bank statements are processed on time.

5.4.2 Supplementing Government Efforts in Paying GoL Rural Employees

The Central Bank, through its Banking Department, continued the collaboration with the Ministry of Finance and Development Planning in ensuring that government employees residing in rural Liberia, where there are no bank branches, can still cash their salary and allowance checks by making use of cash centers established by the CBL. This has greatly impacted economic activities in the rural communities.

5.4.3 Revenue Collection Windows

The Banking Department, in collaboration with the Liberia Revenue Authority (LRA) continued to maintain several windows around Monrovia and its environs for collection of government revenue. During the period under review, additional three windows were opened at the Ministry of Commerce, Liberia Revenue Authority, and Ministry of Post and Telecommunication, which brought to eight the total collection windows in 2016.

5.4.4 New series of Liberian Banknotes

During the year, the Banking Department reported a decline in banknotes in circulation attributed to the rate of mutilated banknotes retrieved from circulation and destroyed. In order to avert a liquidity squeeze, the CBL in consultation with the National Legislature imported new bank notes to mainly replace the mutilated notes. The new bank notes have an enhanced security future that makes counterfeiting difficult and also high quality texture that enhances its durability.

5.5 The National Payments System

Liberia, through the WAMI's initiative, became a beneficiary of funding assistance from the AFDB following its accession to the WAMZ in February 2010 in order to upgrade its Payments System infrastructure, as part of the series of programs geared towards the economic integration program of the Zone.

The Project comprised of two major components: the physical infrastructure, which entails building the country's financial infrastructure that would connect all the commercial banks and other relevant government institutions to improve the efficiency of financial transactions for safety and security; the second component was to deploy, install and configure the various payments system applications comprising Real time Gross Settlement System (RTGS), Scriptless Securities Settlement System (SSSS), Automated Check Processing (ACP) & Automated Clearing House (ACH) systems, and a new core banking application (T24) within the Central Bank.

In the first quarter of 2016, the CBL intensified efforts at deploying all the solution components-: the RTGS, SSSS, ACH, and core banking application went live and become operational. The banking institutions have begun to experience the benefits of the systems. Transactions currently being processed through the system include checks, direct credit for salary payments, interbank customers' transfers, and certain categories of government revenue collected by banks swept to GoL Consolidated Revenue Account at the Central Bank of Liberia. Transaction volumes is still low. However, the CBL is working to intensify awareness in order to increase utilization of the system.

The Bank also implemented Scriptless Securities Settlement System (SSSS) which is being used to process the government treasury bills and FX auctions. This has reduced the manual process and enhanced transparency in the conduct of the auction.

The National Shared Switch, a key component of the entire payments system reform left out of WAMI initiative, for which the Central Bank decided to implement on its own, commenced during the year. Implementation was complimented with Phase I which went live in June 2016, interconnecting four commercial banks. The switch enables customers of one bank to use their cards to withdraw cash from another bank's ATMs.

Phase II of the project is to link the remaining five banks without a switch to enable them issue cards to their customers who can then use them on other banks' ATMs to perform various transactions including balance inquiry, cash withdrawal, bill payments, etc.

5.6 Supervisory and Regulatory Activities

5.6.1 Regulatory Activities

During the period under review the CBL issued the following regulations, guidelines, and directives affecting the banking sector:

I. Regulations issued in 2016

1. ***Regulation No. CBL/RSD/001/2016, Concerning Regulation on Banking Hours*** was issued on March 23, 2016 to reflect the adjustments made in the banking hours during the Ebola Virus Disease (EVD) crisis. The CBL adjusted the banking hours downward to reduce operational cost of banks. The new banking hours for all banks operating in Liberia are as follows:

Monrovia and its Environs

Mondays through Fridays……9:00 A.M. to 2:00 P.M.

Saturdays…………………… 9:00 A.M. to 12:00 P.M

Branches outside Monrovia and its Environs

Mondays through Fridays….9:00 A.M. to 1:00 P.M.

Saturdays………………………….. Optional

2. ***Regulation No. CBL/RSD/002/2016, Concerning Regulation for Rural Community Finance Institutions was*** issued on August 19, 2016. The regulation provides the minimum prudential standards the RCFIs would be held to in ensuring professionalism and integrity in the provision of financial services to the rural population. It also covers licensing, capital, liquidity, corporate governance and risk management requirements. The objective of the proposed regulation is to provide minimum standards that rural residents should observe in establishing, managing, and controlling RCFIs.

3. ***Regulation No. CBL/RSD/003/2016, Concerning Regulation for Required Reserves for Bank-Financial Institutions.*** This Regulation was issued on November 7, 2016. It replaced Regulation No. CBL/RESD/002/2014 and Guideline No. CBL/E-GOV/076/2005. Under the new Regulation, commercial banks are to meet the reserve requirement on average by maintaining prescribed balances in their operating accounts at the CBL. This allows for banks to actively manage their reserve balances, howbeit banks are not allowed to fall below a given reserve floor (which is 50.0 percent of the Required Reserves) on any given date. The new Regulation revised the Reserve Requirement Ratio from 15.0 percent to 10.0 percent for United States Dollars and from 22.0 percent to 25.0 percent for Liberian Dollars.

4. **Regulation No. CBL/RSD/004/2016, Concerning Regulations on Payment of Inbound Money Transfers** was issued on November 15, 2016. This Regulation specifies the currencies in which payments of inbound money transfers are to be made and the payment of the proceeds of the transfers to the CBL. The Regulation applies to all licensed financial institutions engaged in money transfer services, including Western Union, MoneyGram and similar services (the regulation does not affect transfers done through customer accounts at commercial banks). Under the Regulation, 25.0 percent of inbound transfers are required to be paid in Liberian Dollars and the remaining 75.0 percent are to be paid in United States Dollars.

5. **Regulation No. CBL/RSD/005/2016, Concerning Regulation for the Licensing and Supervision of Money Remittance Entities** was issued on November 15, 2016. This is an amendment to Section 4.01 (IX) of ***Regulation No. CBL/SD/03/2004***. *This amendment requires that payment of inbound transfers shall be made in accordance with* **CBL/RSD/004/2016, Concerning Regulations on Payment of Inbound Money Transfers.**

II. Guidelines Issued in 2016

1. **Guideline Concerning Accounting & Financial Reporting for Banks was issued on July 28, 2016.** With the adoption of International Financial Reporting Standards (IFRS) by commercial banks, this document provides guidance to the industry on specific issues of IFRS. Previously, the financial reporting of banks had been largely in line with the United States Generally Accepted Accounting Principles (US-GAAP). The previous accounting manual which was issued by the CBL in 2005 did not address most of the accounting issues as required by IFRS. Given that there are many options under IFRS, the Guideline which received inputs from the banking industry and its external auditors provide common standard of IFRS compliant financial reporting among commercial banks.

2. **Guideline on Standing Credit Facility for Commercial Banks was issued on October 31, 2016.** The Guideline represents an improvement of the previous ***'Guideline on Standing Credit Facility for Commercial Banks,'*** which was issued in 2005. It has been amended in accordance with the IMF Technical Mission

recommendations to enhance and develop policies for the provision of liquidity support to banks.

This Guideline sets minimum requirements for the provision of temporary liquidity support to banks that experience unexpected shortfalls in funds needed to ensure full and timely settlement of clearing obligations. It outlines the eligibility criteria, risk management policies and operational procedures that are required in the provision of liquidity funding by the CBL.

III. Directives /Public Notices

1. **Directive on Commercial Banks' Submission of Regulatory Returns to the Central Bank -Directive No. CBL/RSD/DIR/002/2016 was issued on October 31, 2016.** With the introduction of the Valtech Regulatory Compliance and Supervision System (vRegCoSS), a web based application which caters for the supervisory, surveillance and regulatory needs of the CBL in monitoring licensed financial institutions in Liberia and addressing macro/micro prudential issues, the CBL has issued this directive instructing all commercial banks to submit returns to the CBL using only the vRegCoSS application. The vRegCoSS provides the tools to facilitate timely decision making and makes available wide range of information about the financial system on demand; thereby increasing the operational efficiency of the Regulatory and Supervisory function of the CBL.
The directive prescribes seven clusters/frequencies of reporting, namely: Daily, Weekly, Monthly, Quarterly, Semi-Annual, Annual and As-and-When. The Directive also prescribes penalties for late and wrong reporting.

2. **Central Bank of Liberia Public Notice on Licensed Financial Institutions Operating in Liberia –CBL/SD/PN/001/2016 was issued on October 18, 2016.**This Notice informs the public of all banks, insurance companies, rural community finance institutions, non-bank financial institutions, microfinance–deposit taking institutions and foreign exchange bureaus that are licensed/authorized by the CBL and are currently operating in Liberia.

5.6.2 Collateral Registry System

As at end-November, 2016, the Collateral Registry System had a total of forty-nine (49) registered clients/creditors which indicates an increase of 14.0 percent, when compared with end-November, 2015. During the period under review, there were 20 legal entity clients and 29 individual clients while 706 loans collateralized with movable assets were registered in the system. The value of the loans amounted to US$18.9 million and L$15.8 million which were extended to 37 debtors in the following categories: 27 individuals, 1 micro firm, 5 medium firms and 4 large firms. When compared with 2015, the results showed a dramatic increase in all categories including the number of loans collateralized with movable assets, the total value of loans issued in Liberian dollars and United States dollars, respectively. Overall, the total value of loans registered in the Collateral Registry System amounted to US$268.9 million and L$51.3 with a total number of collateral amounting to 1,607.

The CBL's Collateral Registry Public Access site located at the Liberia Business Association Head Office in Paynesville, Montserrado County was closed during the second quarter of the year, while the site located at the CBL's Training Center on Carey & Warren Streets was relocated to the CBL main building on Lynch and Ashmun Streets to assist potential users who do not have access to internet to use this site to register their security interests in movable collateral and conduct searches free of charge.

5.6.3 Operations of the Credit Reference System

The credit reference system managed by the bank's Regulation & Supervision Department continues to provide credit information on borrowers' creditworthiness to financial and non-bank financial institutions to enable these institutions make informed credit decisions. The credit reference system will continue its efforts to ensure an improved credit environment that fosters access to finance to every segment of the country's population. Notwithstanding, the Development of a full fledge credit reference system in the country remains essential to the Bank. The Bank continued its consultations with firms and development partners on the establishment of a robust credit reference system.

5.6.4 Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT)

The Central Bank of Liberia, in its quest to ensure a safe and sound financial sector as well as to strengthen the AML/CFT Regime of Liberia, established a Unit within the Regulation and Supervision Department known as the AML/CFT Unit. The establishment of the AML/CFT Unit will support an effective arrangement to ensure compliance to international best practices and standards and strengthen CBL's examiners expertise in AML/CFT.

The Unit is currently comprised of six staff including the Head and one Senior Examiner; four staff members were recruited in 2016 and they are undergoing intense AML/CFT training.

The CBL, in addition to setting up an AML/CFT Unit, has made the following progress to further strengthen the AML/CFT Regime in Liberia:

- Developed an AML/CFT Examination Manual to be used by examiners during on-site examination processes. The purpose of this examination manual, which generally adopts a risk-based approach to supervision, is to provide step-by-step guidance to examiners during onsite examinations; ensure compliance with the AML/CFT Act, 2012; the CBL's AML/CFT Regulation No. CBL/RSD/004/2013; as well as regulations, directives and circulars issued by the Financial Intelligent Unit of Liberia (FIUL) and the CBL.
- Commenced on-site examinations and follow-up exercises of five of the nine commercial banks;
- Held introductory meeting with Heads of Insurance Companies concerning issues of AML/CFT that affect the industry;
- Trained examiners on the use of the Examination Manual; and
- Trained compliance officers of commercial banks on the AML/CFT examination processes and the expectation of the CBL.

5.7 Research and Publication

As part of the CBL's reform agenda, a new section was created in the Research, Policy and Planning Department (RPPD) responsible for macroeconomic forecasting. This brought to three the number of sections in the Department. During the year, the RPPD, in consonance with its mandates, continued with its regular publications in order to keep the general public adequately informed about the Bank's strategic monetary policy frameworks and unfolding developments in the economy.

To this end, the Department provided management with analytical reports aimed at informing policy decision-making during the year. On a regular basis, the Department provided updates to senior management on the performance of key macroeconomic indices including monetary aggregates, exchange rate and price developments, GDP growth and the external sector conditions. To further inform policy makers and academicians, the Bank through the Department initiated its first Working Paper Series in the last quarter of 2016.

The CBL, through the Research Department strengthened the existing collaboration with institutions and development partners at the national, regional and international levels to ensure effective policy harmonization and coordination aimed at enhancing efficiency in monetary operations. As in the previous year, the CBL, jointly with the Ministry of Finance and Development Planning (MFDP) and the Liberia Revenue Authority (LRA) continued its collaboration at the level of the Liquidity Working Group (LWG). The liquidity forecasts emanating from the LWG's work helped to inform the Bank's liquidity management.

The Department designated a focal person to work with staff of the Liberia Institute of Statistics and Geo-information Services (LISGIS) in the data validation of the national Household Income and Expenditure Survey (HIES). The Department, jointly with staff of LISGIS continued with the conduct of 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 both public and private use. During the year, the Bank continued with the publication of these information in the Bank's Monthly Economics Review, the bi-monthly Financial Statistics, the Quarterly Financial & Economic Bulletin and other macroeconomic reports.

Also, the Bank through RPPD conducted its annual BoPs Survey to inform the external accounts position for the year. The Bank collaborated with the IMF and the UK Department for International Development (DFID) to field two TA missions to build the capacity of staff in the BoP Unit of the Research Department. The missions also helped the CBL to transition from the use of Balance of Payments Manual 5 (BPM5) to Balance of Payments Manual 6 (BPM6) in the compilation of the country's BoP statistics.

5.8 CBL Accounting and Finance

The CBL's financial statements for the eighth 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 and its affiliate in Liberia. The 2016 statutory audit is expected to be conducted on schedule by KPMG in collaboration with Parker & Associates, consistent with the provisions of Section 50 of the CBL Act.

Income and Expenditure

- The CBL's un-audited Income Statement for the year ended-2016 revealed gross income of L$1,902.2 million compared with L$1,026.23 million in 2015. The gross income included interest income, fees and commission and other income. The increase in gross income in 2016 was mainly due to the increase in interest earned on the Bank's deposit at the Federal Reserve Bank of New York (FRBNY). The main revenue drivers were interest income of L$799.86 million and fees & commission and other income amounting to L$290.31 million.

- Total expenditure for the year amounted to L$2,605.01 million compared with L$2,856.10 million in 2015. This decrease is attributed to a concerted effort aimed at the reduction in both operating and capital expenditures in the face of the expanding activities of the Bank.

Financial Position

- The CBL's un-audited Statement of Financial Position including IMF related balances recorded total assets of L$115,300.5 million for the year ended 2016 compared with L$95,420.93 million in 2015. The 20.83 percent growth was mainly due to increases in cash and balances with central banks and commercial banks, loans and advances to Government of Liberia, property, machinery and equipment and other assets. Excluding the IMF, approximately 49.0 percent of total assets are represented by claims on the Government of Liberia. The loans have been 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 including IMF related liabilities at year-end 2016 amounted to L$109,073.4 million compared with L$87,084.3 million in 2015. The increase in liabilities of L$21,989.10 million was mainly attributed to increase in IMF related liabilities, 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 2016 was L$6,227.09 million compared with L$9,905.45 million in 2015, on account of decrease in general reserve as a result of provisioning consistent with IFRS.

The Budget

- The CBL implemented the 2016 budget of US$27.5 million 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 net Foreign Reserves for the year ended December 31, 2016 was US$186.0 million up from US$164.0 million in 2015. The above net foreign reserve is comprised of CBL net foreign reserve and net SDR Holdings (i.e. SDR Holdings less ECF and RCF Loans). The increase was mainly due to SDR disbursements and a reduction in the Bank's expenditures in 2016 compared to 2015.

5.9 Enterprise Risk Management

In 2016, the Enterprise Risk Management Section (ERMS), pursuant to its mission "to initiate a comprehensive program that supports the identification of the CBL's mission-critical risks, assess how to manage these risks, and establish a system for prioritizing and reporting these risks and their associated mitigation strategies," conducted a risk assessment exercise of the Business Units of the CBL. This process culminated in the identification of Sixty-Seven (67) risks across the bank that each, with varying degrees of magnitude, represented a distinct threat to the ability of the CBL to achieve its overall objective. These risks were identified in the various Business Units as follows:

Chart 25: Total number of Risk per Department

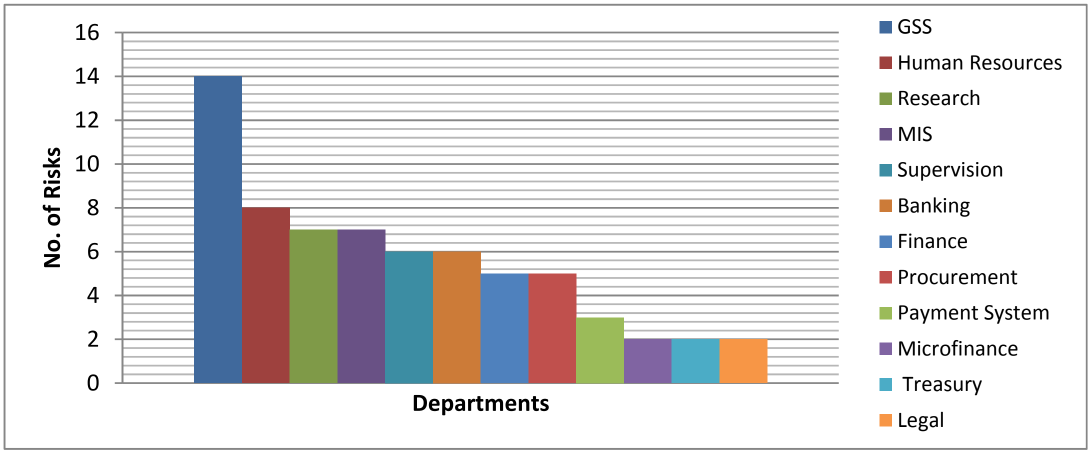
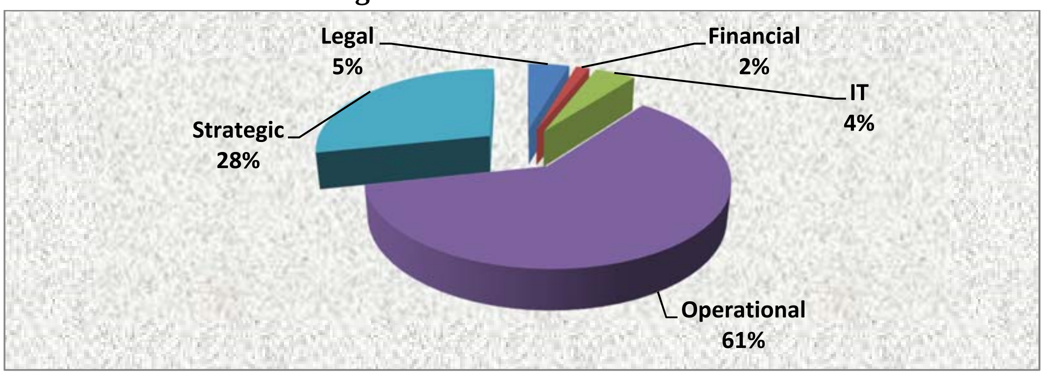


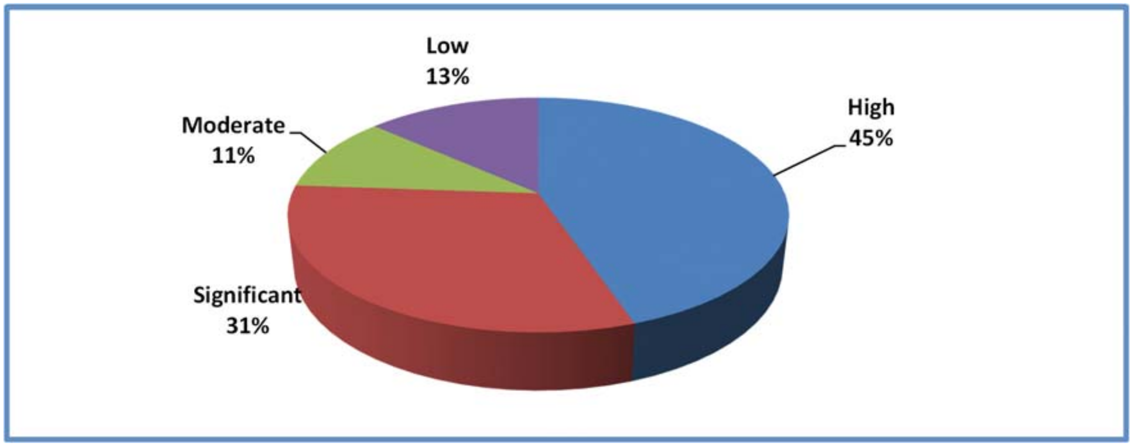
Chart 26: Categorization of Risks across the CBL's Risk Universe



5.9.1 Risk Assessment and Measurement

The next step undertaken in the risk management process was to conduct an assessment and measurement of each of the 67 identified risks. This process entailed determining, based on pre-determined standards, the likelihood of each of the identified risk actually occurring and impact that the occurrence of the risk will have on the CBL. The result of this is that each risks ultimately was assigned a risk severity score that indicated whether the risk was low, moderate, significant, or high. Of the 67 identified inherent risks, 52, or 78.0 percent, were assessed to have exceeded the board-prescribed minimum tolerance levels (Chart 26).

Chart 27: Severity Distribution of Inherent Risks



5.9.2 Internal Control Assessment

ERMS' review of the internal control environment of the CBL uncovered that, in many instances, there were neither policies nor operating procedures. Only one business unit had fully satisfactory board-approved policies in place that were being implemented. Six business units had no board-approved policies. The other five business units all had policies that had shortcomings ranging from obsolescence to non-approval to inadequacy. Additionally, of the 12 business units, eight had no operating procedures in place, with the implementation level in the other four that did have operating procedures being less than desirable.

Consequently, it was assessed that nine of the twelve Business Units had control effectiveness of 50 percent or less. Juxtaposing these levels of controls against the identified 67 risks across the bank, ERMS was able to determine the residual risk (risks that remain even after the existing controls have been applied) profile of the CBL. The result is shown in the table below in a comparative analysis of both the inherent and residual risk profiles:

Table 33: Comparison of Inherent and Residual Risk Profiles

	Inherent	Residual
No. of High Risks	30	20
No. of Significant Risks	21	20
No. of Modest Risks	7	16
No. of Low Risks	9	11
Total	67	67

Source: Central Bank of Liberia

The table above shows that, previously where 76.1 percent of the bank's risks ranged from significant to high, on a residual level that number was 59.7 percent. Furthermore, the residual risk profile of the bank indicated that of the 67 identified risks, 42 (62.7%) still exceeded their respective minimum tolerance levels as prescribed by the Board.

5.9.3 Developing Controls, Monitoring, and Reporting

The ultimate purpose of the risk identification and analysis exercise is to prepare for risk mitigation, which entails reduction of the likelihood that a risk event will occur and/or reduction of the effect of a risk event if it does occur. In view of the foregoing and in conjunction with all business units, the ERMS' emphasis has now shifted to developing and augmenting the levels of controls across the bank so as to compensate for the high risk profile mentioned earlier, monitoring both the risks and the established controls to provide assurance of continuance relevance, and reporting on these exercises to Management and the Board so as to keep them abreast of the Bank's changing risk profile.

Consequently, each business unit has been alerted as to the level of risks they face and the shortcomings in their control. Business units have been directed to work along with the ERMS to develop those policies and procedures that they were assessed to be lacking vis-à-vis the risks that were identified in their locus of control. These policies, when put in place, are expected to establish boundaries for acceptable behavior, guidelines for best practices in work situations and clear communication to employees as to how they are expected to pursue the objectives of their business unit and the CBL. The procedures, on the other hand, will document how to perform the routine activities mandated by the approved policies and the steps or key processes to help ensure consistent and quality output.

Finally, to effectively monitor risks and controls, ERMS, along with the Business Units, has developed key risk indicators (KRIs) that will act as early warning signals for any change in the status and will be used as a means of tracking changes in the Bank's exposure to risk. Additionally, the ERMS has established, for each Business Unit, risk reporting processes so that the results of the ERM process can be reported on a regular basis to Management and the Board Audit Committee. In this regard, the ERMS, through the Enterprise Risk Management Committee (ERMC), will report to the Audit Committee and highlight all significant risks and those risks that exceed their acceptable risk levels; identify the timeframe and status of any additional risk management activities that may be required to bring risks within approved risk levels; identify any negative trends of higher risk areas and any changes to risk management activities; identify any material emerging risks; and summarize any exceptions to established policies or limits for key risks.

5.10 Internal Audit

The internal audit section, as mandated by the CBL's Act of 1999 to conduct audit of the operational activities and accounts of the Bank on a continuous and regular basis continued during the year. The Section provided independent, objective assurance and consulting services designed to add value and improve the Bank's operations. These activities helped the CBL accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes of the Bank.

The various audits were conducted and managed in accordance with the Institute of Internal Auditor's (IIA) International Standards for the Professional Practice of Internal Auditing. During the year, as recommended by the IMF, the Quality Assurance Assessment was completed by an independent external assessor to the Central Bank of Liberia, confirming that the audit functions were partially in compliance with the IIA Standards, mainly due to some bottlenecks relative to risk based auditing that is now being put in place.

In order to meet the responsibilities and objectives set forth in the Internal Audit Charter, each fiscal year an annual audit plan is developed and submitted to the Audit Committee for review and approval. The audit plan is based on a risk assessment methodology, as well as requests from management. The Section obtained the risk register from the Enterprise Risk Management Section, and assessed the risk maturity by interviewing the functional risk officers in each department, section, and unit about the control mechanism in mitigating these risks and also developed the risk matrix for the Bank Annual Audit Plan for 2017.

5.11 Legal Services

The Legal Section continued its role in providing legal advice and support to the CBL during 2016 which were geared toward the implementation of the Bank's monetary policy. As part of its role, the Section supported the development and drafting of several instruments during the year: the Securities Market Act and the Central Depository Act which were passed by the Legislature and is awaiting Presidential accent to be subsequently printed in handbills to become laws in Liberia.

The Legal Section in collaboration with external stakeholders assisted in the repeal and amendment of the following acts: An Act to Repeal the Act to Establish Procedures for the Institution of the Unites Nations List of Terrorists; Act to Amend the Criminal Procedure Law Title Two of the Liberian Code of Laws and Act to Amend the New Penal Law Title 26 of the Liberian Code of Laws. These laws have been passed by the House of Representatives and are awaiting concurrence by the Liberian Senate before being forwarded for presidential accent to be printed into handbills.

The Legal Section represented the Bank at the Inter-Governmental Action Group against Money Laundering (GIABA) concerning money laundering and terrorist financing. At the meeting, Liberia's status was downgraded for deficiency in legislation harmonization. To correct the deficiencies, the three acts mentioned above regarding Anti Money Laundering and Terrorist Financing (AML & TF) regime were drafted. The Legal Section also represented the Bank in two meetings hosted by the Financial Action Task Force (FATF). The Legal Section represented the Bank's interest in the adjudication of several cases whilst it continued to give advice to other departments of the CBL and stakeholders of government.
During the period under review, the Bank through its Legal Section undertook the following:

- ✓ Participated in the 17th meeting of the Legal and Institutional Issues Committee of the West African Monetary Zone (WAMZ) concerning a study of the best model bank or financial holding company for the WAMZ;
- ✓ Participated in drafting the Agreements done on MSME and rural finance post Ebola reconstruction project in connection with the Ministry of Finance and Development Planning –grant agreement;
- ✓ Drafted the Memorandum of Understanding between the Liberia Revenue Authority (LRA) and the CBL concerning the Bank providing teller support to LRA;
- ✓ Prepared agreement for CBL and GoL bridge loan agreement;
- ✓ Worked along with the KPMG Auditing firm concerning the forensic audit of a failed bank;
- ✓ Prepared the Purchase and Assumption agreement with GGFC in consonance with the Financial Institutions Act of 1999; and

- ✓ Drafted the staff salary automation agreement.

5.12 Communication with Stakeholders

The CBL remained highly committed to stronger communication with the public and private sectors on macroeconomic developments and activities of the Bank. During the year, 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 Foreign Exchange Bureau Association and the Liberia Marketing Association on consensus building and understanding of policy decisions and various initiatives of the CBL.

These consultations were largely aimed at enhancing private sector development and empowerment of significant portion of the adult population by means of increased access to financial services and sustainable job creation through inclusive growth. Furthermore, in ensuring the timely provision of adequate information on developments in the economy, the CBL continued to make available to the public regularly its various publications on financial and economic developments.

5.13 Treasury Operations

During the year, the Draft Securities Market Act and Central Securities Depository Act were passed by the House of Representatives thus opening the way for the creation of the Liberian Stock Exchange, the Central Securities Depository and for the establishment of the Liberian Securities and Exchange Commission which will serve as the regulatory body of the capital markets. Senate concurrence is awaited.

Further, the conduct of the foreign exchange auction was transformed from manual to electronic through the Scriptless Security Settlement System (DEPO/X). Now, all foreign exchange transactions are conducted and settled automatically by the means of DEPO/X, thereby avioding bottlenecks and creating timeliness with improved quality of service to commercial banks.

CHAPTER VI
EXTERNAL RELATIONS

6.1 Overview

During the year under review, the CBL continued relationship with its multilateral partners including the International Monetary Fund (IMF), the World Bank (WB) and the African Development Bank (AfDB). The CBL had regular meetings, consultations on policy issues that had to do with financial and macroeconomic developments in the domestic economy with these institutions. Also, the CBL maintained good working relationships with regional and sub-regional institutions including West African Monetary Institute (WAMI), West African Monetary Agency (WAMA), West African Institute for Financial & 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

In 2016, the CBL engagement with the IMF continued at the level of policy consultation, technical assistance, and memorandum of understanding under the Extended Credit Facility (ECF) Arrangements. In the areas of technical assistance to the CBL, the IMF continued its capacity building program for CBL staff in order to help improve the quality of research, compilation of monetary and liquidity forecasting, price, and balance of payments statistics as well as financial soundness indicators and public financial management, among others.

6.2.2 The World Bank

During the year, the CBL continued its engagement with the World Bank Group's institutions, especially the International Finance Company (IFC) in the 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

The CBL participated in a number of meetings of regional institutions in Africa which included the statutory meetings of the West African Monetary Zone (WAMZ), the ECOWAS

Commission (EC), Association of African Central Banks (AACB), and the African Development Bank (AfDB). The WAMZ is an association of six African countries including, Liberia, Ghana, the Gambia, Nigeria, Sierra Leone, and Guinea that are working together to create a common currency.

The roadmap of the single currency program of the WAMZ calls for a bi-annual assessment of the macroeconomic performances of the member countries to determine their levels of preparedness for the creation of the single currency in 2020.

Developments in the global economy adversely impacted economic activities in the WAMZ. As a result, performance of member state on the primary and secondary criteria was mixed. However, according to the first half 2016 WAMZ joint multilateral surveillance report, Liberia satisfied all four of the primary and the two secondary criteria.