CENTRAL BANK OF LIBERIA

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ESTABLISHED 1999

ANNUAL REPORT

2018

Central Bank of Liberia
Annual Report
January 1 to December 31, 2018

This Annual Report is in line with part XI Section 49 (1) of the Central Bank of Liberia (CBL) Act of 1999. The contents include: (a) report on the Bank's operations and affairs during the year; and (b) report on the state of the economy, which includes information on the financial sector, the growth of monetary aggregates, financial markets developments, and balance of payments performance.

CENTRAL BANK OF LIBERIA

Office of the Executive Governor

January 25, 2019

His Excellency
Dr. George Manneh Weah
PRESIDENT
Republic of Liberia

Dear President Weah:

In accordance with part XI Section 49(1) of the Central Bank of Liberia (CBL) Act of 1999, I have the honor on behalf of the Board of Governors and Management of the Bank to submit, herewith, the Annual Report of the Central Bank of Liberia to the Government of Liberia for the period January 1 to December 31, 2018.

Please accept, Mr. President, the assurances of my highest esteem.

Respectfully yours,

Nathaniel R. Patray, III

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Tel.: (231) 555 960 556 Website: www.cbl.org.lr

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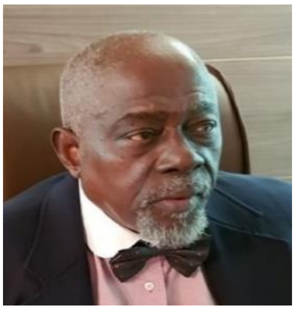
ACRONYMS

AACB	-	Association of African Central Banks
ABIS	-	Automated Biometric Identification System
AC	-	Audit Committee
ACH	-	Automated Check Processing and Clearing House
AFBLL	-	Afriland First Bank Liberia Limited
AfDB	-	African Development Bank
AGO	-	Automotive Gas Oil
ALCO	-	Asset-Liability Committee
AMCP	-	African Monetary Cooperation Program
AML	-	Anti-Money Laundering
ATMs	-	Automatic Teller Machines
BA	-	Bankers' Acceptance
BoP	-	Balance of Payments
BSL	-	Bank of Sierra Leone
CAR	-	Capital Adequacy Ratio
CBL	-	Central Bank of Liberia
CBN	-	Central Bank of Nigeria
CP	-	Commercial Papers
CPI	-	Consumer Price Index
CPO	-	Crude Palm Oil
CRS	-	Credit Reference System
CSP	-	Customer Security Program
DAC	-	Dynamic Access to Credit
DCT	-	Data Collection Template
DFS	-	Digital Financial Services
DMDTI	-	Diaconia Microfinance Deposit-taking Institution
EBLL	-	Ecobank Liberia Limited
EcMI	-	ECOWAS Monetary Institute
ECOWAS	-	Economic Community of West African States
EMCP	-	ECOWAS Monetary Corporation Program
ERMD	-	Enterprise Risk Management Department
FDIEs	-	Foreign Direct Investment Enterprises
FINCERT	-	Financial Computer Emergency Response Team
FRBNY	-	Federal Reserve Bank of New York
FSDIP	-	Financial Sector Development Implementation Plan
FX	-	Foreign Exchange
GDP	-	Gross Domestic Product
GIABA	-	Group Against Money Laundering in West Africa
GNBLL	-	Groupe Nduom Bank Liberia Limited
GoL	-	Government of Liberia
HRIS	-	Human Resource Information System
IBM	-	Interbank Market
IC	-	Investment Committee
ICAO	-	International Civil Aviation Organization
IFAD	-	International Fund for Agricultural Development
IFRS		International Financial Reporting Standards

IIA	-	Institute of Internal Auditor
IICL	-	International Insurance Company Liberia Limited
IMF	-	International Monetary Fund
IPFMRP	-	Integrated Public Financial Management Reform Program
ISE	-	Identity Service Engine
LBDI	-	Liberian Bank for Development and Investment
LEDFC	-	Liberian Enterprise Development Finance Company
LFIU	-	Liberia Financial Intelligence Unit
LISGIS	-	Liberia Institute for Statistics and Geo-Information Services
LRA	-	Liberia Revenue Authority
LRD	-	Liberian Dollars
LUCIA	-	Liberia Unique Credit Information Application
M1	-	Narrow Money
M2	-	Broad Money
MAN	-	Metropolitan Area Network
MDIs	-	Microfinance Deposit Taking Institutions
MFDP	-	Ministry of Finance & Development Planning
MFIs	-	Microfinance Institutions
ML	-	Money Laundering
MoA	-	Ministry of Agriculture
MoU	-	Memorandum of Understanding
mPOS	-	Mobile Point of Sale
MSME's	-	Micro Small and Medium Enterprises
NDA	-	Net Domestic Assets
NEPS	-	National Electronic Payment Switch
NFA	-	Net Foreign Assets
NFES	-	National Financial Education Strategy
NFIS	-	National Financial Inclusion Strategy
NIM	-	Net Interest Margin
NPC	-	National Payments Council
NPLs	-	Non-Performing Loans
OBSE	-	Off–Balance Sheet Exposures
OPEC	-	Organization of Petroleum Exporting Countries
PAPD	-	Pro-Poor Agenda for Prosperity and Development
PAPSP	-	Pan African Payment and Settlement Platform
PMS	-	Premium Motor Spirit
PoS	-	Points-of-Sale
RCFIs	-	Rural Community Finance Institutions
RMQ	-	Risk Management Questionnaire
ROA	-	Return on Assets
ROE	-	Return on Equity
RSD	-	Regulations and Supervision Department
RTGS	-	Real Time Gross Settlement System
RTGS	-	Real Time Gross Settlement System
SDRs	-	Special Drawing Rights
SMBCE	-	Sumitomo Mitsui Banking Corporation Europe Limited
TASU	-	Technical Assistance Supervisory Unit
TEMT		Technical Economic Management Team
TF	-	Terrorist Financing

TFF	-	Trade Finance Facilities
UBA	-	United Bank for Africa
UID	-	Unique Identifier
UK	-	United Kingdom
USA	-	United States of America
USD	-	United States Dollars
VSLA	-	Village Savings and Loan Associations
WAIFEM	-	West African Institute for Financial & Economic Management
WAII	-	West African Insurance Institute
WAMA	-	West African Monetary Agency
WAMI	-	West African Monetary Institute
WB	-	World Bank
WISP	-	Written Information Security Policy

FOREWORD



The year 2018 marked the ushering of a new Administration led by His Excellency, Dr. George Manneh Weah, as the 25th President of the Republic of Liberia following the successful Presidential and Legislative elections in 2017. The new Administration charted a new vision for the Country under the theme: Pro-Poor Agenda for Prosperity and Development (PAPD).

As the monetary arm of the Government, the Central Bank of Liberia (CBL) remains committed to the Vision, Mission and Goals of the Bank. The CBL sees this as crucial to achieving the goals and objectives of the PAPD.

In view of these developments, the past 12 months witnessed a mix of dynamics at home and abroad with the associated consequences on the Liberian economy. Accordingly, this 2018 Annual Report highlights the state of the Liberian economy and outlines our strategic policy interventions, in collaboration with various stakeholders that helped engender a stable macroeconomic environment and progress toward national development.

The Report also provides highlights on the internal operations of the Bank and its relationships with various stakeholders, domestically, regionally and globally. Notwithstanding the achievements of the Bank during the year, the Bank's image was brought under both domestic and international scrutiny as a result of the "Alleged Missing L$16 Billion Saga." Despite the negative publicity, the Management of the CBL under my leadership remained focused on its mandate to promote macroeconomic stability.

Liberia, being an import-dependent economy, is significantly affected by global economic events. This put significant pressure on the Liberian dollar during 2018 compared to 2017 as well as on consumer prices.

On the global level, economic developments in 2018 remained steady. In some regions, downside risks heightened while upside risks receded in others. These developments were hinged on trade tensions between the United States of America (USA) and China in addition to suppressed economic activities in the Euro area and the United Kingdom. At the same time, Emerging Markets and Developing Economies remained steady, while Sub-Saharan Africa registered strong growth momentum, backed by supportive external environment, evidenced by increasing commodity prices, external demand and favorable domestic policies.

In the domestic economy, 2018 was a difficult year. Though the rate of growth recorded was relatively higher compared to 2017, it was revised downward to 3.0 percent from earlier projection of 3.2 percent in the beginning of the year. The growth recorded was mainly driven by the mining and panning, and the agriculture sectors in the face of high levels of inflation.

The deterioration of the current account coupled with fiscal challenges and the legacy of both EBOLA and UNMIL drawdown translated into sustained exchange rate and inflationary pressures in the economy. Consumer price inflation remained in double digits throughout the year, largely underpinned by depreciation of the Liberian dollar and adversely impacted the standard of living of Liberians, especially the poor.

The sustained depreciation of the local currency provided a need for monetary policy intervention. The CBL took several policy measures including intervention in the foreign exchange market to help address the growing exchange rate and inflationary pressures. The Bank also worked closely with the and other relevant stakeholders through the Technical Economic Management Team (TEMT) constituted by His Excellency Dr. George Manneh Weah, President of the Republic of Liberia, on a broad range of policy-related issues to ensure sustained macroeconomic stability. This collaboration significantly accounted for a successful policy coordination between the Fiscal and Monetary Authorities. Such collaboration is cherished by the Bank and needs to be further enhanced.

The banking system remained resilient during the year under review, amidst the difficult economic environment. Several commercial banks faced significant losses, largely on account of high non-performing loans (NPLs). However, the industry continued to record high capital adequacy ratio (CAR) and showed significant improvement in risk management and corporate governance.

With the commitment of the Government to put in place sound macroeconomic policies and implement structural reforms, the outlook of the economy is bright. In the wake of a complex global economic environment which poses significant downside risks to the Liberian economy, the need to diversify the economy with greater emphasis on value addition in manufacturing and agricultural production for domestic consumption should be a matter of priority. The CBL stands ready to support the Government's efforts in this regard consistent with its mandate as required by law.

The Management of the Bank has been working in line with the Act establishing the CBL to carry out its statutory responsibilities in the public interest. In so doing, the Bank seeks to maintain efficient and effective financial, payment and information systems and to formulate and implement prudent monetary policy. The present functions of the Central Bank have expanded as listed below despite the progress achieved so far. The road ahead is still long, and many challenges have to be addressed, particularly in regulating the financial system; promoting monetary stability; promoting credit and exchange conditions and promoting sound financial structures conducive to balanced growth. It is our hope that the CBL will continue to work with the fiscal authority with the aim of bringing about monetary stability, social and economic development in the Country.

On behalf of the Management of the CBL, I extend my sincere gratitude to the President of the Republic of Liberia, His Excellency Dr. George Manneh Weah, for his support to the Bank, the International Monetary Fund (IMF) for its policy advice and constructive engagement, and all our partners, the TEMT and everyone who supported the work of the Bank during the course of the year. I also extend my special thanks to the Board of Governors, the Deputy Governors and staff of the Bank for their invaluable services during the year.

Nathaniel R. Patray, III

EXECUTIVE GOVERNOR

The Central Bank of Liberia's Organizational Chart is designed to support the achievement of its Vision, Mission and Goals.

Vision

The Central Bank of Liberia was founded by an Act of National Legislature in 1999 as a functionally independent institution which seeks to carry out its statutory responsibility in the public interest with a Vision to maintain price stability by ensuring a sound financial system, thereby contributing to the Nation's economic sustainability. In so doing, the Bank seeks to maintain efficient economic development.

Objectives

The objectives of the CBL derive from the basic purposes for which the Bank was established, as set up in Part II, Article 3, Section 3 of the Act, as follows:

1. *The primary objective of the CBL shall be to achieve and maintain domestic price stability in the Liberian economy;*
2. *To promote domestic and international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on domestic and international economic and financial problems;*
3. *Without prejudice to its principal objective above, the CBL shall contribute to fostering and maintaining a stable financial system;*
4. *Without prejudice to the objectives stated in 1 and 3 above, the CBL shall facilitate the expansion and balanced growth of domestic and international trade, and thereby contribute to the promotion and maintenance of employment, real income and the development of productive resources to support the general economic policy of the Government of the Republic of Liberia;*
5. *To promote exchange rate stability, maintain an orderly exchange rate arrangement, and avoid competitive exchange depreciation;*
6. *To maintain constant regulatory surveillance and effective prudential control over the domestic financial sector, while encouraging competition, improved financial services and accessibility for the benefit of the people;*
7. *To encourage the mobilization of domestic and foreign savings and their efficient allocation for productive economic activities to engender sustained economic growth and development;*
8. *To support the establishment of a multilateral system of payments in respect of transactions between Liberia and its trading partners and the elimination of foreign exchange restrictions which hamper the growth of trade;*
9. *Promote macroeconomic stability, internal and external equilibrium in the national economy;*

10. *To give confidence to Liberia's trading partners by making the general resources of the Bank temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments without resorting to measures destructive to national prosperity;*
11. *To facilitate the creation of financial and capital markets that are capable of responding to the needs of the national economy;*
12. *To foster monetary, credit and financial conditions conducive to orderly, balanced and sustained economic growth and development; and*
13. *To provide sound economic and financial advice to the Government.*

Functions

The CBL shall have functional independence, power and authority to:

1. *Formulate and implement monetary policy;*
2. *Issue domestic banknotes and coins;*
3. *Administer the currency laws and regulate the supply of money;*
4. *Determine the appropriate foreign exchange regime;*
5. *Formulate and implement the exchange rate policy;*
6. *Act as fiscal agent for the Government;*
7. *Administer the New Financial Institutions Act of 1999 and regulate banking activities;*
8. *License, regulate, supervise and resolve bank and non-bank financial institutions, as well as non-bank financial services institutions;*
9. *Collect and produce statistics;*
10. *Hold and manage the foreign exchange reserves of Liberia, including gold;*
11. *Advise the Government on financial and economic matters;*
12. *Conduct foreign exchange operations;*
13. *Administer the National Payments Laws of 2014, and promote safe, sound and efficient clearing, payment, and securities settlement systems;*
14. *Administer the Securities Exchange Act 2016 to facilitate the establishment of the Securities Exchange Commission in keeping with the provisions of the said Act;*
15. *Administer the Insurance Act 2013 to facilitate the establishment of the Insurance Commission in keeping with the provisions of the said Act;*
16. *Formulate and coordinate macro-prudential policy and supervision; and*
17. *Collaborate with the relevant agencies of Government responsible for enforcing anti-money laundering, counter financing of terrorism and proliferation of weapons of mass destruction laws with regard to bank and non-bank financial services institutions.*

Autonomy of the CBL

1. *In the pursuit of its objective and the performance of its functions, the CBL shall be autonomous and accountable as provided for in its Act.*
2. *The CBL, and the members of its decision-making bodies and staff, in the exercise of their functions, shall not take or seek to take instructions from any person or entity, including Government entities. The autonomy of the CBL shall be respected at all times and no person or entity shall seek to influence the members of the CBL's decision-making bodies and staff in the exercise of their functions or to interfere in the activities of the CBL.*
3. *The Board of Governors, Management and staff of CBL shall be immune from law suit or prosecution by a third party for any act committed in good faith in the discharge of their function and mandate.*

Mission

The Central Bank of Liberia's Mission is to maintain efficient and effective financial, payment and information systems, and to formulate and implement a prudent monetary policy.

Management of the CBL

The management of the CBL shall be conducted by an Executive Governor who shall be the Chairman of the Board of Governors of the CBL, and Deputy Governors who shall serve as principal assistants to the Executive Governor.

The Organizational Chart outlines the mission and functions of: (1) Office of the Executive Governor, (2) Deputy Governor for Operations and (3) Deputy Governor for Economic Policy. It also details the terms of reference of each department of the CBL and institutional arrangements facilitating the Bank's operations, internal coordination and cooperation with the Government of Liberia.

HIGHLIGHTS

Global Economy

The growth rate for the global economy is projected to remain the same as it was in 2017. The rate of growth for advanced economies is expected to rise marginally, hinged on trade tension between the USA and China and suppressed economic activities in the euro area and the United Kingdom. In emerging market and developing economies, growth is expected to remain steady while Sub-Saharan Africa is expected to register strong growth, reflecting supportive external environment. Inflation in both advanced economies and emerging market & developing economies is estimated to surge, reflecting higher fuel prices over the recent past.

Domestic Economy

The Liberian economy is projected to grow at 3.0 percent in 2018 led by the mining and panning sector on the back of a surge in industrial gold production, and the agriculture and fisheries sector.

Inflation

Consumer prices on average recorded 23.4 percent inflation in 2018, up from 12.4 percent in 2017 on largely on account of depreciation of the Liberian dollar; increase in global oil price, and government policy on petroleum prices. For the year under review, market prices contributed 20.8 percentage points to the 23.4 percent inflation rate while administered prices contributed 2.6 percentage points.

Exchange rate

The exchange rate experienced a depreciation of 25.5 percent at end- December 2018 to L$157.50/US$1.00, from L$125.50/US$1.00 at end-December 2017. Similarly, the average exchange rate over the reviewed period recorded a depreciation of 27.8 percent to L$144.10/US$1.00, compared with L$112.61/US$1.00 in 2017.

Banking Sector

The number of banks in the banking sector remained 9 with 93 branches across the country. The banking sector continues to improve in terms of growth in key balance sheet indicators, in spite of the prevailing challenges in the economy. Total assets, loans & advances, deposits,s and capital grew by 44.6 percent, 39.5 percent, 38.0 percent and 46.9 percent, respectively. Though the sector experienced decline in profitability, these growth rates reflect increased public confidence in the banking system.

Payments Systems

The CBL made significant improvement in the payment system modernization process during the year in review. The various platforms (The Real Time Gross Settlement System, National Electronic Payment Switch and Automated Check Processing and Clearing House) experienced significant usage in volume and value of transactions. The usage of automatic teller machines (ATMs) and Points-of-Sale (PoS) also increased dramatically pointing to greater public acceptance of electronic means of payment.

Non-Bank Financial Sector

The number of licensed insurance companies remained 19 with 31 branches across the country, and 2 licensed insurance brokerage firms. The number of registered microfinance institutions (MFIs) increased to 18 while the number of Rural Community Finance Institutions (RCFIs) remained at 12 in 8 of the 15 counties. There are presently 285 credit unions, 2,300 village savings and loan associations (VSLA) and one development finance company established across the country. The total number of foreign exchange bureaus grew from 133 in 2017 to 152 at end-

November 2018. The non-bank financial sector is currently undergoing significant reform aimed at building a strong and vibrant financial sector.

Microfinance

The number of operating microfinance institutions (MFIs) increased to 18 including 1 deposit taking microfinance institutions and 17 non-deposit microfinance institutions with 49 branches across the country. MFIs continued to provide credit services, mainly in the rural areas. There is ongoing reform that is largely focused on strengthening the regulation and supervision of the microfinance sector using tier risk-based approach.

Insurance

The insurance sector experienced significant improvement driven by increases in assets and investments by 68.3 percent during the review period. The sector also recorded improvement in corporate governance, risk management practices and underwriting practices, owing largely to the ongoing reform in the sector by the CBL. Enforcement of full compliance with the new capital requirements will continue into 2019.

Financial Markets Department

During the year, the CBL through the Financial Markets Department facilitated 9 repurchase transactions between seven commercial banks. The framework for the administration of the interbank market (IBM) was also developed.

International Reserve Position

Liberia's gross international reserves position (including SDRs and Reserve Tranche) at end-November 2018 increased by 1.0 percent to US$406.6 million, from a revised US$403.2 million recorded at end-December 2017. Also, gross international reserves in months of imports cover increased to 3.8 at end-November 2018, from 3.7 at end-December 2017.

Performance Regional Monetary Programs

The CBL continued its commitment to regional institutions including the ECOWAS, the West African Monetary Institute (WAMI), the West African Monetary Agency (WAMA), and the Association of African Central Banks (AACB) in fulfilling its statutory roles as well as making efforts towards compliance with the macroeconomic convergence criteria. Fiscal deficit and the Gross External Reserves were the only two criteria of the four primary criteria met by Liberia during the first-half assessment for 2018. The primary criteria missed by Liberia were Inflation and Central Bank Financing while the secondary criteria missed was the benchmark on the nominal exchange rate.

Entreprise Risk Management

The Enterprise Risk Management Department (ERMD) developed a number of policies and procedures. In monitoring and reporting regularly on the identified risks, further efforts are going to be expended on developing additional control measures so as to further narrow the remaining control gaps across the Bank.

Human Resource Management 	*In 2018, the Human Resource Management Department (HRMD) launched the performance management system (PMS) in line with the Bank's strategic plan and continued to develop and implement the human resource information system (HRIS). During the year, staff strength increased by 15.2 percent and 3 of the Bank's long serving staff were retired. In terms of capacity building, a total of 406 professional training programs, both local and foreign, were attended by staff.*

The Board of Governors

As at December 2018

Nathaniel R. Patray, III
Executive Governor and
Chairman of the Board

D. Sheba Brown
Board Member

Elsie Dossen Badio
Acting Board Member

A. Richard Dorley
Acting Board Member

The Management

As at December 2018

Top Management

Nathaniel R. Patray, III
Executive Governor and Chairman of the Board

Charles E. Sirleaf
Deputy Governor/Operations

Dr. Mounir Siaplay
Deputy Governor/Economic Policy

Heads of Departments

Mussah A. Kamara
Director
Research, Policy & Planning Department

Jefferson S. N. Kambo
Director
Regulation & Supervision Department

Amaso Bawn
Director
Financial Markets Department

Joyce Johnson Dolo
Director
Human Resources Department

Mustapha E. Sherman
Director
Finance Department

Richard H. Walker
Acting Director
General Support Services Department

Dorbor Hagba
Director
Banking Department

Miatta Oberly Kuteh
Director
Payment Systems Department

Christian N. Allison
Director
Risk Management Department

Collins W. Teah, Jr.
Director
Management Information System Department

Adolphus Fokpa
Director
Internal Audit Department

Cllr. Esther R. Barclay
Legal Counsel
Legal Department

Chapter 1: Governance and Organizational Structure

1.1 The Board of Governors

Under the CBL's Act of 1999, 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 monetary policy 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. To ensure the effective management of the Bank, the Board approves the annual budget, monitors the financial and operational performance of the Bank, receives reports from the external auditors, and more importantly, provides policy guidance to Management. The Board of Governors comprises five members who are appointed by the President of the Republic 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 2018, the Board of Governors was composed of the following members[1]:

1. Mr. Nathaniel R. Patray, III – Executive Governor/Chairman
2. Mrs. Doris Sheba Brown – Governor
3. Mrs. Elsie Dossen Badio – Acting Governor
4. Mr. A. Richard Dorley – Acting Governor

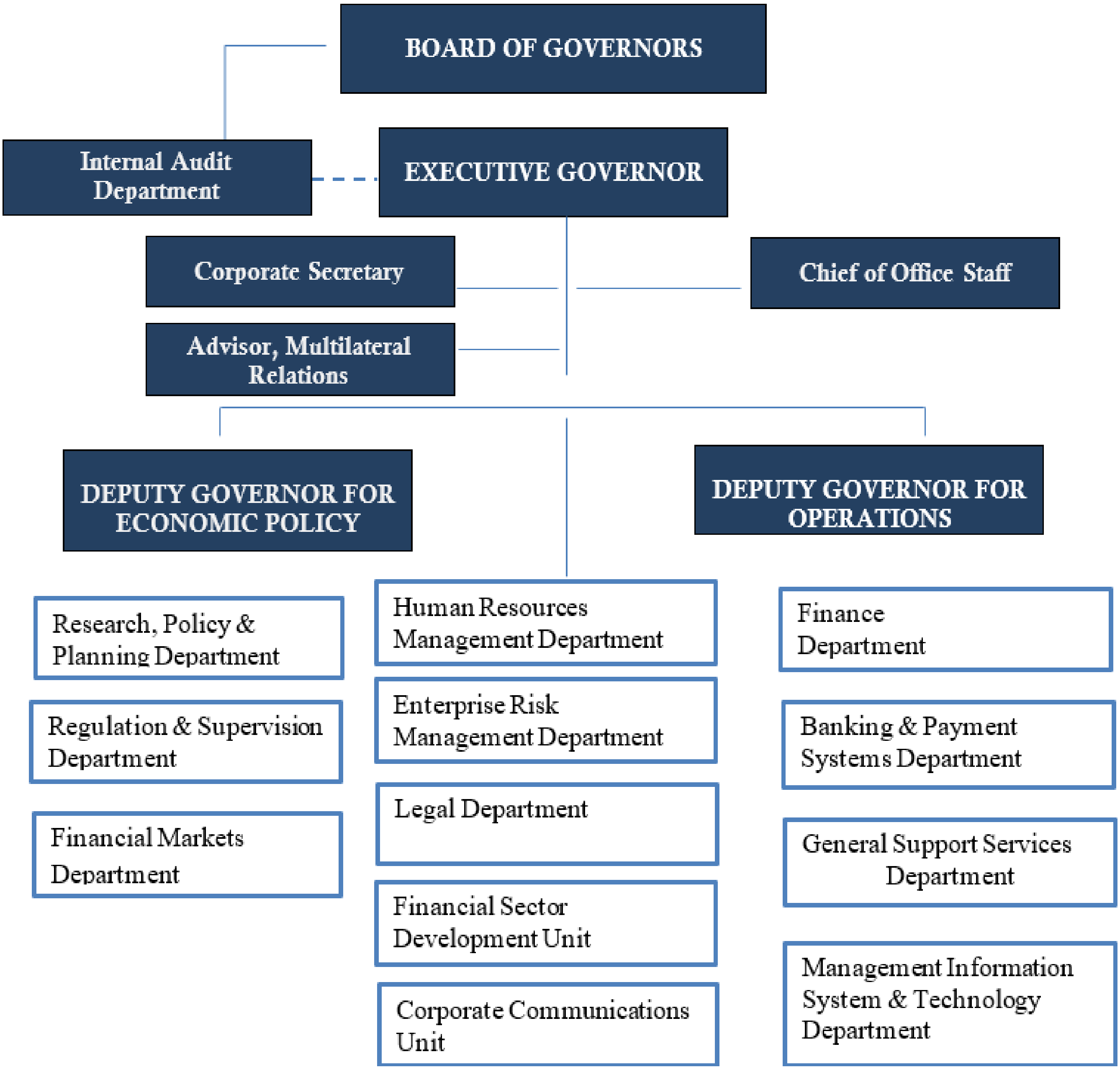
1.2 Committees of the Board

The Board of Governors has two standing committees, namely, the Audit Committee (AC) and the Investment Committee (IC). The AC has the mandate to supervise the Bank's compliance with operational, statutory and international standards and internal control procedures. Overall, the Committee ensures that appropriate and adequate accounting procedures, practices and controls are established and upheld. The IC has the mandate to assist the CBL in devising innovative investment programs regarding investment of the Bank's financial resources in line with its investment policy and taking decisions.

[1] There was a vacancy on the Board as of end-December 2017 as Mr. David Farhat had ended his term of service.

Chart 1: Organizational Structure

(As at December 31, 2018)



1.3 Policy Decisions by the Board

The Board of Governors took several decisions in 2018 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 address the emerging challenges in the financial sector. What follows are key decisions taken by the Board:

1. Interbank Market Framework

This framework is intended to develop the interbank market and strengthen the capacity of the CBL to perform its lender of the last resort function. The framework establishes the rights and responsibilities of the CBL and commercial banks in the interbank market.

2. Guidelines on Repurchase and Reverse Repurchase Agreements

These Guidelines were designed to: a) establish the scope of repurchase transactions that can be conducted by licensed banks; b) promote sound risk management practices by licensed banks and particularly on credit risk, market risk, and settlement risk for the conduct of repurchase transactions; and c) protect investors by introducing requirements on the use of repurchase and reverse repurchase agreements by licensed banks.

3. Direct Currency Mop-up Exercise to Address the Exchange Rate Depreciation

In response to the sharp depreciation of the Liberian Dollar during and up to July 16, 2018, the CBL, in consultation with the Technical Economic Management Team (TEMT), and with the approval of His Excellency Dr. George Manneh Weah, advanced US$25.0 million to the Government of Liberia (GoL) for aggressive intervention in the FX market beginning July 17, 2018. The intervention which continued throughout the year, significantly contributed to the broad stability in the exchange rate. By end of the year, only US$17.0 million was used. The intervention coupled with the regular FX auction, totaled US$51.7 million.

4. Resolution of Undercapitalized Insurance Companies

Following its earlier decision to delicense undercapitalized insurance companies, the CBL began a phased process of installing provisional administrators at the affected companies to oversee their resolution. This process was expected to conclude by the end of 2018, and the affected companies were advised of the opportunity to capitalize before that deadline in order to be in compliance with the law and regulations of the CBL.

5. Amended Regulation on Foreign Exchange Bureaus to accommodate Category C bureaus

In order to constructively engage all actors in the foreign exchange market, including scratch card dealers and street vendors operating in the parallel foreign exchange market, the CBL amended its Regulation on Foreign Exchange Operations to include Category C License. This category prescribes lower licensing requirements than Category A or B Bureaus. This decision is expected to take effect in 2019.

6. CBL Notes Issuance

The Board also approved the issuance of CBL Notes to the public for the first time as part of its monetary policy instruments and its efforts to strengthen the money market. In preparation for the rolling out of these Notes, the CBL conducted an awareness campaign to generate public interest in the Notes. The issuance of the Note is expected overtime to increase public interest in both the private and public bond issuance and other government securities. This action follows the issuance of CBL Bills in 2013 in the amount of L$9.0 billion, which was fully redeemed.

Chapter 2: The Global Economy

2.1 World Output Growth

Global growth for 2018–19 was projected to remain the same as it was in 2017[2], at a less vigorous and less balanced pace as downside risks increase while upside risks recede. Trade policy measures by the USA, including tariffs imposition on US imports from China, and suppressed economic activities in the euro area and the United Kingdom (UK) are amongst factors underpinning global growth outlook.

Advanced economies were expected to grow at 2.4 percent in 2018, from the 2.3 percent growth recorded in 2017. In 2019 growth is expected to slow to 2.1 percent. The US economy was projected to grow by 2.9 percent in 2018 largely on the back of increasing fiscal stimulus. Despite the continuing growth momentum in the USA, growth in 2019 is projected to be weaker (at 2.5 percent) compared with 2018, reflecting the impact of trade tension between the USA and China. In the UK, growth was expected to take a nosedive in 2018, while recovery remained suppressed in the euro area with growth projected to decline to 2.0 percent in 2018.

In emerging market and developing economies, growth was projected to remain stable at 4.7 percent in 2018 and 2019 but expected to rise modestly over the medium term. In China, growth was projected to moderate at 6.6 percent in 2018, from 6.9 in 2017, as a consequence of slowing external demand due to the trade tension with the USA and financial regulatory tightening. Elsewhere in Asia including India, growth was expected to remain strong. The Indian economy was projected to record stronger growth at 7.3 percent in 2018 and 7.4 percent in 2019, up from 6.7 percent in 2017, amid the increase in oil prices and the tightening of global financial conditions. This acceleration reflects a rebound from transitory shocks, with strengthening investment and robust private consumption.

Growth in sub-Saharan Africa is expected to rise in 2018 and further expand in 2019 based on supportive external environment in terms of strengthening commodity prices and improved capital market access, following efforts to improve fiscal balances across the region. Also, favorable weather conditions leading to recovery in agricultural output, and ongoing infrastructural investment, especially in energy and roads, are all expected to drive growth in the region. However, growth performances varied across countries in the region, with the expected pickup reflecting growth rebound in Nigeria. Growth in the Nigerian economy was

[2] The analysis of the World Economy in the Annual Report of the Central Bank of Liberia is a summarized view taken from: International Monetary Fund. 2018. *World Economic Outlook: Challenges to Steady Growth.* Washington, DC, October.

projected to increase to 1.9 percent in 2018 and 2.3 percent in 2019, from 0.8 percent in 2017, while prospects remained modest in South Africa amid uncertainty in the run-up to the 2019 general elections, with growth projected to fall to 0.8 percent in 2018 from 1.3 percent in 2017 (Table 1).

Table 1: Selected Global Output and Consumer Prices

	Year-over-Year					
		Projections			Difference from July 2017 WEO update	
	2017	2018	2019		2018	2019
World Output	**3.7**	**3.7**	**3.7**		**-0.2**	**-0.2**
Advanced Economies	**2.3**	**2.4**	**2.1**		**0.0**	**-0.1**
United States	2.2	2.9	2.5		0.0	-0.2
Euro Area	2.4	2.0	1.9		-0.2	0.0
Japan	1.7	1.1	0.9		0.1	0.0
United Kingdom	1.7	1.4	1.5		0.0	0.0
Canada	3.0	2.1	2.0		0.0	0.0
Emerging Market and Developing Economies	**4.7**	**4.7**	**4.7**		**0.0**	**-0.4**
Emerging and Developing Asia	**6.5**	**6.5**	**6.3**		**0.0**	**-0.2**
China	6.9	6.6	6.2		0.0	-0.2
India	6.7	7.3	7.4		0.0	-0.1
Latin America & the Caribbean	1.3	1.2	2.2		-0.4	-0.4
Middle East, North Africa, Afghanistan & Pakistan	2.2	2.4	2.7		-1.1	-1.2
Sub-Sahara Africa	**2.7**	**3.1**	**3.8**		**-0.3**	**0.0**
Nigeria	0.8	1.9	2.3		-0.2	0.0
South Africa	1.3	0.8	1.4		-0.7	-0.3
Consumer Prices						
Advanced Economies	1.7	2.0	1.9		-0.2	-0.3
Emerging Market and Developing Economies	4.3	5.0	5.2		0.3	0.7

Source: IMF World Economic Outlook, October 2018 Edition

2.2 Global Inflation

Inflation in both advanced economies and emerging market & developing economies was projected to surge, reflecting higher fuel prices over the recent past. Inflation was projected to peak to 2.0 percent in advanced economies and 5.0 percent in emerging market and developing economies in 2018, from 1.7 percent and 4.3 percent recorded in 2017, respectively. However, in 2019, inflation is projected to drop marginally to 1.9 percent in advanced economies and inch up slightly by 0.2 percentage point to 5.2 percent in emerging market and developing economies.

2.3 Commodity Markets

On average, global commodity prices in 2018 were projected to elevate over 2017 and 2016 prices as indicated by the global commodity price index. In 2018, the changes in commodity prices were influenced by several factors, including commodity-specific supply disruptions, rising U.S. interest rates, an appreciation of the US dollar, growing trade tensions between the USA and China, and financial market pressures in some emerging market and developing economies. The projected rise of global commodity prices in 2018 was mainly on account of increase in energy prices. However, the low demand for metals from China and trade tensions have put downward pressure on metals prices. Also, food prices were projected to take a nosedive; though agricultural market fundamentals, in contrast, remained solid and somewhat offset the introduction of tariffs on some key agricultural products.

2.3.1 Crude Oil[3]

Crude oil price for the year was estimateds to average US$72.0 per barrel in 2018, up from US$52.8 per barrel in 2017 and US$74.0 per barrel in 2019. For most of the year, the price of crude oil remained strong. The projected increase in the price of the commodity partly reflected production declines. In addition, concerns about the United States reintroduction of sanctions on Iran, a major oil exporting country, may have a greater than- expected impact on oil production and exports. However, production increases by other members of the Organization of Petroleum Exporting Countries (OPEC), as well as the Russian Federation, are expected to partly offset this decline.

2.3.2 Iron Ore

The global price of iron ore continued to vary during the year. The global price of the commodity was projected to decline by 3.9 percent to US$69.0 per metric ton in 2018 when compared with the US$71.8 per metric ton recorded in 2017. The moderate decline in the price of the commodity was attributed to stringent environmental policies adopted in the Chinese steel industry and the attendant effects on China's iron ore imports. Iron ore price are expected to further decline by 6.0 percent in 2019 in response to additional supply from key projects in Australia and Brazil, and a rising share of scrap-based production in overall steel production.

2.3.3 Rubber

The price of rubber on the global market was projected to decline by 20.9 percent to an estimated US$1,580.0 per metric ton in 2018, down from US$1,996.7 per metric ton in 2017. The depressed price reflects the rising output, mainly due to favorable weather conditions in

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

Thailand and Vietnam, the world's top suppliers, coupled with weak demand by China, which led to unusually high stocks.

2.3.4 Palm Oil

The price of palm oil on the global market has trended downward throughout 2018 and the average price of the commodity was projected at US$637.5 per metric ton for the year, 15.5 percent lower than the US$750.9 per metric ton recorded in 2017. Weak global demand leading to a stockpile of the commodity in major exporting countries (mainly Southeast Asian countries) has put a downward pressure on the price of the commodity.

2.3.5 Cocoa Beans

Cocoa beans saw an increase in global price in 2018 after a sustained decline in the price of the commodity over the past 3 years. The international price of the commodity was projected to rise by 13.3 percent to an estimated US$2,300.0 per metric ton, from US$2,029.2 per metric ton recorded in 2017. Despite the recent price fall, cocoa price is expected to gain 2.0 percent growth in 2019, following a projected increase of 13.3 percent in 2018, as consumption is expected to outpace production.

2.3.6 Rice

The international price of rice is projected to rise by 5.3 percent to US$420.0 per metric ton in 2018, from US$398.9 per metric ton recorded at end-2017. The anticipated rise in the price of the commodity was attributed to the marginal decline in production due to mixed growing conditions; the delays in Vietnam's harvest due to late planting and reduced yields in Thailand due to heavy rains which were offset by favorable conditions in China, India, and Indonesia. Global consumption of rice is expected to increase marginally, leaving the stocks-to-use ratio unchanged.

Table 2: Selected Global Commodity Prices, 2016-18

Commodity	Unit	2016	2017	2018	% Change from	
		Actual	Revised	Projections	2017	2016
Iron ore	USD/MT	58.4	71.8	69.0	-3.8	18.1
Rubber	USD/MT	1,605.0	1,996.7	1,580.0	-20.9	-1.6
Cocoa Beans	USD/MT	2,890.8	2,029.2	2,300.0	13.3	-20.4
Palm Oil	USD/MT	735.7	750.9	637.5	-15.1	-13.4
Crude oil	USD/BBL	42.8	52.8	72.0	36.4	68.2
Rice	USD/MT	396.2	398.9	420.0	5.3	6.0
Global Commodity Price Index	Index	58.4	71.8	69.0	-3.8	18.1

Source: IMF World Economic Outlook, October 2018 Edition; www.indexmundi.com/commodities/

Chapter 3: Developments in the Liberian Economy

3.1 Overview

The Liberian economy expanded by an estimated 3.0 percent in 2018 to US$932.5 million from US$904.3 million in 2017, following a downward adjustment of 0.2 percentage point in September 2018 (Table 3). The projected growth in real GDP was mainly on account of developments in the mining and panning sector through industrial gold production, and the agriculture and fisheries sector. Productions of iron ore, rubber, diamond, cocoa, crude palm oil and cement increased, while beverages and sawn timber decreased.

Average headline inflation for 2018 was projected at 23.4 percent from a revised 12.4 percent recorded for the year ended 2017. The rise in inflation was largely attributed to the deterioration in the country's trade balance, which mirrored low foreign exchange earnings, that resulted to significant pressure on the Liberia dollar; and government policy on the price of petroleum products.

The stock of Liberian dollar in circulation at end-November 2018, expanded by 18.7 percent, from L$15,919.70 million at end-December 2017. Broad money (M2) and narrow money both grew by 36.9 percent and 39.3 percent, respectively. The stock of credit to the various sectors of the economy at end-November 2018 expanded by 33.0 percent over the amount recorded at end-December 2017. The average interest rates in the economy for the 11-month period ended November 2018 showed mixed trends with increases recorded for the rates on personal loan and certificate of deposits, but decreases for lending, mortgage, time deposits and saving rates.

The overall balance of the Balance of Payments (BoP) of Liberia remained positive in 2018 as it was in 2017, reflecting a drawdown in the country's reserve assets mainly as a result of increasing internal pressure to intervene in the foreign exchange market to stabilize the exchange rate.
Also, the Liberian dollar average exchange rate experienced a depreciation of 25.5 percent at end-December 2018 to L$157.50/US$1.00, from L$125.50/US$1.00 at end-December 2017. Preliminary statistics showed that Government fiscal operations during the year ended-December 2018 recorded a deficit, amounting to 7.0 percent of GDP. (Table 3).

Table 3: Selected Economic Indicators, 2016-18

Indicators	2016 Est.	2017 Est.	2018* Proj.
Real Sector			
Real GDP Growth (%)	-1.6	2.5	3.0
Agriculture & fisheries	6.6	1.7	3.5
Forestry	0.0	-8.0	-6.3
Mining & panning	-33.0	28.8	29.3
Manufacturing	-5.2	1.4	0.1
Services	2.2	1.0	-0.5
Nominal GDP ((US$' millions)	**3,278.0**	**3,285.7**	**3,216.0**
Inflation			
Consumer prices (annual average)	8.8	12.4	23.4
Consumer prices (end of period)	12.5	13.9	28.7
Exchange rate			
Annual average (L$/USD)	100.8	117.2	157.1
End of period (L$/USD)	102.5	117.7	141.3
Money and Credit			
Credit to private sector (percent of GDP)	12.8	14.6	16.4
Credit to private sector (annual percent change)	2.3	14.7	10.0
Broad Money (M2) (percent of GDP)	20.5	19.9	19.9
Broad Money (M2) (annual percent change)	-5.2	-2.5	-2.1
Interest rate (annual average, %)			
Lending Rate	13.6	13.3	12.4
Personal Loan Rate	14.5	12.9	13.3
Mortgage Rate	12.2	13.4	123
Time Deposit Rate	4.7	3.6	3.5
Savings Rate	2.0	2.2	2.1
Rate on CD'S	2.0	3.2	3.3
External Sector			
Exports (US$' millions)	279.4	358.2	490.3
Imports (US$' millions)	1,201.1	997.9	1,009.5
Trade balance (US$' millions)	-921.7	-639.7	-519.2
Current account balance (US$' millions)	-270.1	-555.8	-467.6
Commodity Prices (International)			
Iron Ore (USD/MT)	58.4	71.8	69.0
Rubber (USD/MT)	1,605.0	1,996.7	1,580.0
Gold (USD/Oz.)	1,249.0	1,257.6	1,266.0
Crude Oil (USD/bbl.)	42.8	52.8	72.6
Gross Official Reserves (millions of U.S. dollars)	394.1*	403.2*	406.6
Months of import cover	3.1	3.7	3.8

Source: Liberian Authorities & IMF Staff estimates
**Provisional*

3.2 Real Sector Performance

Liberia's real GDP was projected to grow at 3.0 percent in 2018 to US$932.5 million, from US$904.1 million in 2017. The projected growth in real GDP was mainly on account of expansion in the output of the mining and panning sector by 29.3 percent (from 28.8 percent in 2017) and the agriculture and fisheries output by 3.5 percent (from 1.7 percent in 2017). Output in the forestry sector contracted by a projected 6.3 percent (from negative 8.0 percent in 2017); while manufacturing declined to a projected 0.1 percent (from 1.4 percent in 2017). The services sector receded by a projected negative 0.5 percent (from 1.0 percent in 2017).

In 2018, growth in the economy was led by the primary sector. The primary sector (agriculture, mining and panning, and forestry) grew at a projected 7.0 percent, up from the 4.1 percent recorded in 2017; while the secondary sector (manufacturing) grew at a projected 0.1 percent, from an estimated 1.4 percent in 2017. The tertiary sector (i.e. the services sector) contracted by an estimated 0.5 percent, from 1.0 percent in 2017.

Growth outlook in 2019 is positive as real GDP is projected to increase by 4.5 percent, from the projected 3.0 percent in 2018. The growth expected in 2019 is largely underpinned by projected performances of all sectors of the economy, even though the mining and panning sector is expected to grow at a decreasing rate (Table 4).

Table 4: Sectoral Origin of Growth (GDP at 1992 Constant Prices), 2016-18

	2016	2017+	2018*	2019*
Agriculture & Fisheries	232.2	236.3	244.6	253
Forestry	94.8	87.2	81.7	88.7
Mining & Panning	69.3	89.3	115.6	123.5
Manufacturing	60.2	61	61.1	63.8
Services	425.1	429.4	427.5	443.7
Real GDP	882.1	904.1	930.4	972.7

Source: Liberian Authorities & IMF Staff estimates
All figures are expressed in millions of U.S. dollars. * Projection; + Revised/Actual

Although projected growth for 2019 is favorable, it is not without risks. The potential declines in the country's key export commodities prices (rubber and iron ore), infrastructural challenges and delayed policy implementation are major risks to the outlook.

On a sector-by-sector analysis, preliminary statistics for the real sector showed that productions in 2018 were mixed. Output of key commodities in the agriculture and the forestry sectors recorded growth. Rubber output rose by an estimated 3.0 percent to 47,300 metric tons, up from a revised 45,933 metric tons reported in 2017 on the back of increased smallholder farms' productive capacity despite the dip in global price of the commodity. Cocoa output surged by

48.8 percent to an estimated 5,284 metric tons, up from the 3,560 metric tons reported in 2017 as a result of increase in the average global price of the commodity; while production of crude palm oil (CPO) also peaked to an estimated 18,509 metric tons, from a revised 11,175 metric tons produced in 2017. The increased production of CPO was attributed to growth in trees reaching gestation and maturity, as well as growth in smallholder farm production. Round logs production expanded by a projected 126,836 metric tons to 233,650 metric tons, from a revised 106,814 metric tons, hinged on favorable international prices (Table 5).

Table 5: Key Agriculture & Forestry Sector Output, 2016-18

Commodity	Unit	2016	2017+	2018**
Rubber	Mt.	41,595	45,933	47,300
Cocoa Beans	Mt.	9,424	3,560	5,284
Coffee	Mt.	162	-	-
Round Logs	M^3	147,181	106,814	233,650
Sawn Timber	Pcs.	561,005	506,631	342,151
Crude Palm Oil (CPO)	Mt.	2,610	11,175	18,509

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

Outturn in the manufacturing sector varied during the year. Cement output for the year-ended 2018 increased to a projected 314,331 metric tons, up from the revised 264,103 metric tons produced a year ago. The 19.0 percent rise in output was largely attributed to a memorandum between the Government and local cement producer to reduce the price of locally produced cement. This action has led to increases in the demand and production of the commodity (Table 6).

Table 6: Key Industrial Output, 2016-18

Commodity	Unit	2016	2017+	2018**
Cement	Mt.	240,929	264,103	314,331
Beverages	Liter	23,678,685	23,481,858	21,707,723
Paints	Gal.	208,284	194,652	203,123
Candle	Kg.	177,534	101,840	104,654
Chlorox	Liter	1,218,081	1,183,903	1,199,720
Rubbing Alcohol	Liter	277,951	264,962	230,308
Mattresses	Pcs.	104,935	95,896	114,032
Gold	Ounce	151,224	195,198	228,149
Diamond	Carat	60,367	60,636	75,448
Iron ore	Mt.	1,405,195	1,604,763	4,631,744
Finished Water	Gal.	1,509,222,487	2,077,376,459	2,004,217,964
Electricity	kW		315,620,000	194,443,230

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

Beverage production (both alcoholic and non-alcoholic) plunged by a projected 7.6 percent or 1.8 million liters in 2018, from a revised 23.5 million liters produced a year ago. The fall in output was largely due to an over-hauling of a major production plant. Both water and oil paint production in 2018 was estimated at 203,123 gallons, up from a revised 194,652 gallons produced in 2017. The 4.4 percent increase in paint output was attributed to expansion in construction activities across the country.

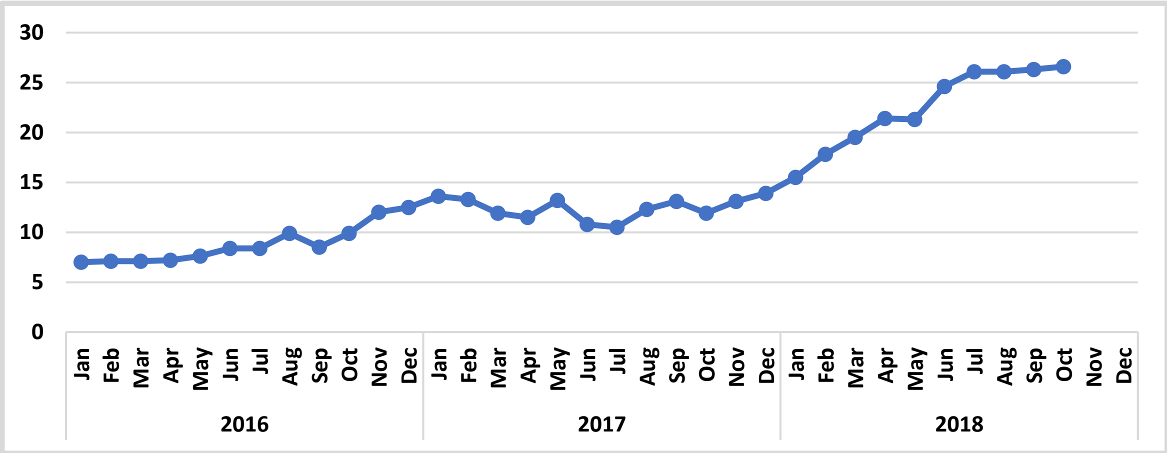
Candle production for the year grew to a projected 104,654 kilograms, up from the revised 101,840 kilograms produced in 2017. The estimated uptick in candle production was attributed to the decline in electricity production in Monrovia and its environs. The volume of chlorox output produced during the year was estimated to increase by 1.3 percent, to 1.20 million liters, up from the revised 1.18 million liters produced in 2017. This marginal increase in output was attributed to gradual increase in the demand of the product from neighboring countries. Total volume of rubbing alcohol produced declined by an estimated 13.1 percent to 230,308 liters, down from the 264,962 liters produced in the previous year. The dip in the production of rubbing alcohol was generally explained by lower supply of raw materials.

The volume of iron ore produced in 2018 was projected at 4.6 million metric tons, up from 1.6 million metric tons produced in 2017, due to increased mining activities in the sector. Gold production also increased during the year to an estimated 228,149 ounces, up from the revised 195,198 ounces produced in 2017. The estimated 16.9 percent rise in output was attributed to increase in the international price of the commodity, coupled with the industrialization of gold mining in the Country. Similarly, diamond output surged by a projected 24.4 percent to 75,448 carats, up from 60,636 carats produced in 2017. The projected growth in the production of diamond was attributed to the improvement in licensing regime. On the contrast, total production of finished water decelerated during the review period by an estimated 73.2 million gallons to 2.0 billion gallons produced in 2018. The 3.5 percent decline in output was explained by the breakdown of some pumps at the White Plains Water treatment plant, the main source of water supply to Monrovia and its environs (Table 6).

3.3 Price Developments

Average headline inflation for 2018 broadly increased to an estimated 23.4 percent, up from 12.4 percent in 2017, while the end of year inflation was projected at 28.7 percent. The estimated 11.0 percentage points increase in average inflation was generally explained by the deterioration in the country's trade balance, low foreign exchange inflows; depreciation of the Liberian dollar; and Government policy on the prices of petroleum products on the local market which included the ¢30 road user fee in addition to the ¢45 and ¢40 sales levy taxes on Premium Motor Spirit (PMS) and Automotive Gas Oil (AGO), respectively, (Chart 2).

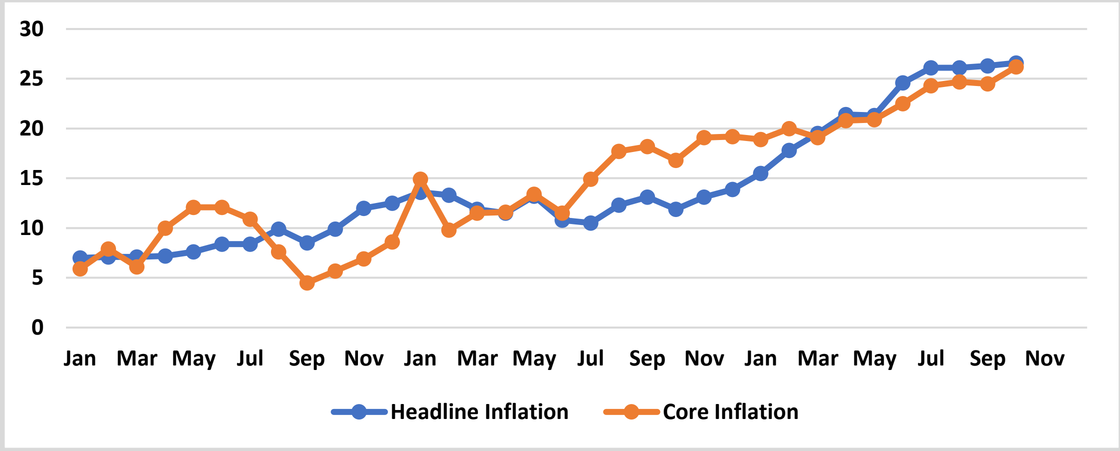
Chart 2: Year-on-Year Rates of Inflation, 2016-18 (December, 2005=100)



All major commodity groups in the CPI basket contributed to the upward trend in inflation rate during 2018 compared with 2017, except for clothing & footwear and recreation & culture while education remained flat. Inflation rates on food and non-alcoholic beverages rose to 24.9 percent (from 4.6 percent), alcoholic beverages, tobacco and narcotics to 24.2 percent (from 16.4 percent); housing, water, electricity, gas, and other fuel to 27.9 percent (from 8.5 percent); furnishings, household equipment and routine maintenance of the house to 36.2 percent (from 30.3 percent); health to 20.5 percent (from negative 6.6 percent); transport to 41.9 percent (from 25.4 percent); communication to 28.9 percent (from 14.3 percent); and restaurants and hotels to 33.0 percent (from 24.8 percent). Clothing and footwear declined to 22.4 percent (from 40.1 percent) and recreation and culture to 20.8 percent (from 27.9 percent). Core inflation, which is measured by the Bank as the overall Consumer Price Index (CPI) less food and transport rose to a projected 26.2 percent, from 19.2 percent for the corresponding period a year ago.

The increase in inflation is expected to be underpinned by the pass-through effect of the Liberian dollar depreciation arising from the weakness in the country's terms of trade. However, the prospect of reversing the current inflationary pressure will largely depend on increased domestic food production, improved access to markets, the behavior of international oil and food prices, and infrastructural developments such as roads and energy supply, and a stable macroeconomic environment and Government's policy on administered prices.

Chart 3: Headline and Core Inflation, 2016-18 (In Percent)

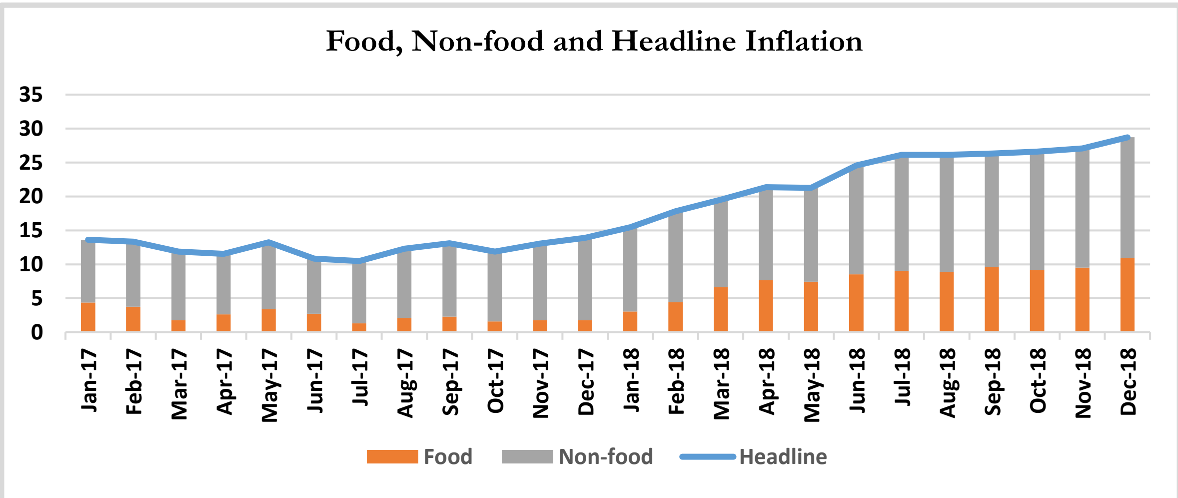


Food and Non-food Inflation

Average food inflation for 2018 was 20.0 percent, up from 6.5 percent a year ago. The 13.5 percentage points increase in average food inflation was mainly attributed to the rise in the price of petroleum products on the global market that fed into transportation cost.

Non-food inflation trended upward from 17.3 percent in 2017 to 24.6 percent in 2018 on account of the depreciation in the Liberian dollar. On average, non-food category contributed more to headline inflation than food inflation in 2018 contributing 15.45 percentage points while food category provided 7.90 percentage points to the 23.4 percent rate of inflation.

Chart 4: Food, Non-food and Headline Inflation, 2017-18

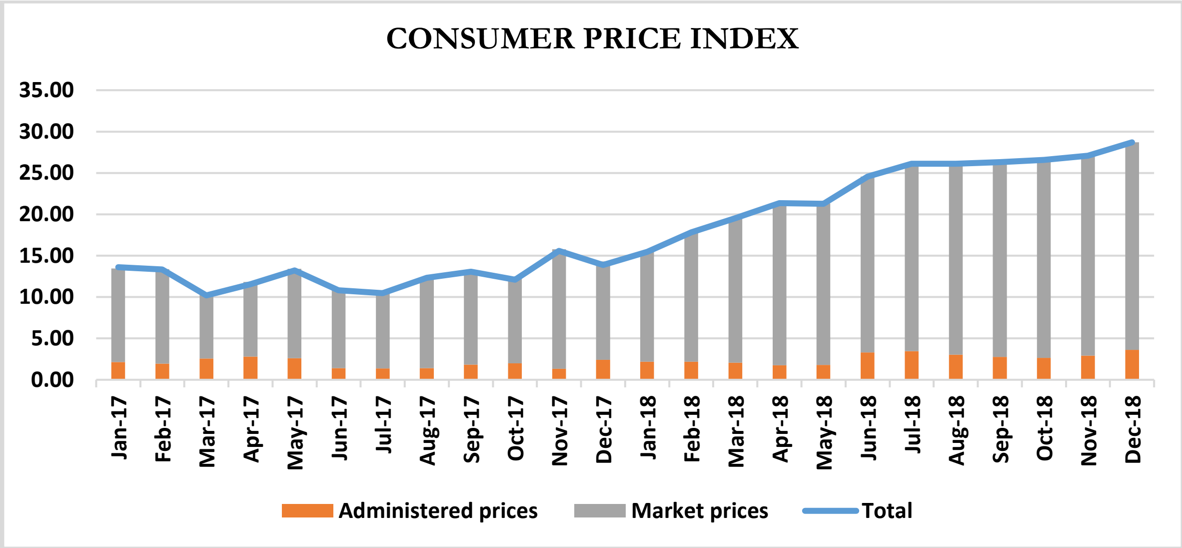


Administered versus Market prices

A careful examination of administered[4] and market prices for 2018 showed that average inflation for 2018 was driven mainly by market prices which almost doubled in 2018, up to

20.38 percent, from 10.7 percent in 2017. The rise in market prices was largely due to the exchange rate depreciation. Similarly, administered prices trended upward in 2018 compared to 2017. This upward movement was triggered mainly by increases in transport fares.
For the year under review, market prices contributed 20.8 percentage points to the 23.4 average percent rate of inflation while administered prices contributed 2.6 percentage points.

Chart 5: Administered versus Market prices, 2017-18



3.4 Monetary Developments

3.4.1 Monetary Policy Stance

The monetary policy thrust of the CBL is anchored on achieving price stability through broad exchange rate stability. During the year, the foreign exchange auction, sales of Government securities (i.e. Treasury bonds) and reserve requirement ratios were the policy instruments used to influence domestic monetary conditions.

Government securities were used for both liquidity management and short-term cash flow smoothening to help scale down rapid accumulation of excess liquidity in the economy while

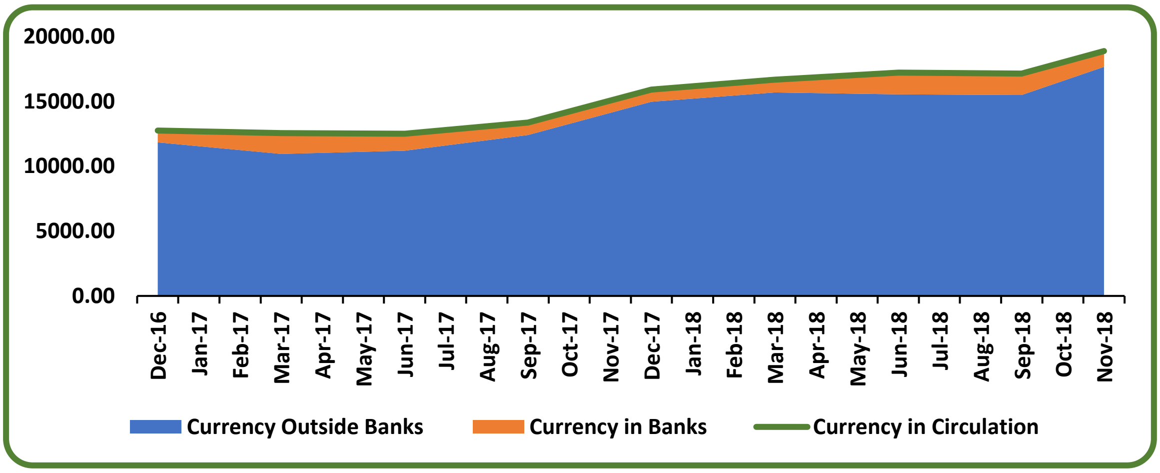
[4] Administered prices refer to the prices that do not vary in response to short-run fluctuations in demand and supply conditions, rather, they are set either directly or indirectly by the government or by some other institution, while market prices are determined by demand and supply.

meeting public expenditure demands. The CBL remained committed and supportive to the National Economic Development Agenda – the PAPD through its financial inclusion drive, with the view that access to finance is critical to promoting a stable, balanced and sustainable economic growth and development. The Bank adopted a contractionary monetary policy during the year which significantly contributed to the slowdown in exchange rate depreciation in the second half of the year.

3.4.2 Monetary Aggregates

The stock of Liberian dollar in circulation at end-November 2018, stood at L$18,889.6 million, reflecting an expansion of 18.7 percent, from L$15,919.70 million at end-December 2017. This expansion was occasioned by 29.8 percent and 18.0 percent rise in both currency in banks and currency outside banks, respectively. Of the total currency in circulation, currency outside banks accounted for 93.6 percent, down from 94.1 percent recorded at end-December 2017.

Chart 6: Liberian Dollar in Circulation (2016 - November 2018)

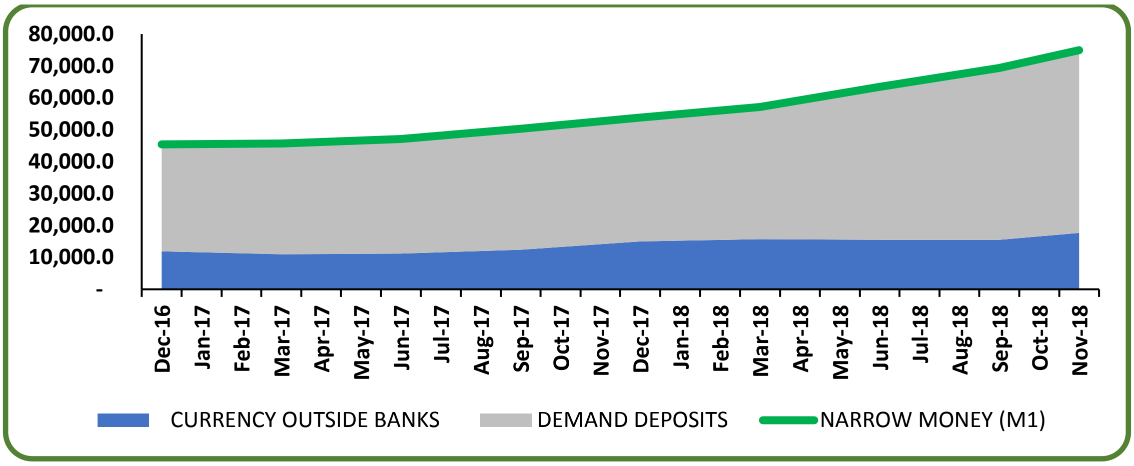


Source: Central Bank of Liberia
Note: All figures are expressed in millions of Liberian dollars.

Narrow money supply (M1)[5] at end-November 2018, stood at L$74,931.2 million, reflecting an increase of 39.3 percent, from L$53,784.2 million recorded at end-December 2017. The increase in the stock of narrow money was occasioned by 18.0 percent and 47.6 percent increases in both currency outside banks and demand deposits, respectively. Quasi money[6] expanded by 32.1 percent to L$34,618.8 million as a result of a 32.0 percent increase in time and savings deposits.

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

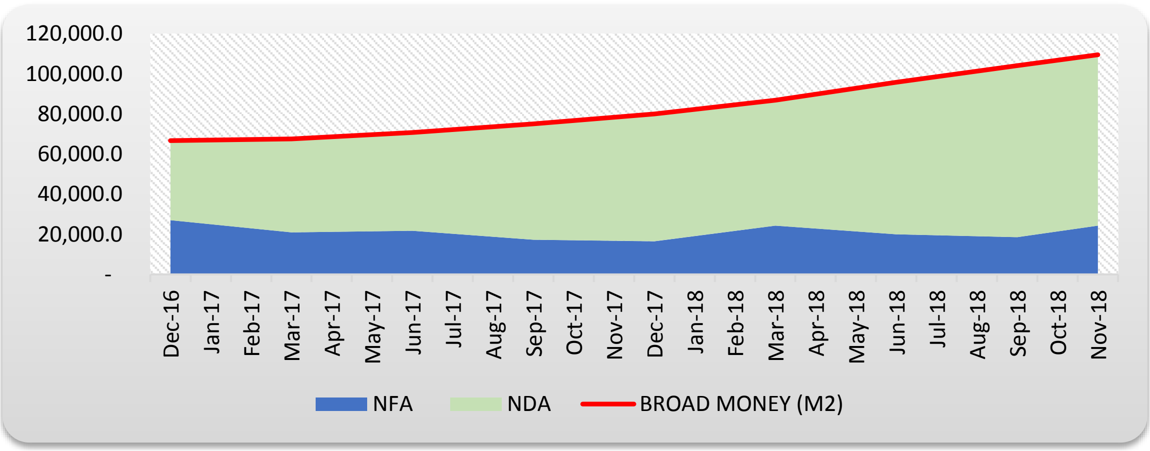
Chart 7: Money Supply (M1) (2016–November 2018)



Source: Central Bank of Liberia
Note: All figures are expressed in millions of Liberian dollars.

Broad money (M2)[7] grew by 36.9 percent to L$109,549.96 million at end-November 2018, from L$79,999.9 million recorded at end-December 2017 primarily on account of 82.3 percent rise in net domestic assets (NDA) which offset the 26.8 percent slowdown in net foreign assets (NFA). The expansion in NDA for the period under consideration was occasioned by 47.8 percent and 28.5 percent increases in net claims on Government and credit to the private sector, respectively.

Chart 8: Broad Money (M2) (2016 - November 2018)



Source: Central Bank of Liberia
Note: All figures are expressed in millions of Liberian dollars.

Reserve money grew by 20.0 percent to L$38,956.7 million, mainly driven by a 23.2 percent growth in commercial banks' reserve deposits at the CBL, and an 18.0 percent increase in currency outside of the banking system (Table 7). The US dollar contribution to broad money at end-November 2018 accounted for 69.1 percent (L$75,701.36 million[8]), up from 65.4

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

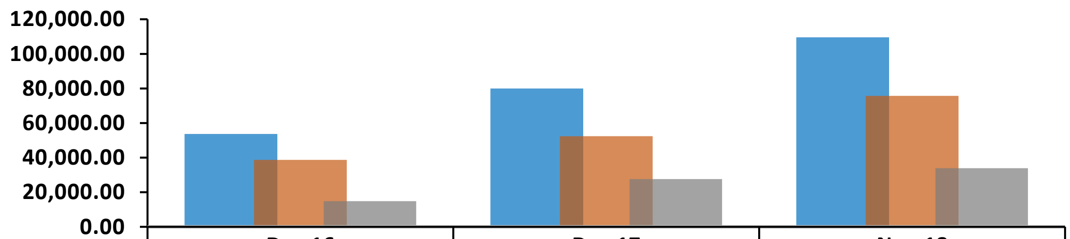
percent (L$52,328.1 million) recorded at end-December 2017. The Liberian dollar contribution constituted 30.9 percent. This reflects the high degree of dollarization of the economy.

Table 7: Money Supply and its Sources (2016 – November 2018)

Monetary Aggregates	Dec-16	Dec-17	Oct-18	Percent Change	
				As at end-Dec 2017	As at end-Nov 2018
1.0 Money Supply M2 (1.1 + 1.2)	**66,711.93**	**79,999.87**	**109,549.96**	**19.9**	**36.9**
1.1 Money Supply M1	**45,418.02**	**53,784.18**	**74,931.18**	**18.4**	**39.3**
1.1.1 Currency outside banks	*11,851.57*	*14,981.75*	**17,671.84**	*26.41*	**17.96**
1.1.2 Demand deposit 1/	*33,566.45*	*38,802.43*	**57,259.34**	*15.6*	**47.57**
1.2 Quasi Money	**21,293.91**	**26,215.68**	**34,618.78**	**23.1**	**32.1**
1.2.1 Time & Savings deposits	20,763.96	26,177.67	**34,553.76**	26.07	**32.00**
1.2.2 Other deposits 2/	*529.95*	*38.01*	**65.02**	*-92.83*	**71.07**
2.0 Net Foreign Assets	**38,612.79**	**33,255.66**	**24,335.00**	**-13.9**	**(26.8)**
2.1 Central Bank of Liberia	30,632.64	28,703.88	**9,763.97**	-6.3	**(65.98)**
2.2 Banking Institutions	7,980.14	4,551.78	**14,571.03**	-42.96	**220.12**
3.0 Net Domestic Assets (1- 2)	**28,099.14**	**46,744.21**	**85,214.97**	**66.4**	**82.3**
3.1 Domestic Credit	65,611.28	93,874.74	**126,319.29**	43.08	**34.56**
3.1.1 Government (net)	17,161.84	29,501.90	**43,613.52**	71.9	**47.83**
3.1.2 Pvt. Sector & Other Pvt. Sector	48,449.44	64,372.84	**82,705.77**	32.87	**28.48**
3.2 Other assets Net (3 - 3.1)	37,512.14	47,130.53	**41,104.32**	25.64	**(12.79)**
Memorandum Items					
1. Overall Liquidity	66,711.93	79,999.87	**109,549.96**	19.92	**36.94**
2. Reserve Money	26,614.62	32,469.68	**38,956.72**	22	**19.98**
Currency outside banks	*11,851.57*	*14,981.75*	**17,671.84**	*26.41*	**17.96**
Banks Reserves	*13,576.00*	*16,476.10*	**20,303.11**	*21.36*	**23.23**
Other Deposits at CBL	*1,187.05*	*1,011.83*	**981.77**	*-14.76*	**(2.97)**

Source: Central Bank of Liberia
Note: All figures are expressed in millions of Liberian dollars.
1/ Excludes Manager's checks from commercial banks; 2/Includes official and managers Checks issued by the Central Bank

Chart 9: Broad Money (M2) Composition by Currency (2016 - November 2018)



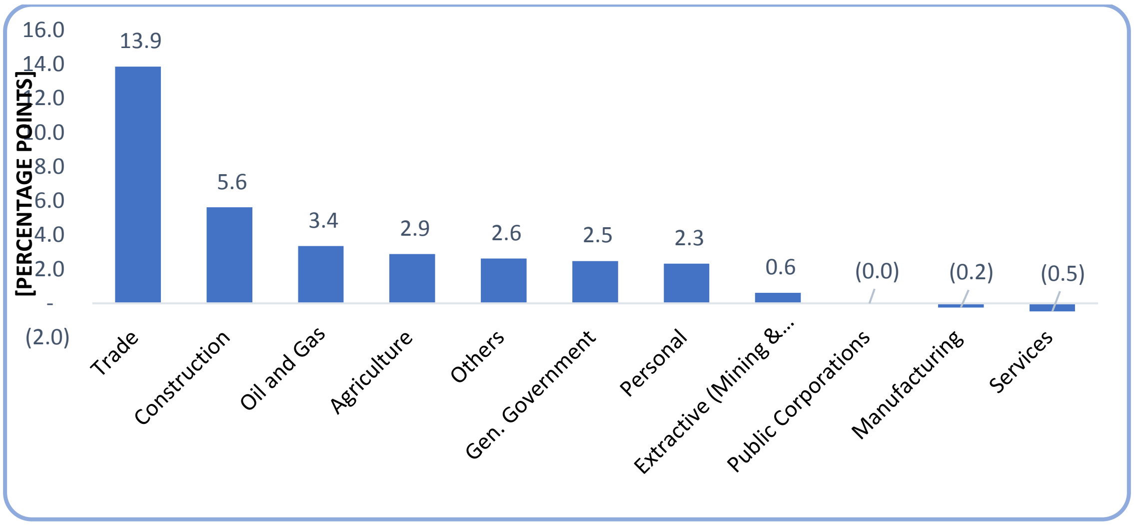
	Dec-16	Dec-17	Nov-18
Broad Money	53,696.90	79,999.87	109,549.96
US$ Share	38,783.14	52,328.06	75,701.36
L$ Share	14,913.76	27,671.81	33,848.60

Source: Central Bank of Liberia
Note: All figures are expressed in millions of Liberian dollars.

3.4.3 Commercial Banks' Credits to the Economy

Total stock of credits to the various sectors of the economy at end-November 2018 stood at L$72,745.6 million, reflecting a 33.0 percent expansion compared with end-December 2017. The key sectors that contributed to credit growth were trade (13.9 percentage points), construction (5.6 percentage points), oil & gas (3.4 percentage points), agriculture (2.9 percentage points), etc. (Chart 10).

Chart 10: Sectoral Contribution to Credit Growth (As at end-November 2018)



Source: Central Bank of Liberia

The growth in sectoral credits was mainly triggered by the gradual pick-up in economic activities, primarily in the private sector, on the back of gradual improvement in the energy sector coupled with stable political environment following the last general and presidential elections. Credit to the private sector as a percent of GDP increased to 16.4 percent, from 14.6 percent recorded in 2017. This reflects the gradual improvement in the contribution of the financial sector to the economy. The private sector's share of total credits at end-November 2018 accounted for 96.9 percent (Table 8).

Table 8: Commercial Bank Loans by Economic Sectors (2016 - November 2018)

	Dec-16		Dec-17		Nov-18	
	L$	Share (%)	L$	Share (%)	L$	Share (%)
Agriculture	1,793.90	4.4	2,699.80	4.9	4,274.0	5.9
Extractive (Mining & Quarrying)	47.9	0.1	121.4	0.2	458.8	0.6
Manufacturing	2,193.90	5.4	1,684.10	3.1	1,554.1	2.1
Construction	4,330.60	10.6	4,465.00	8.2	7,536.1	10.4
Services	3,153.70	7.7	7,957.90	14.6	7,696.8	10.6
Trade	10,737.00	26.4	16,575.30	30.3	24,154.8	33.2
Personal	5,040.40	12.4	13,556.60	24.8	14,825.7	20.4
Gen. Government	-	-	-	-	1,357.5	1.9
Central Bank	-	-	-	-	0.4	0.0
Public Corporations	40.6	0.1	895.5	1.6	892.6	1.2
Oil and Gas	1,466.10	3.6	2,801.70	5.1	4,638.5	6.4
Others	11,924.30	29.3	3,921.20	7.2	5,356.4	7.4
TOTAL Loan (All Sectors)	**40,728.30**	**100**	**54,678.40**	**100**	72,745.6	100.0
Total Loans (Private Sector)	40,687.70	99.9	53,782.90	98.4	70,495.1	96.9

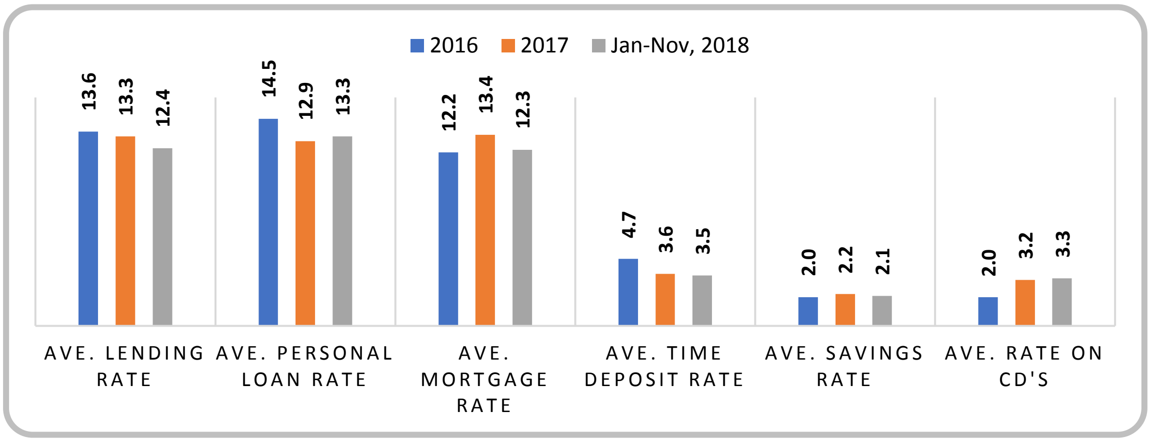
Source: Central Bank of Liberia

Note: All figures are expressed in millions of Liberian dollars; unless otherwise indicated.

3.4.4 Interest Rates

The average interest rates in the economy for the 11-month period ended November 2018 showed mixed trends with increases recorded for interest rate on both personal loan and certificate of deposits but decreases for lending rate, mortgage rate, time deposits rate and saving deposits rate. The average rates on lending, mortgage, time deposits and saving deposits, contracted by 83.3, 105.6, 11.1 and 12.5 basis points to 12.4 percent, 12.3 percent, 3.5 percent and 2.1 percent, respectively, from 13.3 percent, 13.4 percent, 3.6 percent and 2.2 percent, reported at end-December 2017. On the other hand, the average rates on personal loan and certificate of deposits, expanded by 33.3 basis points, and 11.1 basis points to 13.3 percent and 3.3 percent, respectively, from 12.9 percent and 3.2 percent. The gradual increase in savings rate coupled with the reduction in lending rates points to the efforts by some banks to mobilize domestic savings and encourage private sector investment (Chart 11).

Chart 11: Average Commercial Banks' Interest Rates



Source: Central Bank of Liberia
Note: All rates are expressed in percent.

3.4.5 Financial Markets Developments

At end December 2018, the CBL on behalf of the Government issued a total of L$714.1 million and US$3.0 million Treasury-bills (T-bills). The amount of Liberian dollar T-bills issued reflects an increase of 7.2 percent, from L$666.3 million issued in 2017.The US$ T-bill issued during the year under review was the first US$ T-bills. Of the total T-bills issued, a total of L$78.2 million and US$3.0 million were pending redemption as at end-December 2018.

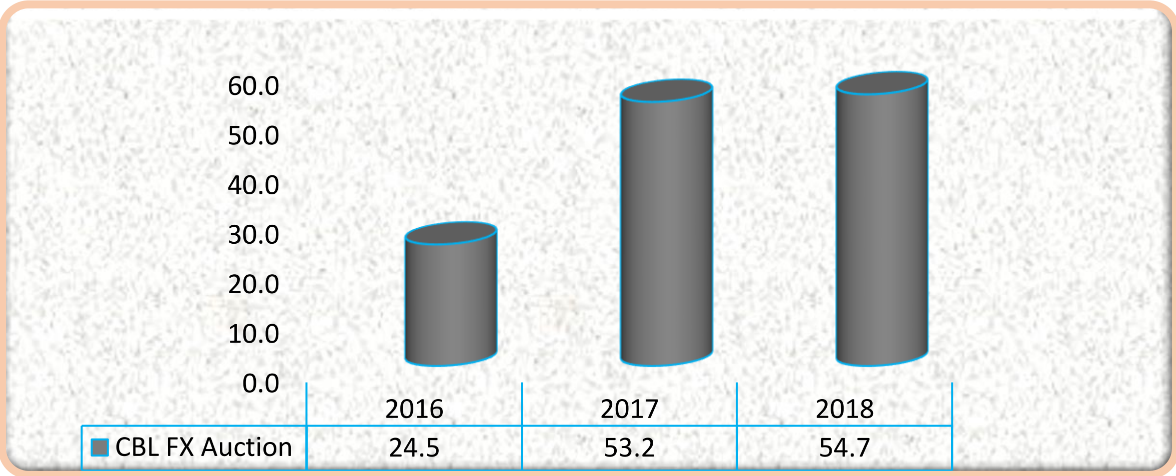
For the bond market, the total T-bond issued in 2018 was L$6.0 billion, from L$1.1 billion in 2017. The issuances of the Government debt securities have been solely to institutional investors. The Bank is currently working on modalities to reach out to retail investors which is expected to strengthen the financial markets in the Country.

To support the transfer of securities in the secondary markets, the CBL has established a unit in the Financial Markets Department responsible to manage the Central Securities Depository which will facilitate the smooth transfer of securities between various market participants.

3.4.6 CBL's Foreign Exchange Auction

The total amount of US dollar auctioned during the review period slightly inched up by 2.9 percent to US$54.7 million, which includes US$17.0 million of the US$25.0 million made available by the Government, compared to US$53.2 million recorded in 2017. The CBL's intervention in the foreign exchange market through the auction continues to be constrained by limited foreign reserves. This constraint prompted the adoption of the Remittance Split Policy in 2016. From December 1, 2016 to November 30, 2018, the CBL has purchased US$138.6 million from this scheme, of which US$107.9 million was used for its intervention in the foreign exchange market over period January 1, 2017 to December 31, 2018.

Chart 12: Foreign Exchange Auction (2016 - 2018)



Source: Central Bank of Liberia
Note: All figures are expressed in millions of U.S. dollars.

3.5 External Sector Developments

3.5.1 Net Lending/Net Borrowing

From preliminary statistics, the current and capital accounts balance at end-December 2018 resulted to a net borrowing position of US$460.9 million, improving by 6.0 percent from a net borrowing position of US$490.4 million recorded at end-December 2017. This was a result of increased export earnings during the year. When compared with the US$207.2 million recorded at end-December 2016, net borrowing on current and capital accounts balance deteriorated by about 122.4 percent at end-December 2018, mainly on account of the increase in import payments for foreign goods and services.

3.5.2 Current Account

The current account balance at end-December 2018 resulted into a deficit of US$467.6 million, reducing by 15.9 percent from a deficit of US$555.8 million recorded at end-December 2017. This was mainly a result of fall in payments for foreign goods and services and a decline in primary income deficit. However, compared with the US$270.1 million deficit recorded at end-December 2016, the current account deficit at end-December 2018 widened by 73.1 percent, on account of an increase in payments for foreign services and a decline in secondary income balance.

Table 9: Developments in Balance of Payments (US$ million), 2016-18

Description	2016	2017r	2018p
Current account	**-270.1**	**-555.8**	**-467.6**
Credit	1,693.5	1,273.2	1,217.4
Debit	1,963.6	1,829.0	1,685.0
Goods and services	-1,051.5	-801.1	**-702.1**
Credit	372.7	431.1	500.4
Debit	1,424.2	1,232.2	1,202.5
Goods	**-921.7**	**-639.7**	**-519.2**
Credit (Exports)	**279.4**	**358.2**	**490.3**
Iron ore	48.2	48.7	106.7
Rubber	55.9	77.0	79.8
Mineral (Diamond & Gold)	145.2	199.7	257.3
Other exports (excluding gold)	30.1	32.8	46.5
Debit (Imports)	**1,201.1**	**997.9**	**1,009.5**
Food and Live Animals	268.0	253.6	**244.7**
O/w Rice	95.2	121.4	91.5
Minerals, Fuel, Lubricants[1]	337.5	216.7	156.1
O/w Petroleum Products	297.8	192.4	112.5
Machinery & Transport Equipment	271.1	222.0	260.7
Other Imports	324.5	305.6	348.0
General merchandise on a balance of payments basis	**-1,038.3**	**-805.5**	**-743.4**
Credit	162.9	192.4	266.1
Debit	1,201.2	997.9	1,009.5
Of which Re-exports (credit)	0.0	0.0	**32.1**
Services	**-129.8**	**-161.4**	-182.9
Credit	93.3	72.9	10.1
Debit	223.1	234.3	**193.0**
Primary Income	**-169.1**	**-235.1**	**-125.9**
Credit	30.5	20.2	22.9
Debit	199.6	255.3	148.8
Secondary Income	**950.5**	**480.4**	**360.4**
Credit	1,290.3	821.9	694.1
Debit	339.8	341.5	**333.7**
Capital Account	**62.9**	**65.4**	**6.7**
Credit	62.9	65.4	6.7
Debit	0.0	0.0	0.0
Net Lending (+)/Net Borrowing (-): bal. from Current & Capital Accounts	**-207.2**	**-490.4**	**-460.9**
Financial Account			
Net Lending (+)/Net Borrowing (-): balance from Financial Accounts	**-610.9**	**-665.5**	**-192.0**
Direct investment	**-311.7**	**-247.8**	**-126.6**
Net acquisition of financial assets	0.0	0.0	0.0
Net incurrence of liabilities	311.7	247.8	126.6
Other investment	**-317.9**	**-353.8**	**82.1**
Net acquisition of financial assets	-150.2	-212.2	211.5
Net incurrence of liabilities	167.7	141.7	129.4
Reserve assets	**18.7**	**-63.8**	**-147.5**
Special drawing rights	-45.1	0.3	0.7
Reserve position in the IMF	45.1	0.0	0.0
Other reserve assets	18.7	-64.1	-148.2

NET ERRORS & OMISSIONS	**-403.7**	**-175.1**	**268.9**
OVERALL BALANCE	-18.7	63.8	147.5
Memo Items:			
Gross Foreign Reserves Position 1/	**394.1**	**403.2**	**406.6**
Import Payments (cif)	1,301.8	1,088.8	1,100.0
Imports (cif) & Service Payments	1,524.9	1,323.1	1,293.0
Current Account Bal. Excl. Grants	-978.7	-937.0	-708.9
Nominal GDP	**2,101.0**	**3,285.0**	**3,216.0**
Current Account Bal. Incl. Grants % of GDP	-12.9	-16.9	-14.5
Current Account Bal. Excl. Grants % of GDP	-46.6	-28.5	-22.0
Trade (in goods) Deficit % of GDP	-43.9	-19.5	-16.1
Months of Imports Cover	**3.1**	**3.7**	**3.8**

Source: Central Bank of Liberia

Note: All figures are expressed in millions of U.S. dollars, unless otherwise indicated; 'r – revised, 'p – preliminary. 1/ Reserve at end-November 2018

Merchandise Trade Balance

Based on preliminary statistics, Liberia's merchandise trade balance continued to be in deficit. At end-December 2018 however, the deficit in the merchandise trade balance improved by 18.8 percent to US$519.2 million, from US$639.7 million at end-December 2017. Compared to end-December 2016, the trade balance in 2018 improved by about 43.7 percent. The decline in the trade deficit was mainly due to increased export earnings.

Merchandise Exports

Provisional statistics on merchandise export earnings in 2018 showed an increase of 36.8 percent to an estimated US$490.3 million, from US$358.2 million recorded in 2017. This increase was largely on account of a rise in mineral and iron ore receipts. Receipts from mineral exports in 2018 increased by 28.8 percent to US$257.3 million, from US$199.7 million recorded in the previous year, and constituted 52.5 percent of total export earnings. Earnings from gold exports accounted for 87.1 percent of total mineral exports. Iron ore export receipts experienced a jump of US$58.0 million to US$106.7 million, from US$48.7 million reported in 2017, and constituted a share of 21.8 percent of total exports.

Table 10: Composition of Exports (US$ millions), 2016-18

Commodity	Unit	2016			2017r			2018p		
		Volume	Value	Share (%)	Volume	Value	Share (%)	Volume	Value	Share (%)
Iron Ore	(000/Mt)	1,405.2	48.2	17.3	1,604.8	48.7	13.6	3,419.5	106.7	21.8
Rubber	(000/Mt)	43.9	55.9	20.0	39.7	77.0	21.5	51.2	79.8	16.3
Cocoa Beans	(000/Mt)	22.4	12.4	4.4	6.8	2.8	0.8	2.2	1.4	0.3
Coffee Beans	(000/Mt)	20.2	0.1	0.0	0.8	0.3	0.1	2.6	0.0	0.0
Mineral			145.2	52.0		199.7	55.8		257.3	52.5
Diamond	(000/Crt.)	60.9	28.7	19.8	60.6	33.9	17.0	84.0	33.1	12.9
Gold	(000/Oz)	129.6	116.4	80.2	168.8	165.8	83.0	224.0	224.2	87.1
Other Exports			6.4	2.3		16.1	4.5		30.0	6.1
Goods Procured			11.2	4.0		13.6	3.8		15.1	3.1
TOTAL			**279.4**	**100.0**		**358.2**	**100.0**		**490.3**	**100**

Source: Customs/Liberia Revenue Authority, Ministry of Lands, Mines & Energy, Firestone
Note: All figures are expressed in millions of U.S. dollars, unless otherwise indicated; 'r – revised, 'p – preliminary

Preliminary statistics on destination of exports at end-2018 revealed that Europe (mainly Switzerland which buys gold) was the leading trading partner of Liberia, followed by North America & the Caribbean (mainly the United States of America) and Asia (especially Middle Eastern Countries). Europe received about 68.4 percent of Liberia's total exports, while North America & the Caribbean and Asia received 13.6 percent and 9.1 percent, respectively.

Table 11: Destination of Exports (US$ millions), 2016-18

Regions	2016		2017r		2018p	
	Value	% share	Value	% share	Value	% share
Africa	47.1	16.8	15.3	4.3	21.2	4.3
o/w ECOWAS	46.8	99.6	10.3	67.7	14.9	70.4
o/w Neighboring Countries	26.0	55.5	10.0	97.2	10.8	72.3
Asia	134.8	48.3	188.0	52.5	44.8	9.1
o/w China	10.6	7.8	0.3	0.2	1.2	2.7
o/w Middle Eastern Countries	10.9	8.0	28.6	15.2	30.6	68.3
o/w United Arab Emirate	1.8	16.3	4.0	14.1	3.3	12.2
Europe	44.8	16.0	60.1	16.8	335.4	68.4
o/w Eurozone	1.6	3.5	0.8	1.4	0.5	0.2
o/w The United Kingdom	0.9	2.0	0.8	1.4	0.5	88.1
o/w Switzerland	0.1	0.3	7.2	12.0	217.4	64.8
North America & The Caribbean	33.8	12.1	56.1	15.7	66.5	13.6
o/w USA	33.8	100.0	56.1	100.0	64.7	97.2
South & Central America	0.1	0.0	3.0	0.8	0.6	0.1
o/w Argentina	-	-	-	-	-	-
Oceania	0.0	0.0	0.0	0.0	0.0	0.0
o/w Australia	0.0	100.0	0.0	100.0	0.0	100.0
Other Countries (n.i.e)	18.6	6.7	35.7	10.0	21.8	4.4
TOTAL EXPORTS FROM SOURCES	**279.3**	**100.0**	**358.3**	**100.0**	**490.3**	**100.0**

Source: Customs/Liberia Revenue Authority, Ministry of Lands, Mines & Energy, Firestone

Note: All figures are expressed in millions of U.S. dollars, unless otherwise indicated; 'r – revised, 'p – preliminary

Merchandise Imports

Liberia's merchandise import payments increased during 2018. Total payments for major commodities at end-December 2018 increased by 1.2 percent to US$1,009.5 million, from a revised US$997.9 million recorded at end-December 2017. The rise in import payments at end-December 2018 was mainly on account of increases in payments for commodities, including beverages and tobacco, crude materials and inedible, and machinery & transport equipment. Compared to end-December 2016, import payments at end-December 2018 declined by 16.0 percent.

Table 12: Composition of Imports (SITC), 2016-18

Commodity	2016		2017r		2018p	
	Value	% share	Value	% share	Value	% share
Food and Live Animals	268.03	22.31	253.58	25.41	244.6	24.2
O/w Rice	95.19	35.51	121.40	47.87	91.6	37.4
Beverages and Tobacco	22.36	1.86	15.34	1.54	18.9	1.9
Crude Materials & Inedible except Fuel	16.13	1.34	16.90	1.69	21.1	2.1
Minerals, Fuel, Lubricants1	337.52	28.10	216.71	21.72	156.1	15.5
O/w Petroleum Products	297.78	88.22	192.41	88.79	112.5	72.1
Animals and Vegetable Oil	23.16	1.93	26.10	2.62	21.0	2.1
Chemicals & Related Products	95.04	7.91	94.84	9.50	98.7	9.8
Mfg. Goods classified chiefly by Materials	136.50	11.36	117.73	11.80	155.5	15.4
Machinery & Transport Equipment	271.13	22.57	222.00	22.25	260.7	25.8
Misc. Mfg. Articles	31.28	2.60	34.69	3.48	32.8	3.2
Comm. & Transaction related	0	0	0	0	-	-
Total Imports (F.O.B)	**1,201.1**	**100.0**	**997.9**	**100.0**	**1,009.5**	**100.0**

Source: Customs/Liberia Revenue Authority, Central Bank of Liberia, Monrovia, Liberia
Note: All figures are expressed in millions of U.S. dollars, unless otherwise indicated; 'r – revised, 'p – preliminary

Sources of Imports

Statistics on sources of imports showed mixed trends during 2018, with some regions benefiting from increased import payments and others experiencing declines in payments. Increase in payments to Asia and Europe counterbalanced the decline in payments to Africa, North America and the Caribbean, occasioning the rise in total import payments during the year. Like 2017, Asia (especially China), Europe (mainly the United Kingdom) and Africa (mainly the ECOWAS countries) remained the top three (3) regions that benefitted from Liberia's import payments during 2018, receiving 55.0 percent, 18.0 percent and 17.0 percent of payments, respectively.

Table 13: Sources of Imports, 2016-18

Regions	2016		2017r		2018p	
	Value	% Share	Value	% Share	Value	% Share
Africa	**361.8**	**30**	**232.7**	**23**	**171.9**	**17.0**
o/w ECOWAS	330.5	90	210.6	91	144.7	84.2
o/w Neighboring Countries	311.9	90	203.2	97	127.3	74.0
Asia	**500.8**	**40**	**502.4**	**50**	**553.0**	**54.8**
o/w China	178.9	40	183.4	37	209.7	37.9
o/w **Middle Eastern Countries**	**74.9**	**10**	**55.1**	**11**	31.4	5.7
o/w United Arab Emirate	45.4	60	30.4	55	11.0	35.0
Europe	**208.7**	**20**	**151.7**	**15**	**186.5**	**18.5**
o/w Europe Zone	66.8	30	31.7	21	21.7	11.6
o/w The United Kingdom	35.0	50	15.3	48	186.5	100.0
North America & The Caribbean	**93.1**	**10**	**81.6**	**8**	**71.9**	**7.1**
o/w USA	87.9	90	78.4	96	65.3	90.8
South & Central America	**30.5**	**0.0**	**24.7**	**3**	**23.7**	**2.3**
o/w Argentina	1.8	10	1.3	5	1.0	4.3
Oceania	**6.2**	**0.0**	**4.8**	**1**	**2.5**	**0.2**
o/w Australia	3.5	60	3.2	68	**2.5**	**100.0**
TOTAL IMPORT FROM SOURCES:	**1,201.1**	**100**	**997.9**	**100**	**1,009.5**	**100**

Source: Customs/Liberia Revenue Authority, Central Bank of Liberia, Monrovia, Liberia

Note: All figures are expressed in millions of U.S. dollars, unless otherwise indicated; 'r – revised, 'p – preliminary

Services Payments (net)

Net payment for services in 2018 increased by 13.3 percent to US$182.9 million, up from US$161.4 million in 2017. The rise in net service payments was mainly explained by residents' business travels abroad and to neighboring ECOWAS countries. Other drivers were increased payments for freight and insurance on importation of merchandise goods. Compared with 2016, net payments for services increased by 40.9 percent, from US$129.8 million.

Primary Income (net)

Primary income (net) payment reduced by 46.4 percent to US$125.9 million in 2018, from a net payment of US$235.2 million in 2017. The fall in net primary income payment was mainly explained by decline in the balance of reinvestment earnings. Of the US$148.8 million paid in 2018, 75.4 percent was on account of payments towards investment income. Compared to 2016, net primary income payment reduced by 25.6 percent, from US$169.1 million.

Secondary Income (net)

The balance on secondary income declined by 25.0 percent to US$360.4 million in 2018, from US$480.4 million in 2017 and declined by 62.1 percent from US$950.5 million in 2016. The fall in secondary income was mainly due to decline in official aid inflows.

3.5.3 Capital Account

The capital account balance, which captures development aid receipts recorded a significant decline of 89.8 percent at end-December 2018 to US$6.7 million, from US$65.4 million at end-December 2017. Also, the capital account balance declined by 89.3 percent compared with the figure recorded at end-December 2016. These developments in the capital account emerged from delays in receipts of development aid flows.

3.5.4 Financial Accounts

The financial account resulted into a net borrowing of US$192.0 million at end-December 2018, 71.2 percent and 68.6 percent lower than the net borrowing amounts recorded at end-December 2017 and end-December 2016, respectively. This was mainly a result of a reduction in the net incurrence of liabilities occasioned by decline in direct investment.

3.5.4.1 Direct Investment

The fall in net borrowing of the financial account is explained by declines in direct investments by foreign direct investment enterprises (FDIEs). Direct investment declined by US$121.2 million to US$126.6 million in 2018 from US$247.8 million in 2017, and by US$185.1 million when compared with US$311.7 million in 2016.

3.5.4.2 Other Investments

Other investments recorded net acquisition of financial assets of US$82.1 million in 2018, from net incurrence of liabilities of US$353.9 million in 2017, and net incurrence of liabilities of US$317.9 million in 2016.

3.5.4.3 Reserve Assets

Reserve assets for 2018 declined by US$83.8 million to negative US$147.5 million, from negative US$63.8 million. The drawdown in reserve assets was due to declines experienced in the other reserve assets.

Overall Balance

The overall balance of Liberia's balance of payments remained positive in 2018 as it was in 2017, reflecting a drawdown in the country's reserve assets mainly as a result of increasing internal pressure to intervene in the foreign exchange market to help stabilize the exchange rate.

3.5.5 Personal Remittances

Net personal inward remittances[9] in 2018 declined slightly by US$0.4 million (0.4 percent) to US$101.9 million for the 11-month period ended November 2018, from US$102.3 million recorded in 2017, explained by 28.4 percent contraction in inward remittances compared to the 34.6 percent decline in personal outward remittances. Outward remittances recorded a total of US$306.7 million, while inward remittances amounted to US$408.6 million.

Compared with the amount recorded in 2016, net personal inward remittances performed dismally, as evidenced by a fall of US$143.2 million (58.4 percent) to US$101.9 million, from US$245.1 million recorded for 2016. This development also explained the fall in the FX inflows into the economy during 2018.

Table 14: Personal Remittances, 2016-18

Personal Remittances	2016	2017	Jan-Oct, 2018	Y-on-Y % Change	
				As at end-Dec 2017	As at end-Oct 2018
Inward	549.7	571.0	408.6	3.9	-28.4
Outward	304.6	468.7	306.7	53.9	-34.6
Net Inward	**245.1**	**102.3**	**101.9**	**-58.3**	**-0.4**

Source: Central Bank of Liberia
Note: All figures are expressed in millions of U.S. dollars.

3.5.6 International Reserves

Liberia's gross international reserves position (including SDRs and Reserve Tranche) at end-November 2018 increased by 1.7 percent to US$410.2 million, from a revised US$403.2 million recorded at end-December 2018. The marginal increase was a result of declines in net liabilities to commercial banks and net liquid liabilities to government which outweighed the fall in CBL's liquid foreign assets.

[9] Personal remittances comprise **personal transfers** and **compensation of employees**. **Personal transfers** consist of all current transfers in cash or in kind made or received by resident households to or from nonresident households. **Personal transfers** thus include all current transfers between resident and nonresident individuals. **Compensation of employees** refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities. The Channels through which the personal remittances are sent in Liberia: Western Union, MoneyGram, RIA, Wire transfers;

**Table 15: Stock of International Reserves,
(2016- November 18)**

Foreign Reserve	End-Dec-2016	End-Dec-2017	End-Nov-2018
Gross Foreign Reserve	394.1*	403.2*	406.6
Net Foreign Reserve+	166.9*	155.1	162.1
Months of Import Cover	3.1	3.7	3.8

Source: Central Bank of Liberia
Note: All figures are expressed in millions of U.S. dollars.
** Revised*
+Excludes Net SDR

The country's net foreign reserves (including Net SDRs) increased by 4.5 percent to US$162.1 million at end-November 2018 from a revised US$155.1 million recorded at end-December 2017. The increase was mainly driven by the declines in net liabilities to commercial banks and net liquid liabilities to government.

Gross international reserves in imports cover rose to 3.8 months at end-November 2018, from 3.7 months at end-December 2017, due to decline in payments for foreign goods and services and a build-up in gross reserves. Compared with the value recorded at end-December 2016, the months of imports cover at end-November 2018 was 0.7 month higher.

3.6 Exchange Rate Developments

The local currency was relatively weak against the US dollar in 2018, driven largely by the limited supply of foreign exchange in the economy. The Liberian dollar experienced a depreciation of 25.5 percent at end-December 2018 to L$157.50/US$1.00, from L$125.50/US$1.00 at end-December 2017. Similarly, the average exchange rate over the review period recorded a depreciation of 27.8 percent to L$144.10/US$1.00, compared with L$112.61/US$1.00 in 2017 (Tables 16).

Table 16: Buying and Selling Rates of Liberian Dollar per US Dollar, 2016-18

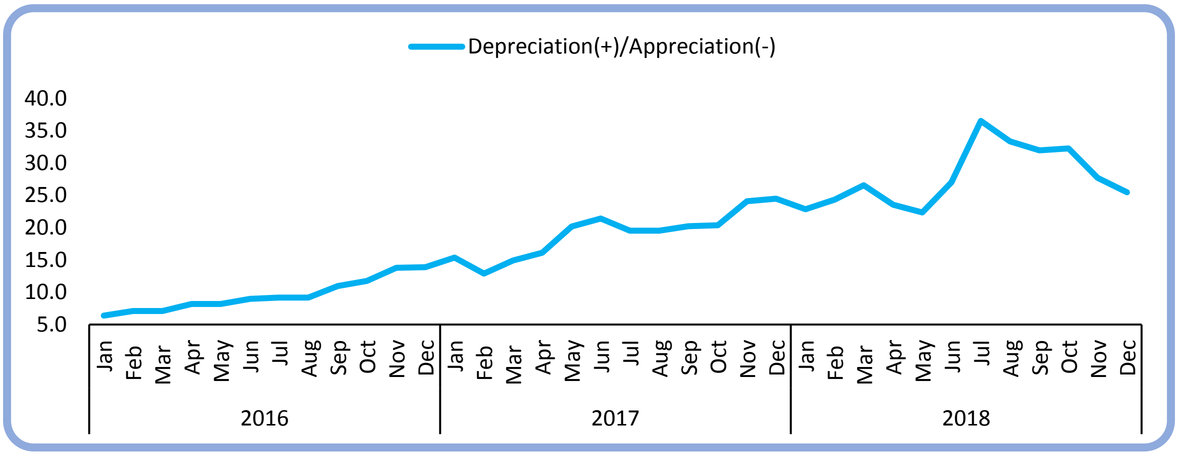
Period Average	2016		2017		2018	
	Buying	**Selling**	**Buying**	**Selling**	**Buying**	**Selling**
January	89.00	90.00	102.77	103.77	126.46	127.24
February	90.00	91.00	101.67	102.67	126.85	127.26
March	90.00	91.00	103.52	104.52	131.48	131.79
April	90.92	91.92	105.64	106.64	130.94	131.37
May	90.92	91.92	109.62	110.08	134.15	134.63
June	92.42	93.42	112.48	113.19	142.90	143.79
July	94.15	95.15	112.78	113.50	153.88	155.08
August	95.81	96.81	114.74	115.50	152.97	154.12
September	97.00	98.00	116.82	117.65	154.52	154.94
October	97.92	98.92	118.06	118.90	156.31	157.08
November	99.08	100.08	123.21	123.94	157.30	158.28
December	100.30	101.30	125.18	125.83	156.55	158.36
Memo Items:		**Dec-16**		**Dec-17**		**Dec-18**
End-of Period		**102.50**		**125.45**		**157.56**
Period Average		**100.80**		**125.50**		**157.50**

Source: Central Bank of Liberia

The depreciation of the Liberian dollar was occasioned by the high trade deficit, heightened demand for forex to facilitate import payments, as reflected by the high demand for foreign exchange through the CBL's foreign exchange auction, and increased Liberian dollar expenditure by GoL due to low US dollar revenue receipts.

The weak real sector of the economy amid infrastructure challenges, especially roads and energy, continued to constrain exports earnings and weaken the local currency. This was exacerbated by the lingering gap in foreign exchange inflows to the economy created by the departure of UNMIL, which was one of the significant contributors of foreign exchange in the country. Year-on-year, variability in the exchange rate showed that the Liberian dollar depreciation heightened at 36.5 percent in July 2018. At end-December 2018, however, the pace of depreciation of the Liberian dollar moderated to 27.8 percent, year-on-year, largely as a result of CBL's intervention in the foreign exchange market to help smooth out volatility and maintain broad exchange rate stability (Chart 13).

Chart 13: Year-on-year L$/US Exchange Rate Variability, 2016-18



Chapter 4: Developments in the Financial Sector

4.1 Overview

The number of licensed banks in the economy remained 9 in 2018 with 93 branches across the Country, from 90 in 2017.

The licensed insurance companies remained at 19 with 31 branches and 2 licensed insurance brokerage firms. The Liberian Enterprise Development Finance Company (LEDFC) remained the only development finance company and Diaconia MDI remained the only deposit-taking microfinance institution. The number of registered/licensed foreign exchange bureaux increased from 133 in 2017 to 152 at end-November 2018. Similarly, while the number of registered microfinance institutions (MFIs) increased from 16 to 18 during the year, the number of licensed Rural Community Finance Institutions (RCFIs) remained at 12 and operating in 8 of the 15 counties. There are presently 285 credit unions and 2,300 village savings and loan associations established across the Country.

Orange Money, a subsidiary of Orange Communication Company, and Lonestar Cell MTN Mobile Money Inc. were the two Mobile Money Providers operating in the country during the review period. The number of mobile money agents increased from 3,525 in 2017 to 6,203 as at October 31, 2018.

The banking industry which accounts for about 85.0 percent of the total assets of the financial sector witnessed strong growth in balance sheet size in 2018. Total assets rose by 44.6 percent compared with 26.0 percent for 2017; total capital increased by 46.9 percent compared with 21.7 percent in 2017; and total deposits grew by 38.0 percent compared with 20.9 percent in 2017. Growth in loans was 39.5 percent compared with 31.4 percent in 2017 and liquidity in the sector remained strong during the year with a liquidity ratio of 40.7 percent which is 25.7 percentage points above the 15.0 percent minimum requirement. It is important to note that these increases are partly attributed to the conversion effect of US dollar into Liberian dollar, which is the reporting currency.

The insurance industry witnessed steady growth in total assets, largely attributed to fresh injection of capital through real properties and cash. However, the industry's profitability remained challenged, partly due to high operating expenses and the small insurable market with 19 insurance companies. Overall, the financial system remains strong and resilient.

4.2 The Bank and Non-Bank Financial Institutions

In 2018, 11 of the 15 counties have at least one bank branch. The growth in branch network is evident of the growing confidence in the banking sector and increased economic activities in the Country.

Table 17: Expansion of Bank Branches by County (2017 and 2018)

County	Banks' Presence	Number of Branches	
		2017	2018
Montserrado	9	60	63
Margibi	4	8	9
Grand Cape Mount	1	1	1
Grand Bassa	6	6	6
Sinoe	1	1	1
Maryland	2	3	2
Bong	2	2	2
Nimba	5	6	6
Lofa	1	1	1
Grand Gedeh	1	1	1
Bomi	1	1	1
Total		**90**	93

Source: Central Bank of Liberia

The Insurance Sector ranks a distant second in size to the banking sector with insurance penetration (measured by total premium to GDP) below 2.0 percent, similar to a number of countries in sub-Saharan Africa. Currently, there are 19 insurance companies with 31 branches across the country; and two (2) insurance brokerage firms licensed by the CBL to provide insurance services.

The license of International Insurance Company Liberia Limited (IICL) was revoked in 2017 and the company placed in liquidation. Additionally, in June 2018 the CBL seized and took possession of five insurance companies that had failed to meet the minimum capital requirement.

The total number of foreign exchange bureau grew from 133 in 2017 to 152 at end-November 2018. This number comprises 100 Category A forex bureaux and 52 Category B forex bureaux. In addition to providing foreign exchange services, some forex bureaux also provided other financial services such as mobile money, other money transfer services, GoL check encashment and participated in the Bank's regular foreign exchange auction.

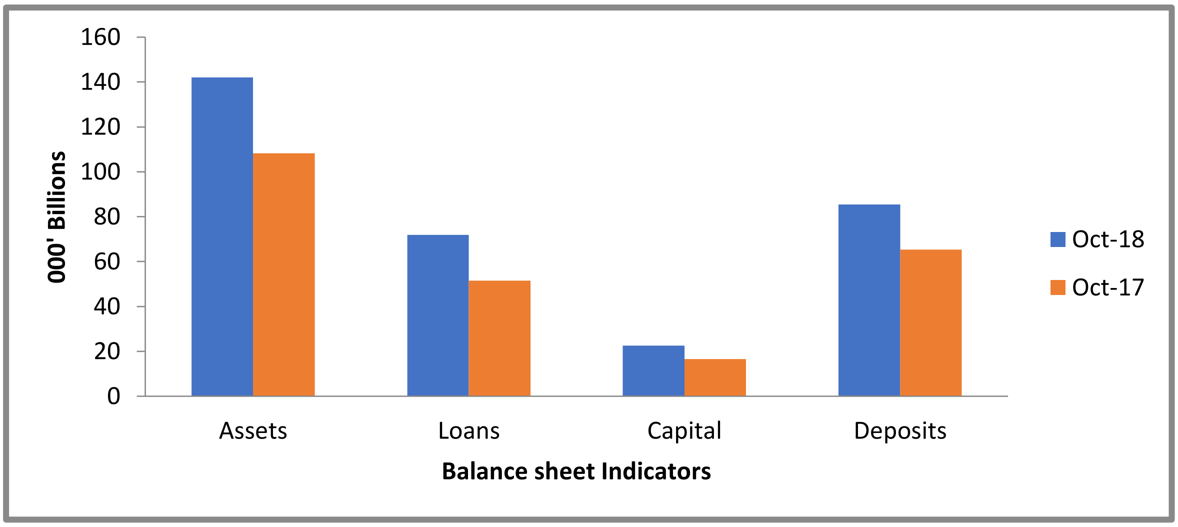
In an effort to accommodate small foreign exchange operators and petty traders and scratch card dealers that are illegally doing foreign exchange business due to their inability to meet the financial and operational requirements of the CBL, the Bank amended the Regulation to include a third category, Category C, to accommodate this segment of the foreign exchange market as part of its effort to formalize the foreign exchange market.

The number of Rural Community Finance Institutions (RCFIs) remained at 12 with presence in 8 of the 15 counties. All the RCFIs are involved in the provision of salary-based credits and payments of civil servants' salaries, thereby alleviating the burdens previously faced by many teachers and health workers to access their salaries in the rural areas. The RCFIs are also involved in providing money transfer services including remittances as well as mobile money services. The Afriland First Bank Liberia Limited (AFBLL) continued its technical and operational support to the RCFIs.

4.2.1 Balance Sheet of the Banking Sector

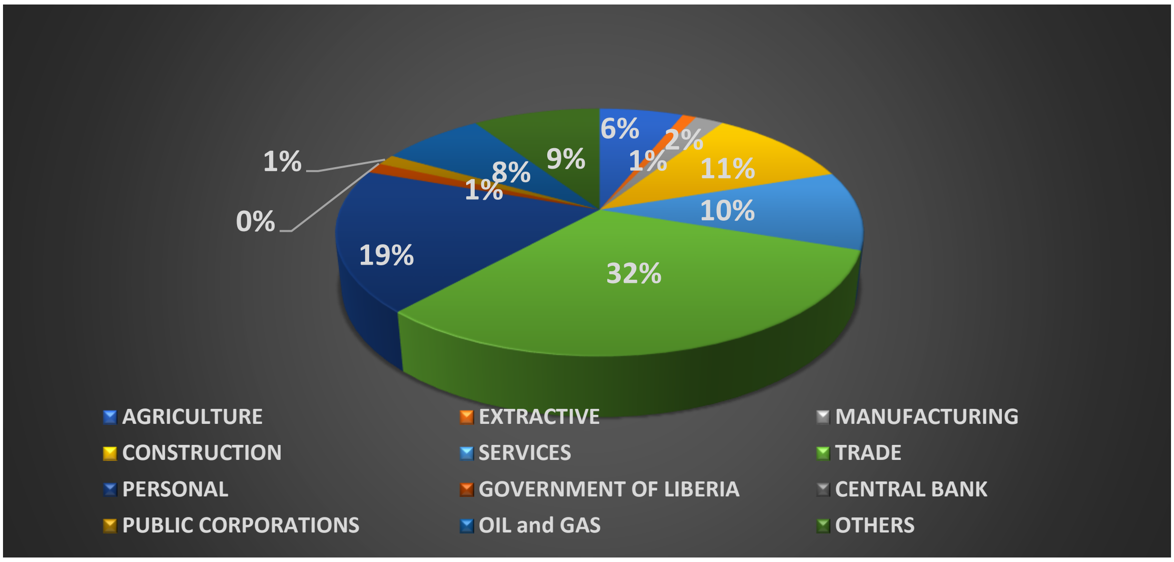
The banking sector continued to improve in terms of key balance sheet indicators in spite of the challenges faced in the economy. As at October 31, 2018, the sector recorded growth in key balance sheet items in relation to the preceding year. Total assets, total loans & advances, total deposit and capital increased by 44.6 percent, 39.5 percent, 38.0 percent and 44.6 percent, respectively. However, the sector experienced decline in profitability and liquidity.

Chart 14: Balance Sheet of the Banking Sector (As at October 31, 2018)



In terms of sectoral credit distribution, 32 percent of the total industry's credits was concentrated in the trade sector, reflecting an increase of 14.3 percent compared to October 31, 2017. Similarly, 28.1 percent of the total non-performing loans (NPL) was also directed towards the trade sector, reflecting a decrease of 17.09 percent compared with the corresponding period in 2017.

Chart 15: Sectoral Distribution of Credits



With respect to liquidity, the system recorded adequate liquid assets with all 9 banks recording liquidity ratios above the regulatory requirement for the period under review with a liquidity ratio of 40.7 percent, reflecting a decline of 1.2 percentage points compared to the corresponding period of 2017.

Balance Sheet Structure

The total assets of the sector as at October 31, 2018 stood at L$142.1 billion. This amount represents a growth of 44.6 percent compared to the corresponding period in 2017.

Chart 16: Total Assets per Quarter

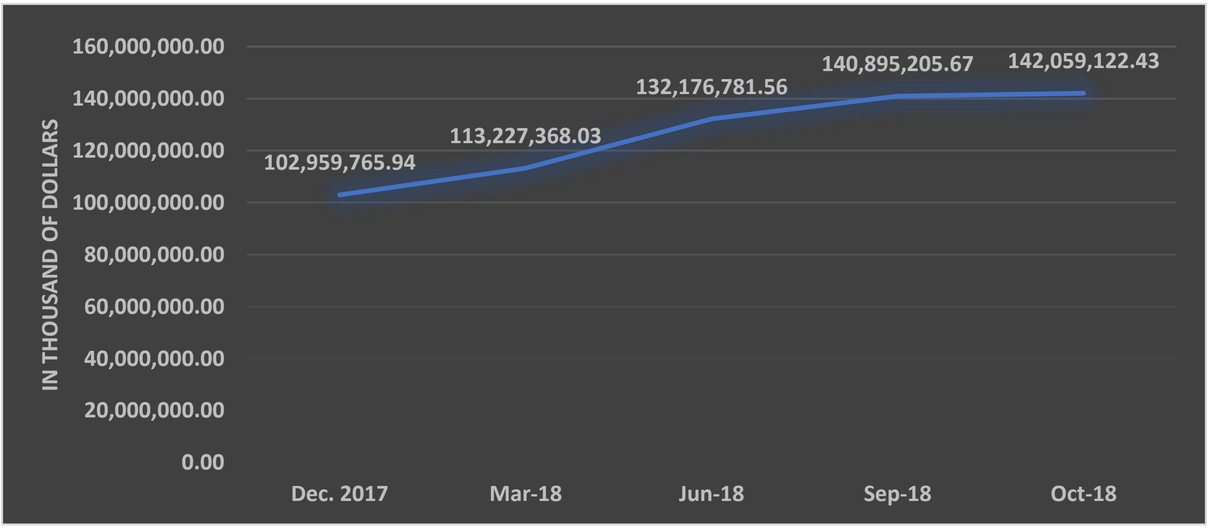
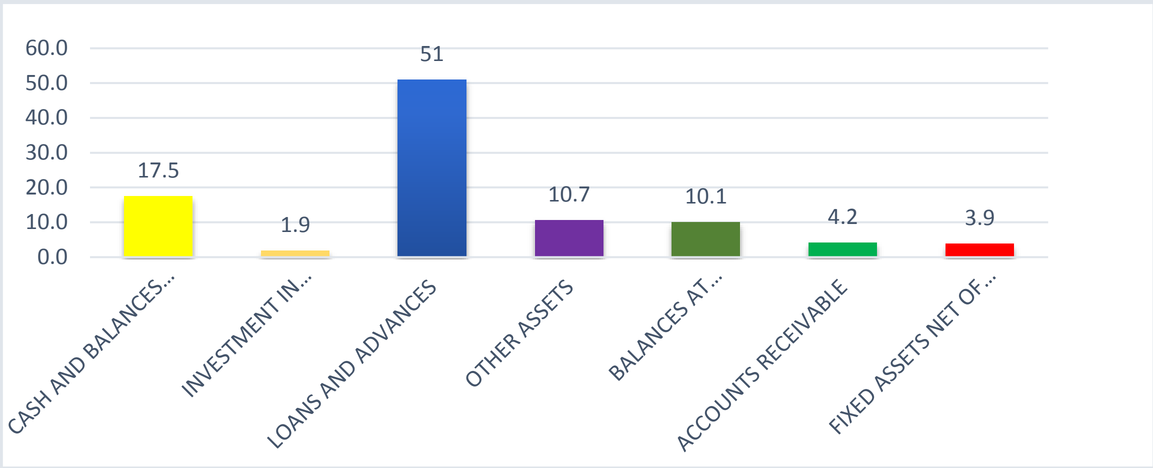
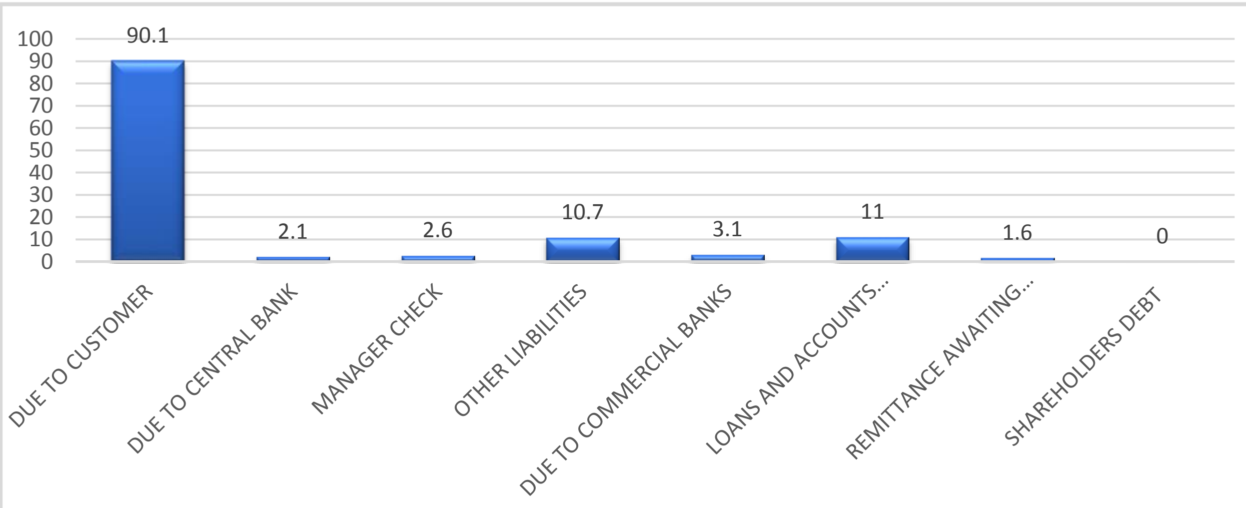


Chart 17: Composition of Total Assets (%)



The largest assets of the banking sector are loans and advances to customers, representing 51.0 percent of the total assets; cash & balance with CBL, representing 17.5 percent of total assets; and other assets accounted for 10.7 percent (Chart 17). Earning assets accounted for 50.6 percent of total assets, and off–balance sheet exposures (OBSE) represented 8.5 percent of total assets as at October 2018. Off-balance sheet exposure (OBSE) experienced an increase of 64.6 percentage point compared with the corresponding period in 2017, reflecting a significant increase in the risk assets in the banking system.

Chart 18: Composition of Liabilities and Capital



The two main liability items in the banking system are customer deposits, and loans and accounts payable. Deposits, remained the dominant source of funding, representing 71.5 percent of total liabilities and capital and 63.4 percent of total assets. At end-October 2018, loans and accounts payable as a percentage of total liabilities were about 8.7 percent and 7.7 percent of total assets, respectively.

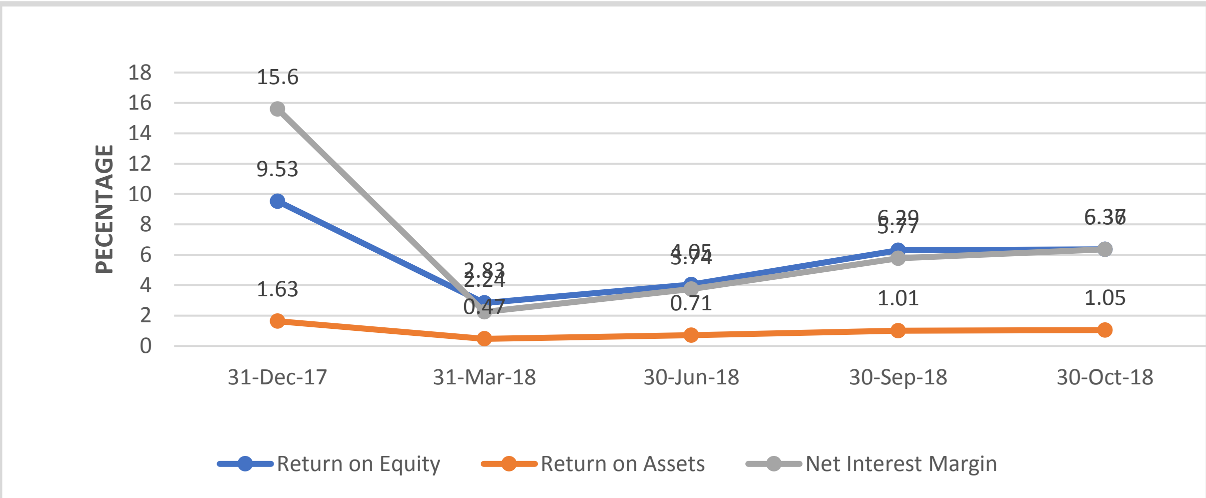
Income Statement Structure (Profit and Loss Statement)

The banking industry's gross operational income as at October 31, 2018 amounted to L$11.1 billion, reflecting a 20.7 percentage points less than L$14.01 billion reported in the corresponding period in 2017.

The main revenue sources are classified into interest income (i.e. income on loans and advances) and non-interest income (i.e., Service charges on deposits, commissions and fees on money transfer, foreign exchange transactions, etc.). Interest income and non-interest income constituted 48.9 percent and 51.0 percent, respectively.

Operating expenses stood at L$8.1 billion, reflecting a decrease of 25.7 percentage points, from L$10.9 billion reported in 2017. However, as a percentage of gross operating income, operating expenses was 73.0 percent which is 3.4 percentage points below what was recorded in October 2017.

Chart 19: Profitability Indicator/Return on Assets, Return on Equity & Net Interest Margin



During the year, return on equity (ROE) was 6.4 percent compared with 10.3 percent recorded in the corresponding period, indicating a decrease of 3.92 percentage points (Chart 19). Return on Assets (ROA) stood at 1.1 percent, indicating a decrease of 0.7 percentage point compared with the corresponding period in 2017, while Net Interest Margin (NIM) stood at 6.4 percent, reflecting a decrease of 5.3 percent compared with 2017. The net operating profit of the banking industry was L$1.4 billion, reflecting a decrease of 16.2 percent compared with October 2017.

4.2.2 Financial Soundness Indicators

The financial soundness and performance indicators of the banking sector showed that the sector remained stable and resilient (Table 23). However, the issue of NPLs remained a major challenge in the banking sector and continued to negatively impact profitability. Despite the high NPLs, the industry posted profits as a result of cost cutting measures as well as the utilization of alternative sources of income, such as Government securities.

Table 18: Industry Financial Soundness Indicators (2017 & 2018)

Indicators (figures in 000' of L$)	31-Oct-17	31-Oct-18
Gross Assets	108,292,711	157,950,847
Net Assets	98,269,245	142,059,122
Net Loans	47,270,001	63,684,721
Deposits	65,304,434	85,500,642
Reported Capital Net of Provisions	16,501,433	22,455,860
Reported Net Capitalization (SSR 32)	18.40%	36.1%
Capital Adequacy Ratio	33.40%	27.6%
Classified Loans to Total Loans (SSR 66)	14.90%	15.6%
Non-performing Loans to Total Loans (SSR 67)	13.61%	13.8%
Provisions to Classified Loans Net of Interest in Suspense (SSR 69)	59.70%	64.3%
Provisions to Non-Performing Loans Net of Interest in Suspense (SSR 68)	63.10%	74.7%
Return on Assets (SSR 70)	1.70%	1.1%
Return on Equity (SSR 71)	10.76%	6.4%
Non-interest Income to Total Revenue (SSR 73)	48.20%	50.3%
Net Interest Margin over Average Assets (SSR 72)	1.20%	0.0%
Liquid Assets to Net Assets (SSR 76)	31.70%	26.87%
Net Loans to Deposits (SSR 75)	72.40%	43.7%
Liquidity Ratio	41.88%	40.7%

Source: Central Bank of Liberia, Monrovia, Liberia

The banking industry has over the last one year shown improvement in cumulative capital. At end-October 31, 2018, the industry's total capital increased to L$24.2 billion, reflecting 46.9 percent increase compared with L$16.5 billion reported in 2017. All the banks (except one) reported capital in excess of the minimum regulatory requirement of US$10.0 million. In terms of Capital Adequacy Ratio (CAR), all the 9 banks were in excess of the minimum regulatory requirement of 10.0 percent. The industry's Capital Adequacy Ratio (CAR) reported at end-October 31, 2018 stood at 27.6 percent, representing a decrease of 5.8 percentage points compared with October 31, 2017. The decline in the industry's CAR on a year-on-year basis was attributed to the growth in loan assets, which were the significant risk assets on the banks' balance sheet.

The banking sector reported an increase of 39.5 percent in total loans and advances of L$71.9 billion compared with L$51.6 billion recorded in October 2017. Similarly, the system recorded a 53.0 percent increase in the volume of NPLs to L$10.7 billion compared with 2017. As a percentage of total loans, NPLs stood at 13.8 percent, representing a slight increase of 0.4 percentage point compared with 13.4 percent recorded in 2017.

4.2.3 Developments in the Insurance Sector

During the year, capital in the insurance sector experienced a significant increase of 68.3 percent in capitalization driven by a corresponding increase in total assets especially investments in Government securities, real estate and equity investment. This development was due mainly to the success of the enforcement exercise of the new minimum capital requirement during the period, where insurers were informed of their capital shortfalls and given a timeframe of March 31, 2018 to increase their capital or risk supervisory actions. This improvement is also expected to extend into 2019 as the final capital compliance date is set at end-December 2018. The capital requirements are stipulated as follows:

i. Life insurer Business- US$1,500,000.00
ii. General (Non-Life) Business – US$750,000.00
iii. Composite Business – US$2,250,000.00
iv. Re-insurance Business- US$5,000.000.00

The insurance sector also recorded a 37.6 percent increase in Gross Premium, which paired with a significant positive increase in underwriting results of 29.2 percent. There was a significant rise in net income although there was a marked increase in claims of 42.0 percent. The significant increase in premium income is largely attributed to the consistent enforcement of the Compulsory 3rd Party Liability Motor Insurance Policy (Table 19).

Table 19: Key Financial Indicators

Key Financial Indicators	Sept.-17 (In LD$)	Sept.-18 (In LD$)	(%) Change
Capital	3,475,218,151.53	5,848,883,826.44	68.3
Total Assets	5,124,088,156.48	7,689,004,065.58	50.06
Investment	1,576,057,733.50	2,157,016,360.29	36.86
Liabilities	1,648,870,004.95	1,840,120,238.78	11.60
Outstanding Premium	995,981,863.54	1,250,729,105.39	25.58
Gross Premium	2,205,133,474.36	3,034,384,982.82	37.61
Underwriting Result	1,384,010,735.57	1,788,412,123.22	29.22
Net Premium	1,636,030,605.64	2,231,416,749.18	36.39
Net Income	221,190,672.63	487,132,585.86	120.23
Expenses	966,738,445.30	1,235,907,623.62	27.84
Claims	437,062,307.19	560,486,989.13	28.24
Technical Provision	932,772,032.94	812,589,423.45	(12.88)

Source: Central Bank of Liberia

Ratio Analysis of the Insurance Sector

Investment to total assets was 28 percent as at September 2018 compared to 30.7 percent for the corresponding period in 2017. Although there was a significant increase of 36.9 percent of investment over the period, this was overshadowed by a larger corresponding increase in total assets.

Gross Premium to Equity was 51.9 percent as at September 2018 compared to 63.5 percent for the corresponding period in 2017.

Outstanding Premium as a percentage of Gross Premium was 41.2 percent at end September 2018 compared to 45.2 percent in the corresponding period of 2017. This suggests that insurers were engaged in more premium recovery.

ROE was 8.3 percent at end-September 2018 from 6.4 percent at end- September 2017. This growth of about two percentage points in ROE is mainly due to the 120.0 percent increase in net income as a result of the resumption of the enforcement of the Third-Party Motor Vehicle Insurance.

ROA was 6.3 percent at end-September 2018 compared to 4.3 percent at end-September 2017 due to increase in net income.

4.3 (a) Supervisory Activities

i. ***Enforcement of New Minimum Capital Requirement:*** The Central Bank of Liberia in its efforts to ensure adequate capitalization of the insurance industry which directly correlates to financial soundness in the sector, enforced the March 2018 capital requirement deadline. The Regulation No. CBL/RSD/INS/005/2016 lays out the capital requirements that were to be met for insurers every quarter up to December 2018. Companies which were found to be significantly undercapitalized were seized and placed under Provisional Administrators. With the ongoing enforcement of the capital requirement by the CBL, it is expected that more companies would inject fresh capital to meet the minimum requirements or consummate merger and acquisition arrangements with other insurance companies. For those who are not able to meet the requirement or form mergers would be taken over by the CBL to avoid any significant disruption in the sector and to protect the policy holders in keeping with the Insurance Act of 2013.

ii. ***Separation of insurance business:*** During the 1st quarter of 2018, the CBL issued a Circular regarding the separation of insurance business into Life and Non-life. The Circular emphasized that following the enforcement of the capital compliance by March 31, 2018 as a cut-off period, only companies that would meet the capital requirement for composite insurance business would be allowed to do composite insurance. Companies that do not meet the capital requirement for composite insurance business but meet the capital requirement for either life or non-life shall be required to conduct only life or non-life business. For companies that would be authorized to continue composite business, they would be required to have separate technical units and reporting requirements for both life and non-life businesses. Moreover, a new framework for regulatory reporting was developed which will be issued to the industry in early 2019. One of the requirements of the new reporting guideline is for insurers to publish quarterly abridged financials as well as annual audited financial statements to enhance market discipline.

iii. ***Implementation of Protocol on the Automatic issuance of the ECOWAS Brown Card Scheme:*** The CBL actively engaged with various stakeholders including the Council of Bureaux of the ECOWAS Brown Card Scheme, the Liberia National Bureau of the ECOWAS Brown Card Scheme, the Ministry of Transport and the Association of Insurers in Liberia to ensure the implementation of the automatic issuance of the Brown Card. The Brown Card is an extension of motor vehicle policies issued by local insurance companies in Liberia and is intended to cover all liabilities arising from cross-border accidents in the ECOWAS sub-region. During the period under review, companies were required to sell the Brown card alongside the insurance stickers. The partial success of the enforcement of the scheme led to payment of some of Liberia's arrears and a return of Liberia to full membership status by the ECOWAS Council of Bureaux. The CBL will work with other stakeholders to ensure the full implementation of the compulsory sale of the ECOWAS Brown Card in keeping with the Supplementary Act A/SA.3/6/16 on the Systematization of the ECOWAS Brown Card, signed by the Authority of Heads of State and Government on June 4, 2017 in Liberia.

iv. ***Regularization of Status with West African Insurance Institute (WAII)*** – During the year 2018, the CBL engaged with the Governing Council and Management of WAII regarding the indebtedness of the Liberian insurance market to the Regional Institute. Over the years, the financial obligation of Liberia accumulated. The Governing Council of WAII in December 2018 accepted a proposal from the CBL regarding a payment plan of Liberia's outstanding financial obligation. In 2018, the CBL disbursed the first installment payment to WAII in keeping with the plan. The annual operating levy of insurance companies would be adjusted in 2019 to sustainably finance the plan.

4.4 Rural Community Finance Institutions

To improve the general operating conditions and strengthen the RCFI sector, the Government of Liberia and the International Fund for Agricultural Development (IFAD) signed a US$5.5 million Financing Agreement to implement the Rural Community Finance Project (RCFP). The Project will provide additional resources for the RCFIs in the form of additional seed capital, fixed assets, IT system, capacity building and establish additional RCFIs. A specialized Technical Assistance Supervisory Unit (TASU) has been set-up under the supervision of the CBL to coordinate the project.

To launch the RCFP in early 2019, the Bank, in collaboration with Ministry of Agriculture (MoA), Ministry of Finance & Development Planning (MFDP), and IFAD, are currently concluding preparations to commence the full implementation of the RCFP. The project will be spearheaded by a steering committee comprising of members of CBL, MFDP and MoA.

4.5 Collateral Registry and Credit Reference System

Operations of Collateral Registry

The Collateral Registry is a public web-database system that contains information on existing security interests (i.e. credits secured with movable assets). As at end-November 2018, total clients and users of the system was 54, reflecting an increase in the number of users by 4.0 percent compared to end-November 2017. There were 17 corporate clients (commercial banks, microfinance institutions and non-bank financial institutions); and 31 individual clients and others who used the system during the review period.

One hundred forty-nine (149) financing statements or loans secured with 329 movable assets and /or collaterals were registered in the system compared to 527 financing statements and 1080 movable assets and/ or collateral in 2017, reflecting a decrease in the registration of financing statements by 72.0 percent.

The system also archived all expired or discharged financing statements for the year under review. The overall performance of the Collateral Registry System in terms of the value of financing statements and loans registered amounted to L$90.0 million and US$1.0 billion; while movable assets or collaterals totaled 3,231.

Operations of the Credit Reference System

Since its establishment over the past 13 years, the Credit Reference System (CRS) managed by CBL continues to provide credit information on borrowers' creditworthiness to the banks and non-bank financial institutions. The system has been assisting financial institutions in their credit appraisals for potential borrowers, focused mainly on positive and negative credit reports. A total of 23,039 credit inquiry requests were received from the financial institutions in 2018.

The CBL completed the pilot phase of the Enhanced Credit Reference System Project during the year, implemented by OeSD International GmbH from Vienna, a renowned international company. The project was financed and implemented in collaboration with the 9 commercial banks, DIACONIA and LEDFC. The pilot project represents a functional proof of concept with biometric features, facial recognition, unique identification number, signature as well as credit score feature.

Key deliverables of the infrastructure now in place are as follows:

- Unique Identifier (UID) – Automated Biometric Identification System (ABIS) engine enables the use of large-scale biometric identification and replication using facial recognition. It is a highly scalable platform that performs one to one match against large store of biometrics and other identity data.

- Enrollment Kits –This offers a complex biometric enrollment solution with powerful identity management features. The station software enrolls facial portraits in compliance with International Civil Aviation Organization (ICAO) regulation. The enrollment kits were delivered to the Head Offices of Twelve (12) financial institutions (commercial banks, non-bank financial institutions and the CBL) and requisite training was conducted for enrollment of employees at these institutions.

- Credit Score – This application score ranges from 0 - 100. It is customized and built for Liberia and will be managing the credit score card for every customer in the CBL credit reference portfolio. It consists of six (6) characteristics such as demography, income & cost of living, business & employment, financial & balance sheet, payment history and new credit can be updated by user interface relative to these characteristics. This application is branded as LUCIA (Liberia Unique Credit Information Application).

- DAC (Dynamic Access to Credit) – This is a secured mobile app that allows users to access their Unique ID (UID) and Credit Reference System (CRS) profile with associated account number for every customer of bank and nonbank financial institutions.

The second and third phases of the project will be implemented in 2019. The enhancement project is intended to establish a full-fledged credit reference bureau that will be used not only by financial institutions, but other credit and utilities services providers. It will also address current challenges with NPLs and increase access to credit by small and medium enterprise businesses.

4.6 Digital Financial Services & Consumer Protection

Digital Financial Services (DFS) has taken an upward trend as shown in the table below towards achieving the Central Bank of Liberia (CBL) Financial Inclusion objectives.

During the period under review, the CBL approved several products and services for financial institutions to further expand the DFS ecosystem. Two (2) banks, Ecobank Liberia Limited (EBLL) and the United Bank for Africa (UBA) were given approval for agent banking in accordance with the Agent Banking Regulation No. CBL/RSD/001/2017. This Regulation empowers banks to further expand in areas where there are no physical presence of bank branches and provides a channel by which agents can engage in banking services. The Liberian Bank for Development and Investment (LBDI) and GN Bank Liberia Limited were both given approval to collaborate with Mobile Providers to roll out mobile money. UBA launched its MasterCard Platinum, an upgrade for prime customers of the bank with additional benefits and incentives than the MasterCard launched in 2017.

Mobile Money Activities: Mobile Money activities continued to increase in usage and volume of transactions during the year. There was significant growth in the agent network to 6,203 agents in 2018 compared to 3,525 in 2017 (Table 20).

Table 20: Mobile Money Data (Period ending October 2017 & Period ending - October 2018)

Description	October 2017		October 2018	
MM Registered Subscribers /Accounts	1,868,821		2,685,471	
Active Subscribers	247,042		303,581	
Agents	3,525		6,722	
Active Agents	1,980		3,888	
	USD	LRD	USD	LRD
MM Trans. Val.	26,887,745.14	17,084,718,049.86	33,062,070.57	27,776,002,857
MM Trans. Vol.	382,231	3,929,596	425,202	7,470,723

Source: Mobile Money Providers 2018

ATMs & POS Activities: A total of 91 Automated Teller Machines (ATMs) were deployed with only 2 reported inactive; and a total of 209 Point of Sale (POS) terminals were deployed with 27 reported inactive. A total of 6 Mobile Point of Sale Terminal (mPOS) were deployed by Lonestar Cell MTN Mobile Money Inc. during the same period.

Five commercial banks are currently offering ATM services, while three banks and one Mobile Money Provider have deployed Point of Sale Terminals (POS) (Tables 21 and 22).

Table 21: Automated Teller Machine (ATM) and Point of Sales (POS) Transactions as at period ending October 2017 and October 2018

Description	As at October 2017		As at Period ending October 2018	
	USD	LRD	USD	LRD
ATMs Value	205,003,574.00	347,678,073.00	183,796,581.50	559,198,400
ATMs Volume	1,583,045	183,849	1,354,014	236,764
POS Value	24,130,253.20	178,219,831.57	19,160,087.32	79,323,309.59
POS Volume			73,516	347

Source: Commercial Banks 2018 and Mobile Money Provider

Table 22: ATMs and POS Distribution by Bank

Automated Teller Machines			
Banks	**# of ATMs**	**# of Active ATMs**	**Location**
EBLL	43	42	Montserrado, Grand Bassa, Nimba, Bong & Margibi Counties
UBALL	21	21	Montserrado & Nimba Counties
GTBLL	17	17	Montserrado, Grand Bassa, Nimba & Margibi Counties
IBLL	5	4	Montserrado & Margibi Counties
LBDI	5	5	Montserrado, Grand Gedeh & Margibi Counties
TOTAL	91	89	
Point of Sale Terminals			
	# of POS	**# of Active POS**	**Location**
GTBLL	49	49	Montserrado & Margibi Counties
EBLL	71	69	Montserrado
UBALL	90	64	Montserrado, Grand Cape Mount & Margibi Counties
TOTAL	209	182	
Mobile Point of Sale Terminals (mPOS)			
Lonestar MTN Mobile Money	6	6	Montserrado

Source: Central Bank of Liberia

Consumer Protection

During the period under review, the CBL, through its Consumer Protection Unit, held 2 radio talk shows to sensitize consumers on various products and services offered by financial institutions. This initiative was aimed at increasing public confidence in the financial system and ensure that consumers had adequate information on the process of seeking redress in matters concerning financial institutions.

The CBL continues to strengthen its oversight responsibilities in the financial sector by ensuring that consumers are well informed, and complaints are amicably resolved in accordance with the Consumer Protection and Market Conduct Regulation. The Bank received a total of 25 complaints from consumers. Of the 25 complaints, 60.0 percent were resolved, 32.0 percent are being investigated, while the remaining 8.0 percent were referred to the commercial banks for further investigation.

Table 23: Matrix for detailed complaints received, resolved, forwarded and are currently on-going

	Banks	No. of Complaints	Resolved	Pending	*Other
1.	Guaranty Trust Bank Liberia Limited (GTBLL)	6	5	1	
2.	United Bank for Africa	1	1		
3.	Ecobank Liberia Limited (EBLL)	4	3	1	
4.	GN Bank	1	1		
5.	Access Bank Liberia Limited	1		1	
6.	Africa Insurance Corporation of Liberia (AICOL)	2	1		1
7.	Family Dollar Universal Insurance Services	1		1	
8.	Atlantic Life & General Insurance Co.	1		1	
9.	Mutual Benefit ASSURANCE Co.	3	1	2	
10.	Sky Insurance Co.	2	1		1
11.	Equity Insurance Co.	2	2		
12	Sustainable Insurance Co	1		1	
	Total	**25**	**15**	**8**	**2**

Source: Central Bank of Liberia

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

In 2018, the CBL concluded the money laundering (ML) and terrorist financing (TF) risk-based ranking of the financial sector (Table 24).

Table 24: Financial Sector ML/TF Risk Ranking

No	Sub Sector	ML/TF risk ranking	Risk Designation
1.	Banking	5	High
2.	Foreign Exchange	4	Medium High
3.	Insurance	3	Medium
4.	Mobile money	2	Medium Low
5.	Microfinance	1	Low
6.	Credit union/village saving	1	Low
7.	Cooperatives	1	Low

Source: Central Bank of Liberia

The AML/CFT Unit conducted follow up on-site inspections of 5 banks during the year. The inspections were intended to ensure commercial banks' compliance with CBL directives on the implementation of remedial actions relative to deficiencies established during previous AML/CFT risk-based examinations conducted from 2016-2017. The AML/CFT risk-based examination of banks compliance with the beneficial ownership provision of Sections 3.1.4 & 3.1.5 of the Revised Regulation Concerning AML/CFT Regulations for Financial Institutions in Liberia was also completed.

The Bank conducted an AML/CFT risk assessment of licensed foreign exchange bureaux in Liberia during the course of the year. Of the 120 FX bureaux assessed, 80 percent was rated as high risk and 20 percent as Medium. Additionally, the non-compliant risk factors (the set of ML/TF preventive measures and controls) were also considered high (i.e. weak). More than 80 percent of FX bureaux were non-compliant on regulatory requirements such as reporting and monitoring, Know-your-customer/customer due diligence, record keeping, risk management and policies.

The CBL also developed and adopted AML/CFT risk-based examination manuals for mobile money and the insurance institutions. An AML/CFT risk management questionnaire (RMQ) and Data collection template (DCT) was also developed for microfinance institutions (MFIs); and a workshop on AML/CFT awareness conducted for stakeholders during the year. The Bank also completed the risk assessment tools with the pilot phase of the data collection exercise.

4.8 Microfinance Sector

The number of operating microfinance institutions remained at 16 including 1 deposit -taking microfinance institutions and 16 non-deposit microfinance institutions with 49 branch networks. Given the important role of the microfinance sector in providing access to financial services, the sector is currently undergoing reform with support from the World Bank as part of its technical assistance to the "Increasing Financial Inclusion Program of Liberia" project. The reform is focused on strengthening the regulation and supervision of the microfinance sector using tier risk-based approach, which has been adopted by the CBL. At end-September 2018, the total number of clients in the microfinance sector was 36,296, up from 26,352 recorded in September 2017 with an increase of 91.0 percent in female clients. Outreach activities were also bolstered during the period under review.

The World Bank (WB) is providing technical assistance support for the sector aimed at strengthening microfinance institutional development, microfinance regulatory and supervisory legal frameworks, consumer protection and financial capacity, and building the capacity of MFIs and CBL staffs.

The WB technical assistance on the regulatory frameworks includes a review of the following regulations:

1. Regulation for the licensing and Operations of Credit Unions;
2. Prudential Regulations for Microfinance Deposit Taking Institutions (MDIs);
3. Regulation Concerning Non-bank financial institutions;
4. Regulation Concerning Rural Community Finance Institutions; and
5. Prudential Regulation Regarding Microfinance Lending.

4.9 Outlook for the Financial Sector for 2019

Stability in the financial sector remains an important policy objective of the CBL. The outlook of the banking sector, which constitutes more than 80.0 percent of the financial sector is likely to remain unchanged in 2019 on account of high level of NPLs which could likely constrain credits to major sectors of the economy.

Prospect of organic growth in the Insurance sector appears dim, as most insurance companies are challenged with profitability. However, the CBL's quest to reform the sector remains well on course.

4.10 Regulatory Activities

During 2018, the CBL issued the following regulations, guidelines, and directives affecting the banking sector:

1.0 Regulations No. CBL/RSD/006/2017 Concerning Supervisory Intervention

Regulation No. CBL/SD/005/2000 Concerning Regulations on Supervisory Intervention was replaced by Regulations No. CBL/RSD/006/2017. The new Regulation is intended to ensure timely and transparent implementation of corrective and remedial actions in a bank that shows one or more weaknesses that threatens its safety and soundness. The regulation sets out the appropriate supervisory actions against each of the weaknesses and/or conditions that the CBL may enforce against a deficient bank.

2.0 Amended Prudential Regulations No. CBL/RSD/007/2017 Concerning Related Persons Transactions

The Central Bank of Liberia (CBL), has amended Prudential Regulations No. CBL/RSD/007/2017 Concerning Related Party Transactions thereby replacing Prudential Regulations No. CBL/SD/003/2000 Concerning Related Persons Transactions.

These regulations are intended to promote arm's length relationships in dealings between bank financial institutions and their affiliates or associates, directors, officers, shareholders and their related interests; and to ensure transparency and enhance disclosures in banks' transactions with related parties.

3.0 Amended Regulation No. CBL/RSD/008/2017 Concerning Audit of Financial Institutions and Publication of Financial Statements

The Central Bank of Liberia (CBL), has amended Regulations No. CBL/RSD/008/2017 Concerning Audit of Financial Institutions and Publication of Financial Statements thus replacing Regulations No. CBL/RSD/012/2011 Concerning Audit of Financial Institutions and Publication of Financial Statements.

The amendment of these regulations is to allow external auditors of financial institutions include in their terms of reference, and subsequent reports, a section on regulatory compliance which includes the auditors' assessment of the audited financial institution's solvency, liquidity, capital adequacy and compliance with the new FIA and regulations/directives and guidelines issued by the CBL.

4.0 Directive #CBL/RSD/DIR/003/2018 Concerning the Withdrawal of LRD Legacy Banknotes

This directive requires all commercial banks to stop payment of all LRD Legacy Banknotes effective July 9, 2018 and surrender all the Legacy Banknotes in their vaults to the CBL to be exchanged for the new enhanced Liberian dollar banknotes. However, this directive does not prohibit banks from accepting LRD Legacy Banknotes from the public.

5.0 Directive # CBL/RSD/DIR/004/2018 Concerning the Imposition of Limit of LRD Cash Withdrawal

This directive requires all commercial banks to limit the Daily Liberian Dollar cash withdrawal to no more than L$250,000 for both businesses and individuals. Commercial banks were encouraged to explore and advise their customers of alternative means of payments such as mobile money, direct deposits, etc. The directive was temporarily suspended in November 2018 due to Liberian dollar liquidity demands during the festive seasons.

6.0 Directive #CBL/RSD/DIR/006/2018 Suspending Section 2.0 of Regulation No. CBL/RSD/004/2016 Concerning Payment of Inbound Money Transfer

The Central Bank of Liberia temporarily suspended Section 2.0 of Regulation No. CBL/RSD/004/2016 Concerning Payment of Inbound Transfer and directed all licensed financial institution engaged in money transfer services, including Western Union, MoneyGram and similar services to make payments of all inbound money transfer in United States dollars for the month of December 2018 in response to the Liberian dollar liquidity demands during the festive season.

Chapter 5: Internal Developments

5.1 Overview

The Bank, in 2018, continued the implementation of its 3-year Strategic Plan anchored on three main pillars, namely: (1) financial sector development, (2) financial inclusion, and (3) CBL internal reforms. Several policies and procedures were implemented including the Performance Management System, the Oracle Database Consolidation, and the Cyber Security Posture Enhancement, among others. The Bank expanded the scope of exchange rate data collection to include 7 counties and made significant improvement in its activities during the year.

In addition, there was wider and increased usage of the Real Time Gross Settlement System (RTGS), National Electronic Payment Switch (NEPS) and Automated Check Processing and Clearing House (ACH), in volume and value of transactions. Full-scope enterprise risk assessments and quarterly compliance assessments of various departments were carried out during the year. The Internal Audit Department was engaged with the implementation of standards required by the Institute of Internal Auditor (IIA) Standard 2010.

5.2 Human Resources Management

The CBL launched its Performance Management System which took effect from January 1, 2018, as part of the internal reforms. This tool was designed to provide employees and their supervisors with a proper channel for communicating goals and expectations as each staff performs his/her job. It also aims at assisting employees in understanding their personal strengths and weaknesses, helps chart developmental activities so as to foster professional growth and finally tracks each staff's contribution and efforts toward the success of the Bank.

The Bank continued with the implementation and enforcement of the Human Resource Handbook and other key policies developed during the latter part of 2017 and worked on several important projects, including the automation of the personnel records of all current staff of the bank, installation of a biometric time and attendance system, and work continues on the development and implementation of the Human Resource Information System, (HRIS).

In an effort to strengthen the human capacity of various departments and at the same time ensure that the goals of the CBL were accomplished, 54 staff were recruited in various departments while 23 staff were promoted to various senior and mid-management level positions. The Bank also saw the retirement of 3 of its long serving staff of the General Support Services, Banking, and Internal Audit Departments, respectively.

In line with the Bank's mandate on capacity building and development, there were various in-house refresher training programs aimed at knowledge-sharing and skills development. Six (6) of the staff benefited from full and partial local and foreign CBL scholarships to pursue various fields of study related to the financial industry. In addition, a total of 406 professional training programs were offered to staff both locally and through the following foreign institutions: Federal Reserve Bank of New York, International Monetary Fund (IMF), African Training Institute, West African Insurance Institute, AFRITAC West 2, ECOWAS, GIABIA Secretariat, World Bank Group, IPMC, African Development Bank Group, the West African Institute for Financial & Economic Management (WAIFEM), West African Monetary Agency (WAMA), International Management Training Consortium, Management Training and Consultancy Service, The Central Bank of Nigeria (CBN), amongst others.

5.3 Management Information System & Technology

The Bank embarked on several major projects during 2018 in conformity with the objectives of its internal reform pillars. These projects included the implementation of the SWIFT Customer Security Program (CSP), the Oracle Database Consolidation, the Cyber Security Posture Enhancement, and the Auto-Audit infrastructure implementation for the Internal Audit.

SWIFT CSP Implementation

The CBL, being a part of the Society for Worldwide Interbank Financial Telecommunications (SWIFT) network, upgraded to the most secured and robust version Alliance Access 7.2. The Bank concluded the implementation before the mandatory deadline of December 31, 2018. The project was successfully completed in October of this year, putting the CBL on par with its international partners.

Cyber Security Posture

The CBL made tremendous strides during the year, some of which includes: the drafting of a Written Information Security Policy (WISP), along with other policies which currently is guiding the CBL toward achieving its ISO27002 compliance. The Bank is working on establishing basic Cyber Security hygiene and Financial Computer Emergency Response Team (FINCERT) across the financial sector and has implemented various industry best practices including the deployment of a Cisco Firewall Firepower device and services, among others. Currently, the Bank is doing a proof of concept with the deployment of Cisco ISE (Identity Service Engine) to further gain in-depth visibility into its user access activities, Configuration of Firewall modules and licenses, construction of a DMZ, and implementation of a robust patch management system.

Oracle Database Consolidation

The Bank implemented the ORACLE CONSOLIDATION project which hosts CBL's dispersed databases in a more secured and robust environment to uphold the integrity of its financial and other information. This platform has also garnered monumental savings now that licenses, hardware support costs, maintenance and support cost for silo systems running individual database platforms, are now negated by the infrastructure and databases consolidation.

The Bank also implemented many other on-demand projects, like the Auto-audit implementation for Internal Audit, the NEPS upgrade, enhancements of the Data Centers, and the implementation of a new Metropolitan Area Network (MAN) and the Financial Sector Super Data Highway (FiSSDaH) project, collaborating with other Financial Institutions, Telcos, and LIBTELCO.

5.4 Banking Operations

Government's Transaction

In order to buttress Government's efforts in ensuring that civil servants' salaries and allowances, particularly those in the rural areas, are paid on time, and that their checks are cashed within their assigned localities, the CBL continued to maintain four permanent payment centers in Zwedru, Gbarnga, Voinjama, and Tubmanburg. In addition, the CBL working with Afriland First Bank Liberia Limited (AFBLL) continued to facilitate payments of civil servants' salaries through the 8 RCFIs across the country. This is part of the operationalization of the decentralization process of access to banking services. It has also eased the hardship faced by many civil servants in the past to access banking services. The CBL also ensured the effective management of the Single Treasury Accounts and worked closely with the Ministry of Finance and Development Planning (MFDP) to facilitate timely payments of Government's commitments and releases through the commercial banks.

Commercial Banks' Operations

The Bank continued to work with the commercial banks to ensure that public demands for liquidity was effectively managed. However, 2018 posed some challenges in terms of timely response to the Liberian dollar demand of the commercial banks, which caused inconveniences for some customers to access their deposits due to the unusual seasonal demand in 2018. The Bank has already put in place mechanism to effectively respond to future demands of the commercial banks.

Revenue Collection

As part of its statutory mandate as fiscal agent for Government, the CBL, in collaboration with Liberia Revenue Authority (LRA), continued to maintain and provide adequate capacity for the various revenue collection centers at eight ministries and agencies of Government to enhance revenue collection. Plans are underway to electronically connect these centers to the CBL system at Head Office for real time revenue collection.

Mop up of Mutilated/Soiled Banknotes

In an effort to rid the economy of unfit banknotes, the CBL in 2018 mopped up soiled and mutilated banknotes from circulation and replaced them with clean and/or fit recycled notes. This exercise covered Montserrado, Maryland, Grand Kru, River Gee, Grand Gedeh and Lofa Counties. Approximately L$4.2 billion soiled/mutilated banknotes were mopped up and processed.

5.5 Payments Systems Operations

The CBL made significant improvement in the Payments Systems modernization process during the year. The various platforms of the Bank (The Real Time Gross Settlement System, National Electronic Payment Switch and Automated Check Processing and Clearing House) experienced significant improvements in terms of volume and value of transactions.

The volume of transactions for RTGS increased from 2,944 in 2016 to 14,424 and 16,551 in 2017 and 2018, respectively, from the volume recorded in 2016. On the other hand, the ACH transactions volume decreased from 83,071 in 2017 to 73,952 in 2018, representing 12 percent decline. Transactions from the interoperability of ATMs on the National Electronic Payments Switch (NEPS) increased from 4,352 in 2017 to 6,644 in 2018. As a result of the CBL's efforts to connect the ATM switches of the banks to the National Switch, 4 commercial banks are now fully interoperable for US dollars transactions, with 1 additional bank in the process to integrate. For the Liberian dollar transactions, the RTGS volume rose from 5,167 in 2017 to 5,851 in 2018. Similarly, the ACH volume in 2016 was 12,416 and in 2017 it rose to 25,246.

With regard to the Regional Integration through the Pan African Payment and Settlement Platform (PAPSP), the CBL provided inputs to the proposed regional platform which is being facilitated and promoted by Afreximbank. The inputs were made after the conclusion of stakeholders' sensitization and presentation of the PAPSP to all the six countries of the West African Monetary Zone (WAMZ).

The regional integration to facilitate the deployment of the PAPSP will define a common framework for transacting, clearing and settling cross-border transactions, including operational rules, business practices and standards, participation requirements and funding schemes, among other. The Regional Payment Platform is expected to enhance quoting and cross border trading in domestic currencies among the WAMZ Member Countries.

Integration with the Ministry of Finance and Development Planning (MFDP) and the Liberia Revenue Authority (LRA)

The CBL is working on an MOU to be signed with the MFDP and the LRA to automate GOL Revenue collection and disbursements electronically. The Project will be implemented through a grant from the World Bank under the Integrated Public Financial Management Reform Program II (IPFMRP). This integration will ensure the timely and seamless automation of payment of civil servants' salaries, pension benefits, vendors and other Government ministries and agencies, and at the same time provide secure and efficient collection of taxes. The integration with MFDP is a catalyst for driving a portion of the unbanked population to the banking sector by ensuring all civil servants, pensioners, Government suppliers are recognized account holders. Electronic Payments to these individuals and institutions through this arrangement will minimize frauds, thefts, reconciliation delays and errors, labor costs, GOL revenue and expenditure reporting delays.

5.6 Financial Sector Development Programs

The strategic plan is being implemented in tandem with the Financial Sector Development Implementation Plan (FSDIP), both of which aim to further strengthen, modernize and expand the financial sector.

Interventions under the SP's first two pillars, Financial Sector reform and Financial Inclusion, sought to enhance public access to diverse financial products and high-quality banking services. These efforts are beginning to bear fruits, with a wider use of mobile money services for remittances, bill payments and recently the payment of the Government of Liberia taxes.

Financial education is also a key component under the financial inclusion pillar of the CBL. Toward this endeavor, CBL facilitated the launching of the consultation process by convening a National Financial Education workshop, which was held on June 14, 2018. The consultative workshop brought together 21 stakeholders from the business community, media institutions, the education sector, and other governmental agencies.

Further collaboration with the World Bank continued with the support towards the development of the national financial inclusion strategy (NFIS). During the year, the World Bank and the CBL hosted the first stakeholder's workshop on December 4, 2018, bringing together key stakeholders from the government including the MFDP, LRA, Ministry of

Education (MOE), representatives from the Rural Community Finance Institutions, and other financial sector stakeholders.

The Bank will continue to monitor projects and collaborate with international partners to ensure that the various projects under the different pillars are fully implemented. Going forward, it is assured that the World Bank will continue its intervention for the remaining activities for payments system oversight framework and oversight guidelines; centralized data collections framework with visibility of mobile money operations; fraud and dispute management procedures; system Rules for the national electronic payment switch; mapping Government payments to explore opportunities for electronic payments; feedback on draft retail payments strategy; and capacity building for the National Payments Council (NPC).

5.7 Financial Market Operations

In addition to the Treasury Bills Auction Rules and Regulations, the CBL Bills Rules and Regulations and the Foreign Exchange Rules and Regulations, the CBL developed and issued the framework for the administration of the interbank market (IBM) in January 2018. The guidelines were issued as a means of contributing to the development of the money market. It is intended to promote sound risk management practices by licensed banks; particularly on credit risk, market risk, and settlement risk for the conduct of repurchase transactions.

The Bank also commenced work on developing other guidelines for the issuance of corporate bonds, commercial papers (CP) and bankers' acceptance (BA) intended to provide regulatory guidance for their issuance in the money market. The Bank facilitated 9 repurchase transactions between 7 commercial banks, which indicates that the inter-bank market is gradually developing.

5.8 Research and Publications

The CBL continued the provision of evidence-based economic information through its regular publications as a means of informing the general public and its international partners about macroeconomic and policy developments in Liberia including important statistical information on the Liberian economy, exchange rate, and inflation developments, among others. Macroeconomic analysis relative to developments in domestic economy on a regular basis were provided to Management for policy consideration.

The CBL as a center of research, commenced the restructuring and reform of its Library, with the aim of upgrading it to a state-of-the-art library that meets international standards. The upgrading exercise, when completed, will provide an ideal environment that promotes research, serves as a center of learning and access to global and contemporary publications for staff of the Bank and the general public.

As part of its strategy to enhance data integrity and dissemination, the Bank developed a Data Warehouse that will host important statistical information in a user-friendly manner. The implementation of this projected is expected to be rolled out in 2019. In addition, and with technical assistance of regional and international partners, a Vector Autoregressive (VAR) and Short-Term Inflation Forecast (STIF) models were developed for inflation forecasting to enhance the scale and scope of the Bank's capability research.

The Annual Enterprise Survey which informed the country's external accounts position for the year was completed. In collaboration with the IMF, the Bank developed a framework of consumer prices, dissected into Administered and Market Prices to further enhance the dynamics of inflation at a more detailed level.

The collaboration with regional partners in capacity building continued. Two staff members were attached to the Central Bank of Nigeria to gathered deeper understanding of the operations and functioning of a Monetary Policy Committee (MPC). In this regard, the Monetary Policy Framework for the Bank was developed with technical assistance from IMF. The framework is expected to be adopted in 2019. During the year, the Bank conducted the Business and Consumer Confidence Survey for Liberia and the results were used to inform management on the perception of businesses and consumers regarding the economy.

The Bank worked along with the Liberia Institute for Statistics and Geo-Information Services (LISGIS) in upgrading the various weights of the Price Statistics. The CBL also coordinated with the National Accounts Division of LISGIS in collaboration with an IMF consultant to create the Supply and User Tables for Liberia, which will be completed in February 2019, to improve GDP numbers. The CBL is currently working with LISGIS through the National Statistical and Spatial Data System (NSDS) to harmonize administrative data. The goal is to harmonize standards, concepts, definitions, and classifications in all sectors of the economy.

5.9 CBL Accounting and Finance

The CBL's financial statements for the ninth year are being prepared in accordance with International Financial Reporting Standards (IFRS). In 2016, KPMG was selected as the external auditor for a period of three years. The 2018 statutory audit will be conducted by KPMG in collaboration with Parker & Associates, consistent with the provisions of Section 50 of the CBL Act.

5.9.1 Income and Expenditure

The CBL's un-audited Income Statement as at end-November 30, 2018, revealed gross income of L$1.95 billion compared with L$ 1.3 billion in 2017. The gross income includes interest income, fees and commission, and other income. The increase in gross income in 2018 was mainly due to the increase in interest earned on the Bank's deposits. The main revenue driver was interest income, which constituted 67.0 percent.

Total expenditure for the year amounted to L$9.7 billion compared with L$5.0 billion in 2017. This increase was attributed to a 25.9 percent depreciation of the Liberia dollar against the United States dollar, from L$125.45/US$1.00 in 2017 to L$157.88/US$1.00 in 2018, operating and capital expenditures in the face of expanding activities of the Bank and write-off of unsupported assets.

Financial Position

The CBL's un-audited Statement of its Financial Position including IMF related balances recorded total assets of L$164.0 billion as of November 30, 2018, compared with L$134.0 billion reported in 2017. This 22.0 percent increase was mainly due to increases in IMF related assets, cash and balances with central banks and commercial banks, loans and advances to government of Liberia, and increases in property, machinery and equipment, other assets and depreciation of the Liberian dollar from L$125.5/US$1.0 in 2017 to L$157.9/US$1.0 as at the reporting period. Excluding the IMF, approximately 48.0 percent of total assets are represented by claims on the GoL. The loans have been performing based on a memorandum of understanding (MOU) signed in 2007 between the CBL and the GoL.

The un-audited total liabilities including IMF related liabilities at November 30, 2018, amounted to L$147.0 billion compared with L$120.0 billion recorded in 2017. The increase in liabilities by L$27.0 billion was mainly attributed to increase in IMF-related liabilities, deposits from Central Government and autonomous agencies, deposits from banks as well as an increase in retirement & benefit obligations. The total owners' equity was L$16.0 billion compared with L$13.0 billion in 2017 due to a decrease in general reserve as a result of the provision for unsupported assets in 2017.

5.9.2 The Budget

The CBL operated a budget of US$35.5 million 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 as at November 30, 2018, was US$162.1 million, up from US$155.1 million in 2017. The above net foreign reserve is comprised of CBL net foreign reserve and net SDR Holdings (i.e. SDR Holdings less ECF Loan).

5.10 Enterprise Risk Management

To improve its enterprise risk management system, the Bank undertook the following activities:

- Integrating into CBL's operations a set of systematic processes for identifying, measuring, and monitoring many different types of risks;
- Elevating responsibility for risk management and preparedness to Senior Management and the Board;
- Encouraging cost-effective decision making and more efficient use of resources;
- Creating an internal culture of self-supervision that can identify and manage risks long before they crystallize; and
- Contributing to building a risk-smart workforce and environment that allows for innovation and responsible risk-taking.

5.10.1 Activities Update

In furtherance of its mandate, the Bank was engaged in and completed several activities which include:

1. The development of the Bank's Risk Statement;
2. The development of the Risk Management Framework;
3. The development of a full set of governance charter for the Board and its subcommittees;
4. The definition the overall risk tolerance levels for the main categories of risks the Bank faces; and
5. The conduct of full-scope enterprise risk assessments and quarterly compliance assessments.

5.10.2 Policies and Procedures

During the year, the Bank also developed several policies and procedures which includes: The Charter of the CBL Asset-Liability Committee (ALCO); Building Access and Key Control Policy and Procedures; Business Continuity Policy; Job Description, Evaluation, and Classification Policy; Recruitment and Selection Policy; Gasoline/Fuel and Scratch Cards Allowance Policy; Performance Management Policy; Staff Loan Policy; Training and Development Policy; Travel and Allowance Policy; Procurement Policy; and Collateral Eligibility Framework for Emergency Liquidity Assistance.

All of these measures are in furtherance of the third pillar of the CBL Strategic Plan 2017-2019 – CBL Internal Reform. In addition to monitoring and reporting regularly on the identified risks, further efforts are going to be expended on developing additional control measures so as to further narrow the remaining control gaps across the Bank.

5.11 Internal Audit

During the year, the Bank was engaged in the implementation of standards required by the Institute of Internal Auditor (IIA) Standard 2010. The IIA requires the establishment of risk-based plans, consistent with the Bank's goals. It further indicates that the internal audit should be based on a risk assessment basis, undertaken at least annually and that the input of senior management and the Board should be considered in the process.

Ensuring that the IIA Standard 2010 requirement is achieved, Bank requested the Bank of Ghana (BOG) to have their staff provide hands-on training assistance on Risk-based Internal Auditing to enable the CBL speedily and smoothly transition to full Risk-based Internal Audit function.

The BOG Team developed a three-phase training and technical assistance program to help CBL implement a full Risk-based internal function. Phase 1 and Phase 3 include training and technical assistance on Risk-based Internal Auditing for the CBL and Phase 2 consists of activities required to be performed by the Internal Audit Department of the CBL after Phase 1 and before commencement of Phase 3. During the year, the Auto-Audit Software, which is used for planning the audit plan, executing the audit plan, working papers preparation and the provision or issuance of draft and final audit report was acquired by the Bank and staff were trained to use the software.

5.12 Legal Services

During the period under review, the Bank completed the review and drafting of the amendments of the Central Bank of Liberia CBL Act of 1999 to align it with international best practices with the technical assistance from the International Monetary Fund (IMF).

The review covered:

1. The Integrity of the CBL ACT, and the legal underpinnings;
2. The autonomy of the Central Bank of Liberia;
3. Its governance (including financial reporting and audit provisions); and
4. The Central Bank's mandate (objectives, functions and instruments)

The draft amended Act will be submitted to the Legislature early next year for consideration. The Bank also pursued law suits brought against it during the year.

5.13 Corporate Communications

The Bank, during the year was engaged in providing clear and effective messaging to the public on its decisions and activities through its Newsletter, dubbed as the Regulator. Two editions of the Newsletter were produced – 1 in June and the other in December in 2018. On a daily basis, a review of the local newspapers was made to gather news articles of interest to CBL and/or the economy for the Bank's senior management.

The Bank worked with media consultants and community organizations to raise its profile with its stakeholders. Notable among these were the NuEra incorporated to produce a CBL narrative documentary, the National High School Sports for CBL sponsorship of the National High School Football & Kickball Championship; and the Lux-in-Tenebris Honors Program for the provision of internship for scholars of the program.

Several radio talk shows were hosted during 2018 to promote and raise awareness about the CBL Bills, aimed at strengthening the financial markets in Liberia, including digital financial services, and payment systems, among others. The formulation and implementation of an overarching and all-encompassing communications strategy is key to the success of the Bank's reform pillar. Such a strategy is made more necessary due to the growing importance of central bank communications, which is now recognized not just as a facilitator for central bank monetary policies, but as a monetary policy tool in and of itself.

Chapter 6: External Relations

6.1 Overview

During the year under review, the CBL was actively engaged with various multilateral partners and regional bodies, including the International Monetary Fund (IMF), the World Bank (WB), African Development Bank (AfDB), ECOWAS Commission, the West African Monetary Institute (WAMI), the West African Monetary Agency (WAMA), and the Association of African Central Banks (AACB).

The Bank participated in several high-level meetings, including the IMF/World Bank Springs and Annual Meetings held in Washington, DC, USA and Bali, Indonesia, respectively. At both meetings, the Bank, along with the MFDP, discussed important policy matters aimed at promoting macroeconomic stability and the Government's development programs. In addition, the CBL participated in the Economic Community of West African State (ECOWAS) Summit held in Lome, Togo and the Ministerial Committee Meeting on ECOWAS Single Currency Program held in Niamey, in December 2018. The Bank remains committed to the full implementation of the ECOWAS Single Currency Roadmap within the framework of the ECOWAS Monetary Corporation Program (EMCP) and the African Monetary Cooperation Program under the framework of the Association of African Central Banks (AACB), and continues to play important roles in strengthening and supporting regional institutions (i.e. West African Monetary Institute, West African Monetary Agency, West African Institute for Economic and Financial Management). The Bank also attended both the mid-year and end-of-year technical and ministerial meetings of Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), and benefited from capacity building programs, technical assistance and exchange of information from various institutions, including IMF, WAIFEM, Central Bank of Nigeria (CBN), and Bank of Ghana (BoG).

6.2 WAMI, WAMA and ECOWAS Meetings

For the period under review, the CBL participated in all of the statutory meetings of WAMI and WAMA, and special meetings of ECOWAS Commission. The key issues discussed in these meetings centered on regional economic integration and the ECOWAS Single Currency Program.

The principal objectives of the meetings were to review and discuss macroeconomic performance of member countries of the ECOWAS, especially the status of convergence and compliance with policy harmonization benchmarks as required under the Single Currency program of the WAMZ and ECOWAS. The statutory meetings also discussed efforts aimed at strengthening the two regional bodies (WAMA and WAMI) to make them more efficient in achieving their respective mandates.

During the period under review, the former Executive Governor of the Central Bank of Liberia Hon. Milton Weeks, turned over to the Central Bank of The Gambia, the Chairmanship of the Committee of Governors of WAMI in Banjul, The Gambia in February 2018.

The performance of each member country on the primary and secondary criteria was mixed during the year in review. In the case of Liberia, Fiscal deficit and the Gross External Reserves were the two of the four primary criteria met while one secondary criterion (Public debt to GDP) was met during the year 2018. The primary criteria missed by Liberia were Inflation and Central Bank Financing while the secondary criteria missed was nominal exchange rate.

With regard to the Single Currency Program, there were a number of technical meetings held to discuss key policy issues, including the common monetary policy, the choice of exchange rate regime, the name, structure and logo of the common central bank, the transformation of WAMA into the ECOWAS Monetary Institute (EcMI), etc. Pursuant to the decision of the Authorities of Heads of State and Government in Lome, Togo, the central banks of the Member States were mandated to lead the implementation of the Single Currency program towards the 2020 timeframe set by the Authorities.

At the WAMZ level, the Bank participated in discussions regarding the project document report requesting the approval of the Authority of the Heads of State for the establishment of a WAMZ Commission, a report on the Second Meeting of the Experts Committee on Quoting and Trading in the WAMZ National Currencies, a feasibility study of using Pension Funds of the WAMZ Member States for infrastructure financing, plus other administrative issues. The Bank attended the WAMZ Trade Ministers' Forum held in Abuja in November 2018 as part of the Liberian delegation. Reports submitted at the Forum showed that, while WAMZ Member States (as well as ECOWAS) have made significant efforts in complying with the various trade protocols and instruments, trade among Member States was still low due to several constraints, including limited productive capacity, inadequate infrastructure, poor connectivity, etc.

6.3 Association of African Central Banks

Like the WAMZ and WAMA, the Association of African Central Banks (AACB) provides the forum for peer review of African Union Member States compliance and progress with the achievement of the convergence criteria of the African Monetary Cooperation Program (AMCP) which is aimed at establishing a common monetary union for Africa. The forum also discusses macroeconomic issues in the region and promote policy dialogue among Member Central Banks. During the 41st Ordinary Meeting of the Assembly of Governors of the AACB on August 9, 2018, in Sharm-El Sheikh, Egypt, the Governor of the Central Bank of Liberia was elected as an Alternate Chairperson of the AACB for West African Sub-region, while the Governor of the Bank of Sierra Leone was elected as Chairperson.

6.4 African Development Bank Group (AfDB)

During the year under review, the Central Bank of Liberia reached an agreement with the African Development Bank (AfDB) to provide Trade Finance Facilities (TFF) for commercial banks in Liberia.

The TFF will enable commercial banks to extend medium to long-term credits to borrowers. The facility is a US$20.0 million package, divided into two components:

1. US$12.0 million funded facility to provide liquidity support to Liberian SMEs; and
2. US$8.0 million Risk Participation Agreement (RPA) with Sumitomo Mitsui Banking Corporation Europe Limited (SMBCE), under which, AfDB will provide up to 100 percent guarantees to enable SMBCE provide clean confirmation lines for letters of credit (LC's) to the commercial banks.

6.5 West African Institute for Financial & Economic Management (WAIFEM)

The CBL as one of the five-member central banks of WAIFEM played an active role in the activities of the Institute, including participation in the Statutory Meetings of the Institute during the course of the year and meeting its budgetary support to the Institute. As a capacity building institute, WAIFEM provided a total of 40 training programs during 2018 for staff from six countries: The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone.

As Chairman of the Board of Governors of WAIFEM, the Executive Governor of the CBL, Mr. Nathaniel R. Patray, III, led a successful interview process for the selection of the new Director General of the Institute, Dr. Baba Y. Musa and Mr. Emmanuel Owusu-Afriye as the Director for Macroeconomic Policy. The CBL turned over the Chairmanship of the Institute to CBN in September 2018.

6.6 Other Regional Meetings Attended

The CBL attended the 53rd Annual Meetings of the Board of Governors of the African Development Bank (AfDB) in Busan, South Korea, from 21st -25th, May 2018.

The Bank also participated in the statutory meetings of the Inter-Governmental Action Group against Money Laundering and Terrorism Financing in West Africa (GIABA) along with the Liberia Financial Intelligence Unit (LFIU).

The Executive Governor Hon. Nathaniel Patray, III and Hon. Dr. Mounir Siaplay, Deputy Governor, Economic Policy of the CBL paid a special visit to the Bank of Sierra Leone (BSL) and met with Professor Kelfala M. Kallon, Governor of the Bank of Sierra Leone along with senior staff of the Bank as part of his efforts to build bilateral relationship with BSL in several areas, including banking supervision, payments system, currency management, monetary policy operations and security. The parties agreed to promote staff exchanges and information sharing.