CENTRAL BANK OF LIBERIA

ANNUAL REPORT

2015

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CENTRAL BANK OF LIBERIA

2015

JANUARY 1, 2015

TO

DECEMBER 31, 2015

CENTRAL BANK OF LIBERIA

Office of the Executive Governor

January 22, 2016

Her Excellency
Madam Ellen Johnson-Sirleaf
PRESIDENT
Republic of Liberia

Madam President:

In accordance with part XI Section 49(1) of the Central Bank of Liberia (CBL) Act of 1999, I have the honor on behalf of the Board of Governors and Management of the Bank to submit, herewith, the Annual Report of the Central Bank of Liberia to the Government of Liberia for the period January 1 to December 31, 2015.

Respectfully yours,

J. Mills Jones

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Acronyms Used

AACB	-	Association of the African Central Banks
ABLL	-	AccessBank Liberia Limited
AC	-	The Audit Committee
ACH	-	Automated Clearing House
ACICO	-	Accident & Casualty Insurance Company
ACP	-	Automated Check Processing
AFBLL	-	Afriland First Bank Liberia Limited
AfDB	-	African Development Bank
AGLIC	-	Atlantic Life &General Insurance Company
AICOL	-	African Insurance Corporation of Liberia
AIIC	-	ACTIVA International Insurance Company
AIO	-	African Insurance Organization
ATM	-	Automated Teller Machine
AUG	-	American Underwriter Group
BCEAO	-	Bank Centrale des Etats de l'Afrique de l'ouest
BCIC	-	Blue Cross Insurance Company
BOP	-	Balance of Payments
BPM	-	Balance of Payment Manual
BRAC	-	Bangladesh Rehabilitation Assistance Committee
CAR	-	Capital Adequacy Ratio
CBL	-	Central Bank of Liberia
CBSWCA	-	Committee of Banking Supervisors of West and Central Africa
CDA		Cooperative Development Agency
CDA	-	Central Depository Act

CEAC	-	Capital Express Assurance Company
CEBSA	-	Central Bank of Liberia Staff Association
CGLIC	-	Continental General &Life Insurance Company
CMA	-	Capital Market Act
CNDRA	-	Centre for National Documents and Records Agency
CPI	-	Consumer Price Index
CRO	-	Chief Risk Officer
CRS	-	Collateral Registry System
CSWAMZ	-	College of Supervisors of the West African Monetary Zone
CU	-	Credit Unions
DFID	-	Department for International Development
DMFI	-	Diaconia Microfinance Deposit Taking Institution
DR	-	Disaster Recovery
EBID	-	ECOWAS Bank for Investment and Development
EBLL	-	Ecobank Liberia Limited
EC	-	ECOWAS Commission
ECB	-	European Central Bank
ECF	-	Extended Credit Facility
ECOWAS	-	Economic Community of West African States
EICLL	-	Equity Insurance Company Liberia Limited
EPM	-	Economic Policy Management
ERM	-	Enterprise Risk Management
ERMC	-	Enterprise Risk Management Committee
ERMS	-	Enterprise Risk Management Section
EVD	-	Ebola Virus Disease

FDIC	-	Family Dollar Insurance Company
FIBank	-	First International Bank
FIU	-	Financial Intelligence Unit
FRO	-	Functional Risk Officer
FSC	-	Financial Stability Committee
FX	-	Foreign Exchange
GBLL	-	Global Bank Liberia Limited
GDP	-	Gross Domestic Product
GGFC	-	Ghana Growth Fund Company
GoL	-	Government of Liberia
GTAC	-	Global Trust Assurance Company
GTBLL	-	Guaranty Trust Bank Liberia Limited
HCPI	-	Harmonized Consumer Price Index
IBLL	-	International Bank Liberia Limited
IC	-	Investment Committee
ICA	-	Insurance Company of Africa
IDEA	-	Integrated Data Extraction Analysis
IFC	-	International Finance Corporation
IFRS	-	International Financial Reporting Standards
IIA	-	Institute of Internal Auditors
IICL	-	International Insurance Corporation of Liberia
IIP	-	International Investment Position
IMF	-	International Monetary Fund
IPPF	-	International Professional Practice Framework
LBA	-	Liberia Bankers Association
LBDI	-	Liberian Bank for Development and Investment

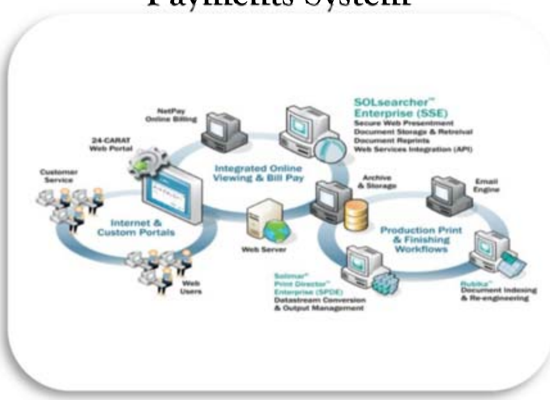
LCC	-	Lonestar Cell Communication
LCMMCI	-	Lonestar Cell Mobile Money Company Incorporated
LCUNA	-	Liberia Credit Union National Association
LEAF	-	Loan Extension and Availability Facility
LEDFC	-	Liberian Enterprise Development Finance Company
LIBA	-	Liberia Business Association
LISGIS	-	Liberia Institute of Statistics and Geo-information Services
LNP	-	Liberia National Police
LRA	-	Liberia Revenue Authority
LRC	-	Law Reform Commission
LWG	-	Liquidity Working Group
M1	-	Narrow Money
M2	-	Broad Money
M&A	-	Ministries and Agencies
MBA	-	Mutual Benefit Assurance
MDI	-	Microfinance Deposit-Taking Institutions
MFDP	-	Ministry of Finance and Development Planning
MFI	-	Microfinance Institutions
MIC	-	Medicare Insurance Company
MIS	-	Management Information System
MMPRC	-	Money Management and Policy Review Committee
NDA	-	Net Domestic Asset
NEPS	-	National Electronic Payment Switch
NPLs	-	Non-Performing Loans
OIC	-	OMEGA Insurance Company

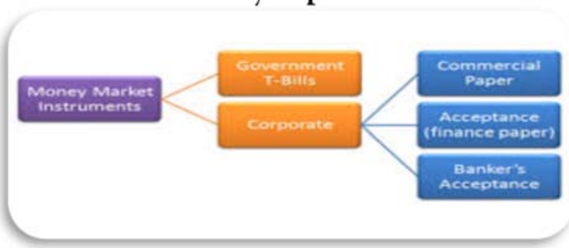
OPEC		Organization for Petroleum Exporting Countries
PFM	-	Public Financial Management
PIC	-	Palm Insurance Company
POS	-	Point of Sale
PSPSC	-	Payments System Project Steering Committee
RCFIs	-	Rural Community Finance Institutions
RGDP	-	Real Gross Domestic Product
ROA	-	Return on Asset
ROE	-	Return on Equity
RPPD	-	Research, Policy and Planning Department
RSD	-	Regulations and Supervision Department
RTGS	-	Real-Time Gross Settlement System
SDR	-	Special Drawing Rights
SIC	-	SAAR Insurance Company
SIIC	-	Sky International Insurance Company
SME	-	Small-Medium Enterprises
SRF	-	Standardized Reporting Format
SRIC	-	Secure Risk Insurance Company
SSSS	-	Scriptless Securities Settlement System
T-bills	-	Treasury bills
ToT	-	Terms of Trade
UBALL	-	United Bank for Africa Liberia Limited
UK	-	United Kingdom
UNCDF	-	United Nations Capital Development Fund
UNDP	-	United Nations Development Program

UNMIL	-	United Nations Mission in Liberia
US	-	United States
VSLA	-	Village Saving and Loan Associations
WABA	-	West African Bankers Association
WAIFEM	-	West African Institute for Financial and Economic Management
WAISA	-	West African Insurance Supervisors Association
WAMA	-	West African Monetary Agency
WAMI	-	West African Monetary Institute
WAMZ	-	West African Monetary Zone
WB	-	World Bank
WEO	-	World Economic Outlook
WOCCU	-	World Council of Credit Union

HIGHLIGHTS

World Economy 	The rate of global economic growth slowdown at 3.1 percent for 2015 as a result of uneven prospects in major economies. The US economy continued on its growth path as recovery gradually improves in the euro area. Emerging markets and developing economies growth trend has been declining as sub-Saharan Africa remained subdued due to falling commodity prices, geopolitical tension and the legacy of the Ebola epidemic. Global inflation largely remained subdued in 2015.
Domestic Economy 	Real GDP growth rate in 2015 was estimated at 0.3 percent, down from 0.7 percent in 2014, mainly as a result of contraction in iron ore production in the mining & panning sector, triggered by falling international price of the commodity.
Conducive Banking Environment 	The banking sector continued to show growth in key balance sheet indicators at end-October, 2015, registering growth in total assets, loans and advances. Deposits and total capital also grew. Total banking industry's assets to GDP was 44.5 percent at end-October, 2015, compared with 43.5 percent at end-October, 2014.
Exchange Rate Stability 	The average exchange rate vis-a'-vis the US dollar depreciated by 4.3 percent to L$88.5/US$1.00 in December, 2015 compared with L$84.84/US$1.00 for December, 2014, largely on account of deteriorating terms of trade (ToT), high demand for foreign exchange to facilitate imports and increased Liberian dollar expenditure by GoL during the course of the year.

Performance in Meeting WAMZ Criteria 	Cordial working relationship with traditional multilateral partners including the International Monetary Fund (IMF), World Bank (WB), and the African Development Bank (AfDB) was maintained during the year. The CBL collaborated with sub-regional institutions including the West African Monetary Institute (WAMI), West African Monetary Agency (WAMA), West African Institute for Financial and Economic Management (WAIFEM) and the Association of African Central Banks (AACB). Liberia's performance on the quantitative macroeconomic convergence scale for 2015 improved, satisfying 3 primary and the 2 secondary convergence criteria, compared with 3 and 1 for 2014, respectively.
Payments System 	The CBL made significant progress in the implementation of the National Payments Systems Project during the year. The upgrading of the CBL payment infrastructure has been substantially completed. The key solution components of the modernization that include Real-Time Gross Settlement System (RTGS), Scripless Securities Settlement System (SSSS), Automated Check Processing (ACP) and Automated Clearing House (ACH) system have been deployed, integrated and operationalized.
Microfinance 	During the course of the year, the CBL supported the establishment of 5 additional RCFIs. The promotion and establishment of RCFIs throughout the country, particularly in places without formal financial institutions, remains a cardinal objective of the CBL's financial inclusion agenda. The CBL completed and adopted the new Credit Union Regulations and provided support initiatives intended to enhance job creation and improve access to finance.

Reserve Position of the Bank 	Liberia's gross external reserves including gross SDR at end-December, 2015, stood at US$560.6 million, from US$532.2 million at end-December, 2014; while the net reserves including net SDR at end-December, 2015 was US$164.0 million, compared with US$227.9 million for 2014.
Treasury Operations 	During 2015, a total of L$2.8 billion of GoL T-bills was issued with a redemption of L$766.0 million. Similarly, CBL notes issued during the year amounted to L$2.8 billion.
The Non-Bank Financial Sector 	The new Insurance Law of 2013 was passed into law, replacing the 1973 Act. Several regulations, aimed at further strengthening the sector, were issued and published. At end-December, 2015, the total number of licensed foreign exchange bureaux was 122, reflecting an increase of 9.9 percent over 2014. Mobile money services are now being offered in all parts of the country.
Inflation 	Inflation during the year was contained in single digit mainly on account of favorable global oil prices and prudent liquidity management by the CBL. Average annual headline inflation for 2015, stood at 7.8 percent, from 9.9 percent for the same period in 2014. Core inflation which excludes food and transport from the overall Consumer Price Index (CPI) declined to 9.9 percent at end-December, 2015, from 6.1 percent in 2014.
Insurance 	The CBL, working in collaboration with development partners and other stakeholders, continued to strengthen the legal, institutional, and regulatory framework of the insurance sector. The insurance sector's branch network increased from 30 in 2014 to 31 in 2015.

	The development of the CBL Risk Statement and Risk Management Framework and Governance Charter for the Board and its sub-committees were undertaken by of the CBL in helping to strengthen risk management and enhance governance at the CBL.

MISSION AND OBJECTIVES

MISSION STATEMENT

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

OBJECTIVES

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

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

BOARD OF GOVERNORS
AS AT DECEMBER 31, 2015

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

Mr. David M. Farhat
Board Member

Mrs. Melisa Emeh
Board Member

Mr. Milton Weeks
Board Member

CHAPTER I
GOVERNANCE AND ORGANIZATIONAL STRUCTURE

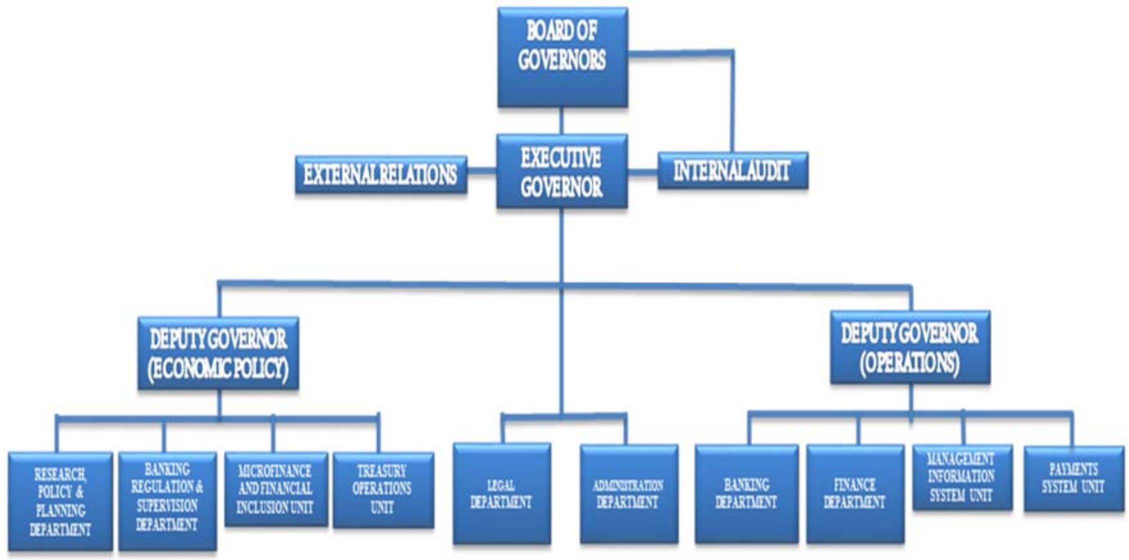
1.1 The Board of Governors

Under the CBL's Act of 1999 in part IV Section 9, the overall responsibility for the operations of the Bank is vested in the Board of Governors. It is responsible for the formulation and implementation of the country's monetary policy so as to ensure that the principal objectives of the Bank as set out in the Act are achieved. To this end, the Board has a direct oversight in the strategic planning and determination of the Bank's broad policy framework. For the full operationalization of the Bank, the Board approves the annual budget, monitors the financial and operational performance of the Institution, receives reports from the external auditors, and when it deems necessary, it may call for policy review. The Board of Governors comprises 5 members who are appointed by the President of Liberia and confirmed by the Liberian Senate. However, the current Board comprises of 4 members. The Executive Governor steers the day-to-day activities of the Bank and Chairs the Board.

As at end-December, 2015, the Board of Governors was composed of the following:

1. Dr. J. Mills Jones – Executive Governor/Chairman
2. Mr. David M. Farhat – Member
3. Mrs. Melisa Emeh – Member
4. Mr. Milton Weeks – Member

Chart 1: Organizational Structure
As at December 31, 2015



1.2 Committees of the Board

The Board of Governors is currently composed of 2 committees, namely: the Audit and the Investment. The Audit Committee (AC) has a mandate to supervise compliance with operational, statutory and international standards and internal controls procedures. On the overall, the AC ensures that appropriate and adequate accounting procedures, practices and controls are established. For the Investment Committee (IC), it has the mandate to assist the CBL in finding innovative investment plans regarding the placement of the Bank’s financial resources in line with its investment policy and make recommendations to the Board for approval.

1.3 Policy Decisions by the Board

During 2015, the Board of Governors took the following decisions in response to the real and potential impact of the Ebola epidemic on the banking system. The policy measures were announced by the CBL on December 31, 2014 and took effect January 1, 2015 applicable for the period of the Ebola Crisis (defined for the purpose of the policy measures as the period covering July 1, 2014 – June 30, 2015). Below are highlights of the policy measures:

1. ***Change in Banking Hours:*** The banking hours were adjusted downward as indicated below:
    - Mondays to Fridays : 9:00 a.m. – 2:00 p.m.
    - Saturdays : 9:00 a.m. – 12:00 noon

    The new banking hours applied to Monrovia and its environs while the banking hours for the branches as stated in the existing directive (CBL/RSD/025/2013) issued on January 8, 2013 remained the same.

2. ***Dispensation on Certain Provisions of the Regulation on Asset Classification:*** The dispensation applied to sections 6.10 and 9.10 of Regulation No. CBL/RSD/005/2014. Loans considered in this category included those that were performing prior to the Ebola crisis or that were granted during the period of the Ebola crisis, ***excluding loans granted after December 31, 2014***. For such loans, though they remained classified according to Regulation No. CBL/RSD/005/2014 as a matter of tracking their performance, banks were required to suspend the taking of provisions on them; or provisions already taken on such loans were to be suspended from the period of July1, 2014 to June 30, 2015. Additionally, the commercial banks also agreed with the CBL to be flexible in the restructuring of delinquent facilities associated with the Ebola Crisis. Also, it was agreed that all default charges be waived, and some, if not all accrued interest, be waived on a case-by-case basis.

3. ***Adjustment in the terms of the CBL's Stimulus Initiatives with Commercial Banks:*** The repayment period to the CBL for all participating banks that received funds associated with the various stimulus initiatives of the Bank was extended by 2 years, and the interest rate reduced from 3.0 percent to 2.0 percent, as a means of reducing the financial burden of the crisis on the banks and helping to improve their balance sheets. As an additional support to the banks, the interest on the CBL's initiatives for the period of the Ebola crises (July1, 2014 to June 30, 2015) was waived. Also, commercial banks involved in implementing the stimulus initiatives of the CBL were required to restructure delinquent facilities (and where necessary, extend their tenures) under those initiatives with a 6-month grace period for resumption of payment. Interest and default charges were agreed to be waived

for the period of the Ebola crisis (July 1, 2014 to June 30, 2015). This was intended to provide time for Liberian SMEs to restart their activities.

4. ***Payment of Outstanding Loan Obligations for all Private Schools:*** In the wake of the prolonged closure of schools as a result of the Ebola crisis, which contributed to increased debt burden of the private schools that borrowed from banks, the CBL paid off the outstanding loan obligations of all concerned institutions, from kindergarten through high school.

   As a result of these policy measures, banks restructured 172 facilities amounting to US$19.06 million and L$271.95 million. Some of the restructurings involved the waiver of accrued interest (total of US$0.6 million) and default charges (amount of L$2.27 million) by the banks. Additionally, the banks granted grace periods between six to seven months and reduced interest rates especially for facilities under the CBL stimulus programs.

5. ***New Regulations and Regulatory Policies***

   During the year, the CBL reviewed, amended and issued several additional regulations and regulatory policies, as follows:

   i. *Regulations for the Licensing and Operations of Credit Unions in Liberia.* As part of the CBL's efforts to reform the financial sector and to bring other financial services providers under the regulation of the Central Bank of Liberia as prescribed by section 4 (6) of the CBL Act, the Regulation & Supervision Department along with the Microfinance & Financial Inclusion Unit developed a Regulation for the licensing and operations of Credit Unions in Liberia. These regulations were developed in collaboration with Liberia Credit Union National Association (LCUNA) and the World Council of Credit Union (WOCCU). The Credit Unions of Liberia had previously been regulated under the Cooperative Development Agency (CDA) Act of 1938. These regulations are intended to strengthen the credit union regimes and enhance governance and risk management system with the main objective of transforming them into viable financial intermediaries and to increase their outreach especially in rural communities.

These regulations set the minimum standards for the licensing of credit unions in Liberia.

ii. *Licensing requirements for Insurance Brokers and Agents*

In order to be recognized and certified as a person or entity engaged in insurance intermediation, a well set criteria as well as standards are required of every insurance intermediary (broker and agent) to be in full compliance with and be licensed. These requirements include but not limited to experience, financial commitment, education, competence, comportment, etc.

6. ***Automation/Enhancement of the Supervisory Processes***

As part of its efforts to reform and strengthen the financial sector, the Board approved the procurement of robust banking software, for use by the CBL. The software is being deployed by member Central Banks of the West African Monetary Zone (WAMZ). The project commenced this year and is in an advanced stage. When completed, the infrastructure will significantly enhance the supervisory oversight of the CBL and policy response to issues evolving in the banking sector on a real-time basis.

1.4 Internal Committees

The CBL, during the course of 2015 maintained 3 internal committees, namely: the Financial Stability Committee (FSC), the Money Management and Policy Review Committee (MMPRC), and the Payments System Project Steering Committee (PSPSC). The FSC deliberated on several strategic issues with a view to safeguarding the stability of the financial system from the perspective of banks and non-bank financial institutions and to ensure efficiency in service delivery and greater degree of financial inclusion for both households and businesses. The MMPRC considered various policy matters aimed at ensuring the realization of the Bank’s primary goal of price stability and fostering balanced economic growth; thus, contributing towards the broader national objective of sustained economic development. Also, the development of the infrastructure upgrade for the National Payments System and other related payments system issues were the main focus of the PSPSC during the year.

CHAPTER II
THE GLOBAL ECONOMY

2.1 World Output Growth

In the October 2015 edition of the World Economic Outlook (WEO)[1], the International Monetary Fund (IMF) downgraded global economic growth forecast to 3.1 percent in 2015, from an earlier projection of 3.3 percent for 2015 and 3.4 percent in 2014, due to the uneven prospects arising from major world economies. Both short and long term forces such as declining commodity prices, currencies depreciation in emerging market economies and market volatility are expected to drive the slowdown in growth prospects. However, activity is expected to be favorable both in advanced and emerging markets and developing economies for 2016.

During the year, the US economy continued on its growth momentum path. Though there were some hitches in the second quarter, underpinned by bad weather, reduced expenditure in the oil sector, and port closure; the third quarter saw a pick up due to favorable expectations from reduced energy prices, improvements in the housing market, along with other positive prospects. Momentum in the US is expected to remain strong and will more than offset the reduction in exports emanating from the appreciation of the dollar. Although long term risks of aging population and weaker total factor productivity still remain the main constraints to growth, medium term growth prospect for the US is favorable, with projected growth for 2015 and 2016 set at 2.6 percent and 2.8 percent, respectively (Table 1).

The euro area continued on the path of gradual recovery since the beginning of the year with projected growth set at 1.5 percent for the year. The slight pick-up in activity during the year was triggered by lower oil prices, monetary easing, increased domestic demand and positive outlook on consumer prices. However, the crisis legacies, weak total factor productivity still remained the major risk to seeing output reach its potential. In addition, weak investment and geopolitical risk in some parts of the region could see growth trending downward in the absence of policies to tackle these bottlenecks. According to the WEO October 2015 edition, growth is projected to slightly increase to 1.6 percent in 2016.

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[1] https://www.imf.org/external/pubs/ft/weo/2015/02/pdf/text.pdf

From a projected growth rate of 6.6 percent at the beginning of the year, emerging markets and developing economies growth trend has been declining and is expected to decline further to 4.0 percent. The decline in growth is mainly as a result of slowdown in investment in China. Demand from China was weak as policy makers were keen on reducing vulnerabilities arising from rapid credit and investment growth in previous years. In addition, lower global commodity prices and tighter external financial conditions in advanced economies also helped to subdue growth momentum. China is expected to moderate to 6.8 percent for the year and further reduce to 6.3 percent in 2016. In India, growth prospect remained stable at 7.3 percent and is expected to strengthen to 7.5 percent next year mainly as a result of policy reforms, increased investment and lower commodity prices.

Table 1: Growth of Selected Global Output

	Year-over-Year				
		Projections		**Difference from April 2015 WEO**	
	2014	**2015**	**2016**	**2015**	**2016**
World Output	**3.4**	**3.1**	**3.6**	**-0.2**	**-0.2**
Advanced Economies	**1.8**	**2.0**	**2.2**	**-0.1**	**-0.2**
United States	2.4	2.6	2.8	0.1	-0.2
Euro Area	0.9	1.5	1.6	0.0	-0.1
Japan	-0.1	0.6	1.0	-0.2	-0.2
United Kingdom	3.0	2.5	2.2	0.1	-0.0
Canada	2.4	1.0	1.7	-0.5	-0.4
Emerging Markets and Developing Economies	**4.6**	**4.0**	**4.5**	**-0.2**	**-0.2**
Emerging Developing Asia	**6.8**	**6.5**	**6.4**	**-0.1**	**0.0**
China	7.3	6.8	6.3	0.0	0.0
India	7.3	7.3	7.5	-0.2	0.0
Latin America & the Caribbean	1.3	-0.3	0.8	-0.8	-0.9
Middle East, North Africa, Afghanistan & Pakistan	2.7	2.5	3.9	-0.1	0.1
Sub-Sahara Africa	**5.0**	**3.8**	**4.3**	**-0.6**	**-0.8**
Consumer Prices					
Advanced Economies	1.4	0.3	1.2	0.3	0.0
Emerging Markets and Developing Economies	5.1	5.6	5.1	0.1	0.3

Source: IMF World Economic Outlook October 2015 Edition

Declining commodity prices, geopolitical tension and the Ebola epidemic that affected some parts of the region kept growth prospect in Sub-Saharan Africa subdued during the year. The downward spiral in growth momentum was also attributed to slower demand from the region's largest trading partner (China). According to the October 2015 edition of the WEO, growth is projected to fall to 3.8 percent for the year. However, in 2016 momentum is expected to pick up with a projected growth rate of 4.3 percent mainly as a result of projected increase in external demand, slight recovery in oil prices, and improvement in the outlook for Ebola-affected countries.

2.2 Global Inflation

Global inflation has generally remained subdued during the year, backed by lower inflation in major economies. In advanced economies, inflation is expected to decline to 0.3 percent as a result of lower oil prices, but will increase to 5.6 percent for emerging market and developing economies, particularly commodity exporters, as a result of exchange rate depreciation. In emerging markets and developing economies inflation is projected to decline in 2016 while it is projected to increase in advanced economies but will remain generally below central bank targets (Table 1).

2.3 Commodity Market

Low demand as a result of weak and uneven global growth prospects, raddled with growing uncertainties and geopolitical instabilities coupled with strong supply, sustained the declines in global commodity prices during the year. Crude oil, iron ore, rubber and gold are some of the major commodities whose prices plummeted during the year.

2.3.1 Crude Oil[2]

On the back of weak and uneven global growth prospects in the face of resilient crude oil production and supply, the annual average price of crude oil plummeted by 46.7 percent to US$51.2 per barrel in 2015 from US$96.2 per barrel in 2014.

Despite growing geopolitical instabilities in key oil producing regions and declining oil investments, strong crude oil supply by the Saudi-led Organization for Petroleum Exporting Countries (OPEC), Russia and Iran (after the removal of economic sanctions) in the fight for maintaining market shares drove excess supply over demand during the year and may continue into the medium term. In addition, the recent commitments by advanced and

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

emerging markets & developing economies to reduce their carbon emissions, could have additional effect on oil demand in the medium to long run and is likely to put further downward pressure on energy prices.

2.3.2 Iron Ore

On account of strong supply in the face of weakening demand, mainly as a result of the slowdown in the Chinese real estate sector and steel industry, iron ore price tumbled by 42.2 percent to US$56.0 per metric ton in 2015, from US$96.8 per metric ton in 2014.

Relative to the annual average price of 2013, the price of the commodity plummeted by 58.2 percent, from US$135.4 per metric ton. Underpinned by weaker demand and supply gluts, iron ore price is expected to come under further downward pressure in the short-to-medium term.

2.3.3 Rubber

Explained by similar demand-supply imbalances, rubber price fell by 20.4 percent to an annual average of US$1,556.6 per metric ton in 2015, from US$1,956.7 per metric ton in 2014. The increasing use of synthetic rubber (as a substitute for natural rubber) in the low-oil-price environment and the slowdown in industrial activity, mainly in China, explained the decline in the demand for rubber, thus driving the tumbling in the price of the commodity.

2.3.4 Round Logs

The average price of round log fell by 13.1 percent to US$245.0 per cubic meter in 2015, from US$282.0 per cubic meter in 2014, largely indicative of low demand as supply remained relatively stable. Round log price declined by 19.8 percent in 2015, compared with the average price of US$305.4 per cubic meter recorded in 2013.

2.3.5 Rice

Driven largely by relatively weaker demand for the commodity in 2015, particularly from sub-Saharan Africa, rice price fell by 11.1 percent to US$379.0 per metric ton in 2015, from US$426.5 per metric ton in 2014. Global rice output is projected to decline in 2016 with an expected pick up in its price trend on account of unfavorable weather condition and production environments in key rice-producing economies.

2.3.6 Cocoa Beans

World market price of cocoa bean increased over its 2014 average price level. The price of cocoa increased relative to its 2014 and 2013 annual averages to US$ 3,116.03 per metric ton for the eleven month period ending November, 2015, from US$3,062.8 per metric ton and US$2,439.1 per metric ton, respectively. The rise in the price of cocoa bean during the year was due to strong demand for the commodity amidst slightly weaker supply from cocoa exporters. Outlook for the commodity remains favorable for 2016, mainly due to strong demand forecast.

2.4 Implication for the Liberian Economy

The Liberian economy is projected to grow at 0.3 percent in 2015, down from 0.7 percent in 2014 and 8.7 percent in 2013, largely on account of the negative effects of the Ebola crisis and the persistent fall in global commodity price. Though inflation has been contained in single digit, exchange rate depreciation pressure could heighten due to the fall in commodity prices with implication for a worsening current account deficit. With prudent macroeconomic policies in support of efforts to diversify the economy that will help raise output and employment could help improve growth prospects in the medium term.

CHAPTER III
DEVELOPMENTS IN THE LIBERIAN ECONOMY

3.1 Overview

Constrained by the Ebola legacy and falling commodity prices on the world market, Liberia Real GDP marginally grew to an estimated US$898.9 million in 2015, from US$896.4 million a year ago. The slight increase in Real GDP was attributed to increases in the services, manufacturing and forestry sectors.

Annual headline inflation on average was contained in single digit at an estimated 7.8 percent at end-2015 compared with the 9.9 percent inflation rate in 2014. The decline in inflation was attributed to favourable global oil prices and the prudent management of liquidity by the CBL; despite the exchange rate pressure in the third quarter of the year.

Commercial bank's credit to all sectors of the economy at end-November, 2015 reflected a growth rate of 23.7 percent. The growth in credit was mainly triggered by the resumption of activities in the economy with all sectors registering credit growths. Distribution of credits revealed that the private sector gained momentum and accounted for 96.7 percent while the public sector share was 3.3 percent.

During the year in review, interest rate developments showcased mixed variations. While the average lending, personal loan and mortgage rates all registered increases, the average rates on time deposit and certificate of deposits both declined. Monetary aggregates at end-October, 2015, registered increases compared to their levels recorded in 2014. Both Broad Money (M2) and Narrow Money (M1) supply grew by 9.5 percent and 6.5 percent, respectively.

From provisional estimates, Liberia's overall balance of payments (BOP) position recorded a deficit of US$51.8 million in 2015, from a deficit of US$38.2 million in 2014, largely driven by 5.3 percent worsening in the current account deficit due to deterioration in trade. The Liberian dollar on average depreciated by 4.3 percent at end December, 2015, compared with the rate recorded at end-December, 2014. The depreciation in the exchange rates were largely driven by deterioration in the terms of trade, high demand for foreign exchange to service import bills and the increased Liberian dollar expenditure by GoL.

The overall public debt stock of the country recorded at end-September 2015 declined by 6.2 percent to 31.7 percent of GDP compared with the 34.5 percent of GDP recorded at end-

September, 2014. The fall in the total public debt stock was attributed to declines in external and domestic debt stocks, respectively.

3.2 GDP Performance

Real GDP growth in 2015 is estimated at 0.3 percent, 0.4 percentage points lower than the 0.7 percent reported for 2014. The slowdown in growth was mainly led by declines in the forestry sector to 2.0 percent (from 2.2 percent) and the mining & panning sector through iron ore production to negative 17.0 percent (from 3.3 percent); even though the other major sectors are expected to expand; the agriculture and fisheries sector is expected to registered slight improvement in its growth, to negative 1.1 percent (from negative 3.7 percent), while the manufacturing and services sectors are expected to grow to 6.1 percent and 5.0 percent, from negative 0.7 percent and negative 2.3 percent, respectively.

Growth in 2016 is projected at 3.9 percent and is expected to be driven by all the major sectors except forestry which is projected to remain stable. However, the expected protracted weaknesses in global iron ore and rubber prices is likely to contribute to a further declines in the mining and agriculture sectors which could dent 2016 growth prospects.

Table 2: Liberia: Sectoral Origin of Gross Domestic Product (GDP)
(At 1992 Constant Prices: 2013-2016)
(In Millions of US$)

Sector	2013	2014	2015	2016**
Agriculture & Fisheries	225.1	216.7	214.4	217.5
Forestry	90.9	92.9	94.7	96.6
Mining & Panning	119.1	131.1	102.2	101.2
Manufacturing	64.9	64.5	68.4	76.1
Services	390.3	399.2	419.2	442.9
Real Gross Domestic Product	**890.3**	**896.4**	**898.9**	**934.3**

Source: Liberian Authority and IMF Staff estimates and projections
***** Projection***

3.3 Real Sector Performance

Real sector performance in 2015 varied across sectors as reflected in the agriculture and forestry sector which saw rubber output declining by 9.2 percent, to an estimated 54,406 metric tons, down from 59,892 metric tons produced in the previous year. The fall in production was partly due to the decline in the average price of the commodity on the global market (Table 2).

Cocoa production during the year expanded by an estimated 56.9 percent to 10,358 metric tons, up from 6,602metric tons reported in 2014. The surge in output was mainly due to increased supply of the commodity as a result of increased access to abandon farms after the cessation of the EVD coupled with an increase in the international price of the commodity.

Round logs produced at end-2015 rose by an estimated 3.0 percent to 179,739 cubic meters, from 174,436 cubic meters recorded in the previous year. The slight rise in production was largely explained by the annulment of the government moratorium on the production of the commodity (Table 3).

Table 3 Key Agricultural & Forestry Production (2013-2015)

Commodity	Unit	2013+	2014	2015**
Rubber	Mt.	56,431	59,892	54,406
Cocoa Beans	Mt.	9,084	6,602	10,358
Coffee	Mt.	203	-	57
Round Logs	M^3	84,556	174,436	179,739
Sawn Timber	Pcs.	501,602	763,987	832,946

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

Cement output in the year was estimated at 298,437 metric tons, 1.0 percent or 3,084 metric tons higher than the production level of 2014. The rise in production was attributed to increased construction activities.

Table 4: Key Industrial Output (2013-2015)

Commodity	Unit	2013+	2014	2015**
Cement	Mt.	193,993	295,353	298,437
Beverages	Liter	29,565,501	21,282,032	22,610,265
Paints	Gallon	283,987	209,741	265,934
Candle	Kg	172,075	195,196	164,153
Clorox	Liter	766,209	1,128,740	1,102,626
Rubbing Alcohol	Liter	260,557	254,760	298,011
Mattresses	Pcs.	100,346	116,087	111,787
Gold	Ounce	18,868	19,938	15,494
Diamond	Carat	47,819	74,882	73,729
Iron ore	Mt	4,948,095	5,189,723	3,202,402
Finished Water	Gal	1,809,781,772	1,464,866,002	1,629,838,695

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

Beverages production at end-2015 expanded by an estimated 6.2 percent, to 22.6 million liters, up from 21.3 million liters recorded in the previous year. The rise in output was on account of increased demand for the commodity in response to the cessation of the health crisis.

Total paint (water and oil) produced in the year was estimated at 265,934 gallons, up from 209,741 gallons in 2014. The 26.8 percent or 56,193 gallons rise in output was a result of increased demand for paint on the local market in response to the upsurge in construction activities in the country.

Candle output in 2015 was estimated at 164,153 kilograms, 15.9 percent lower than the 195,196 kilograms produced in 2014. The fall in production was a result of increased usage of fluorescent lamps which are used as safer substitutes for candles and the gradual expansion of electricity. Production of clorox during the year was estimated at 1,102,626 liters, 2.3 percent lower than the 1,128,740 liters produced in the preceding year. The fall in clorox production was largely explained by decline in demand due to the cessation of the Ebola epidemic.

Total estimated production of rubbing alcohol at end-2015 was 298,011 liters, 17.0 percent higher than the output's level of 2014. Output of mattresses in 2015 was estimated at 111,787 pieces, recording a decline of 3.7 percent or 4,300 pieces compared with the previous year.

Total iron ore produced at end -2015 was estimated at 3,202,402 metric tons. Matched against the 5,189,723 metric tons produced in the previous year, output declined by 38.3 percent. The slump in iron ore output was mainly explained by the unfavorable global price of the commodity which is serving as disincentive for higher production and the slowdown in demand for the commodity, mainly emanating from China. Similarly, gold and diamond, respectively, declined to an estimated 15,494 ounces and 73,729 carats (from 19,938 ounces and 74,882 carats in 2014).The contraction in production was attributed to their declining prices on the global market. Total supply of finished water in 2015 was estimated at 1.6 billion gallons, up from 1.5 billion gallons supplied in the previous year. The rise in supply was a result of repair works on the main supply line from the water processing plant (Table 4).

3.4 Price Developments

Average annual headline inflation in 2015 was contained at an estimated 7.8 percent, down from an average of 9.9 percent a year ago, mainly on account of favourable global oil prices and prudent liquidity management, despite the build-up of exchange rate pressure during the third quarter of the year.

The major drivers in the slowdown of inflation in 2015 compared with 2014 were food and non-alcoholic beverages to 5.9 percent (from 10.0 percent); housing, water, electricity, gas and other fuels to negative 4.5 percent (from 5.67 percent); health to negative 2.3 percent (from 17.2 percent); and restaurants and hotels to 4.1 percent (from 5.0 percent); However, core inflation which excludes food and transport from the overall Consumer Price Index (CPI) surged to 9.9 percent at end-December, 2015, from 6.1 percent in 2014.

Outlook of inflation at end-2016 is expected to remain in single-digit. However, the attainment of single digit rate of inflation will largely depend on the behaviour of international oil and food prices, exchange rate, domestic infrastructure mainly roads and the level of energy supply as well as improved domestic food production.

Table 5: Year-on- Year Rate of Inflation
(2013-2015)
(December 2005=100)

	2013	2014	2015
January	8.0	7.7	8.6
February	5.5	7.9	7.7
March	8.4	8.9	7.3
April	8.7	9.8	6.8
May	6.5	9.6	7.9
June	7.0	11.7	7.7
July	7.1	10.9	9.5
August	7.5	10.1	7.3
September	8.2	13.5	6.5
October	8.5	12.7	6.0
November	7.0	7.91	9.8
December	8.5	7.7	8.0
Average	**7.6**	**9.9**	**7.8**

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

Chart 2: Year-on-Year Rates of Inflation
(2013-2015)
(December, 2005=100)

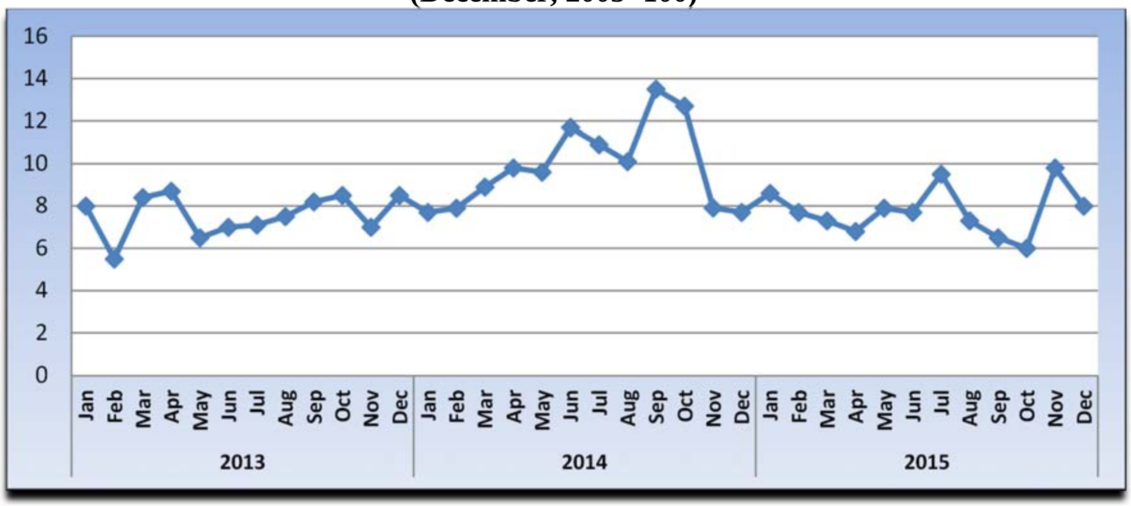


Table 6: HCPI and Core Inflation
(In percent)
(2014-2015)

	Inflation	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	HCPI (Gen)	7.7	7.9	8.9	9.8	9.6	11.7	10.9	10.1	13.5	12.7	7.9	7.7
	Core (Inf)	10.5	8.9	12.9	15.2	11.8	13	9.3	8.3	8.3	8.1	6.2	6.1
2015	HCPI (Gen)	8.7	7.7	7.3	6.8	7.9	7.7	9.5	7.3	6.5	6	9.8	8.0
	Core (Inf)	4.3	3.1	1.4	0.5	-0.8	2	4.1	7.2	9.6	10	10.9	9.9

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

Chart 3: HCPI and Core Inflation
(In Percent)
(2014-2015)

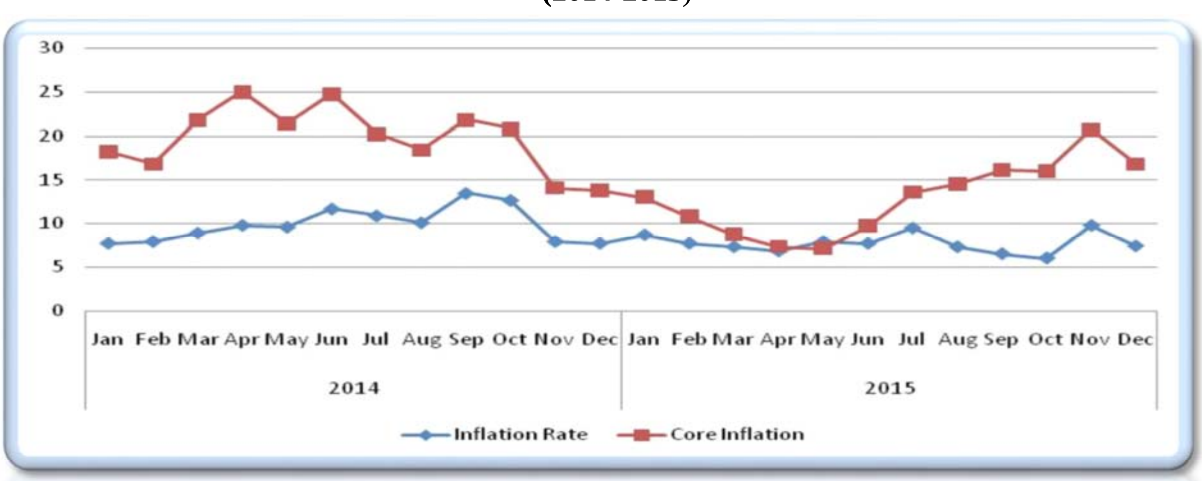


Table 7: Harmonized Consumer Price Index (HCPI) By Major Groups
Year-on-Year Rates of Inflation

MAJOR GROUP	WEIGHT	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
FOOD AND NON-ALCOHOLIC BEVERAGES	45.20	11.77	12.40	14.29	14.12	17.54	12.21	12.93	6.90	3.77	2.76	9.03	5.88
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	3.03	4.61	-0.17	2.49	0.20	3.39	0.18	1.45	4.10	10.88	12.42	7.96	11.03
CLOTHING AND FOOTWEAR	7.75	10.12	1.74	0.28	-0.81	5.15	10.51	18.65	14.93	26.64	27.95	25.31	22.55
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	12.00	6.03	6.37	-4.20	-1.38	0.26	-0.24	2.36	3.35	-5.47	-6.45	0.86	-4.50
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE	5.25	-0.19	4.82	8.34	8.61	-7.56	0.31	0.51	10.59	19.61	20.54	17.64	19.45
HEALTH	3.91	1.54	-3.90	-2.75	-2.20	-14.51	-10.58	-7.87	-8.48	-1.39	-1.39	-2.27	-2.27
TRANSPORT	6.11	9.92	-1.06	-10.07	-10.29	-10.65	7.02	14.08	10.61	10.46	9.59	8.85	14.36
COMMUNICATION	1.53	-3.96	-3.60	-4.02	-4.33	-12.15	-12.38	-12.02	-11.14	-9.79	-10.04	-10.03	-10.00
RECREATION AND CULTURE	3.85	19.14	20.00	16.61	15.69	15.71	21.86	21.21	17.40	24.81	25.23	25.20	25.35
EDUCATION	3.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RESTAURANTS AND HOTELS	4.64	-3.96	-3.63	-4.48	-6.83	-6.79	-4.73	-7.78	4.36	3.21	3.38	3.63	4.14
MISCELLANEOUS GOODS AND SERVICES	3.53	4.04	4.78	8.25	-0.59	0.37	-0.59	4.71	8.31	4.30	5.78	12.19	13.02
GENERAL RATES OF INFLATION	**100.00**	**8.65**	**7.65**	**7.26**	**6.77**	**7.90**	**7.72**	**9.52**	**7.30**	**6.47**	**6.00**	**9.76**	**8.04**
SPECIAL RATES OF INFLATION													
ALL IMPORTED ITEMS	41.73	11.56	9.08	13.17	13.66	10.00	10.88	12.96	11.11	5.49	4.70	9.90	5.38
ALL DOMESTIC ITEMS	58.27	6.62	6.64	3.00	1.79	6.32	5.34	6.95	4.51	7.24	6.98	9.66	10.08
IMPORTED FOOD ITEMS	23.87	15.40	14.79	21.09	23.26	15.76	14.08	15.20	11.46	-0.44	-2.14	6.51	0.28
DOMESTIC FOOD ITEMS	21.33	8.25	10.00	7.37	4.78	19.54	10.19	10.56	2.35	8.54	7.95	11.72	12.00
IMPORTED FUEL	2.14	-11.97	-14.03	-19.84	-20.60	-17.48	-20.62	-18.88	-13.52	-16.19	-15.75	-18.90	-17.53

Sources: Central Bank Liberia and Liberia Institute for Statistics and Geo-Information Services

3.5 Monetary Developments

3.5.1 Commercial Banks' Credits to the Economy

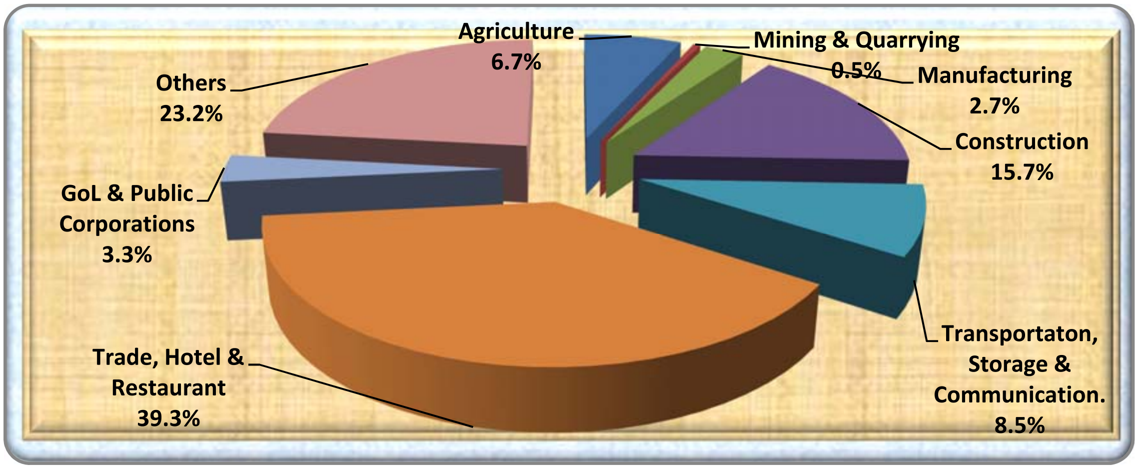
Total credit to all sectors of the economy at end-November, 2015 stood at L$34,028.0 million, reflecting a growth of 23.7 percent relative to the level recorded at end-December, 2014. With the exception of the Mining and Quarrying sector which declined by 8.9 percent relative to December, 2014, credits to all other sectors registered double digit growth rates. Manufacturing grew by 75.8 percent; Transportation, Storage & Communication by 42.2 percent; Agriculture by 21.8 percent; Construction by 13.2 percent; Trade, Hotel & Restaurant by 11.2 percent, and the "Others" Sector by 47.5 percent. The expansion in credit was mainly due to resumption in economic activities after the EVD crisis. In terms of share of total credit for the period, the private sector received the giant share of L$32,900.3 million (96.7 percent) while GoL and Public Corporations accounted for L$1,127.7 million (3.3 percent). The contribution of the private sector to credit growth reflects the growing activities in the sector which is necessary for a balanced and sustainable growth and development of the economy (Table 8 & Chart 4).

Table 8: Commercial Bank Loans by Economic Sectors
(2013-November, 2015)
(In Millions L$)

	Dec-13		Dec-14		Nov-15		Percentage Change	
	L$	share	L$	share	L$	share	2013 -14	2014 - Nov-15
Agriculture	1,494.8	5.5	1,869.2	6.8	2,276.0	7.3	25.0	21.8
Mining & Quarrying	100.3	0.4	177.2	0.6	161.4	0.6	76.6	-8.9
Manufacturing	371.9	1.4	526.9	1.9	926.5	2.9	41.7	75.8
Construction	2,933.6	10.8	4,727.7	17.2	5,354.3	16.6	61.2	13.3
Transportation, Storage & Communication.	2,274.1	8.4	2,032.3	7.4	2,890.2	8.6	-10.6	42.2
Trade, Hotel & Restaurant	10,860.9	40.0	12,039.1	43.8	13,381.6	42.9	10.8	11.2
Others	9,133.7	33.6	6,127.2	22.3	9,038.0	21.1	-32.9	47.5
Total	**27,169.4**	**100.0**	**27,499.6**	**100**	**34,028.0**	**100**	**1.2**	**23.7**

Source: Central Bank of Liberia, Monrovia, Liberia
****The "Others" Sector comprises loans to Individual, Service Institutions, GoL, Public Corporations, and other institutions not categorized in any sector. However, in the chart below credit to GoL and public corporations are separated from the "others" sector.***

Chart 4: Percentage Distribution of Commercial Banks' Loans by Economic Sectors (November, 2015)



3.5.2 Interest Rates

Trends of average interest rates in the economy during the 11-month period were mixed. The average lending rate increased by 10.0 basis points to 13.60 percent, from 13.50 percent at end-December, 2014. Similarly, the average personal loan and mortgage rates both increased by 10 basis points and 25.2 basis points to 14.09 percent and 14.50 percent, respectively. On the contrary, the average rates on time deposit and certificate of deposits declined by 15.1 basis points and 25.0 basis points to 4.01 percent and to 2.00 percent, respectively, from the 4.16 percent and 2.25 percent recorded at end-December, 2014. The average rate on savings, during the year, remained stable at 2.00 percent (Table 9). The increases in lending, personal loans and mortgage rates as well as the 34.8 basis points growth in the spread between lending and savings rates were reflective of risk measure by the industry against the 170 basis points rise in non-performing loan ratio.

Table 9: Average Commercial Banks' Interest Rates
(2013 - November, 2015)

COMMERCIAL BANKS RATES	2013	2014	Jan-Nov, 2015
Lending Rate	13.49	13.50	13.60
Personal Loan Rate	13.93	13.99	14.09
Mortgage Rate	14.20	14.25	14.50
Time Deposit Rate	3.87	4.16	4.01
Savings Rate	2.01	2.00	2.00
Rate on CD'S	2.83	2.25	2.00

Source: Central Bank of Liberia, Monrovia, Liberia

3.5.3 Monetary Policy Stance

The conduct of monetary policy by the CBL continues to be focused on the attainment of price stability via broad exchange rate stability. The CBL, for the year in review, used its foreign exchange intervention, T-bills and the CBL's notes as the major policy instruments to influence domestic monetary conditions.

3.5.4 Monetary Aggregates

Liberian dollars in circulation[3] at end-November, 2015, stood at L$9,505.9 million, reflecting a growth of 1.5 percent, from L$9,367.6 million at end-December, 2014. The growth was on account of a 3.1 percent rise in currency outside banks which offset a 12.2 percent decline in currency in banks. The expansion of currency held by the public, historically, is characteristic of every festive season which is usually typical of higher consumer outlays. Of the total currency in circulation at the end of the review period, currency in the hands of the public accounted for 90.7 percent, up from 89.2 percent at end-2014.

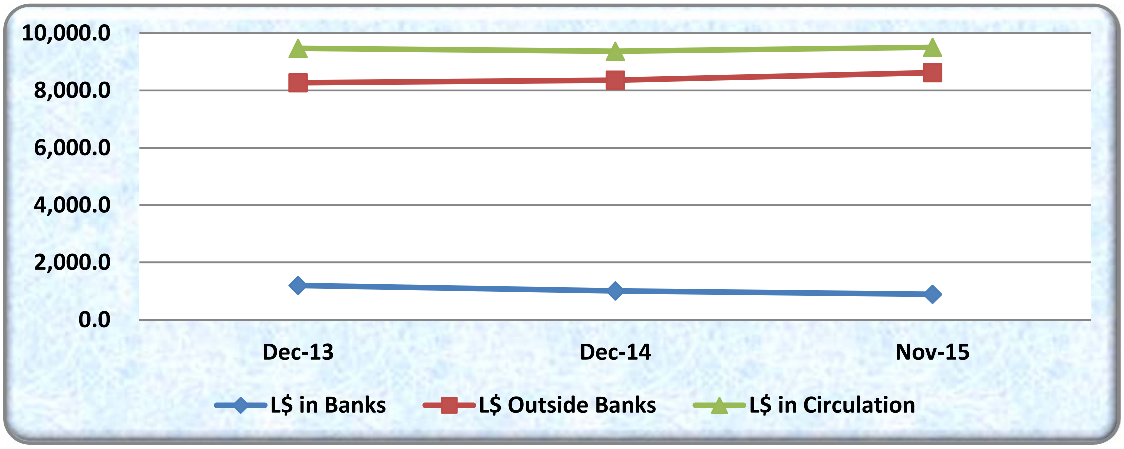
Table 10: Liberian Dollar in Circulation
(2013 - November, 2015)
(In Millions L$)

	L$ in Banks	L$ Outside Banks	L$ in Circulation
	A	B	C =(A+B)
Dec-13	1,196.2	8,271.7	9,468.0
Dec-14	1,008.6	8,359.0	9,367.6
Nov-15	1,062.7	8,325.2	9,505.9

Source: Central Bank of Liberia, Monrovia, Liberia

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

Chart 5: Liberian Dollars in Circulation (2013-November, 2015) (In Millions L$)



Narrow money supply (M1)[4] as at 30th November, 2015, totaled L$39,038.4 million, expanding by 6.6 percent compared with L$36,634.5 million reported at end-December, 2014. The growth in narrow money stock was driven largely by a 7.6 percent increase in demand deposits. Quasi money[5] rose by 18.1 percent, to L$20,152.0 million largely on account of a 17.9 percent increase in time and savings deposits.

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

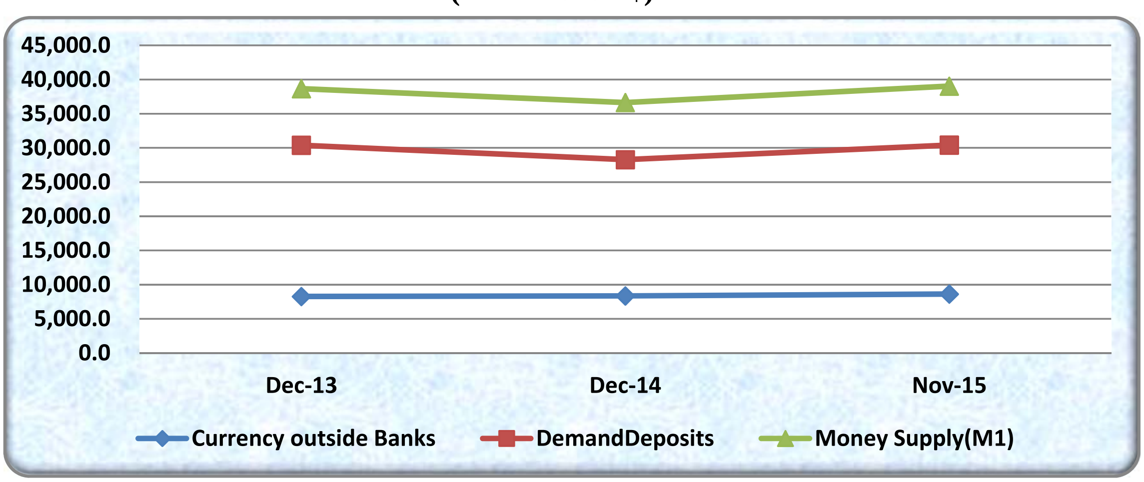
[5] Quasi Money is defined as savings and time deposits in both currencies

Table 11: Money Supply and its Sources
(2013 – November, 2015)
(In Million L$)

Monetary Aggregates	Dec-13	Dec-14	Nov-15	Percent Change	
				2013-14	2014-Nov, 2015
1.0 Money Supply M2 (1.1 + 1.2)	**54,956.40**	**53,696.90**	**59,190.5**	**-2.3**	**10.2**
1.1 Money Supply M1	38,666.50	36,634.50	39,038.4	**-5.3**	**6.6**
1.1.1 Currency outside banks	*8,271.70*	*8,359.00*	*8,620.2*	**1.1**	**3.1**
1.1.2 Demand deposit [1/]	*30,394.80*	*28,275.50*	*30,418.3*	**-7.0**	**7.6**
1.2 Quasi Money	**16,289.90**	**17,062.40**	**20,152.0**	**4.7**	**18.1**
1.2.1 Time & Savings deposits	16,252.30	17,011.40	20,048.3	**4.7**	**17.9**
1.2.2 Other deposits [2/]	*37.6*	*51*	*103.8*	**35.8**	**103.4**
2.0 Net Foreign Assets	**28,359.40**	**34,864.90**	**32,501.8**	**22.9**	**-6.8**
2.1 Central Bank	18,010.20	20,611.30	24,274.5	**14.4**	**17.8**
2.2 Banking Institutions	10,349.20	14,253.60	8,227.3	**37.7**	**-42.3**
3.0 Net Domestic Assets (1 - 2)	**26,597.10**	**18,832.00**	**26,688.6**	**-29.2**	**41.7**
3.1 Domestic Credit	**48,833.80**	**48,584.70**	**50,367.8**	**-0.5**	**3.7**
3.1.1 Government (net)	17,308.60	15,381.50	11,251.5	**-11.1**	**-26.9**
3.1.2 Pvt. Sector & Other Pvt. Sector	31,525.20	33,203.20	39,116.3	**5.3**	**17.8**
3.2 Other assets Net (3 - 3.1)	22,236.80	29,752.80	23,679.2	**33.8**	**-20.4**
Memorandum Items					
1. Overall Liquidity	54,956.40	53,696.90	59,190.5	**-2.3**	**10.2**
2. Reserve Money	30,941.50	32,014.80	23,716.4	**3.5**	**-25.9**
Currency outside banks	*8,271.70*	*8,359.00*	*8,620.2*	**1.1**	**3.1**
Banks Reserves	*22,669.80*	*23,655.80*	*14,187.6*	**4.3**	**-40.0**

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

Chart 6: Money Supply (M1)
(2013–November, 2015)
(In Millions L$)



Broad money (M2)[6], the measure of the overall liquidity in the banking system, rose by 10.2 percent to L$59,190.5 million at end-November, 2015, from L$53,696.9 million at end-December, 2014 on the back of a 41.7 percent leap in net domestic assets (NDA). The growth in NDA, in turn, resulted from a 23.7 percent rebound in credit to private sector after the EVD health crisis. Reserve money plunged by 25.9 percent, underpinned by reduction in banks' reserve deposits at the CBL. The US dollar share of broad money at end-November, 2015 accounted for 70.5 percent (L$41,476.1 million[7]), reflecting the highly dollarized nature of the Liberian economy (Table 12 & Chart 8).

Chart 7: Broad Money (M2)
(2013 - November, 2015)
(In Millions L$)

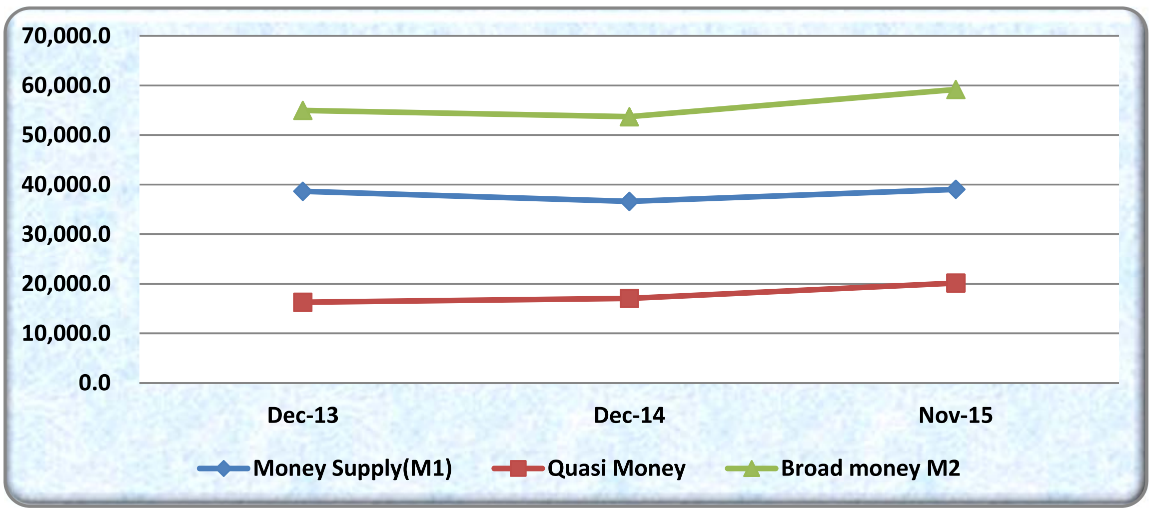


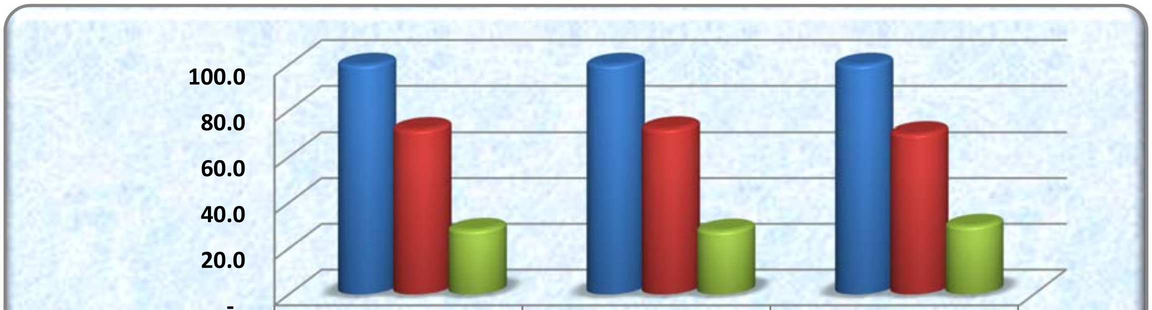
Table 12: Broad Money (M2): Share of US and Liberian Dollars
(2013 - October, 2015)
(In Millions L$)

	Dec-13	Percent Share	Dec-14	Percent Share	Nov-15	Percent Share
Broad Money	54,956.44	100.00	53,696.90	100.00	59,190.5	100.00
US$ Share	39,509.73	71.89	38,783.14	72.23	41,494.7	70.10
L$ Share	15,446.71	28.11	14,913.76	27.77	17,695.7	29.90

Source: Central Bank of Liberia, Monrovia, Liberia

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

Chart 8: Broad Money (M2): Share of US and Liberian Dollars (2013 - November, 2015) (In Percent)



	Dec-13	Dec-14	Nov-15
Broad Money	100.0	100.0	100.0
US$ Share	71.9	72.2	70.1
L$ Share	28.1	27.8	29.9

3.5.5 Money Market Developments

Since the inception of the money market in 2013, 34 T-bill auctions have been conducted on behalf of the GoL with redemption of 30 auctions. From January to December, 2015, a total of 13 bills amounting to L$2.8 billion have been issued with a redemption of L$766.0 million at a weighted average yield of 3.72 percent. The total issuance is inclusive of a 1-year Treasury bond face valued at L$1.8 billion at a weighted average yield of 4.66 percent. In comparison to the savings deposits rate of 2.0 percent, the GoL T-bills rate is higher, thus giving investors alternative profitable use of their idle funds.

Table 13: GOL Treasury Bills Auction

(Jan – Dec, 2015)

Date	Amount Issue	Value of bids received	Over/(Under) Subscriptions LR$	Cut-Off Interest Rate (%)	Weighted average Discount Rate (%)
3-Dec-15	43,750,000.0	71,250,000.0	27,500,000.0	4.50	4.15
5-Nov-15	88,500,000.0	89,650,000.0	1,150,000.0	5.00	4.10
1-Oct-15	73,100,000.0	73,100,000.0	-15,400,000.0	0	3.52
3-Sep-15	88,500,000.0	146,200,000.0	57,700,000.0	4.00	3.54
6-Aug-15	87,500,000.0	160,000,000.0	72,500,000.0	3.80	3.69
2-Jul-15	84,500,000.0	121,400,000.0	36,900,000.0	4.00	3.03
25-Jun-15	1,810,000,000.0	1,810,000,000.0	-190,000,000.0	0	4.66
4-Jun-15	84,500,000	166,400,000.0	81,900,000.0	3.00	2.59
7-May-15	84,500,000	161,400,000.0	76,900,000.0	3.50	3.35
2-Apr-15	84,500,000	151,400,000.0	66,900,000.0	4.00	3.79
5-Mar-15	84,500,000	151,700,000.0	67,200,000.0	4.25	3.92
5-Feb-15	85,000,000	151,500,000.0	66,500,000.0	4.50	3.97
2-Jan-15	82,500,000	144,250,000.0	61,750,000.0	4.50	4.11
TOTAL	**2,781,350,000.0**	**3,398,250,000.0**	**616,900,000.0**		**3.72**

Source: Central Bank of Liberia, Monrovia, Liberia

In an effort to mop up excess Liberian dollar liquidity for sterilization purposes, the CBL has conducted 11 CBL's notes auctions and has redeemed 10 since the beginning of the auction program in July, 2013. The total issuance during the year was L$2.8 billion with a weighted yield of 6.51 percent.

Table 14: CBL bill Auction Details

(Jan – Dec, 2015)

Date	Amount Issue	Value of bids received	Over/(Under) Subscriptions LR$	Cut-Off Interest Rate (%)	Weighted average Discount Rate (%)
14-Aug-15	1,592,000,000.0	1,592,000,000.0	-408,000,000.0	7.5	6.58
20-Jan-15	1,165,000,000.0	1,165,000,000.0	-335,000,000.0	7.5	6.43
TOTAL	**2,757,000,000.0**	**2,757,000,000.0**	**-743,000,000.0**		**6.51**

Source: Central Bank of Liberia, Monrovia, Liberia

3.5.6 CBL's Foreign Exchange Auction

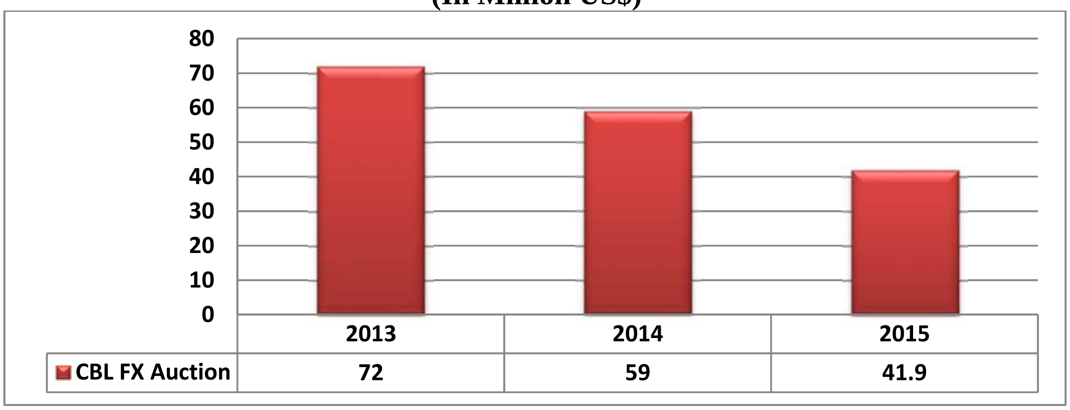
The total amount of US dollar sold during 2015 amounted to US$41.9 million, down by 29.0 percent compared with 2014 Foreign exchange (FX) sale of US$$59.0 million. This level of intervention propped up by the steady increase in net inward personal remittances helped in stabilizing the exchange rate between the Liberian dollar and the US dollar.

Table 15: CBL's Foreign Exchange Auction
(2013- 2015)
(In Million US$)

	2013	2014	2015
FX Sold	72.0	59.0	41.9

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 9: Foreign Exchange Auction
(2013- 2015)
(In Million US$)



3.6 External Sector Developments

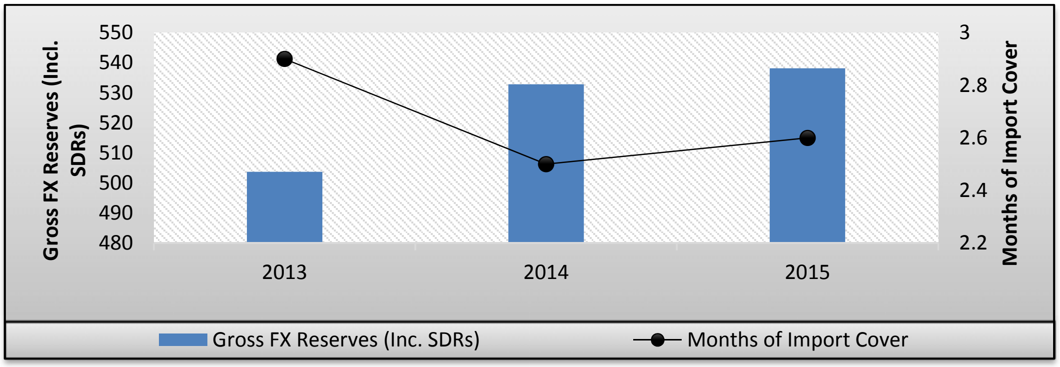
3.6.1 Balance of Payments[8]

From provisional estimates, Liberia's overall balance of payments (BOP) position deteriorated to a deficit of US$51.8 million in 2015, from a deficit of US$38.2 million in 2014, largely driven by 5.3 percent worsening in the current account deficit. Gross foreign reserves (including SDR holdings) in months of import cover inched upward to 2.7 months in

[8] Provisional Balances measured on IMF Balance of Payments Manual 5 (BPM5) Standards

2015, from 2.4 months in 2014, though still remaining below the minimum requirement of 3.0 months set by the West African Monetary Zone (WAMZ) (Table 16 & Chart 10).

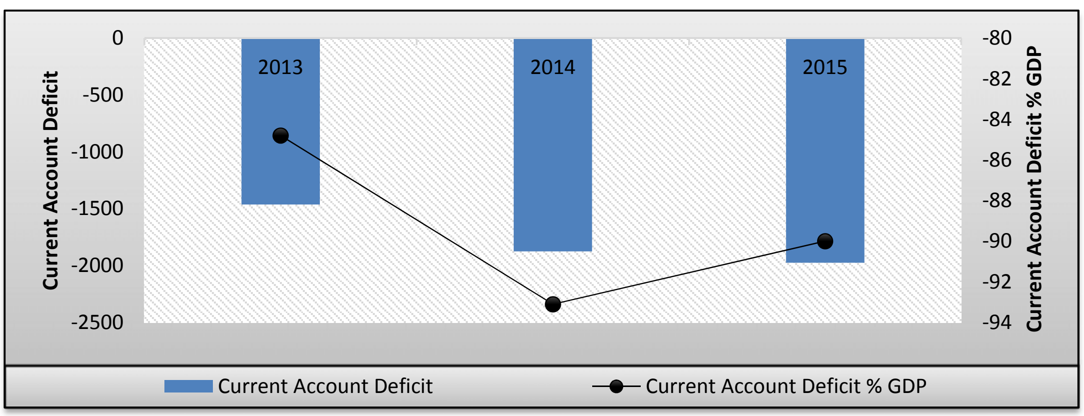
Chart 10: Gross Foreign Reserves in Months of Import Cover: 2013-2015 (Millions of US dollars, unless otherwise indicated)



3.6.1.1 Current Account

The current account deficit widened by 5.3 percent to US$1,974.6 million in 2015, from US$1,874.8 million during the preceding year, on the back of 30.7 percent deterioration in the trade deficit that offset the 26.8 percent year-on-year rise in current transfers. As a percent of GDP, the current account deficit averaged 96.2 percent in 2015, from 93.1 percent in 2014 (Table 16 & Chart 11).

Chart 11: Trend of Current Account Deficit as Percent of GDP: 2013-2015



3.6.1.2 Trade Balance

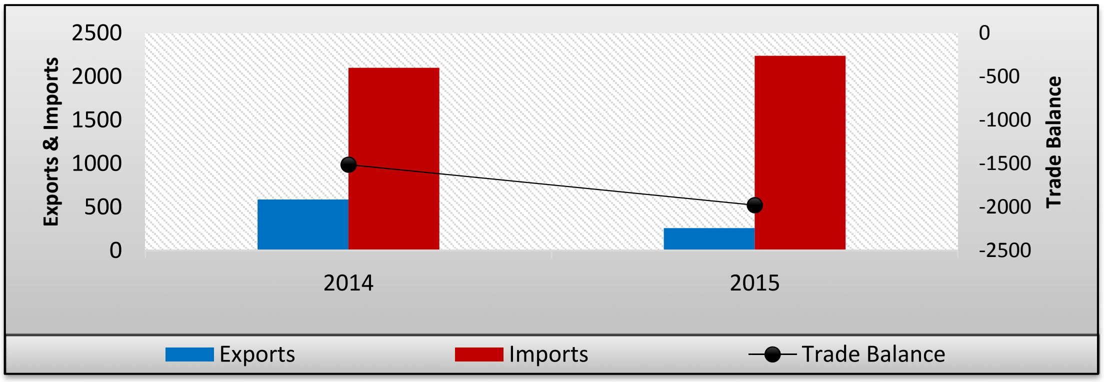
Preliminary statistics show that the trade deficit widened by 30.7 percent to US$1,977.7 million in 2015, from US$1,513.1 million during the preceding year, led by 55.8 percent decline in export receipts coupled with 6.5 percent rise in import payments. The sharp declines in iron ore and rubber prices on the global market during the year, coupled with the post-EVD domestic production constraints, explained the sharp decline in export receipts. On the imports front, year-on-year improvements in economic activities led to increased importation during the year, particularly consumables and petroleum products. Despite the falling price of the commodity, Liberia's petroleum import bill rose by 24.0 percent in 2015 compared with the amount recorded in 2014, largely on account of increased import volume (Table 16 & Chart 11) in 2014.

Table 16: Balance of Payments: 2014-2015
(Millions of US dollars, unless otherwise indicated)

Year	2014*	2015**	Y-on-Y % Growth Rate 2014-2015
Current Account Balance	**-1874.8**	**-1974.6**	5.3
Current Account Balance, excluding grants	-2887.7	-3043.4	1.0
Trade Balance	**-1513.1**	**-1977.7**	30.7
Merchandise Exports	587.1	259.5	-55.8
Iron ore	373.8	133.3	-64.3
Rubber	106.3	51.2	-51.8
Non-Iron Ore & Non-Rubber Exports	107.0	74.9	-30.0
Merchandise Imports (FOB)	-2100.3	-2237.2	6.5
Oil (Petroleum)	-333.7	-413.8	24.0
Rice	-155.6	-124.7	-19.8
Machinery & Transport Equipment	-667.7	-425.3	-36.3
Others	-943.2	-1273.4	35.0
Services (Net)	-1081.6	-1039.1	-3.9
Receipts	230.6	237.9	3.2
Payments	-1312.3	-1277.0	-2.7
Income (Net)	-496.6	-499.8	0.7
Compensation of Employees (net)	19.8	19.4	-2.0
Investment income (net)	-516.4	-519.2	0.6
Current transfers (Net)	1216.5	1668.2	37.1
Public transfers (net)	1019.6	1124.4	10.3
Grants (net)	1012.9	1068.8	5.5
Others	6.7	55.6	729.5
Private transfers (net)	196.9	543.8	176.2
Workers' Remittances (net)	158.9	368.4	131.8
Others	38.0	175.4	362.0
Capital & Financial Account	**662.2**	**878.1**	32.6
Capital Transfers (Net)	116.7	361.7	210.0
Financial Account	545.5	516.4	-5.3
Direct investment in reporting economy	276.7	284.6	2.9
Portfolio Investment (Net)	0.0	0.0	0.0
Other Investment (Net)	239.7	262.1	9.4
Currency & Deposits (net)	46.7	-10.8	-123.2
Trade Credit & Advances (net)	-22.7	22.3	-198.6
Reserve Assets	29.1	-30.4	-204.4
Net Errors and Omissions	1174.5	918.5	-21.8
OVERALL BALANCE/1	**-38.2**	**-51.8**	35.6
Financing	**38.2**	**51.8**	**35.6**
Change in gross official reserves (increase -)	-29.1	-5.3	-81.9
Net use of Fund credit and Loans	62.0	9.6	-84.5
Disbursements	58.8	9.6	-83.7
Repayments	3.2	0.0	-100.0
Exceptional Financing	5.3	47.5	796.4
Debt forgiveness	0.0	38.3	-
Change in arrears	0.0	0.0	-
Others-Intergovernmental Grants	5.3	9.2	73.0
Financing Gap	**0.0**	**0.0**	**0.0**
Current Account Balance			
Including Grants	-93.1	-90.0	
Excluding Grants	-143.5	-142.1	
Overall Balance	-1.9	-2.5	
Trade Balance	-75.2	-96.3	
Imports of Goods (CIF) & Services (Millions US$)	2609.3	2489.5	
Gross Foreign Reserves (Millions US$)	532.2	560.6	
Gross Foreign Reserves (Months of Import Cover)	2.4	2.7	

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 12: Exports, Imports & Trade Balance: 2014-2015
(Millions of US dollars)



3.6.1.3 Merchandise Exports

Merchandise export receipts plummeted by 55.8 percent to US$259.5 million in 2015, from US$587.1 million in 2014, notably driven by 64.3 percent and 51.8 percent year-on-year declines in iron ore and rubber export receipts, respectively (Table 16 & Chart 12).

As global demand for the commodity weakened, particularly on account of the slowdown in construction and manufacturing activities in China, while production and supply (mainly from Australia and Brazil) remained strong, iron ore price fell by 43.7 percent in 2015[9] to an annual average of US$54.5 per metric ton, from US$96.8 per metric ton in 2014. Similarly, on account of strong supply in the face of weakening global demand for the commodity, rubber price also fell by 15.3 percent year-on-year in 2015.

In a global economic environment characterized by weak growth and raddled with growing uncertainties and geopolitical tensions in the short-to-medium term, commodity prices are projected to continue their downward trends, with primary-commodity exporters expected to remain highly vulnerable. The urgent need for structural reforms cannot be overemphasized. In the case of Liberia, moving away from the enclave-sector led growth model to a regime driven by value-addition and services must be prioritized. Renewed focus on the domestic agriculture sector must also be given high policy attention.

[9] http://www.imf.org/external/np/res/commod/index.aspx

Chart 13: Trends of Iron ore & Rubber Composition of Total Exports: 2014-2015 (Millions of US dollars)

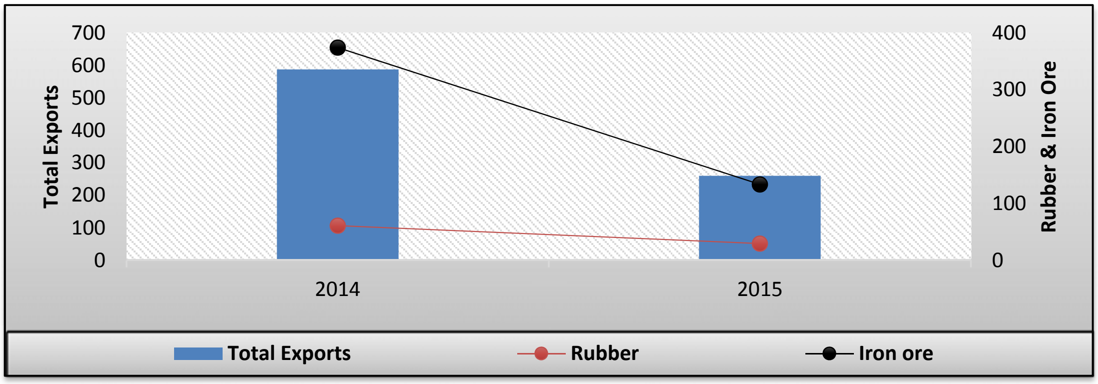
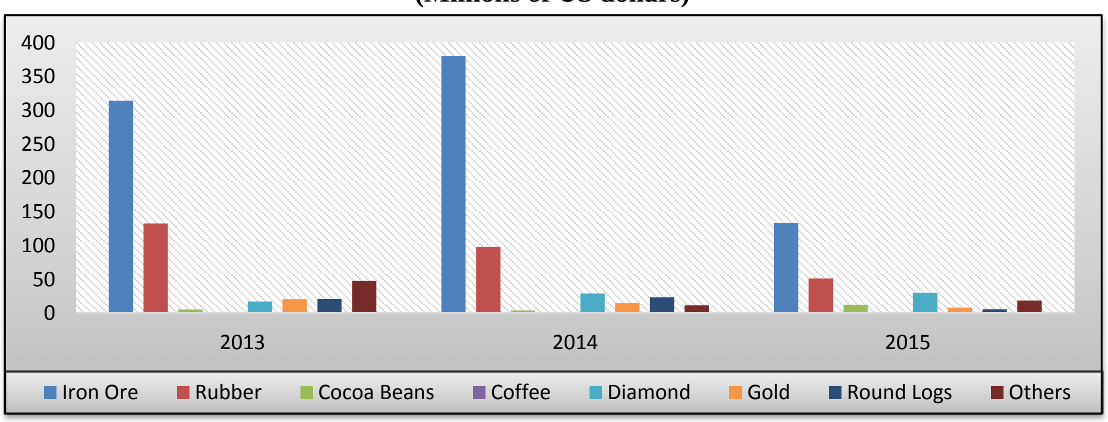


Table 17: Commodity Composition of Exports: 2013-2015 (Millions of US dollars, unless otherwise indicated)

Commodity	2013 Value	2013 % Share	2014* Value	2014* % Share	2015** Value	2015** % Share
Iron Ore	**314.2**	**56.2**	**380.2**	**67.8**	133.3	51.4
Rubber	**132.8**	**23.8**	**98.0**	**17.5**	51.2	19.7
Cocoa Beans	5.5	1.0	3.9	0.7	12.3	4.7
Coffee	0.1	0.0	0.0	0.0	0.0	0.0
Diamond	17.2	3.1	29.1	5.2	30.2	11.6
Gold	20.6	3.7	14.7	2.6	8.2	3.2
Round Logs	20.8	3.7	23.4	4.2	5.7	2.2
Others	47.8	8.6	11.4	2.0	18.6	7.2
Total	**558.9**	**100.0%**	**560.8**	**100.0%**	**259.5**	**100.0%**

Sources: Customs/Liberia Revenue Authority, Ministry of Lands, Mines & Energy, Firestone, etc.

Chart 14: Commodity Composition of Exports: 2013-2015 (Millions of US dollars)



Source: Central Bank of Liberia

*****Preliminary***

****Revised***

3.6.1.4 Merchandise Imports

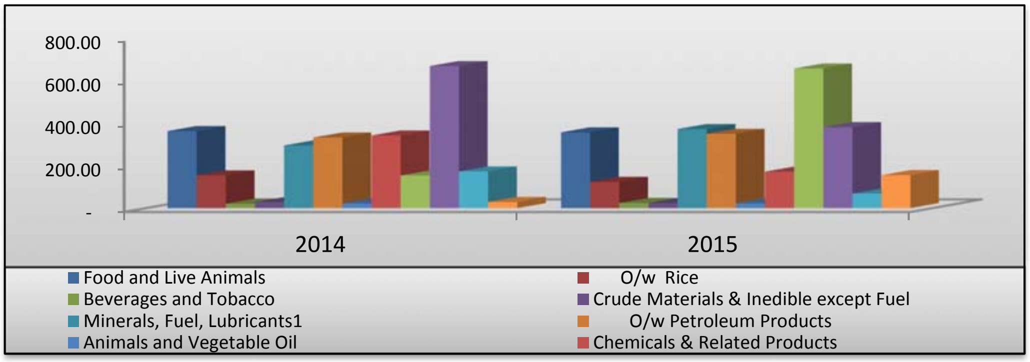
Merchandise import payments (fob), from provisional statistics, rose by 6.5 percent to US$2,237.2 million in 2015, from US$2,100.3 million in 2014, driven by 35.0 percent and 24.0 percent increases in the importation of items classified in the *'others'* category (mostly consumables) and petroleum products respectively. The rise in the importation of consumables, particularly food, was largely due to increasing dependence on imported food, especially in the wake of agricultural constraints left behind by the EVD epidemic. Despite the falling price of the commodity, petroleum imports rose during the year mainly on account of increased import volume as economic activities improved following the cessation of the EVD epidemic (Table 18 & Chart 17).

Table 18: Commodity Composition of Imports: 2014-2015
(Millions of US dollars, unless otherwise indicated)

Commodity	2014*		2015**	
	US$	% Share	US$	% Share
Food and Live Animals	**364.10**	**17.3**	**357.9**	**16.0**
O/w Rice	155.60	7.4	124.7	5.6
Beverages and Tobacco	20.6	1.0	23.7	1.1
Crude Materials & Inedible except Fuel	27.7	1.3	23.1	1.0
Minerals, Fuel, Lubricants1	**296.4**	**14.1**	**373.7**	**16.7**
O/w Petroleum Products	**333.7**	**15.9**	**351.1**	**15.7**
Animals and Vegetable Oil	22.7	1.1	22.6	1.0
Chemicals & Related Products	343.3	16.3	172.9	7.7
Mfg. Goods classified chiefly by Materials	155.0	7.4	656.3	29.3
Machinery & Transport Equipment	**667.7**	**31.8**	**382.3**	**17.1**
Misc. Mfg. Articles	173.9	8.3	68.1	3.0
Comm. & Transaction not elsewhere classified	28.9	1.4	156.54	7.0
Total Imports (F.O.B)	**2,100.3**	**100.0**	**2,237.2**	**100.0**

Source: Central Bank of Liberia, Monrovia, Liberia
*****Preliminary***
****Revised***

Chart 15: Commodity Composition of Imports: 2014-2015
(Millions of US dollars)



3.6.2 Direction of Trade

3.6.2.1 Destination of Exports

North America, Asia and Europe were Liberia's leading trade partners during the year, accounting for 32.4 percent, 30.0 percent and 21.8 percent of total merchandise export receipts, respectively (Table 19 & Chart 16). The EVD outbreak greatly impacted intra-ECOWAS trade during the year, with Liberia's export trade with the sub-region declining by US$7.3 million to US$7.8 million in 2015, from US$15.1 million in 2014.

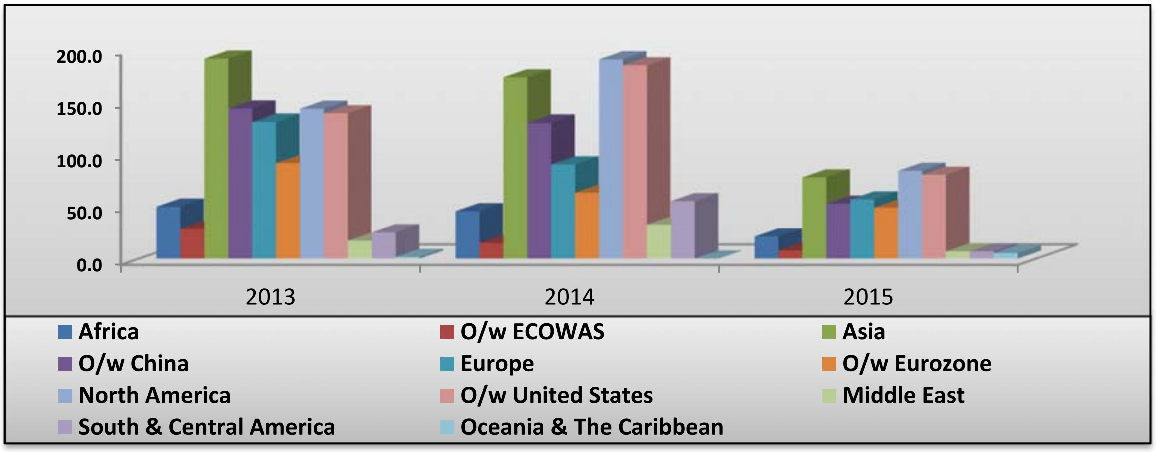
Intra-ECOWAS trade during the year slightly improved with Liberia's export trade with the sub-region increasing to 3.0 percent of total export receipts, from 2.6 percent in 2014 (Tables 19 & Chart 16).

Table 19: Destination of Exports: 2013-2015
(Millions of US Dollars, unless otherwise indicated)

Regions	2013		2014*		2015**	
	US$	% Share	US$	% Share	US$	% Share
Africa	49.7	8.9	45.4	7.7	21.3	8.2
O/w ECOWAS	28.5	5.1	15.1	2.6	7.8	3.0
Asia	191.1	34.2	173.2	29.5	77.9	30.0
O/w China	143.3	25.6	129.9	22.1	52.7	20.3
Europe	130.8	23.4	90.3	15.4	56.7	21.8
O/w Eurozone	91.6	16.4	63.2	10.8	48.8	18.8
North America	143.1	25.6	190.4	32.4	84.2	32.4
O/w United States	138.8	24.8	184.7	31.5	80.4	31.0
Middle East	17.3	3.1	32.6	5.6	7.1	2.7
South & Central America	25.2	4.5	55.1	9.4	7.1	2.7
Oceania & The Caribbean	1.7	0.3	0.1	0.0	5.3	2.1
Total	558.9	100.0	587.1	100.0	259.50	100.00

Source: Central Bank of Liberia, Monrovia, Liberia
***Preliminary*
**Revised*

Chart 16: Destination of Exports: 2013-2015
(Millions of US Dollars)



3.6.2.2 Sources of Imports

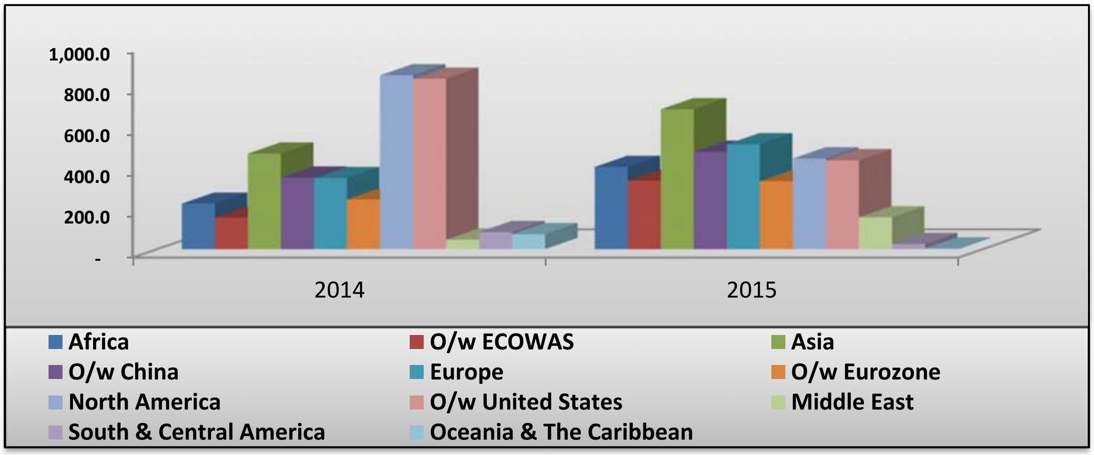
On the import front, Asia, North America and Europe were the leading sources of imports. Asia accounted for 30.6 percent, Europe 23.1 percent and North America 20.0 percent, respectively. Liberia's position relative to intra-ECOWAS trade improved by more than doubling the share recorded in 2014. Liberia intra ECOWAS import accounted for 15.1 percent at end 2015, from 7.4 percent in 2014 (Table 20 & Chart 17).

Table 20: Sources of Imports: 2014-2015
(Millions of US Dollars, unless otherwise indicated)

Regions	2014*		2015**	
	US$	% Share	US$	% Share
Africa	224.7	10.7	405.2	18.1
O/w ECOWAS	155.4	7.4	338.0	15.1
Asia	470.5	22.4	684.3	30.6
O/w China	352.9	16.8	479.0	21.4
Europe	350.8	16.7	516.0	23.1
O/w Eurozone	245.5	11.7	335.4	15.0
North America	850.6	40.5	446.6	20.0
O/w United States	833.6	39.7	437.7	19.6
Middle East	46.2	2.2	156.7	7.0
South & Central America	84.0	4.0	25.3	1.1
Oceania & The Caribbean	73.5	3.5	3.1	0.1
Total Imports (F.O.B)	2100.3	100.0	2,237.2	100.0

Source: Central Bank of Liberia, Monrovia, Liberia
***Preliminary*
**Revised*

Chart 17: Sources of Imports: 2013-2015
(Millions of US Dollars)



3.6.3 Services, Income & Current Transfers

3.6.3.1 Services

Preliminary estimates show that net service payments fell by 3.9 percent to an estimated US$1,039.1 million in 2015, from US$1,081.6 million in 2014, occasioned by 2.7 percent decline in gross service payments, outweighing 3.2 percent rise in gross service receipts. The year-on-year decline in service payments was largely on account of normalization of freight and other international trade related charges following the cessation of the EVD crisis in the sub-region. Similarly, the improved situation explained the upward trend in service receipts (Table 16).

3.6.3.2 Income

The income sub-account deficit inched upward slightly by 0.7 percent to US$499.8 million during the year, from US$496.6 million during the preceding year, largely explained by slow foreign investment activities in the domestic economy, particularly in the mining sector.

3.6.3.3 Current Transfers

Net inward current transfers rose by 26.8 percent to US$1,542.0 million in 2015, from US$1,216.5 million in 2014, largely reflective of the growing international assistance toward the post-EVD economic recovery agenda, largely from non-official sources. Grant-related transfers rose by 5.5 percent while personal remittances rose by US$268.0 million in 2015 compared with 2014 (Tables 16).

3.6.3.4 Personal Remittances

Net inward personal remittances rose by US$194.6 million to US$368.4 million in 2015, from US$173.8 million in 2014, driven largely by increased support toward households from abroad in the wake of post-Ebola economic recovery. The ongoing downward trend in unemployment in the United States (the biggest source of personal remittances), growing prospects of economic recovery in the Eurozone and lower household expenditures on fuel in the wake of falling oil prices are some of the factors that explain the surge in personal remittances toward Liberia during the year (Table 21 & Chart 18).

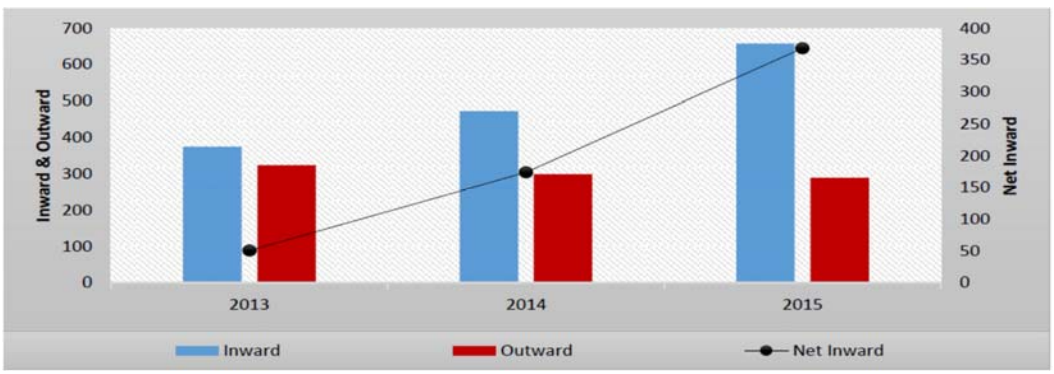
As remittances continue to constitute a major source of foreign currency inflows into the domestic economy, the need to formulate appropriate policies aimed at reducing transaction costs and making diaspora citizens more involved in the economic recovery process cannot be overemphasized.

Table 21: Personal Remittances: 2013-2015
(Millions of US Dollars, unless otherwise indicated)

Personal Remittances	2013	2014*	2015**	Y-on-Y % Change	
				2014-15	2013-15
Inward	374.8	473.0	658.0	39.1	75.5
Outward	324.1	299.2	289.6	-3.2	-10.6
Net Inward	**50.8**	**173.8**	**368.4**	**111.9**	**625.5**

Source: Central Bank of Liberia, Monrovia, Liberia
***Preliminary*
**Revised*

Chart 18: Trends of Personal Remittances: 2013-2015
(Millions of US Dollars)



3.6.4 Capital & Financial Account

From preliminary statistics, the Capital & Financial Account balance grew by 32.6 percent to US$878.1 million in 2015, from US$662.2 million in 2014, largely explained by a surge in the capital account balance that outweighed the 5.3 percent declined recorded in the financial account balance. The capital account balance grew by US$245.0 million in 2015 compared with the level recorded in 2014, occasioned by the capital-related grant from the Millennium Challenge Corporation when Liberia achieved grant-eligibility status during the year. From preliminary statistics, direct investments in the domestic economy grew by 2.9 percent year-on-year (Table 16).

3.7 Exchange Rate Developments

The average exchange rate between the Liberian and the US dollars depreciated by 4.3 percent to L$88.50/US$1.00 in December, 2015 compared with L$84.84/US$1.00 for December, 2014 (Tables 22 & Chart 19) largely as a result of deteriorating terms of trade (ToT), high demand for imports, reflected by the high demand for foreign exchange through the CBL's foreign exchange auction and increased Liberian dollar expenditure by GoL, especially during the second and third quarters of the year.

Table 22: Market Exchange Rates: Liberian Dollars per US Dollar (2013 – 2015)

Market Rate	**Dec-13**	**Dec-14**	**Dec-15**
End-of-Period	82.50	82.50	88.50
Period Average	81.88	84.84	88.50

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

Table 23: Monthly Averages of Buying and Selling Rates of Liberian Dollar per US Dollar (2013 – 2015)

	2013		2013		2015	
Period Average	**Buying**	**Selling**	**Buying**	**Selling**	**Buying**	**Selling**
January	73.46	74.46	83.07	84.07	83.63	84.63
February	74.00	75.00	80.88	81.88	84.00	85.00
March	74.00	75.00	83.88	84.88	84.00	85.00
April	74.54	75.54	86.12	87.12	84.00	85.00
May	75.13	76.13	86.07	87.07	84.00	85.00
June	76.04	77.04	88.72	89.72	84.77	85.77
July	76.56	77.56	87.50	88.50	86.19	87.19
August	78.11	79.11	82.42	83.42	87.73	88.73
September	79.14	80.14	84.00	85.00	87.38	88.38
October	80.07	81.07	84.00	85.00	87.56	88.56
November	80.48	81.48	82.00	83.00	87.00	88.00
December	81.38	82.38	82.11	83.11	88.00	89.00

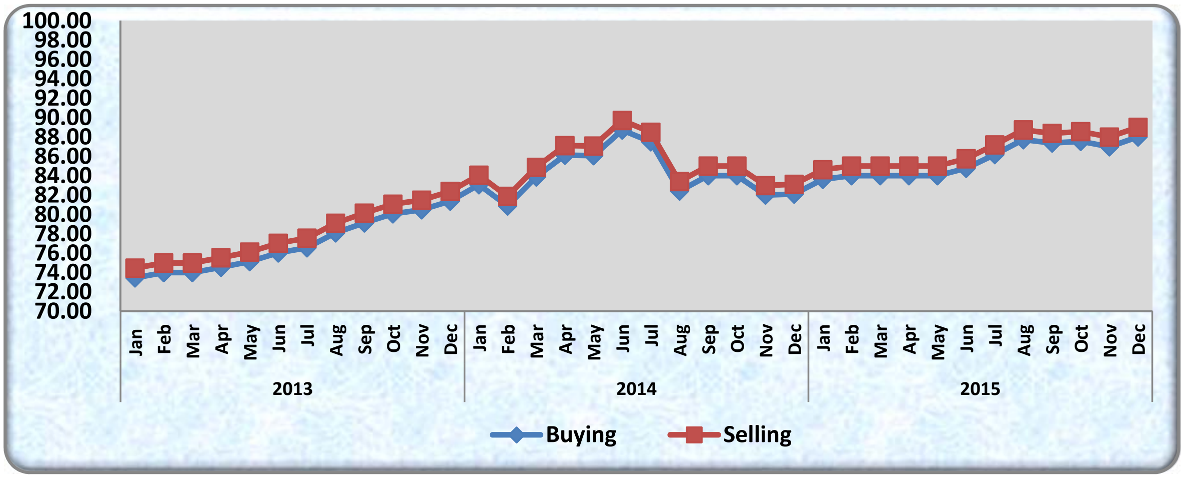
Source: Central Bank of Liberia, Monrovia, Liberia
****Projection***

The total demand for foreign exchange through the FX auction in 2015 was US$104.1[10] million. Of the total amount of foreign exchange demanded, only US$41.9 million (40.3 percent) was provided by the CBL; resulting into an excess demand of US$62.2 million which has to be acquired from other sources translating into upward pressure on the exchange rate.

Available data on Liberia's term of trade indicated a deterioration of 12.9 percentage points to 50.9 percent at end-2015 compared with 57.5 percent recorded at end- 2014. ToT at end-2015 is even expected to deteriorate further as provisional BoP data indicated that trade balance at end-2015 worsened by 30.7 percent. These factors underscored above among others contributed to pressure on the exchange rate in the second-half of 2015. However, the Central Bank of Liberia's intervention and gradual increase in net remittance inflows acted as counter depreciating buffers for the exchange rate. Nevertheless, with total recovery from the EVD crisis, economic activities including the importations of regular consumables including the nation's staple is expected to increase in 2016 translating into depreciating pressure in the Forex market.

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

Chart 19: Monthly Averages of Buying and Selling Rates of Liberian Dollar per US Dollar
(Jan, 2013–Dec, 2015)



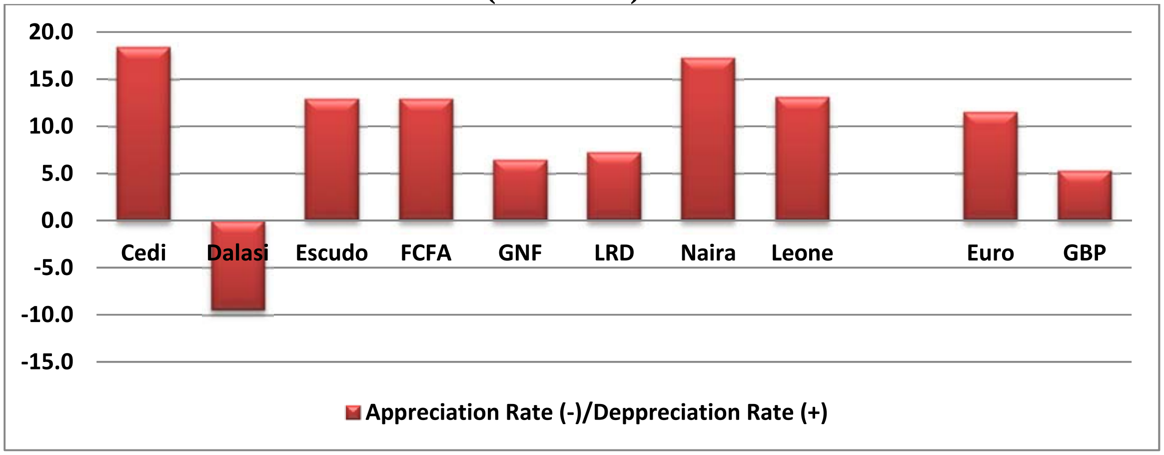
Following exchange rates trends on the regional and global markets, similar depreciating trends are observed for most regional and global currencies. For the 11-month period in review, all ECOWAS currencies except the Gambian Dalasi recorded depreciation in end-of-period exchange rates at November, 2015 compared with the rates at end-2014. Similarly, on the global front, depreciations were reported for major currencies such as the Euro and British Pound Sterling (Table 24).

Table 24: Regional and Some Global Exchange Rate Movements

	Ex Rate at End-December, 2014	Ex Rate at End-December 22, 2015*	Appreciation /Depreciation
Cedi	3.20	3.79	18.4
Dalasi	45.29	40.98	-9.5
Escudo	89.80	101.44	13.0
FCFA	534.21	603.46	13.0
GNF	7086.9	7547.65	6.5
LRD	82.50	88.50	7.3
Naira	167.50	196.50	17.3
Leone	4950.04	5600.72	13.1
Euro	0.824	0.919	11.5
GBP	0.641	0.675	5.3

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

Chart 20: Regional and Some Global Exchange Rate Movements
(At End-December, 2015)
(In Percent)



3.8 National Stock of Debt

3.8.1 Stock of Public Debt

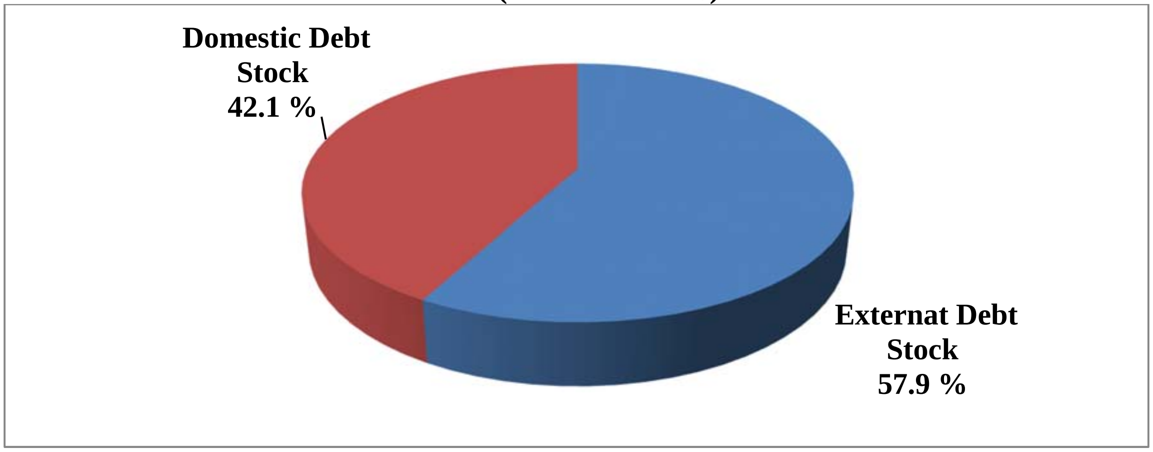
Liberia's public debt stock at end-September, 2015, fell by US$43.3 million (6.2 percent) to US$651.5 million (31.7 percent of GDP), down from US$694.8 million (34.5 percent of GDP) recorded at end-September, 2014. Matched against the level recorded at end-September, 2013, it grew by US$48.0 million or 8.0 percent. External and domestic debt stocks at the end of the review period stood at US$377.4 million (18.4 percent of GDP) and US$274.1 million (13.4 percent of GDP), also constituting 57.9 percent and 42.1 percent of Liberia's total public debt stock at end-September, 2015. The fall in total public debt stock during the period was attributed to 4.8 percent and 8.1 percent reductions in external and domestic debt stocks, respectively.

Table 25: Liberia's Overall Public Debt Position by Composition
As At September 30, 2015
(In Millions, US$)

Debt Composition	2013 End-September	2014 End-September	2015 End-September
Total External Debt	310.0	396.5	377.4
Total Domestic Debt	293.5	298.4	274.1
Total Public Debt	**603.5**	**694.8**	**651.5**

Source: Ministry of Finance, Republic of Liberia

Chart 21: Liberia's Overall Public Debt Position by Composition As At September 30, 2015 (In Millions US$)



3.8.1.1 External Debt

External debt stock at end-September, 2015, stood at US$377.4 million (18.4 percent of GDP), decreasing by US$19.1 million (4.8 percent) against the stock of US$396.5 million recorded in the corresponding period. Contrary to the corresponding period, it rose by 21.7 percent compared with the level of US$310.0 million registered at end-September, 2013. Multilateral and bilateral debt stocks stood at US$343.2 million (90.9 percent) and US$34.2 million (9.1 percent) of the country's public debt stock at the end of the year. The drop in Liberia's external debt stock at end-September, 2015, was attributed to a 71.8 percent reduction in bilateral debt that offset a 24.7 percent rise in multilateral debt.

3.8.1.2 Domestic Debt

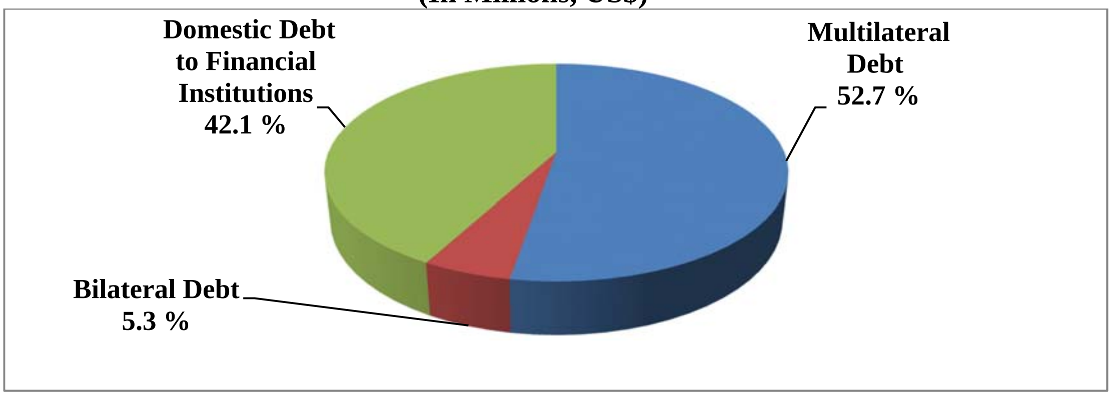
At end-September, 2015, domestic debt stock stood at US$274.1 million (13.4 percent of GDP), reducing by US$24.3 million (8.1 percent) and US$19.4 million (6.6 percent) compared with the amounts accumulated at ends-December, 2014 and 2013, respectively. The reduction in Liberia's domestic debt stock at end-September, 2015, against the stockpiles at end-September, 2014 and 2013, was mainly explained by 5.9 percent and 4.3 percent falls in debt to financial institutions, respectively. Domestic debt stock to financial institutions at end-September, 2015, fell by US$17.3 million (5.9 percent) and US$19.4 million (4.3 percent) against the levels recorded at end-September, 2014 and 2013, respectively.

Table 26: Liberia's Overall Public Debt Position by Creditors
As At September 30, 2015
(In Millions, US$)

Creditors	2013 End-September	2014 End-September	2015 End-September
Multilateral	187.3	275.1	343.2
Bilateral	122.8	121.3	34.2
Commercial Creditors	-	-	-
Total External Debt	**310.0**	**396.5**	**377.4**
Suppliers' Credit	1.9	1.9	-
Salary & Allowances	5.0	5.0	-
Financial Institutions	286.6	291.4	274.1
Pre- NTGL Salary Arrears	-	-	-
Others	-	-	-
Total Domestic Debt	**293.5**	**298.4**	**274.1**
Total Public Debt	**603.5**	**694.8**	**651.5**

Source: Ministry of Finance, Republic of Liberia

Chart 22: Liberia's Overall Public Debt Position by Creditors
As At September 30, 2015
(In Millions, US$)



CHAPTER IV
Financial System Development

4.1 Overview

The number of licensed and operating banks in the Liberian banking sector in 2015 remained at 9 as was the case in 2014. However, commercial banks' branch network around the country rose by 2, from 85 in 2014 to 87 in 2015.

At end-December 2015, the non-bank financial institutions comprised: 1 development finance company - the Liberian Enterprise Development Finance Company (LEDFC), 1 microfinance deposit–taking institution - Diaconia MDI, 20 licensed insurance companies with 30 branches. The number of registered licensed foreign exchange bureaux increased from 111 in 2014 to 122 in 2015, all operating in Monrovia and its environs. There are 20 registered microfinance institutions (MFIs), and 9 licensed rural community finance institutions (RCFIs). Although the Credit Unions (CU) and Village Savings & Loan Association (VSLA) are yet to be licensed and /or registered with the CBL, there are presently 400 credit unions, and 1450 village savings and loans associations established across the country.

The banking sector continued to experience a wider use of mobile money services and automated teller machines (ATMS), Point of Sale (POS) Terminals in addition to several new proprietary financial products. To date, the number of banks issuing debit cards has increased from 3 to 4 with a total number of 61 Automated Tellers Machines, and 117 Point of Sales. There is 1 licensed mobile money company: Lonestar Cell Mobile Money Company Incorporated (LCMMCI).

In spite of the negative impact of the Ebola epidemic in 2014 on all sectors of the Liberian economy, including the real sector and the financial sector, the financial sector remained resilient, safe, sound and liquid.

4.2 The Banking and Non-bank Financial Institutions

4.2.1 The Banking Sector

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

Distribution of banks' branches by county shows that eleven of the 15 counties now have at least 1 commercial bank branch while 7 of the counties now have at least 1 rural community finance institution (RCFI) in operation, including counties that did not have any banking services (Table 27).

Table 27: Expansion of Bank Branches by County (2014and 2015)

County		Number of Branches	
	Banks' presence	2014	2015
Montserrado	9	50	51
Margibi	4	9	10
Grand Cape Mount	1	1	1
Grand Bassa	6	6	6
Sinoe	1	1	1
Maryland	2	4	4
Bong	3	3	3
Nimba	5	7	7
Lofa	1	2	2
Grand Gedeh	1	1	1
Bomi	1	1	1
Total		**85**	**87**

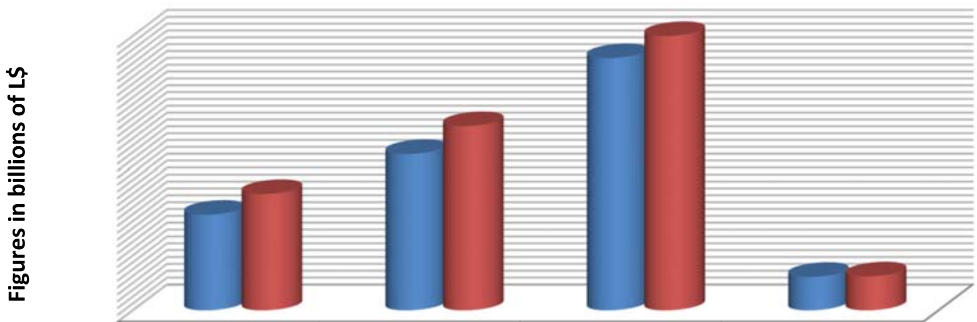
Source: Central Bank of Liberia, Monrovia, Liberia

4.2.1.1 Balance Sheet of the Banking Sector

The performance of the banking sector shows growth in key balance sheet indicators. At end-October, 2015, total assets grew by 9.0 percent to L$79,927 million, from L$73,470 million at end-October 2014. Similarly, total loans and advances increased by 21.7 percent to L$33,920 million, up from L$27,880 million during the same period a year ago.

Also, deposits grew by 17.9 percent, from L$45,446 million to L$53,580 million and total capital increased marginally by 1.5 percent, from L$9,751 million to L$9,894 million over the same period. Total banking industry’s assets to GDP was 44.5 percent at end-October, 2015 compared with 43.5 percent at end-October, 2014.

Chart 23: Key Balance Sheet Indicators of the Banking Sector (As at October, 2015)



	Loans	Deposits	Assets	Capital
Oct-14	27.88	45.44	73.47	9.751
Oct-15	33.92	53.58	79.927	9.894

The total number of loan accounts in the banking system as at October 31, 2015 was 33,966, reflecting a 12.4 percent decrease compared to the same period of 2014. For the same period, out of the bank’s total assets of L$79,927 million, loans and advances constituted the highest share, accounting for 42.4 percent as compared to 37.9 percent in 2014. Additionally, liquid assets constituted 26.0 percent of total assets compared with 30.0 percent for 2014. Reserves (which is not considered as part of the liquid assets of banks) constituted 11 percent of the total assets of the banking system, compared with 9.7 percent for 2014. The reserve requirement ratios remained at 15.0 percent, and 22.0 percent, respectively for United States and Liberian dollars.

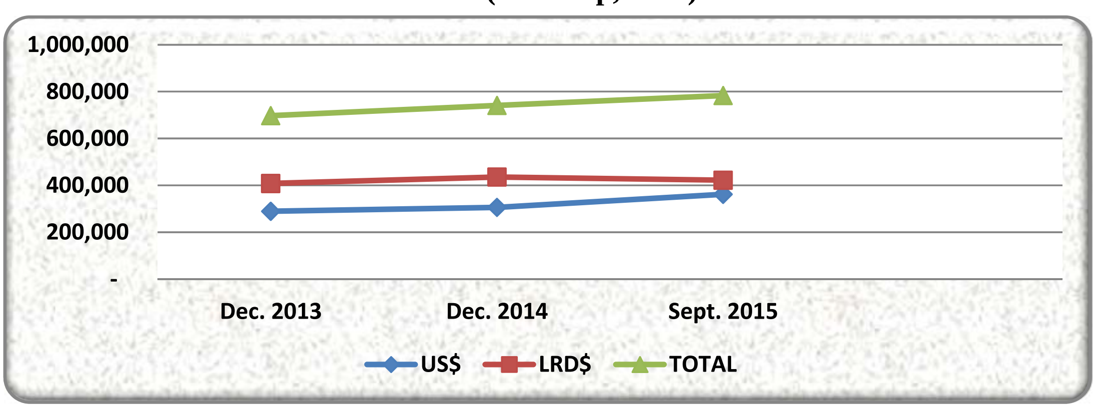
Table 28: Composition of the Banking Industry's Assets

Items	Year	
	Oct. 2015	**Oct. 2014**
Cash	5.0%	5.4%
Balances with the Central Bank (C/A)	5.0%	3.3%
Net Balances at Commercial Banks	12.0%	17.3%
Short Term Securities	5.0%	3.9%
LIQUID ASSETS	26.0%	29.8%
Reserve Requirement	11.0%	9.7%
Checks for Clearing	1.0%	2.0%
Accounts Receivable	4.0%	6.0%
Bonds & Long Term Securities	1.0%	0.9%
Gross loans, Overdrafts and other advances	42.0%	37.9%
Accrued Interest	1.0%	0.9%
Shares & Other Long Term Investments	1.0%	1.2%
Other Assets	9.0%	7.5%
Fixed Assets	4.0%	4.0%
TOTAL ASSETS	100.0%	100.0%

Source: Central Bank of Liberia, Monrovia, Liberia

As at end October 2015, demand deposits constituted 61.7 percent of total deposits compared with 60.7 percent the same period in 2014; and saving deposits constituted 33.4 percent of total deposits compared with 34.0 percent during the same period in 2014. The total number of deposit accounts in the banking system increased by 6.0 percent from 741,142 accounts as at end-December 2014 to 783,318 accounts as at end-September 2015 (Table 28 & Chart 24).

Chart 24: Deposit Account Trend (2013-Sep, 2015)



4.2.1.2 Financial Soundness Indicators

The financial soundness and performance indicators of key banking sector variables at end-October, 2015 (Table 29) showed that the banking sector remains safe and sound, and serves as an important sector contributing towards the overall economic growth and development of the country. Nevertheless, non-performing loans (NPLs) and poor earnings remained major challenges in the sector, which the CBL, in collaboration with the Liberia Bankers Association (LIBA), is implementing several measures aimed at addressing this situation.

Table 29: Industry Financial Soundness Indicators (2015 & 2014)
(In Thousands L$)

Indicator	Oct-2015	Oct-14
Gross Assets	79,927,355	73,469,793
Net Assets	75,554,903	69,917,741
Net Loans	30,303,077	24,528,102
Deposits	53,580,209	45,446,609
Reported Capital Net of Provisions	9,894,479	9,751,986
(In Percent)		
Reported Net Capitalization		14.5
Capital Adequacy Ratio	20.6	21.9
Classified Loans to Total Loans	42.0	23.8
Non-performing Loans to Total Loans	17.0	18.7
Provisions to Classified Loans Net of Interest in Suspense	50.4	46.4
Provisions to Non-performing Loans Net of Interest in Suspense	62.6	60.4
Returns on Assets (ROA)	-0.86	-0.6
Returns on Equity (ROE)	-6.99	-4.5
Non-interest Income to Total Revenue	57.0	51.0
Net Interest Margin over Average Assets	6.21	6.5
Liquid Assets to Net Assets	27.7	31.3
Net Loans to Deposits	63.3	54.0
Liquidity Ratio	39.1	48.2

Source: Central Bank of Liberia, Monrovia, Liberia

The banking sector recorded strong growth in most key balance sheet items. The sector continues to show robust capital position, in terms of both Capital Adequacy Ratio (CAR) and shareholders' net worth. The level of capitalization of the sector has made it possible for continuous support lending to the private sector and to withstand the shocks of business cycles in the economy.

Asset quality, measured by the ratio of non-performing loans to total loans, witnessed a 1.7 percentage points improvement from 18.7 percent in 2014 to 17.0 percent in 2015. It is however important to recognize that the ratio of non-performing loans remains high. The marginal improvement in NPLs can be in large part attributed to a slowdown in economic activities, precipitated by the legacy of the outbreak of the Ebola Virus Disease, which has made it difficult for some borrowers to make repayments on their loan obligations to banks.

Gross earnings for the period ended October, 2015 stood at L$6,692.0 million and net loss for the same period was L$691.3 million. Compared with a net loss position for the same period in 2014, net loss increased by 53.0 percent or L$451.9 million. Return on Equity (ROE) and Return on Asset (ROA) at end-October 2015 were negative 6.99 percent and 0.86 percent, respectively, compared with negative 4.5 percent and 0.6 percent for ROE and ROA during the same period a year ago. However, these losses are attributed to a few banks, while a number of banks have been performing well. Non-interest income, mainly fees and commissions, constitute the largest portion (about 56.7 percent) of the total income of the sector, while interest income constituted 51.7 percent. One of the factors responsible for the lower share of interest income is the problem of NPLs; banks are required to suspend interest on NPLs thereby shrinking the interest income component of the commercial banks' income.

Liquidity remained on strong path in 2015. Liquidity ratio for the sector was 39.1 percent at end-October 2015, reflecting 9.1 percentage points below the liquidity ratio recorded for the same period in 2014, and 24.1 percentage points above the minimum requirement of 15.0 percent.

4.2.1.3 Implementation of the International Financial Reporting Standards

Having adopted the International Financial Reporting Standards (IFRS) in 2013, the annual audited statements of all of the banks have been IFRS compliant. As a further step towards enhancing the accounting environment in the sector, the CBL is currently developing an IFRS Accounting Manual for commercial banks with technical assistance from the International Monetary Fund (IMF). The manual is intended to provide guidance on disclosure requirement relative to corporate governance and risk management, as well as promote market discipline and promote confidence of users of financial information.

4.2.1.4 Rural Community Finance Institutions

During the course of the year, the Central Bank of Liberia, in collaboration with Afriland First Bank Liberia Limited (AFBLL) as the technical support partner, supported the establishment of 5 additional RCFIs, bringing the total number of RCFIs to 9 (Table 30). The establishment of these additional RCFIs has made it possible for each of the fifteen counties to have at least one financial institution.

Table 30: Expansion of RCFI by County at end-December, 2015

Name of RCFI	Location	County	Number	Year of Establishment
Gbeh-ley Geh RCFI	Karnplay	Nimba	1	2013
Grand Kru RCFI	Barclayville	Barclayville	1	2014
Rivergee RCFI	Fishtown	Rivergee	1	2014
Nimba RCFI	Sanniquellie	Nimba	1	2014
Gbarpolu RCFI	Bopulu	Gbarpolu	1	2015
Rivercess RCFI	Cestos	Rivercess	1	2015
Sinoe RCFI	Greenville	Sinoe	1	2015
Zorleyea	Zorzor	Lofa	1	2015
Kolahun RCFI	Kolahun	Lofa	1	2015
Total			9	

Source: Central Bank of Liberia, Monrovia, Liberia

The RCFIs, which are owned and managed by members of the community, are licensed to provide all banking services in the rural area, including taking deposits, extending credits, paying civil servant salaries as well as Western Union and MoneyGram services.

During 2015, most of the RCFIs facilitated the payment of civil servants salaries with the support of AFBLL; and discussions are on-going with the Ministry of Finance & Development Planning to extend the services to all other new RCFIs.

The promotion and establishment of RCFIs throughout the country, particularly in places without formal financial institutions, remains a cardinal objective of the CBL's financial inclusion agenda.

During the year, the CBL sponsored 2 capacity building programs for the RCFIs: (1) resident training program where CBL staff visited each RCFI to provide hands-on training, and (2) a workshop on the Regulatory and Supervisory Framework for RCFIs. The Bank also received a three-month capacity-building support from ACDI/VOCA for providing on-the-field consultancy and training for the RCFIs. The full scope onsite examination of RCFIs began in December, 2015 starting with 4 RCFIs and will continue into 2016.

4.2.2 Developments in the Non-bank Financial Sector

The formal non-bank financial institutions, licensed, regulated and supervised by the Central Bank currently comprises insurance companies, Insurance intermediaries and agents, deposit–taking microfinance institutions, development finance institution, rural community finance institutions, and foreign exchange bureaus.

4.2.2.1 Insurance Sector

The CBL, working in collaboration with development partners as well as other local stakeholders, continued to strengthen the legal, institutional, and regulatory framework of the sector. In view of this, the new Insurance Law of 2013 was passed into law, replacing the 1973 Act. Several regulations, aimed at further strengthening the sector, including the new capital requirements, were issued and published.

At end-2015, the number of licensed insurance companies in the industry remained at 20 and include Atlantic Life & General Insurance Company (AGLIC), ACTIVA International Insurance Company (AIIC), Accident & Casualty Insurance Company (ACICO), American Underwriter Group (AUG), Capital Express Assurance Company (CEAC), International Insurance Corporation of Liberia (IICL), Medicare Insurance Company (MIC), Palm Insurance Company (PIC), SAAR Insurance Company (SIC), Secure Risk Insurance Company (SRIC), Sky International Insurance Company (SIIC), OMEGA Insurance Company (OIC), African Insurance Corporation of Liberia (AICOL), Blue Cross Insurance Company (BCIC), Global Trust Assurance Company (GTAC), Continental General & Life Insurance Company (CGLIC), Mutual Benefit Assurance (MBA), Insurance Company of Africa (ICA), Family Dollar Insurance Company (FDIC), and Equity Insurance Company Liberia Limited (EICLL). The insurance sector’s branch network increased from 30 in 2014 to 31 in 2015 (Table 31).

Table 31: Branch network of Insurance companies

Name of County	Number of Branches
Montserrado	20
Margibi	2
Grand Bassa	2
Maryland	2
Grand Cape Mount	1
Grand Gedeh	1
Bong	2
Sinoe	1

Source: Central Bank of Liberia, Monrovia, Liberia

During the year, the moratorium placed on the licensing of new companies in the insurance sector by the CBL, remained in force. The moratorium is intended to safeguard the sector from oversaturation, which has the potential of undermining the viability of the sector. Going forward, the Bank intends to engage the sector with measures aimed at further strengthening the sector. Some of these measures will require consolidation and merger among existing companies.

Table 32: Performance of the Insurance Sector
(United States dollar)

Indicators	Sep-2015	Dec-2014	Percent Change
Capital	25,580,418.75	20,608,992.60	24.0
Total Assets	42,149,531.20	39,166,158.08	7.6
Investment	8,049,258	7,816,130.50	2.9
Total Liabilities	18,509,196.30	18,853,578.60	-1.8
Expenses	5,325,059.13	19,754,491.70	-73.0
Claims	3,115,459.00	7,946,457.20	-60.8
Gross Premium	31,768,908.00	28,643,739.40	10.9
Outstanding Premium	15,765,475.53	11,407,592.80	38.2
Underwriting Result	23,896,809.43	13,494,851.30	77.1
Net Income	3,582,776.35	817,828.30	338.1

Source: Central Bank of Liberia, Monrovia, Liberia

Despite the slowdown in economic activities during the period, the sector’s performance, showed marginal growth in its balance sheet. As at end-September 2015, total assets grew by 7.6 percent to US$42.0 million, up from US$39.2 million at end-December 2014. Likewise, total capital grew by 24.0 percent, from US$20.6 million to US$ 25.6 million while claims decreased by 60.8 percent to US$3.1 million, from US$7.9 million over the same period (Table 32).

A comprehensive onsite examination of insurance companies commenced during the period under review with the examinations of four companies concluded. The examination exercise will continue into 2016. Similarly, the licensing process of insurance intermediaries (brokerage firms and agents) also commenced during the year under review with 2 brokerage firms and 46 agents issued licenses.

4.2.2.2 Sub-Regional Insurance Supervisory College

In a meeting of the African Insurance Organization (AIO) held in Tunis, Tunisia in early June, 2015, the heads of insurance regulatory authorities in English speaking West Africa including Liberia, Nigeria, Ghana, Sierra Leone, and the Gambia, proposed the formation of a West African Insurance Supervisors Association (WAISA) as a regional supervisory college.

In order to foster this agenda, a forum was proposed to develop a framework for the establishment of a Supervisory College of Insurance Supervisors in West Africa to enhance cooperation, information sharing and regulatory coordination amongst insurance supervisors in the sub-region. This forum was held in Accra, Ghana on June 19, 2015 which gave birth to the formation of WAISA as the regional supervisory college.

4.2.2.3 Microfinance Deposit-Taking Institutions (MDI)

Licensed in 2014 as the first microfinance deposit-taking institution, Diaconia Microfinance Deposit-Taking Institution (Diaconia MDI), has been providing access to credit to micro, small, and medium enterprises, the unserved businesses, and the low income population in the country, including marketers, “yanny boys”, petty traders and “pen-pen boys” (commercial motor cyclists). The total assets, loans & advances, and capital as at end-October, 2015, were US$1.1 million, US$0.6 million, and US$1.0 million, respectively. Diaconia has disbursed loans to a total of 516 clients since it was licensed.

4.2.2.4 Liberian Enterprise Development Finance Company

Licensed as a non-bank financial institution in 2007, the Liberian Enterprise Development Finance Company (LEDFC) has been engaged in development and trade financing with extension of access to credit to Liberian-owned Small and Medium Enterprises (SMEs). LEDFC also provided technical assistance and business capital to small and medium-sized private enterprises in Liberia.

Under a new management team in 2013, LEDFC rebranded its services to include construction financing, agro-processing, real estates, manufacturing, etc. The total assets, loans and advances, and capital as at end-October 2015 were US$22.2 million, US$ 9.1 million and US$4.7 million, respectively. LEDFC has disbursed a total of 51 Loans during the year.

4.2.2.5 Foreign Exchange Bureaux Operations

The reform of foreign exchange business, which commenced in 2011, remained on course during the year. In 2011, the CBL issued licenses to a total of 25 foreign exchange bureau. At end-November, 2015, the total number of licensed bureaux was 122, reflecting an increase of 9.9 percent over 2014. Seventy-two (72) of the 122 bureaux are in Category A (i.e. bureaux with higher capital requirement) and 50 in Category B (i.e. those with lower capital requirement). Aside from the licensed bureaux' participation in the CBL foreign exchange auction, as major players in the foreign exchange market, a couple of the bureaux are also engaged in providing mobile money services as sub-agents of the commercial banks.

Also, during the year, the CBL, in collaboration with the Association of Foreign Exchange Bureau and the Liberia National Police (LNP), conducted several enforcement exercises to remove illegal foreign exchange operators from the streets of Monrovia and its environs. As a result, a number of illegal operators have consolidated their businesses and obtained licenses from the CBL.

4.2.2.6 Non-Bank Financial Institution Services

In order to regulate, supervise, and monitor the operations of Mobile Money services in Liberia, the CBL issued a regulation on Mobile Money in 2011 for bank-financial institutions to seek approval to engage in mobile money services. A study conducted by United Nations Capital Development Fund (UNCDF) and United Nations Development Program (UNDP) in collaboration with the CBL showed that there was a need for the CBL to amend the exclusive existing bank-only Mobile Money regulation with non-exclusivity rights that will incorporate other institutions including service providers to drive the financial inclusion aspect of the mobile money services.

The CBL has issued a license to Lonestar Cell MTM Mobile Money Inc., LCMMMI; a subsidiary of Lonestar Cell Communication (LCC). Currently, the CBL has approved three banks (Ecobank Liberia Limited (EBLL), International Bank Liberia Limited (IBLL) and Guaranty Trust Bank Liberia Limited (GTBL) with authorization as agents to provide mobile money services, in partnership with LCMMMI. At end-December, 2015, mobile money services were provided in all 15 counties. Total deposit and total withdrawals at end-October, 2015, were L$ 227.1 million and L$258.7 million, respectively.

4.3 Microfinance Activities

4.3.1 Overview

During 2015, CBL continued the approach of advancing financial inclusion in Liberia through the engagement of microfinance institutions, credit unions, village savings and loan associations, rural community finance institutions. CBL also continued the process of building the capacity of the apex organizations to deliver services to their primary institutions.

The CBL continued the active engagement of credit unions through the Liberia Credit Union National Association (LCUNA). Its support has improved the operations of credit unions around the country by providing some level of financial services to rural Liberians. The credit unions are now providing mobile money services, enhancing the outreach of financial services. The UN Capital Development Fund (UNCDF) Micro Lead Project continued during the year with the completion and dedication of the last regional credit unions office, bringing the total to 4. This project was implemented by the World Council of Credit Union (WOCCU).

The National Apex of VSLAs (NAPEX) remains the principal organization serving both rural and urban women. The significant economic improvement in the lives of women, particularly in rural Liberia, has been made possible due to financial gains experienced through membership in VSLA groups. CBL supported NAPEX in building an effective internal training department. This has resulted in NAPEX's capability to deliver its VSLA operational methodology training to over 400 new VSLA groups throughout Liberia at a time when donor funds for VSLA training operations have been on the decline. Counting on the CBL's support through the microfinance program, these VSLA groups have been able to use their capital to increase their economic returns through various means including value-addition by investing in agro-processing machines as agricultural VSLAs are doing, moving away from retail to wholesale businesses; thus, enabling them to purchase more goods and reducing expenses associated with travel, etc. The CBL also encouraged and continued to work with these groups to formalize their operations; an effort which has resulted in increased business registry, and gradual integration of the informal economy into the mainstream economy.

4.3.2 Improving the Regulatory Environment

During the year, CBL completed and adopted the new Credit Union Regulations aimed at enhancing effective regulation, monitoring and supervision of all credit unions in the country. These regulations provide minimum operational guidelines and prudential standards required of financial credit unions which seek to offer savings deposit and loan services to their members.

4.3.3 Creating opportunities for Access to Finance:

During the course of the year, the CBL provided supporting initiatives intended to enhance job creation and improve general access to finance, particularly in rural Liberia. These initiatives were also geared toward combating the challenges posed by the EVD and to enhance the revitalization of the rural economy in which large population of Liberians operate.

To this end, under the Loan Extension and Availability Facility (*LEAF)*, the CBL provided a 6-month grace period to its current loan beneficiaries to allow them to rebuild their financial capacity in the post-Ebola environment. Significant challenges were faced in this sector including market closures that prevented traders from bringing goods to market; border closures and travel restrictions, which prevented cross-border traders from traveling; and failure to harvest, resulting in significant loses to agricultural VSLA groups and farming cooperatives. As a result, these non-banked groups' financial capacity deteriorated to the extent that recovery of loans were also at risk and a variety of steps needed to be taken to address the situation. The Network for Community Development conducted an impact assessment and concluded that "the program has helped toward sustaining a stable macroeconomy and has resulted in strengthening local people's purchasing power as well as supporting local investment". The group concluded that steps were needed to be taken to support the rural communities' efforts to rebound in the post Ebola environment. To this end, the CBL reviewed its microfinance loan portfolio and in addition to the extension of grace period, it was necessary to consider loan refinancing options for some non-bank groups that were on track with their repayment prior to the onset of the Ebola virus disease. This allowed these non-bank groups to benefit from remedial measures which were similarly being implemented in the formal banking sector. At end-2015, a total of L$600.0 million had been allocated to the program. Following the applicable grace period, loan repayment commenced and at end-2015, a total of L$94,367,366.0 had already been repaid including 6 institutions that completed early payments of their loans.

4.4 CBL's Credit Stimulus Initiatives

4.4.1 Background

In the face of limited access to affordable and longer-term credit in the domestic economy as emphasized in the Poverty Reduction Strategy (PRS) as a major binding constraint to growth, and being mindful of the need to grow and diversify the economy through empowering Liberian entrepreneurs to play a more active role in the drive towards broad-based economic growth, the CBL launched the Economic Stimulus Initiatives Program in 2010. The program was aligned with the Poverty Reduction Strategy (PRS) and subsequently the Agenda for Transformation (AfT). The initiatives mainly focused on critical sectors of the economy such as agriculture, housing and private sector development, particularly SMEs. The overall goal has been the promotion of job creation and poverty reduction by means of inclusive finance for development.

The amounts approved for the various initiatives were placed with domestic banks for onward lending to Liberian-owned SMEs, farmers and low income earners desiring to own their own homes at affordable interest rates and longer repayment tenures. The participating banks bear the responsibility and associated risks for lending to borrowers, using their existing due diligence and risk assessment frameworks. Selection of banks to manage these funds was based on their experiences in lending to those critical sectors of the economy.

4.4.2 LIBA Credit Stimulus Initiative

In January, 2013, the CBL, in an effort to make finance accessible to Liberian-owned businesses at convenient terms and affordable interest rates, launched a 5-year LIBA Credit Stimulus Initiative in the amount of US$4.0 million and L$72.5 million at an interest rate capped at 7 percent. Four commercial banks were selected to manage these funds. Since its inception, over 151 businesses in 14 of the 15 counties in the country have benefited from the scheme. Distribution by gender shows that of the 151 businesses, 107 (71 percent) were owned and operated by males while 43 (29 percent) were owned and operated by females. The total number of Liberians employed as a result of the initiative was 802. As at end-December, 2015, the total amount disbursed were US$3.6 million and L$63.1 million while US$0.4 million and L$9.4 million were available for placement.

4.4.3 Mortgage Credit Stimulus Initiative

The Mortgage Stimulus Initiative launched in November, 2013 was geared towards helping Liberians, especially those in low income block, to own their own homes at affordable cost. A total of US$10.0 million, capped at 8.0 percent, was placed at a commercial bank in the country to ensure that working Liberians benefited from the initiative. Of the US$10.0 million, US$7.0 million was denominated in US dollars while the remaining US$3.0 million was denominated in Liberian dollars (L$217.5 million). A total of 234 borrowers have subscribed to the initiative, from 2 of the 15 counties in the country. The scheme has benefited 106 males, 84 females, and 12 males & females joint subscribers. There were also 12 companies that subscribed. As at end-December, 2015, US$7.7 million and L$135.9 million have been disbursed while US$0.7 million and L$81.6 million are available for placement.

4.4.4 Agricultural Stimulus Initiative

The average commercial bank lending rate and loan tenure were 14 percent and 24 months, respectively, and agriculture's share of total credit to private sector averaged just 4.2 percent during 2010-2012, largely explained by the relatively longer gestation period required for major agricultural investments. Realizing the need to boost the country's productive sector aimed at particularly reducing the over-reliance on imported food and creating sustainable livelihood for ordinary Liberians, the Board of Governors of the CBL approved a credit facility of US$5.0 million and L$181.25 million. These amounts were placed at the Afriland First Bank on December 13, 2012 at a maximum lending rate of 7.0 percent, of which 2.5 percent was the CBL's share. The program was focused on the rehabilitation of preexisting farms with preference for investments requiring minimal gestation periods. The facility provided structured loans that considered the gestation period and was intended to impact rural Liberia. The total of US$5.0 million have been disbursed as at end-December, 2015 and L$113.6 million have also been disbursed for sectors such as rubber, cocoa, coffee, oil palm among others with a remaining L$67.7 million available for placement. Eleven of the 15 counties have benefitted under the program.

The Agriculture Stimulus Initiative which was geared towards empowering Liberian farmers to improve their farming and increase productivity as well as alleviate other constraints has directly benefited about 51 farmers who are engaged in various agricultural production activities throughout the country; thus, creating sustainable jobs and economic livelihoods for a number of ordinary Liberians. In addition, a breakdown of subscribers to the facility shows that 28 male farmers, 9 female farmers and 14 joint-farmers benefited from the scheme. As a result of the initiative, agriculture's share of total private sector credit increased from an average of 4.2 percent between 2010 and 2012 to an average of 6.6 percent for the period 2013 to November 2015.

CHAPTER V
INTERNAL DEVELOPMENTS OF THE CBL

5.1 Overview

The internal developments of the CBL during 2015 continued to center around strengthening the capacity of staff with a view to enhance efficiency and productivity of the Bank. Other areas of emphasis were infrastructure migration to the new CBL's headquarter, implementation of supervision application, deployment of SWIFT connectivity and integration of all major and subcomponents of the National Payments System.

During the year, the CBL adhered to best international accounting and audit standards and strengthened communication with stakeholders through its regular publications. Also the Bank worked towards improving the quality of its management information system in order to reduce the inherent risks to data management and dissemination. Finally, the CBL continued with its regular community outreach program, with several communities and institutions benefitting.

5.2 Human Resources Management

The CBL and the Liberia Bankers Association (LBA) conducted 2 middle-level workshops for staff of the banking sector as a way of upgrading the technical skills of employees, enhancing the quality of reporting pattern, and raising the level of professional standards in the sector. The courses offered included Asset-Liability Management and Fraud Prevention & Detection.

The key objective of the Asset-Liability workshop, *inter alias*, was to apprise participants on contemporary issues that involve risk management technique designed to earn an adequate return while maintaining a comfortable level of assets. The course on Fraud Detection & Prevention was to ensure that participants are knowledgeable on the variety of skills to detect and /or prevent fraud by insiders and /or outsiders at the same time protecting earnings and preventing loss of profit. The workshops were facilitated by senior staff of the CBL and the commercial banks. A total of 45 participants from the 9 commercial banks attended the courses; 22 participants for the Asset-Liability Management and 23 for the Fraud Prevention and Detection.

Furthermore, staff of the Bank also benefitted from a number of professional training programs in the sub-region and beyond during the year. The West African Institute for Financial & Economic Management (WAIFEM) provided training for 15 staff members in various disciplines including stochastic general equilibrium modeling, fundamentals of macroeconomic analysis, basic statistics, econometrics and research methods, monetary policy and macro prudential analysis, and balance of payments statistics. Other courses were external sector statistics and financial programming and policy organized by the IMF.

Also, other areas of training that benefitted other staff members included computer auditing, operational risk management & internal audit, risk-based auditing, and Interactive Data Extraction & Analysis (IDEA).

In response to the installation of a state-of-the-art IT infrastructure in the new CBL's Headquarter, and the demand for enterprise solutions for effective management on all fronts, the Bank intensified vigorous capacity building exercises of staff in areas of VRegCoss, Cyber Security, CISCO Call Manager, Windows 2012 Server Enterprise, T-24 Temenos, Sun Solaris/UNIX and Sun Solaris & SWIFT, among others. This was intended to develop the IT capacity of staff to appreciable levels.

Currently, seven of the Bank's staff are undergoing post-graduate degree programs outside of the country; namely, Uganda, Kenya, Ghana and the United Kingdom.

5.3 Management Information System (MIS)

During the year, MIS projects comprised IT infrastructure migration to the CBL new Headquarter; the implementation of VRegCoss, a supervision IT application used in the region; the deployment of the AEG SmartConnect for SWIFT connectivity and deployment and integration of all major and subcomponents of the National Payments System. The portfolio also included the implementation of the infrastructure of the National Electronic Payment Switch (NEPS), and the continuous support of the Collateral Registry System.

A key project within the portfolio, the National Payments System, which comprised 3 lots: Infrastructure Upgrade, Metropolitan Area Network and IT Rooms & Energy Upgrade were completed at end-December 2015 and are expected to go live in early 2016. The IT data infrastructure and the Disaster Recovery (DR) site have become a paradigm and a major achievement in the modernization of the national payments system. The AfDB which is the major financier of the project expressed satisfaction with the level of work done thus far.

The DR site manned the CBL business continuity operations and provides backup site of all IT systems. It provides for high availability of all systems and presents a platform that can be leveraged with the deployment of any new technology. It also provides expansion capabilities for almost any IT related project.

The introduction of these new technological platforms for use by end-users including the GOL and its subsidiaries, commercial banks and the general public has brought about efficiency in conducting transactions. There is increased use of the Collateral Registry system, GOL, and Commercial Banks are seamlessly obtaining their automated statements daily online, all commercial banks are now directly or indirectly connected to the CBL via the MAN infrastructure. Clearing House is being automated and went live at the end-of the year as information is being provided in real time.

5.4 Banking Operations

5.4.1 CBL Facilitates Enhancement of Revenue Collection

The CBL continues to facilitate the enhancement of the collection of GoL revenues by creation of additional collection windows. During the year, the CBL posted additional staff at the Headquarters of the Liberia Revenue Authority (LRA), which has reduced the hassle of tax payers standing in long queues and waiting long hours at commercial banks in order to settle tax obligations to government.

5.4.2 Developments in Currency Management

Currency management which relates to the issuance of notes and coins and the retrieval of soiled (mutes) notes from circulation including the subsequent destruction of mutilated notes continued during the year. Toward this end, the CBL on a daily basis collected unfit notes from the economy through its tellers' windows. A modernized disintegration system for mutes handling was established during the year, a major milestone in the development of currency management at the CBL

The CBL addressed the operational issues in line with policy on currency, such as forecasting demand for notes, ensuring smooth distribution of banknotes throughout the economy via commercial banks and ensuring the integrity of banknotes through sensitization program to the public.

5.5 The National Payments System

In furtherance of the Payments System reform efforts, the CBL made significant progress in the implementation of the National Payments Systems Project during the year. The upgrading of the CBL payment infrastructure which implementation was delayed due to the outbreak of EVD has been substantially completed. The payments infrastructure is the backbone of the country's financial nerve center which contains a main data center and a disaster recovery (DR) site. Upon the completion of the infrastructure component, the software solution's components which include Real-time Gross Settlement System (RTGS), Automated Check Processing and Clearing House System (ACP/ACH) system, Scriptless Securities Settlement System (SSSS), and the National Electronic Payments Switch (NEPS) were fully deployed, integrated and operationalized.

In terms of work accomplished on the software solution's component, the CBL also started work on the ACP/ACH system. The system was configured and deployed at each commercial bank in 2014 and pilot testing was successfully conducted. Go-live was scheduled to coincide with the completion of the Core Banking Application, T24, the new banking application replacing the existing banking application, the Bankmaster system. Work is far advanced on the implementation of the Real-time Gross Settlement System, the National Electronic Payment Switch, and Scriptless Securities Settlement System (SSSS), and the Core Banking Application. The system is expected to go-live in early 2016, again upon the completion of the new Core Banking Application, T24.

The ACP/ACH is intended to enhance efficiency in the processing of checks and other paper-based payment instruments. With the implementation of the ACP/ACH, check will be cleared and settled in one day or two instead of the three days under the current semi-automated system. The RTGS is meant to facilitate interbank funds transfer in real-time and on a continuous basis throughout a business day, while the SSSS will facilitate the electronic processing of all securities issued by the government and the CBL.

5.5.1 National Switch

In order to address the lack of interoperability of existing ATMs and POSs in the country, the CBL initiated the implementation of the National Electronic Payments Switch project in 2013. The project implementation comprises a National Shared Switching platform, which is intended to facilitate interbank transactions switching, Multi-bank Hosting Switch to enable customers of banks without a switch to have electronic access to the money via another ATM or POS, and the Visa, MasterCard Gateway Service. The implementation of the national switch will enable customers of one bank to carry on electronic transactions at other banks' ATMs or POS at a reduced fee.

5.6 Supervisory and Regulatory Activities

5.6.1 Operations of Collateral Registry of Liberia

The Collateral Registry is a public web-based database system that contains information on existing security interests (credits secured with movable assets). The establishment of the Collateral Registry System (CRS) was in keeping with Section 5.51(3) of Title 7 of the Liberia Commercial Code.

The Registry's system allows lenders to perfect their security interests in movable assets (personal properties) presented by the borrowers as collateral and establish priority over the movable assets based on the date and time of registration of a security interests. The System supports CBL's Financial Inclusion Agenda and seeks to bring transparency in the credit granting process and provides more options of the kind of assets taking as collateral instead of the traditional immovable assets (land and building). The Collateral Registry System encourages the use of movable assets to be accepted as collateral to secure a loan.

As at end-November, 2015, the System shows 13 registered clients /creditors, which comprised 6 legal entity clients and 7 individual clients and 62 loans collateralized with movable assets registered in the System. The values of the loans constituted US$3.5 million and L$915.00 thousand. These amounts were extended to 62 debtors in the following categories: 42 individuals, 3 small firms, 12 medium firms and 5 large firms.

The CBL's Collateral Registry has 2 Public Access site in Montserrado County: the CBL's Training Center on Carey & Warren Streets and the Liberia Business Association Head Office in Paynesville. This initiative taken by the CBL is intended to assist potential users who do not have access to internet to use these sites to register their security interests in movable collateral and conduct searches free of charge.

As part of its decentralization strategy on the CRS, the CBL commenced the expansion of the Registry's services outside of Monrovia. A feasibility study was conducted by the Bank and 2 counties (Bong and Nimba) were identified for the establishment of additional public access sites. The additional 2 public access sites are expected to commence services by early January, 2016, while consideration is being given to extending the services to other places in 2016.

Based on the success story of the Liberia Collateral Registry, the CBL was invited to 4 international events to share its experiences with the Collateral Registry program: a study tour to Savannah, Georgia, USA in May, 2015; the International Financial Infrastructural Week in Istanbul, Turkey in May, 2015; IFC's 5th Financial Infrastructure and Risk Management Training in Rabat, Morocco; and the Movable Collateral Reform /Experiences from Liberia, in Nairobi, Kenya in 2015.

The Registry also conducted several training programs for various stakeholders, including Diaconia Microfinance Deposit Taking Institution (DMFI), Bangladesh Rehabilitation Assistance Committee (BRAC), and Liberia Enterprise Development Finance Company (LEDFC) on the operations of the Registry's services.

5.7 Research and Publication

The Research, Policy and Planning Department (RPPD), as the technical arm of the CBL continued with its regular publications in order to keep the general public abreast about the Bank's strategic monetary policy frameworks. To this end, it provided management with analytical reports aimed at informing policy decision-making for monetary policy management during the year, 2015. The Department provided regular updates to senior management on macroeconomic performance including monetary aggregates, exchange rate and price developments, GDP growth and the external sector conditions.

The CBL also collaborated with institutions and partners at the national, regional and global levels to ensure effective policy harmonization and coordination aimed at enhancing efficiency in monetary operations. The CBL, jointly with the Ministry of Finance and Development Planning (MFDP), Liberia Revenue Authority (LRA) organized the Liquidity Working Group (LWG) and continued with the daily liquidity forecasting of banks' balances in the industry geared toward informing the Bank's liquidity management strategies.

The CBL along with the Liberia Institute of Statistics and Geo-information Services (LISGIS) jointly conducted the weekly market price survey covering goods and services in the consumer basket, from which information on price developments in the economy are obtained and published on monthly basis for use by the public and private sectors. During the year, the Bank continued with the publication of these pieces of information in its Monthly Economics Review, the bi-monthly Financial Statistics, the quarterly Financial & Economic Bulletin and other macroeconomic reports.

The Bank also collaborated with the IMF and the UK Department for International Development (DFID) to develop a work plan that will guide the CBL's transition from the use of balance of payment manual 5 (BPM5) to balance of payment manual 6 (BPM6) in the compilation of the country's BoP and the compilation of the country's first ever International Investment Position (IIP) statement.

5.8 CBL Accounting and Finance

The CBL's financial statements for the 8th year are being prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements were audited by PricewaterhouseCoopers-Ghana, the Bank's external auditor. The 2015 statutory audit is expected to be conducted on scheduled, consistent with the provisions of Section 50 of the CBL Act.

Income and Expenditure

- The CBL's un-audited Income Statement for the year ended 2015 reveals gross income of L$1,026.23 million, compared with L$2,168.48 million for 2014. The gross income includes interest income, fees and commission and other income. The decrease in gross income in 2015 was mainly due to the decline in other income. Increase in income in 2014 was mainly due to the recognition of income under accrual basis of accounting resulting from the settlement of the TRADEVCO Loan case. The main revenue drivers were interest income of L$ 774.98 million and Fees & commission amounting to L$214.82 million.

- Total expenditure for the year amounted to L$2,856.10 million, compared with L$2,423.27 million in 2014. This increase is attributed to increase in capital expenditures and operating expenses resulting from the expanding activities of the Bank.

Financial Position

- The CBL's un-audited Statement of Financial Position excluding IMF related balances recorded total assets of L$95,420.93 million for the year ended 2015 compared with L$95,097.71 million in 2014. This 0.34 percent increase was mainly due to increase in cash and balances with central banks, increased property, machinery and equipment and other assets. Excluding the IMF, approximately 41.95 percent of total assets are represented by claims on the Government of Liberia. The loans are currently performing based on a memorandum of understanding (MOU) signed in 2007 between the CBL and the Government of Liberia.

- The CBL's un-audited total liabilities excluding IMF related liabilities at year-end 2015 amounted to L$42,808.07 million, compared with L$36,000.01 million in 2014. The increase in liabilities of L$6,808.06 million was mainly attributed to increase in deposit from Government of Liberia and its agencies, deposits from banks as well as increase in retirement & benefit obligations.

- The CBL's un-audited total owners' equity at year-end 2015 was L$9,905.45 million, compared with L$11,230.58 million in 2014, on account of decreased in General Reserve in 2015.

The Budget

- The CBL implemented the 2015 budget as approved by the Board of Governors. The budget was based on interest income on loans and advances to GOL, interest on placements abroad as well as service fees and commission, which were used as sources of income inflows in addition to the Bank's own reserves to cover operating expenses and other non-recurrent and capital expenditures.

- The Bank's net Foreign Reserves for the year ended December 31, 2015 was US$163.94 million down from US$227.87 million in 2014. The net foreign reserves comprises CBL net foreign reserves and net SDR Holdings (SDR Holdings less ECF and RCF Loans). The decrease was mainly due to increase in capital expenditure occasioned by the completion of the new CBL building and some recurrent expenditures associated with the expanding activities of the Bank.

5.9 Enterprise Risk Management

The CBL recently embarked on the implementation of an Enterprise Risk Management (ERM) framework, which is intended to help the CBL effectively manage risk and enhance its ability to attain the bank's strategic objectives. To this end, the CBL has taken series of steps aimed at establishing and implementing an ERM function, namely:

1. **The development of the CBL risk statement**

   This statement defines the general intention of the CBL relative to enterprise risk management and clarifies the general direction that the bank intends to take. Additionally, it describes the philosophy and principles upon which the CBL will enable a culture of proactive risk management. The development of a risk management policy statement as a fundamental element of the CBL's risk management strategic framework will ensure that key principles of best practice are embedded across the bank. The policy statement confirms the commitment of the bank to good corporate governance through risk management and defines the broad accountabilities and structures the CBL will maintain in order to manage risk. Thus, the basic intent of the CBL risk statement is to affirm the bank's commitment to risk management; integrate risk management practices across the CBL; and foster an environment where staff assume responsibility for managing risks;

2. **The development of the Risk Management Framework for active implementation**

   The ERM Framework specifically addresses the structures, processes and standards implemented to manage risks on an enterprise-wide basis in a consistent manner and it intends to advance the development and implementation of modern management practices and to support innovation throughout the CBL; contribute to building a risk-smart workforce and environment that allows for innovation and responsible risk-taking while ensuring that legitimate precautions are taken to protect the bank; and provide guidance for Management and staff when overseeing or implementing the development of processes, systems and techniques for managing risks.

3. **The development of a full set of governance charter for the Board and its subcommittees**

Though the governance framework for the CBL is set out by the Act of Legislature which created the Bank, there are many aspects of modern governance that are important for the Board to consider and agree on. Documenting these governance arrangements is the role of the board charter. Given that the Board has primary responsibility to provide and evaluate the strategic direction of the Bank, having such a key document in an institution such as the CBL has major strategic and operational risk implications. The purpose of the Board and the sub-committees' charter, among other things, is to demarcate the roles, functions, responsibilities and powers of the Board and various sub-committees; matters reserved for final decision-making or pre-approval by the Board; and the policies and practices of the Board. It further clarifies both Board's and Management's rights, duties, and responsibilities for the benefit of the Bank and its stakeholders.

4. **Defining the overall risk tolerance levels for the main categories of risks the CBL faces**

Risk appetite is a core consideration in an enterprise risk management approach. By defining its risk appetite, the CBL can arrive at an appropriate balance between uncontrolled innovation and excessive caution and can provide guidance on the level of risk permitted to encourage consistency of approach across the Bank. A defined acceptable level of risk also means that resources are not spent on further reducing risks that are already at an acceptable level. The risk appetite of the CBL, therefore, is the level of risk the Board has chosen to take in pursuit of the Bank's strategic objectives and is a function of the Bank's capacity to bear, not exceed, risk.

Currently, the ERMS, in collaboration with the Heads and Functional Risk Officers of all Departments/Sections/Units, is conducting a bank-wide risk assessment process, the end product of which will be the Bank's risk register that will serve as the basis of the risk management activities. Said register will serve as a central repository for the bank's risk information and its key function will be to provide management, the board, and key stakeholders with significant information on the main risks faced by the Bank. Essentially, the risk register will help management to: understand the nature of the risks the Bank faces; become aware of the extent of those risks; identify both the level of risk that the CBL is willing to accept; report the risk status at any point in time; have in place early warning factors and reporting thresholds; and have risk priority, based on its effect on the bank.

5.10 Internal Audit

The CBL's Act of 1999 mandates the Internal Audit Section to conduct audit of the operational activities and accounts of the Bank on a continuous basis. To this end, risk-based audits of the CBL's operational activities and accounts were conducted on quarterly, monthly and daily bases in various departments, sections and units during the year. The Section also provided independent, objective assurance and advisory services to enhance the Bank's operational efficiency.

The CBL is increasing its assertiveness in the Liberian economy. This speaks of the need for a governance system to be supported by an active and visible internal audit function which requires improved skills of staff. In pursuant of this, the Bank through its staff development program sponsored several staff of the Internal Audit Section for training in related disciplines at various levels.

5.11 Legal Services

Pursuant to its role and responsibilities, the Legal Section provided legal advice and support to the CBL's Management, towards the implementation of the Bank's monetary policy objectives, and the strengthening of the legal and regulatory frameworks in the institution. In collaboration with two private law firms, the Legal section represented the Bank's interest in the adjudication of several cases. As part of its responsibilities, the Section also supported the development, drafting, finalization and implementation of agreements, contracts, policies and laws in collaboration with internal and external stakeholders geared towards ensuring that the

CBL meets its prescribed statutory mandates that are supportive to economic growth and development in Liberia.

The Legal Section also worked in concert with other departments of the CBL, other stakeholders in Government and international partners towards the enactment of the Insurance Act and the Payments System Act by the National Legislature of Liberia. These two Acts are serve as the legal and regulatory frameworks for the Insurance Industry of Liberia and the National Payments System.

The CBL, in collaboration with other stakeholders, is progressing with the drafting and vetting of the Central Depository Act (CDA) and the establishment of the Capital Market Act (CMA), both of which are at their final stages of completion for their submission to the National Legislature for their deliberation and promulgation.

5.12 Communication with Stakeholders

The CBL remained highly committed to stronger communication with the public and private sectors on macroeconomic developments and activities of the Bank. During the year, the CBL consulted with major stakeholders including the Executive arm of Government, the Banking and Currency Committees of the National Legislature, the Bankers' Association, the Liberia Business Association, the Foreign Exchange Bureau Association and the Liberia Marketing Association on consensus building and understanding of policy decisions and various initiatives of the CBL.

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

5.13 Treasury Operations

In an effort to develop the inter-bank market, the Treasury Operations Unit submitted to the commercial banks a concept note and a draft guideline for the development and operation of the inter-bank market. The Unit is also working on a concept note on the development of the

Repo market. In addition, the Draft Securities Market Act and Central Securities Depository Act have been finalized, including the Rule Book that governs the operations of the proposed Liberian Stock Exchange.

5.14 Central Bank of Liberia Community Outreach Initiatives in 2015

The CBL continued its support to communities, institutions and students across the country in 2015. The CBL, during the year, donated US$1,500.00 along with assorted items including buckets, Clorox and other disinfectants to some Ebola survivors in Nimba County as a means of identifying with the victims. Of the amount, US$500.00 was for the renovation of hand pumps in Busie Town, an intervention that made it possible for the provision of safe-drinking water for over 1,300 inhabitants of the Town.

In its drive to enhance capacity building throughout the country, the CBL made a number of contributions to needy students during the year. The Bank donated L$6.0 million to the University of Liberia Student Union (ULSU) in support of its Scholarship Fund Drive. Also, the Bank contributed a total of L$1.2 million to the St. Francis Community Scholarship Program aimed at easing the financial burden, left behind by the EVD, on students and parents.

Finally, the CBL Staff Association (CEBSA), during the year, identified with residents of various communities including Leprosy Village in Massatain Town, Grand Cape Mount county; Vonjaima Trade Fare Ground, Lofa County; Ganta and Sanniquillie, Nimba County; and Mother Comfort Orphanage on the Police Academic Road, Paynesville Monotserrado County, respectively. CEBSA distributed assorted items including food, clothing, school supplies, sporting materials and household utensils, among others, valued at US$8,875.00.

CHAPTER VI
EXTERNAL RELATIONS

6.1 Overview

As was the case in 2014, the CBL maintained a cordial working relationship with its multilateral partners including the International Monetary Fund (IMF), the World Bank and the African Development Bank (AfDB) during the year. It held a number of regular meetings, consultations on policy matters relative to financial and macroeconomic developments in the domestic economy, benefited from trainings and technical assistance as well as exchanged data with these institutions. The CBL also maintained a good working relationship with sub-regional and regional institutions including the West African Monetary Institute (WAMI), West African Monetary Agency (WAMA), West African Institute for Financial and Economic Management (WAIFEM) and the Association of African Central Banks (AACB).

6.2 International Monetary Fund and the World Bank

6.2.1 International Monetary Fund

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

6.2.2 The World Bank

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

6.3 Regional and Sub-Regional Organizations

During the year, the CBL participated in a series of meetings of regional institutions in Africa which included those of the West African Monetary Zone (WAMZ), the ECOWAS Commission (EC) and the Association of African Central Banks (AACB). The WAMZ is an association of 6 West African countries including Liberia, Nigeria, Ghana, Sierra Leone, Guinea and The Gambia.

Under the roadmap of the single currency Program of the WAMZ, macroeconomic performances of the member countries are assessed on a bi-annual basis to determine their levels of preparedness for the creation of the single currency. There were no statutory meetings of the WAMZ during the year under review principally as a result of the Ebola Virus Disease (EVD) epidemic that affected three of the member states of the WAMZ—Liberia, Guinea and Sierra Leone. However, the Committee of Governors of Member States held an Extraordinary Meeting in Abuja, Nigeria, to discuss and make decisions on a number of administrative and developmental issues relative to the Single Currency Program as well as the role of central banks in their respective economies.

Also participating in this meeting were representatives of the ECOWAS Commission and WAMI. Those attending as observers included representatives of the West African Monetary Agency, the West African Institute for Financial and Economic Management, Union Economique et Monetaire Quest African (UEMOA), Bank Centrale des Etats de l'Afrique de l'ouest (BCEAO), ECOWAS Bank for Investment and Development (EBID), Association of African Central Banks (AACB), and African Development Bank (AfDB).

Despite the adverse impact of the EVD on the Liberian economy during the year under review, the CBL, in concert with other stakeholders, exerted tremendous efforts at ensuring that Liberia meets all of the convergence criteria as required under the roadmap of the Single Currency Program of the WAMZ. At the end of the 3rd quarter of the year under review, the Joint Multilateral Surveillance Mission including ECOWAS Commission, WAMA and WAMI visited Liberia and conducted an assessment of the performance of the economy and the status of convergence in the context of the rationalized criteria for the creation of the single currency.

According to the Mission's report, Liberia's performance on the macroeconomic convergence thresholds improved significantly during 2015 as compared to 2014. It satisfied 3 of the 4 primary criteria including a single digit inflation, budget deficit/GDP ratio and central bank financing of government's budget deficit relative to previous year's tax revenue, and slipped on the gross external reserves criterion. Regarding the secondary criteria, the country sustained its performance by satisfying all of the 2 criteria—the exchange rate variation and public debt/GDP ratio.

Regarding the role of central banks in the macroeconomy, a communiqué was issued at the end of the African Caucus Meeting in Abuja in which the Governors:

(i) unanimously agreed that inadequate infrastructure continues to be a serious constraint to Africa's development and that the need for industrialization of the continent is urgent and requires central banks' long term commitment in developing timely strategies to tackle the issue of inclusive growth and the equitable allocation of resources and benefits of development;

(ii) observed that the narrow mandate of central banks that focuses on price and financial stability is not sufficient for direct financing of Africa's industrialization, and that despite increasing growth of diaspora remittances to accompany capital inflows, these have not been fully harnessed to finance industrialization, especially SMEs;

(iii) recommended that the role of central banks as economic advisors to government should be exploited in the context of promoting domestic and continental industrialization agenda, and that their mandate should not only be limited to promoting price stability, but to be extended to include critical developmental roles with effective support to the fiscal authorities, within a macroeconomic policy framework;

(iv) recommended that with widespread poverty and unemployment, central banks can use monetary policy, through credit and exchange rate policies, to support economic growth and development as is done in some countries such as India, Cambodia and China. Central banks could also promote development through support for specialized development finance institutions; and

(v) recommended that central banks should establish appropriate mechanisms to tap into various sources of capital such as diaspora remittances, pension funds, sovereign wealth funds and excess foreign exchange reserves, to finance SMEs and industrialization.

6.3.1 Strengthening of Supervisory Cooperation

During the course of the year, the CBL actively participated in the activities of the College of Supervisors of the West African Monetary Zone (CSWAMZ) and the Association of African Central Banks (AACBs). The College brings together the Directors of the Bank Supervision Department of the WAMZ to discuss pertinent cross-border regulatory and supervisory issues as well as financial matters affecting the global economy including national crisis resolutions, amongst others. The AACB is involved in the strengthening and building the capacity of bank supervisors relative to banking regulations & supervision through the conduct of seminars across the continent. The CBL attended the AACB's seminar on Macro-Prudential Surveillance: Multiple views, One Objective held in Algiers, Algeria, in September 2015. The CBL is also an active member of the Committee of Banking Supervisors of West and Central Africa (CBSWCA), the College of Supervisors of Ecobank Group and UBA Group.