CENTRAL BANK OF LIBERIA

ANNUAL REPORT 2017

ANNUAL REPORT

CENTRAL BANK OF LIBERIA

2017

JANUARY 1, 2017

TO

DECEMBER 31, 2017

CENTRAL BANK OF LIBERIA

Office of the Executive Governor

January 23, 2018

His Excellency
Amb. George M. Weah
PRESIDENT
Republic of Liberia

Mr. President:

In accordance with part XI Section 49(1) of the Central Bank of Liberia (CBL) Act of 1999, I have the honor on behalf of the Board of Governors and Management of the Bank to submit, herewith, the Annual Report of the Central Bank of Liberia to the Government of Liberia for the period January 1 – December 31, 2017.

Respectfully yours,

Milton A. Weeks

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Acronyms Used

AACB	-	Association of the African Central Banks
AC	-	The Audit Committee
ACA	-	Association of Certified Accountants
ACDB	-	Agricultural and Cooperative Development Bank
ACH	-	Automated Clearing House
AFBLL	-	Afriland First Bank Liberia Limited
AfDB	-	African Development Bank
AFI	-	Alliance for Financial Inclusion
ALC	-	The Assets and Liabilities Committee
AMEU	-	African Methodist Episcopal University
AML	-	Anti-Money Laundering
ATM	-	Automated Teller Machine
BIL	-	Banking Institute of Liberia
CAR	-	Capital Adequacy Ratio
CBL	-	Central Bank of Liberia
CBN	-	Central Bank of Nigeria
CFT	-	Combating the Financing of Terrorism
CIA	-	Certified Internal Auditor
CIBN	-	Chartered Institute of Bankers of Nigeria
CIEA	-	Composite Index of Economic Activity
CPO	-	Crude Palm Oil
CPI	-	Consumer Price Index
CCU	-	Corporate Communications Unit
CRS	-	Credit Reference System
CSA	-	Civil Service Agency

CSC	-	Critical Security Controls
DCT	-	Data Collection Template
DMDTI	-	Diaconia Microfinance Deposit-taking Institution
DUTCH	-	Ducor Trade & Commerce Bank
EBLL	-	Ecobank Liberia Limited
ELA	-	Emergency Liquidity Assistance
ECOWAS	-	Economic Community of West African States
ERMC	-	Enterprise Risk Management Committee
ERMD	-	Enterprise Risk Management Department
EVD	-	Ebola Virus Disease
FAFT	-	Financial Action Task Force
FCIB	-	First Commercial & Investment Bank
FIBLL	-	First International Bank Liberia Limited
FIMB	-	First International Merchant Bank
FIU	-	Financial Intelligence Unit
FMD	-	Financial Markets Department
FRBNY	-	Federal Reserve Bank of New York
FSC	-	Financial Stability Committee
FSDIP	-	Fiscal Sector Development Implementation Plan
FUAB	-	First United American Bank
FX	-	Foreign Exchange
GBLL	-	Global Bank Liberia Limited
GDP	-	Gross Domestic Product
GIABA	-	Inter-Governmental Action Group against Money Laundering
GoL	-	Government of Liberia
GNBLL	-	Groupe Ndouom Bank Liberia Limited
GTBLL	-	Guaranty Trust Bank Liberia Limited

HRIS	-	Human Resource Information System
HRMD	-	The Human Resources Management Department
IAD	-	Internal Audit Department
IBLL	-	International Bank Liberia Limited
IC	-	Investment Committee
IFC	-	International Finance Corporation
IFAD	-	International Fund for Agricultural Development
IFRS	-	International Financial Reporting Standards
IFXM	-	Interbank Lending and Foreign Exchange Trading Market
IIA	-	Institute of Internal Auditors
IICL	-	International Insurance Company of Liberia
IMF	-	International Monetary Fund
IT	-	Internet Technology
LBA	-	Liberia Bankers Association
LBDI	-	Liberian Bank for Development & Investment
LEAF	-	Loan Extension and Availability Facility
LEDFC	-	Liberian Enterprise Development Finance Company
LISGIS	-	Liberia Institute of Statistics and Geo-information Services
LNP	-	Liberia National Police
LRA	-	Liberia Revenue Authority
LWG	-	Liquidity Working Group
M1	-	Narrow Money
M2	-	Broad Money
MAN	-	Metropolitan Area Network
MBBLL	-	Meridian Biao Bank Liberia Limited
MFDP	-	Ministry of Finance and Development Planning
MFI	-	Microfinance Institutions

MIA	-	My Identity App
MIS	-	Management Information System
MM4P	-	Mobile Money for the Poor
MSME's	-	Micro, Small and Medium Enterprises
MOA	-	Ministry of Agriculture
MOCI	-	Ministry of Commerce and Industry
MOU	-	Memorandum of Understanding
MOT	-	Ministry of Transport
NDA	-	Net Domestic Asset
NEPS	-	National Electronic Payment Switch
NFA	-	Net Foreign Assets
NICOL	-	National Insurance Corporation of Liberia
NHSB	-	National Housing & Savings Bank
NPLs	-	Non-Performing Loans
NPS	-	National Payments System
OPEC	-	Organization for Petroleum Exporting Countries
RCFIs	-	Rural Community Finance Institutions
RCSA	-	Risk and Controls Self-Assessment
RDBMS	-	Relational Data Base Management System
RGDP	-	Real Gross Domestic Product
ROA	-	Return on Asset
ROE	-	Return on Equity
RPPD	-	Research, Policy and Planning Department
RSD	-	Regulations and Supervision Department
TPL	-	Third Party Liability
UBA	-	United Bank for Africa
UNCDF	-	United Nations Capital Development Fund

USA	-	United States of America
VSLA	-	Village Saving and Loan Associations
WAIFEM	-	West African Institute for Financial and Economic Management
WAMA	-	West African Monetary Agency
WAMI	-	West African Monetary Institute
WB	-	World Bank
WEO	-	World Economic Outlook

FOREWORD

Liberia is in transition. Developments up to late in 2017 point to a recovering economy, a maturing democracy, and a people committed to sustaining their hard-won peace. The Central Bank of Liberia (CBL) meets this reality with careful optimism, having witnessed a notable uptick in economic activity compared to the weak performance of 2016, despite major challenges to economic stability at home and abroad. Our 2017 Annual Report gives an overview of the country's economic state and outlines our strategic interventions, in collaboration with Government, to address these challenges and ensure sustained progress toward national development.

Global growth showed a rise in momentum in the first half of 2017 compared to 2016, with major advanced economies showing improved performance of 3.6 percent as projected, while inflation rates generally fell below target. Commodity exporters remained challenged however, due to low foreign exchange earnings during the year.

Growth momentum in sub-Saharan Africa also showed an uptick, offset by downside risks due to policy implementation delays in major countries, which have translated into exchange rate pressure and high inflation.

On the domestic front, growth in real GDP in 2017 was estimated at 2.5 percent, up from the 1.6 percent contraction recorded in 2016. The annual average rate of inflation recorded during the year remained in double digits, mainly underpinned by depreciation of the Liberian dollar and increases in the prices of petroleum products. The presidential and general elections added near-term uncertainty that slowed the pace of economic activities during the second half of the year.

The CBL took several decisions in 2017 in the wake of these challenges such as stepping up its foreign exchange interventions through the Bank's regular foreign exchange auction in order to mop up excess Liberian-dollar liquidity and to help smooth out volatility in the exchange rate, thereby addressing inflationary pressures. The Bank also coordinated closely with the fiscal authorities on liquidity management and a broad range of policy-related issues.

The financial sector overall remained relatively resilient on a growth trajectory, despite some challenges. The banking industry continued to witness improvements in profitability, mainly due to cost-cutting measures and utilization of alternative sources of income generation, such as Government securities. Total credit to all sectors of the economy during the year expanded by 31.0 percent, largely due to gradual improvements in the macroeconomic environment. The private sector accounted for about 98.0 percent of overall credit to the economy, reflecting expansion of the private sector in response to improvements in the energy sector and other basic infrastructure such as road connectivity and seaport modernization. However, non-performing loans remained a major challenge despite measures to address the situation such as: naming and shaming and barring non-compliant-delinquent borrowers from accessing financial services.

Meanwhile, CBL continued its drive to further strengthen, modernize and expand the banking industry, through the first-year implementation of its three-year Strategic Plan (SP). Interventions under the Plan's first two pillars, Financial Sector Development and Financial Inclusion, sought to enhance public access to diverse financial products and high-quality banking services. These efforts proved successful, with a significant increase in the volume of financial transactions in response to the needs of the economy. Most notable was the impressive increase in the use of mobile money services. The Bank also worked to strengthen its regulatory and supervisory capacity while building up its new Financial Markets Department through staff training and institutional arrangements.

Under its third pillar, Internal Reform, the CBL strengthened its internal policy framework to significantly reduce risks; enhanced its human resources management procedures; optimized standard operating procedures for efficiency and effectiveness; and further modernized its management information systems. The Bank, furthermore, worked to strengthen its engagement with its broad base of stakeholders, through its regular publications and consultations on new policy proposals.

The Strategic Plan was implemented in tandem with the Government of Liberia's Financial Sector Development Implementation Plan (FSDIP), which was launched in November 2016 and is being implemented in collaboration with the World Bank. The FSDIP provides the blue print for a comprehensive reform of the financial sector of Liberia, anchored on building a strong, viable and inclusive financial system, prioritizing the reform of the microfinance sector and small & medium enterprises (SME).

At the regional level, the CBL worked closely with other central banks in the implementation of several initiatives under the aegis of the Economic Community of West African States (ECOWAS). The objective is geared toward strengthening regional efforts in promoting a harmonized and sound financial sector as well as realization of full regional payments system integration in support of the roadmap for a single currency under the ECOWAS Monetary Cooperation Framework. The Bank will continue its engagements with regional and multilateral institutions in the coming years in fulfilling its statutory role and building upon its achievements towards meeting the macroeconomic convergence criteria.

As we usher in 2018 with a new administration taking its place at the nation's helm, the CBL remains confident of the Liberian economy's continued recovery and improved price stability, underpinned by prudent monetary policy. We remain committed to our statutory mandate to provide Government with the independent and expert counsel it needs to make evidence-based policy interventions that will transform the lives of every Liberian. We, in turn, count on Government to maintain the strong collaboration and policy coordination that has persisted between the Fiscal and Monetary Authorities. This vital relationship has served Liberia well in the past, keeping our economy relatively stable during very difficult times.

On this note, we extend our gratitude to H.E. Madam Ellen Johnson Sirleaf, President of the Republic of Liberia, the National Legislature, and the CBL Board of Governors, whose collective stewardship has enabled us achieve the modest successes in the past year, in spite of tremendous challenges. As we face the tests ahead, the Senior Management and the entire CBL staff also thank our development partners for their continued support, and commit to sustaining the gains we have made together to propel every Liberian forward.

Milton A. Weeks
EXECUTIVE GOVERNOR

HIGHLIGHTS

Global Economy

Growth outlook suggests that global economic activity is gaining stronger momentum against the weak performance recorded in 2016 with growth projected at 3.6 percent and 3.7 percent for 2017 and 2018 respectively. Growth in the United States is expected to improve while recovery in the euro area remained impressive. In emerging market and developing economies, growth is predicted to remain strong, while sub-Saharan Africa's growth is expected to remain on the rise. Inflation in advanced economies and emerging markets and developing economies are also expected to increase 2017.

Domestic Economy

The Liberian economy is estimated to grow at 2.5 percent in 2017. The projected expansion in real GDP is attributed to significant increase in output in the mining and panning sector as a result of anticipated rise in industrial gold production and the manufacturing sector.

Inflation

The annual average headline inflation in 2017 was 12.4 percent from 8.8 percent at period ended 2016, mainly underpinned by depreciation of the Liberian dollar and government policy on prices of petroleum products. While annual average core inflation, that is, overall Consumer Price Index (CPI) less food and transport, at end-2017 is 14.9, from 8.2 percent a year earlier.

Exchange rate

The average exchange rate depreciated by 24.5 percent to L$125.50/US$1.00 in December, 2017 compared with L$100.80/US$1.00 in December, 2016. Similarly, the annual average for 2017 depreciated by 19.2 percent to L$112.61/US$1.00 compared with L$94.46/US$1.00 for 2016; largely as a result of deteriorating terms of trade (ToT) and high demand for foreign exchange to facilitate imports.

Banking Sector

The banking sector witnessed strong growth in its balance sheet in 2017. Total assets rose by 30.1 percent compared with 5.4 percent, while capital and deposits grew by 38.4 percent and 3.8 percent compared with 21.2 percent and 3.8 percent in 2016, respectively. Overall, the financial sector remained relatively resilient and continued to expand, despite challenges.

Banking & Payments System

The CBL continued the usage of its National Electronic Payment Switch (NEPS) to enhance efficiency, reliability, security, cost-effectiveness and interoperable electronic services in the banking industry. The Bank engaged with Ministry of Finance & Development Planning (MFDP), Civil Service Agency (CSA) and the Liberia Revenue Authority (LRA) to automate all GOL civil servants and pensioners' salaries as well as all payments to GOL vendors.

The Non-Bank Financial Sector

In support of the Bank's strategy on access to affordable finance, an additional Rural Community Finance Institution (RCFI) was opened in Foya, Lofa County in 2017, bringing the total to twelve (12) across 8 counties. A financing agreement for a grant facility and loan for the RCFI sector was signed by GoL and ratified by the National Legislature in support of the establishment of additional RCFIs and strengthening the existing ones.

Microfinance

The Microfinance sector experienced an expansion in its client base; however the number of operating non-deposit-taking microfinance institutions remained 16 with 49 networks but continue to provide credit services, mainly in the rural, hard to reach poor communities across the country. Meanwhile, a diagnostic and assessment study was conducted on the sector which led to the development of a concept document for a "Tiered Risk-Based Approach to Regulation of Microfinance Institutions in Liberia"

Insurance

Gross premium in the insurance sector grew by 33.2 percent, while net income recorded a growth of 24.7 percent. However, total assets and capital in the sector declined. The Bank continued the enforcement of its new capital requirement regulation in the insurance sector to ensure adequate capitalization, financial soundness and safety of the industry

Treasuray Operations

During the year, the CBL issued a total of L$517.5 million T-bills and L$1.56 billion T-bond. The issuances of these government debt securities in the bond and money markets have been solely through institutional investors. Hence, the Bank, through its Financial Markets Department is currently working on modalities to bring retail investors into the market

Reserve Position of the Ba

Liberia's gross international reserves position (including SDRs and Reserve Tranche) at end-December, 2017 decreased by 12.1 percent to US$517.0 million, from US$588.0 million recorded at end-2016. However, Gross international reserves in months of imports grew to 3.7 in 2017, up from 3.6 and 3.4 months recorded in 2016, and 2015, respectively

Performance in WAMZ

During the year, the CBL maintained cordial working relationship with its traditional multilateral partners including the International Monetary Fund (IMF), World Bank (WB), and the African Development Bank (AfDB). The also remained engaged 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). However, in the first sshalf of 2017 on one primary convergence criterion (inflation) and one secondary convergence criterion (exchange rate) in WAMZ.

Entreprise Risk Management

The CBL recorded some notable achievements in the context of increasing the levels of control across the Bank. A number of policies and procedures were developed, some of which were approved by Management during the year to improve the culture of risk management at the Bank.

MISSISON 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. The Bank's mission is to contribute to sound economic and financial well-being of the country.

OBJECTIVES

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

- promote, achieve and maintain price stability in the Liberian economy;
- maintain effective prudential regulation and supervision over the domestic financial sector, promote competition, and improve financial services and accessibility for the benefit of the public;
- promote 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, as well as a functioning payment systems, that are capable of responding to the needs of the national economy;
- foster monetary, credit and financial conditions conducive to orderly, balanced and sustained economic growth and development and
- provide sound economic and financial advice to the Government.

BOARD OF GOVERNORS

AS AT DECEMBER 31, 2016

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

Mr. David M. Farhat*
Board Member

Mrs. Elsie Dossen Badio
Board Member

Mrs. Melisa Emeh
Board Member

Mr. Kolli S. Tamba, II
Board Member

**Governor David Farhat's term of office ended on December 11, 2017.*

CHAPTER I:
GOVERNANCE AND ORGRANIZATIONAL STRUCTURE

1.1 The Board of Governors

Under the CBL's Act of 1999, in part IV Section 9, the overall responsibility for the operations of the Bank is vested in the Board of Governors. The Board is responsible for the formulation and implementation of the country's monetary policy 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. In order to ensure the effective management of the Bank, the Board approves the annual budget, monitors the financial and operational performance of the Bank, receives reports from the external auditors, and more importantly, provides policy guidance to Management. The Board of Governors comprises five members who are appointed by the President of the Republic of Liberia and confirmed by the Liberian Senate. The Executive Governor steers the day-to-day activities of the Bank and Chairs the Board. As at end-December 2017, the Board of Governors was composed of the following members[1]:

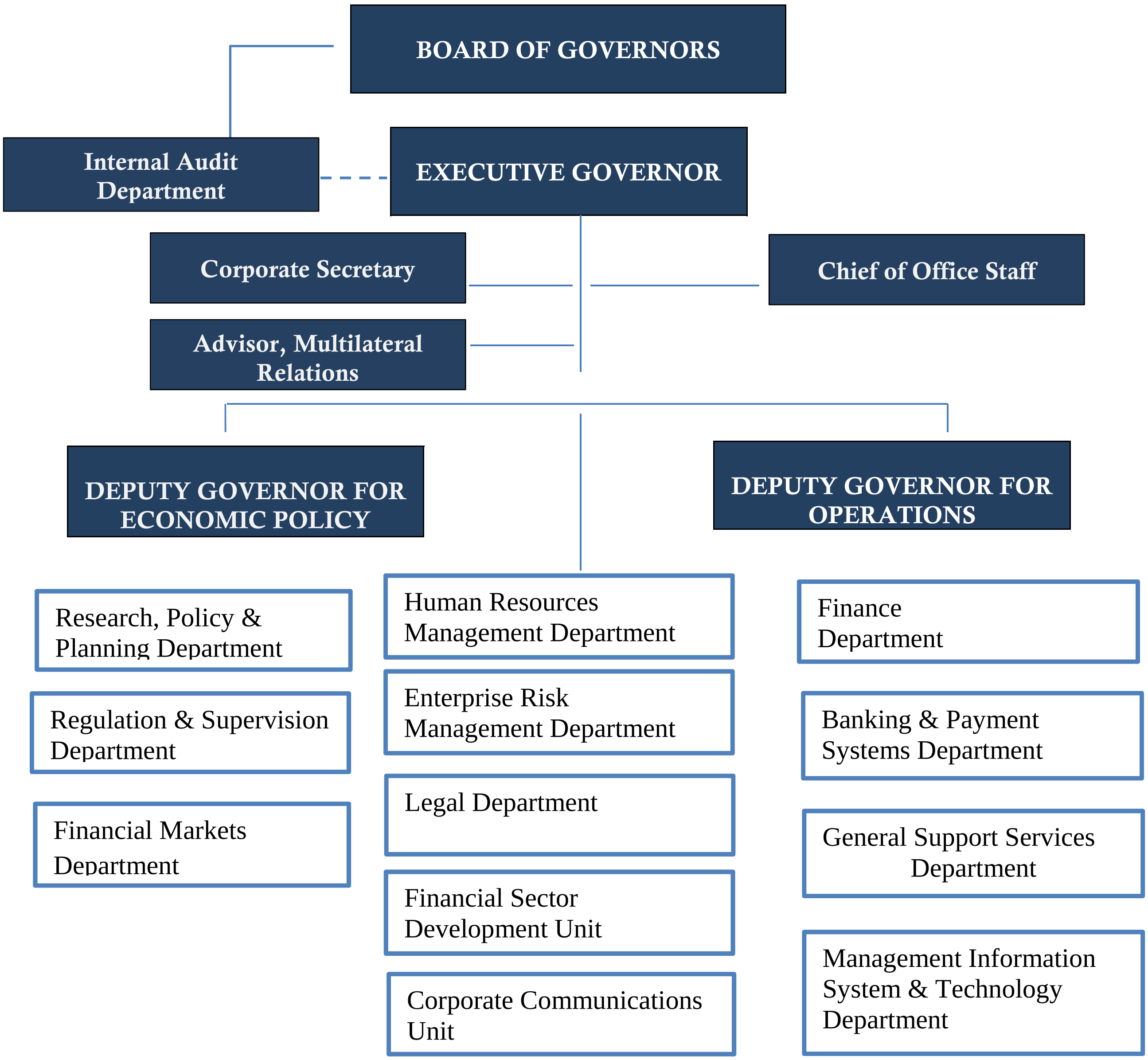
1. Mr. Milton A. Weeks – Executive Governor/Chairman
2. Mrs. Melisa Emeh – Member
3. Mr. Kolli S. Tamba, II – Member
4. Mrs. Elsie Dossen Badio – Member

1.2 Committees of the Board

The Board of Governors has two standing committees, namely: the Audit Committee (AC) and the Investment Committee (IC). The AC has the mandate to supervise the Bank's compliance with operational, statutory and international standards and internal control procedures. Overall, the Committee ensures that appropriate and adequate accounting procedures, practices and controls are established and upheld. The IC is mandated to assist the CBL in devising innovative investment plans regarding the placement of the Bank's financial resources in line with its investment policy and making recommendations on those matters to the full Board for approval.

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

Chart 1: Organizational Structure
(As at December 31, 2017)



1.3 Policy Decisions by the Board

The Board of Governors of the Central Bank of Liberia (CBL) took several decisions in 2017, most based on the recommendations of the Financial Stability Committee (FSC) to ensure stability in the financial system. Key decisions taken by the Board are as follows:

1. ***New governance arrangements to strengthen controls in the financial system***

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

a. ***Agent Banking Regulation***

In keeping with the CBL's Policy direction to promote branchless banking with the aim of promoting access to financial services particularly to the rural and underserved population in a cost-efficient manner, the CBL on April 21, 2017 issued a Regulation Concerning Agent Banking in Liberia.

This regulation is intended to promote financial inclusion by utilizing the services of retailers, merchants as well as financial service providers such as Credit Unions, Village Savings and Loans Associations (VSLAs) and Microfinance Institutions (MFIs) to serve as distribution channels through which banking services are expanded to the public. This mechanism is needed especially in areas where there are no formal financial institutions. The regulation defines the roles and responsibilities of agents and provides a mechanism by which a financial institution can establish agency relationships with competent entities to provide financial services to the public on its behalf.

b. ***Revised AML/CFT Regulation***

The CBL, on May 10, 2017, issued an amended Regulation Concerning Anti Money Laundering/Combating the Financing of Terrorism (AML/CFT) for Financial Institutions in Liberia. This Regulation replaces the previous AML/CFT Regulation No. CBL/RSD/004/2013, which required banks to report suspicious and cash transactions to the CBL. With the establishment of the Financial Intelligence Unit (FIU), the regulation has been amended to require all suspicious and cash transactions to be reported to the FIU pursuant to §67.5(2) and (3) of the Act that established the Financial Intelligence Unit of Liberia. The revision represents the Central Bank's continued commitment to safeguard the integrity of Liberia's financial system.

c. *Emergency Liquidity Assistance (ELA) Framework*

In keeping with Section 32 of the CBL's Act, on May 26, 2017, the CBL issued a Regulations Concerning Emergency Liquidity Assistance (ELA) for Liberia. The regulations provide that licensed bank financial institutions and deposit taking microfinance institutions that are solvent and viable, and are facing temporary liquidity problems, shall be eligible to receive credit from the CBL not only through monetary policy operations, but also through Emergency Liquidity Assistance (ELA).

d. *Revised Regulation on Consumer Protection and Market Conduct*

In fulfillment of the CBL's responsibility under the Business Reform Program that is being chaired by the Ministry of Commerce and Industry (MOCI), the CBL has amended the Consumer Protection Regulation to include a new section on Truth-In-Lending Disclosure requirements which is intended to enhance disclosure. The new regulation, CBL/RSD/004/2017, was issued on June 12, 2017.

e. *Interest Rate Regulation (7.19)*

The CBL amended Regulation No. CBL/SD/01/2004 Concerning Interest Rate Determination and issued Regulation CBL/RSD/005/2017 on August 10, 2017.

The new regulation complements the Regulation for Consumer Protection and Market Conduct and will help improve Liberia's score on the World Bank's Doing Business Survey, which has suffered due in part to poor disclosure of costs for loans.

The regulation provides for the publication of the effective interest rate, which reflects the actual cost of lending; disclosure of the interest rate to be applied on a product; and details about the method of computing interest. It requires commercial banks to publicly display their rates at their branches, publish them on their websites and in the local daily newspapers.

f. *Directive No. CBL/RSD/DIR/002/2017 Barring Commercial Banks and other Regulated Financial Institutions from Providing Financial Services to Delinquent Borrowers that Fail to Resolve their Delinquent Status*

The CBL has over the years made significant efforts to improve the general credit environment and strengthen the internal risk management practices of commercial banks. Having observed that some delinquent borrowers, corporates as well as individuals, continually renege on servicing their obligations to banks, the CBL on July 17, 2013, issued Directive No. CBL/RSD/DIR/002/2013. This directive is intended to prevent such individuals and entities from continuing to enjoy the benefits of the banking system, while undermining its viability through their actions.

In consultation with the Ministry of Commerce and Industry (MOCI) and International Finance Corporation (IFC), the CBL amended the Directive to support the effective implementation of the new Insolvency and Bankruptcy Act which will allow delinquent borrowers declared by the Commercial Court to be insolvent, access to new loans. The directive requires a specific registry to be kept with the CBL for such borrowers.

2. ***Efforts toward exchange rate stabilization***

    a. ***Application of the Weighted Average Exchange Rate Survey to determine the Market Exchange Rate***

In light of the exchange rate volatility facing the Liberian economy, the CBL adopted the weighted average exchange rate survey, which broadens the base of information with which rates are determined to include the parallel market (unregistered foreign exchange bureaus and businesses) and the CBL itself.

3. ***Conduct a Forensic Audit of the Defunct FIBLL and Develop an Action Plan to Address issues raised***

The CBL commissioned international auditing firm, KPMG, to conduct a forensic audit to ascertain the lapses in controls that led to the failure of First International Bank Liberia Limited (FIBLL). The CBL has adopted an action plan to address the audit report's recommendations, while also pursuing a comprehensive reform agenda developed prior to the audit report taking into account the key shortcomings highlighted therein.

4. ***Enforcement of the new Capital Requirements for Insurance Companies***

In keeping with the new Capital Requirements for Insurance Companies operating in Liberia, the CBL commenced the enforcement of the new requirements. As the first step, the Bank hired an Auditing Firm, Seekie and Associates, to conduct a capital verification audit for the nineteen companies. The recommendations of the audit are being implemented by the CBL.

In addition, the CBL has set a new deadline of March, 2018 for all insurers to comply with the new capital requirement based on the 3-year timeframe (2016-2018) approved by the Bank. Insurance companies failing to meet the new requirements commencing March, 2018 will be required to merge, or be acquired by more viable companies, or have their licenses revoked by the CBL.

5. ***Approve Liberia's Commitments to the AFI Danarau Action Plan on Women's Financial Inclusion***

In addition to its previous commitments to the Alliance for Financial Inclusion (AFI), a global advocacy for financial inclusion, under the Maya Declaration, the CBL in September, 2017 in Egypt committed itself to the AFI Danarau Action Plan to promote women's financial inclusion globally. The commitments included establishing a database for women's financial inclusion, in 2018. This includes establishing data collection methodology and conducting a baseline survey to assess the level of women's financial inclusion. CBL also committed itself to working with the Government of Liberia (GOL) and donor community for support for women's financial inclusion.

6. ***Operationalization of the Banking Institute of Liberia***

The CBL took steps to revive and formalize the Banking Institute of Liberia (BIL), which it established in collaboration with the Liberia Bankers Association (LBA), to upgrade the technical knowledge of bankers, enhance professionalism and competency in the sector, and address the issues of losses and fraud facing commercial banks. The Board of Directors, which comprises representatives from two tertiary institutions, the LBA and CBL, and chaired by the Executive Governor of the CBL, held its first meeting in November, 2017. The Board took several key decisions for the full and formal operationalization of the Institute beginning, 2018.

7. ***Reassessment of Partially Verified Depositors' Claims from Failed Banks***

Having settled all verified claims by depositors, the CBL decided to review all partially verified claims of the following failed banks: First International Merchant Bank (FIMB), First United American Bank (FUAB), EUROBANK Liberia Limited, Ducor Trade & Commerce (DUTCH) Bank, First Commercial & Investment Bank (FCIB), Meridian Biao Bank Liberia Limited (MBBLL) and the two defunct government banks: (National

Housing and Savings Bank (NHSB) and Agricultural and Cooperative Development Bank (ACDB)). The reassessment exercise which will commence in 2018 will be conducted by an independent audit firm.

8. Takeover of NHSB & ACDB Properties

The CBL commenced an exercise to determine the value and monetizing the assets held by NHSB and ACDB to facilitate the final liquidation of the two banks with the objective of settling outstanding depositors' claims. The banks' properties have been identified and appraised, and efforts are underway to engage potential investors to rehabilitate, commercialize and/or manage the properties.

9. Establishment of the Assets and Liabilities Committee (ALCO)

During the year, the Board of Governors approved the establishment of the Assets and Liabilities Committee (ALCO), responsible for balance sheet planning and management from a risk-return perspective and for strategic management of interest and liquidity risks.

1.4 Internal Management Committees

The CBL, during the course of 2017 maintained 3 key management committees, namely: the (1) Financial Stability Committee (FSC) which 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. The FSC is chaired by the Deputy Governor for Economic Policy and co-chaired by the Deputy Governor for Operations. The Assets and Liabilities Committee (ALCO) which is responsible for balance sheet planning from a risk-return perspective and is chaired by the Executive Governor; and the Enterprise Risk Management Committee (ERMC) which provides oversight for the implementation of the CBL's Enterprise Risk Management (ERM) framework and is also chaired by the Executive Governor.

CHAPTER II: THE GLOBAL ECONOMY

2.1 World Output Growth

Global growth outlook suggests that economic activity is gaining stronger momentum against the weak performance recorded in 2016. The global economy is expected to grow at 3.6 percent and 3.7 percent in 2017 and 2018, respectively[2]. According to the World Economic Outlook (WEO), October, 2017 report of the IMF, the first half performance of the global economy was better than expected due to broad-based upward revisions of their growth statistics in the Euro area, Japan, and emerging Asia, among others, as a result of better performances in the first half of the year than expected, offsetting weaker performances in the United States and the United Kingdom. However, growth in many countries is still weak while inflation remains below target in most advanced economies.

Advanced economies were expected to grow at 2.2 percent in 2017 and at 2.0 percent in 2018. In the United States, growth momentum is expected to improve on the back of supportive financial conditions, strong business and consumer confidence, and the assumption of accommodative fiscal policy. The growth forecast for the United States economy is 2.2 percent for 2017 and is expected to increase marginally to 2.3 percent in 2018. Over the longer term, potential growth for the U.S is expected to settle at 1.8 percent underpinned by weaker total factor productivity and the risk of diminishing workforce. Conversely, growth in the United Kingdom is expected to be subdued in 2018.

In the euro area, recovery remained impressive with growth projected to rise to 2.1 percent in 2017. The anticipated rise in growth is backed by exports acceleration mainly due to increase in global trade in addition to the strengthening of domestic demand induced by accommodative financial conditions. In the face of recovery in the zone, political risk and policy uncertainty still lingers and must be controlled and dealt with to sustain growth. Germany is expected to record a rise in 2017, but will slightly decline in 2018 while growth in Spain will remain flat in 2017, but decline in 2018. Similarly, growth in Japan will continue to strengthen for the year, but slightly fall in 2018.

[2] These growth figures are taken from the October, 2017 IMF World Economic Outlook Report.

Growth in emerging markets and developing economies is predicted to remain strong at 4.6 percent in 2017 and 4.9 percent in 2018, largely due to recovery in key emerging markets and stronger domestic demand from China. China is expected to grow by 6.8 percent in 2017 underpinned by policy easing and supply-side reforms. However, growth is projected to moderate to 6.5 percent in 2018. India, on the other hand, is expected to record strong growth, but lower than the previous forecast in July of 2017, mainly on account of the transitional cost of the tax reform on goods and services introduced in the third quarter of 2017 in addition to the lingering disruption that was associated with the currency exchange initiative introduced in late 2016. In other parts of the region, growth will remain strong for 2017.

Table 1: Selected Global Output and Consumer Prices

	Year-over-Year					
		Projections			**Difference from July 2017 WEO update**	
	2016	2017	2018		2017	2018
World Output	**3.2**	**3.6**	**3.7**		**0.1**	**0.1**
Advanced Economies	1.7	2.2	2.0		0.2	0.1
United States	1.5	2.2	2.3		0.1	0.2
Euro Area	1.8	2.1	1.9		0.2	0.2
Japan	1.0	1.5	0.7		0.2	0.2
United Kingdom	1.8	1.7	1.5		0.0	0.0
Canada	1.5	3.0	2.1		0.5	0.2
Emerging Markets and Developing Economies	4.3	4.6	4.9		0.0	0.1
Emerging and Developing Asia	6.6	6.5	6.5		0.0	0.0
China	6.7	6.8	6.5		0.1	0.1
India	7.1	6.7	7.4		-0.5	-0.3
Latin America & the Caribbean	-0.9	1.2	1.9		0.0	-0.1
Middle East, North Africa, Afghanistan & Pakistan	5.0	2.1	3.5		-0.3	0.2
Sub-Sahara Africa	1.4	2.6	3.4		-0.1	-0.1
Nigeria	-1.6	0.8	1.9		0.0	0.0
South Africa	0.3	0.7	1.1		-0.3	-0.1
Consumer Prices					-0.2	-0.1
Advanced Economies	0.8	1.7	1.7		-0.3	-0.2
Emerging Markets and Developing Economies	4.3	4.2	4.4		-0.1	0.0

Source: *IMF World Economic Outlook, October 2017 Edition*

In Sub-Saharan Africa, growth is predicted at 2.6 percent for 2017 and is further expected to rise to 3.4 percent in 2018. However, downside risks have elevated along with policy adjustments implementation delays in major countries. In Nigeria, the recession that lowered growth is expected to be subdued due to some level of recovery in oil prices coupled with strong performance in the agricultural sector. However, delays in policy implementation and foreign exchange supply shortage are expected to weigh on activity in the medium term. Despite favorable commodity export prices and increased agriculture production in South Africa, political uncertainty has slowed growth to 0.7 percent for 2017. However, in 2018, growth is expected to increase to 1.1 percent.

2.2 Global Inflation

Headline inflation rates in advanced economies and emerging markets and developing economies are projected to increase to 1.7 percent and 4.2 percent in 2017, respectively, reflecting lower than expected recovery in oil prices and cyclical recovery in demand. However, in 2018, inflation is predicted to remain at 1.7 percent for advanced economies and inch up slightly by 0.1 percentage point to 4.4 percent for emerging markets and developing economies.

2.3 Commodity Market

The rise in global growth for 2017 saw a surge in prices of major global commodities. On average, global commodity prices in 2017 are projected to increase over 2016 and 2015 prices as indicated by the global commodity price index, reflecting increases in the prices of major commodities including iron ore, rubber, crude oil, and rice, among others.

2.3.1 Crude Oil[3]

Crude oil price for the most part during the year remained strong. Annual comparison of the price of the commodity indicated a projected increase of 20.1 percent to US$51.4 per barrel at end-December, 2017, from US$42.8 per barrel recorded in 2016. The projected surge in the price of the commodity was attributed to an overall supply outage of the commodity when compared with the previous year. The supply outage was due to a long period of speculation over decision by the Organization of Petroleum Exporting Countries (OPEC) to cut on production of crude oil.

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

2.3.2 Iron Ore

The global price of iron ore fluctuated during the year 2017. However, projection of the price indicated a 22.1 percent surge during the year to US$71.4 per metric ton when compared with the US$58.5 per metric ton of the commodity in 2016. Similarly, the price of iron ore in 2017 rose above its average price in 2015 by 29.3 percent. The surge in the price of the commodity in 2017 was attributed to steady recovery in global demand for steel. However, projection for 2018 seems unfavorable as key producers of the product are expected to increase exports in the wake of already increasing inventories.

2.3.3 Rubber

Rubber has enjoyed favorable international price over the last three years. In 2017, the average global price of the commodity rose for the second consecutive year by 23.3 percent to an estimated US$2,025.1 per metric ton, from US$1,642.1 per metric ton at end-December, 2016 and 29.9 percent, from US$1,559.4 per metric ton in 2015. The rise in the price of the commodity during these years had been significantly due to weaker global supply in relation to the earlier news from major rubber producing economies to cut down on production. Outlook of the price of the commodity in 2018 seems yet favorable for rubber exporters.

2.3.4 Cocoa Beans

The world market price of cocoa beans had experienced sustained decline throughout the two-year period from 2015 to 2017. During the year ended-December, 2017, the estimated average global price of cocoa declined to US$2,025.1 per metric ton, from US$2,892.0 per metric ton recorded at end-December, 2016 and US$3,135.2 per metric ton at end-December, 2015. The respective 31.1 percent and 36.4 percent slump in the price of the commodity was a result of improved weather conditions that enabled increased supplies of the commodity, mainly from Africa. However, looking into 2018, the price is projected to increase due to growing recovery in global demand for the commodity.

2.3.5 Rice

The international price of rice saw rising trend from the beginning of 2017. At end-2017, the international price of the commodity was projected to rise by 3.5 percent to US$401.9 per metric ton, from US$388.3 per metric ton recorded at end-2016 and by 5.7 percent when compared with the value per metric ton recorded in 2015.

The estimated rise in the price of the commodity during 2017 was significantly occasioned by scarcity amid increased demand mainly from the Asian region.

Table 2: Selected Global Commodity Prices (2015-2017)

Commodity	Unit	2015	2016	2017	% Changes	
		Actual	Revised	Estimate.	2017/2016	2017/2015
Iron ore	USD/MT	55.20	58.50	71.40	*22.1*	*29.3*
Rubber	USD/MT	1559.40	1642.10	2025.10	*23.3*	*29.9*
Cocoa Beans	USD/MT	3135.20	2892.00	1993.60	*-31.1*	*-36.4*
Palm Oil	USD/MT	565.10	639.80	698.00	*9.1*	*23.5*
Crude oil	USD/BBL	50.80	42.80	51.40	*19.9*	*1.2*
Rice	USD/MT	380.10	388.30	401.90	*3.5*	*5.7*
Global Commodity Price Index	Index	111.2	100.1	112.4	*12.3*	*1.1*

2.3.6 Implication for the Liberian Economy

Developments in the Liberian economy are often hedged on global prospects; especially movements in global commodity prices. Liberia relies on primary commodity exports (mainly rubber and iron ore) as major sources of export earnings.

Gradual recovery in the global prices of iron ore and rubber, since the prolonged declines beginning 2014, is likely to enhance export receipts. Conversely, the accompanying increase in the prices of petroleum products and food (rice) are likely to increase payments towards imports, possibly outweighing the increase in export prices, and inducing inflationary pressure.

CHAPTER III: DEVELOPMENTS IN THE LIBERIAN ECONOMY

3.1 Overview

Liberia's real Gross Domestic Product (RGDP) is estimated to improve by 2.5 percent in 2017, to US$904.3 million. The expansion in real GDP is mainly attributed to significant increases in the mining and panning sector as a result of rise in industrial gold production and the manufacturing sector.

Average annual inflation in 2017 was 12.4 percent from 8.8 percent in 2016. The rise in inflation was mainly explained by exchange rate pressure, and the rise in global petroleum price coupled with government's tax policy on petroleum products.

3.2 GDP Performance

Real GDP growth in 2017 witnessed some level of recovery at 2.5 percent, from negative 1.6 percent in 2016. The expansion in real GDP was a result of increases in the mining and panning sector to 28.8 percent (from negative 33.0 percent), and the manufacturing sector to 1.4 percent (from negative 5.2 percent). The growth in the mining and panning sector was largely on account of the rise in industrial gold production. Other major sectors that declined, but remained positive were: agriculture and fisheries sector to 1.8 percent, from 6.4 percent in 2016; and services sector to 1.0 percent from 2.1 percent recorded in 2016. The forestry sector declined to negative 8.0 percent (from zero percent).

Growth in 2018 is projected to further rise to 3.9 percent, mainly on account of all the major sectors of the economy (Table 2). The key risks to growth in 2018, however, will include declines in the global market prices of the country's key export commodities (rubber and iron ore), infrastructural challenges and government's tax policy.

Table 3: Liberia: Sectoral Origin of Gross Domestic Product (GDP)
(At 1992 Constant Prices: 2015-2018)
(In Millions of US$)

Sector	2015	2016	2017+	2018*
Agriculture & Fisheries	218.2	232.2	236.3	242.5
Forestry	94.8	94.8	87.2	83.7
Mining & Panning	103.5	69.3	89.3	92
Manufacturing	63.5	60.2	61	62
Services	416.4	425.1	429.4	434.5
Real Gross Domestic Product	896.4	882.1	904.1	939.4

Source: *Liberian Authorities & IMF Staff estimates and projections*

** Projections + Revised/Actual*

3.3 Real Sector Performance

Production analysis in 2017 showed varying outturns in the various sub-sectors of the economy. Rubber production slumped by 8.8 percent, to an estimated 37,937 metric tons, from 41,595 metric tons produced in 2016. The fall in the output of rubber was partly attributable to a slowdown in production activities during the year. The production of cocoa plummeted significantly by 78.7 percent, to an estimated 2,010 metric tons, down from a revised 9,424 metric tons when annualized. The decline in output was attributed to falling global market price of the commodity. The production of round logs was estimated to decrease to 83,063 metric tons, reflecting a decline of 43.6 percent, from 147,181 metric tons due to the decline in its international market price in addition to the Norwegian Forestry Agreement with GoL to reduce round log production aimed at reducing carbon emissions, preventing deforestation and help prevent climate change. The output of crude palm oil (CPO) rose to an estimated 7,051 metric tons, from 2,610 metric tons produced a year ago. The increase in production of CPO was due to the maturity of additional trees. (Table 3).

Table 4: Key Agricultural & Forestry Production (2015-2017)

Commodity	**Unit**	**2015**	**2016+**	**2017***
Rubber	Mt.	45,657	41,595	37,937
Cocoa Beans	Mt.	14,968	9,424	2,010
Coffee	Mt.	58	162	-
Round Logs	M^3	111,785	147,181	83,063
Sawn Timber	Pcs.	907,505	561,005	553,838
Crude Palm Oil (CPO)	Mt.	N/A	2,610	7,051

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

** Projections   + Revised/Actual*

In the manufacturing sector, cement production at the end of 2017 was estimated at 284,668 metric tons, up from 240,929 metric tons produced a year ago. The 18.2 percent rise in output was explained by the demand for the product as a result of increased construction activities in the country.

Table 5: Key Industrial Output (2015-2017)

Commodity	Unit	2015	2016+	2017*
Cement	Mt.	285,391	240,929	284,668
Beverages	Liter	22,913,475	23,678,685	23,686,914
Paints	Gal.	299,450	208,284	171,783
Candle	Kg.	183,803	177,534	96,726
Chlorine bleach	Liter	926,504	1,218,081	1,176,484
Rubbing Alcohol	Liter	274,625	277,951	279,929
Mattresses	Pcs.	127,647	104,935	93,328
Gold	Ounce	9,466	151,224	204,355
Diamond	Carat	65,996	60,367	59,951
Iron ore	Mt.	4,529,531	1,405,195	1,934,193
Finished Water	Gal.	1,731,355,031	1,509,222,487	2,025,775,962

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

** Projections   + Revised/Actual*

Production of beverages (alcoholic and non-alcoholic) in 2017 was estimated to remain relatively flat at 23.69 million liters, from the revised 23.68 million liters produced in the previous year.

Total paint (water and oil) output in 2017 was estimated at 171,783 gallons, down from the revised 208,284 gallons produced a year ago. The 17.5 percent fall in output was generally due to the importation of other paint products.

Candle production was estimated to fall by 45.5 percent to 96,726 kilograms, down from the revised 177,534 kilograms produced during the previous year. The dip in production was attributed to the expansion of electricity supply by the Liberia Electricity Corporation and its increased effort to expand coverage in Monrovia and other parts of the country.

Output of chlorine bleach during the year ended-2017 decelerate by an estimated 3.4 percent, to 1.18 million liters, down from 1.22 million liters produced a year ago. The marginal dip in production was due to increase in supply in competing brands on the local market.

Total rubbing alcohol production during the reporting period was estimated to grow slightly by 0.7 percent to 279,929 liters, up from 277,951 liters produced in the previous year. The meager increase in output was generally explained by the availability of raw materials.

Iron ore output during the period was estimated at 1.9 million metric tons, up from the revised 1.4 million metric tons produced during the previous year. The 37.6 percent or 0.5 million metric ton surge in production was mainly a result of the opening of a new mining site by a major concessionaire.

Gold production also expanded during 2017 to an estimated 204,355 ounces, up from 151,224 ounces produced in 2016. The 35.1 percent increase in the output of gold was on account of the improved average global price on the international market and the industrialization of gold mining, which began in the second half of 2016. On the other hand, diamond output, however, was estimated to decline slightly to 59,951 carats, down from 60,367 carats. The 0.7 percent slump in output was a result of their declining average price on the international market.

Total output of finished water during the review period was estimated at 2.0 billion gallons, up from 1.5 billion gallons produced a year ago. The 34.2 percent rise in output was explained by the rehabilitation of the water treatment plant and increased supply of the production to Monrovia and it's environ (Table 5).

3.4 Price Development

Average headline inflation for 2017 was 12.4 percent, up from 8.8 percent when compared with the previous year. The 3.6 percentage points increase in average inflation was generally explained by the depreciation of the Liberian dollar, the rise in the average price of petroleum products on the global market; and government tax policy on petroleum products.

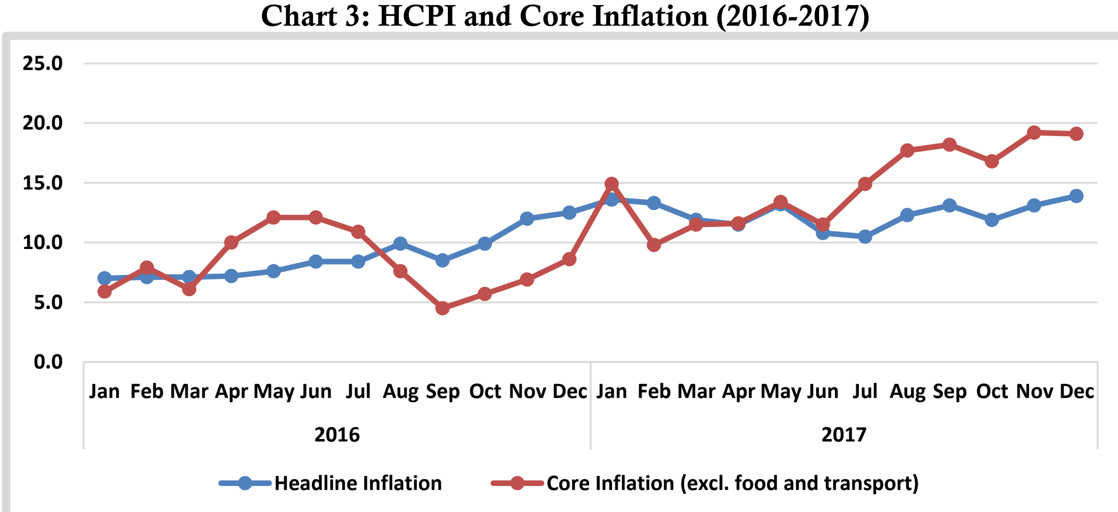
The major groups which underpinned the surge in inflation during 2017 when compared with 2016 were: Clothing and footwear to 40.1 percent (from 14.2 percent); housing, water, electricity, gas, and other fuel to 8.5 percent (from 4.4 percent); furnishings, household equipment and routine maintenance of house to 30.3 percent (from 6.1 percent); health to 6.6 percent (from negative 5.9 percent); transport to 25.4 percent (from 20.9 percent); communication to 14.3 percent (from negative 1.4 percent); recreation and culture to 27.9 percent (from 16.1 percent); and restaurants and hotels to 24.8 percent (from 6.7 percent).

Chart 2: Year-on-Year Rates of Inflation (2015-2017)

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

Similarly, core inflation, which is the overall Consumer Price Index (CPI) less food and transport, reported an increase to 19.2 percent at end-December, 2017, from 8.6 percent the same period a year ago.

Chart 3: HCPI and Core Inflation (2016-2017)



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

Inflation outlook at end-2018 is projected to be in double-digit, around 11.4 percent. The prospect of having a single-digit or a lower double digit rate of inflation will largely depend on increased domestic food production, improved access to markets, the behavior of international oil and food prices, and infrastructural developments such as roads and energy supply.

Table 6: Year-on- Year Rate of Inflation (2015-2017)
(December 2005=100)

	2015	2016	2017
January	8.7	7.0	13.6
February	7.7	7.1	13.3
March	7.3	7.1	11.9
April	6.8	7.2	11.5
May	7.9	7.6	13.2
June	7.7	8.4	10.8
July	9.5	8.4	10.5
August	7.3	9.9	12.3
September	6.5	8.5	13.1
October	6.0	9.9	11.9
November	9.8+	12.0	13.1
December	8.0+	12.5.	13.9
Average	**7.8+**	**8.8**	**12.4**

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

Table 7: Core Inflation (2015-2016)
(In Percent)

	2015	2016	2017
	Core Inflation	**Core Inflation**	**Core Inflation**
January	4.3	5.9	14.9
February	3.1	7.9	9.8
March	1.4	6.1	11.5
April	0.5	10	11.6
May	-0.8	12.1	13.4
June	2.0	12.1	11.5
July	4.1	10.9	14.9
August	7.2	7.6	17.7
September	9.6	4.5	18.2
October	10.0	5.7	16.8
November	10.9	6.9	19.2
December	9.9	8.6	19.1

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

** Projections   + Revised/Actual*

Table 8: Harmonized Consumer Price Index (HCPI) By Major Groups (Year-on-Year Rates of Inflation)

Functions	WEIGHTS	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
FOOD AND NON-ALCOHOLIC BEVERAGES	38.1	11.39	9.87	4.68	6.82	8.89	7.12	3.81	5.44	5.96	4.19	4.63	4.61
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	2.6	25.63	26.50	28.81	28.99	31.03	25.97	27.41	25.94	22.61	21.67	22.91	16.37
CLOTHING AND FOOTWEAR	6.1	16.33	15.97	18.22	18.32	22.57	14.01	26.07	38.02	38.07	38.58	39.90	40.09
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	7.3	32.38	31.67	31.97	0.79	3.44	6.62	5.67	6.93	9.05	6.37	9.26	8.54
FURNISHINGS, HOUSEHOLD, EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE	5.5	8.68	7.98	14.09	16.08	17.28	9.45	13.59	15.82	13.96	19.22	25.31	30.29
HEALTH	8.8	-4.28	-4.81	-5.66	-4.65	-2.77	-1.46	-1.32	6.95	8.01	3.57	5.88	6.61
TRANSPORT	8.5	23.47	24.54	28.46	27.76	25.91	14.26	13.75	13.56	17.19	22.05	21.01	25.43
COMMUNICATION	6.7	1.63	1.33	1.56	1.38	1.85	3.87	10.07	12.13	12.61	12.59	13.66	14.30
RECREATION AND CULTURE	1.4	17.50	16.77	20.97	22.08	25.38	19.38	19.51	20.11	20.74	19.04	25.59	27.85
EDUCATION	3.2	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	8.5	8.48	8.07	12.11	11.62	9.90	18.99	21.52	22.97	25.27	20.48	22.81	24.84
MISCELLANEOUS GOODS AND SERVICES	3.5	15.09	13.20	14.21	14.17	18.19	18.19	21.38	21.71	22.60	22.57	22.66	22.27
GENERAL RATE OF INFLATION	100.0	13.63	13.31	11.86	11.54	13.22	10.83	10.47	12.31	13.07	11.87	13.06	13.89

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

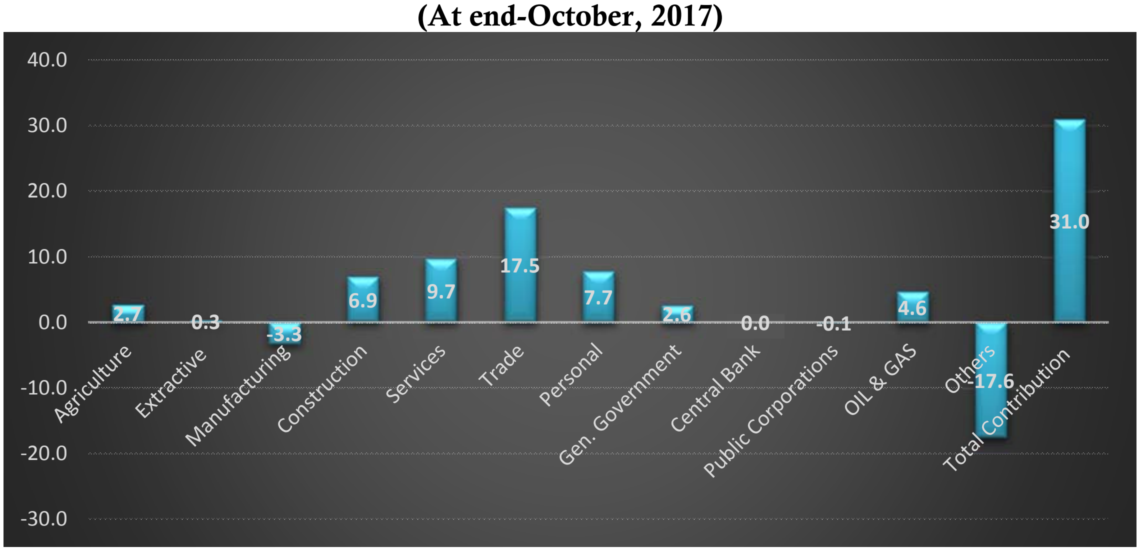
** Projections* *+ Revised/Actual*

3.5 Monetary Developments

3.5.1 Commercial Banks' Credits to the Economy

The total stock of credit to various sectors of the economy at end-November, 2017 amounted to L$53,342.7 million, indicating a growth of 31.0 percent when matched against the amount recorded at end-December, 2016. Data reported on outstanding loans and advances, during the year, pointed at key sectors that largely contributed to credit growth as follows: trade (17.5 percentage points), services (9.7 percentage points), personal loan and advances (7.7 percentage points), construction (6.9 percentage points), oil & gas (4.6 percentage points), among others (Chart 4).

Chart 4: Sectoral Percentage Points Contribution to Credit Growth (At end-October, 2017)



***Source:** Central Bank of Liberia*

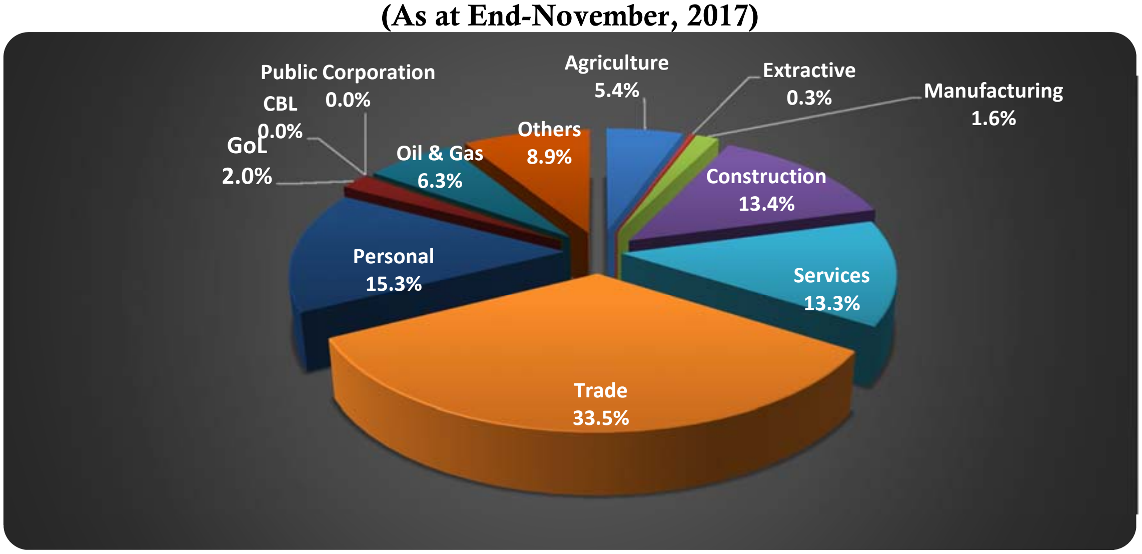
The expansion of credit was mainly on account of the promising macroeconomic environment and the resulting increased economic activities, particularly in the private sector, on the back of gradual improvement in the energy sector. Share of total credit for the period showed that the private sector received an overwhelming share of 98.0 percent reflecting the continued importance of the sector in the growth and development of the economy (Table 9 & Chart 4).

Table 9: Commercial Bank Loans by Economic Sectors
(In millions L$; unless otherwise indicated)

	Dec-15	Dec-16	Nov-17
Agriculture	2,389,737.1	1,793,905.1	2,886,226.2
Extractive (Mining & Quarrying)	140,715.0	47,931.6	161,416.9
Manufacturing	885,038.6	2,193,867.7	847,175.6
Construction	4,866,858.5	4,330,616.5	7,154,329.4
Services	4,794,776.3	3,153,650.5	7,098,480.1
Trade	14,215,508.0	10,736,959.6	17,860,893.7
Personal	3,404,274.8	5,040,414.4	8,178,706.5
Gen. Government	865,147.0	0.0	1,049,120.9
Central Bank	0.0	0.0	1,700.3
Public Corporations	247,347.0	40,604.7	1,871.1
OIL & GAS	550,195.7	1,466,070.7	3,345,997.5
Others	1,591,818.1	11,924,291.8	4,756,818.0
TOTAL LD & USD (All Sectors)	**33,951,416.1**	**40,728,312.5**	**53,342,736.0**
TOTAL LD & USD (Private Sector)	**32,838,922.1**	**40,687,707.8**	**52,290,043.8**

Source: *Central Bank of Liberia*

Chart 5: Percentage Distribution of Commercial Banks' Loans by Economic Sectors
(As at End-November, 2017)

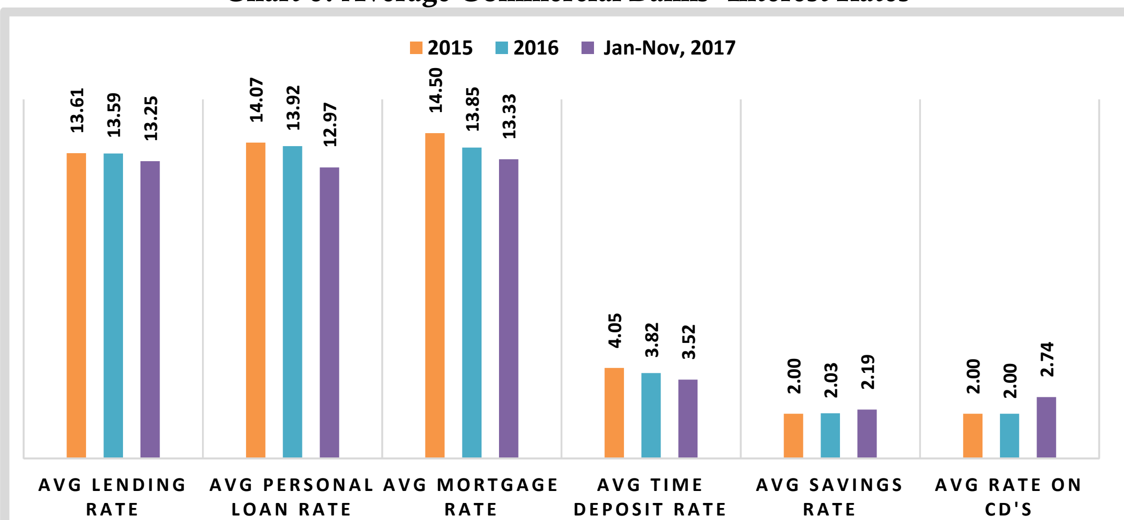


Source: *Central Bank of Liberia*

3.5.2 Interest Rates

Trends in average interest rates in the economy for the 11-month period ended-November, 2017 showed movements in opposite directions. The average rates on lending, personal loan, mortgage and time deposits, respectively, declined by 34.0, 95.0, 52.0 and 30.0 basis points to 13.25 percent, 12.97 percent, 13.33 percent and 3.75 percent from13.59 percent, 13.92 percent, 13.85 percent and 3.82 percent, 2016. On the other hand, the average rates on certificate of deposits and savings, respectively, increased by 74 basis points, and 16 basis points to 2.74 percent, and 2.03 percent, from 2.00 percent and 2.03 percent. The up-and-down movements in savings and lending rates, respectively, reflect efforts by the banking sector to fine tune mobilization of domestic savings to encourage private sector investment.

Chart 6: Average Commercial Banks' Interest Rates



Source: *Central Bank of Liberia*

3.5.3 Monetary Policy Stance

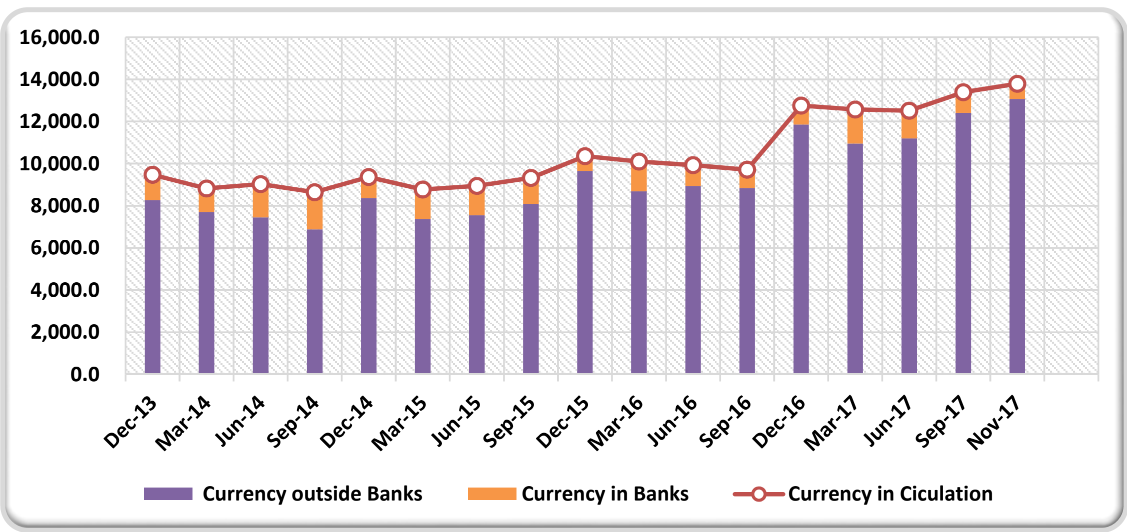
The monetary policy stance of the Central Bank of Liberia (CBL) is aimed at the attainment of price stability via broad exchange rate stability. To this end, the CBL's intervention in the foreign exchange market in addition to its issuance of Government of Liberia's T-bills and bonds have been the readily accessible policy instruments to influence the domestic monetary conditions.

The Government of Liberia's Treasury bills and bonds are aiding the process of domestic currency liquidity management as they help scale down the rapid accumulation of excess liquidity in the banking system and they are also being used to smooth GoL short-term cash flow. The CBL, therefore, will continue to strongly support the national economic development agenda, particularly the agenda for financial inclusion, bearing in mind the need for access to finance for critical sectors of the economy, including agriculture and manufacturing.

3.5.4 Monetary Aggregates

Liberian dollars in circulation at end-November, 2017, amounted to L$13,792.2 million, indicating an expansion of 8.1 percent, from L$12, 755.1 million at end-December, 2016. The growth was on account of a 10.2 percent rise in currency outside banks offsetting the 19.3 percent slowdown in currency in banks. Increased spending associated with the election-related expenditures as well Liberian dollar expenditure by Government in the face of low generation of foreign exchange revenue drove up currency outside banks and hence, currency in circulation during the year in review. Of the total currency in circulation, currency outside banks accounted for 94.7 percent, up from 92.9 percent recorded at end-December, 2016.

Chart 7: Liberian Dollar in Circulation (2013 - October, 2017)



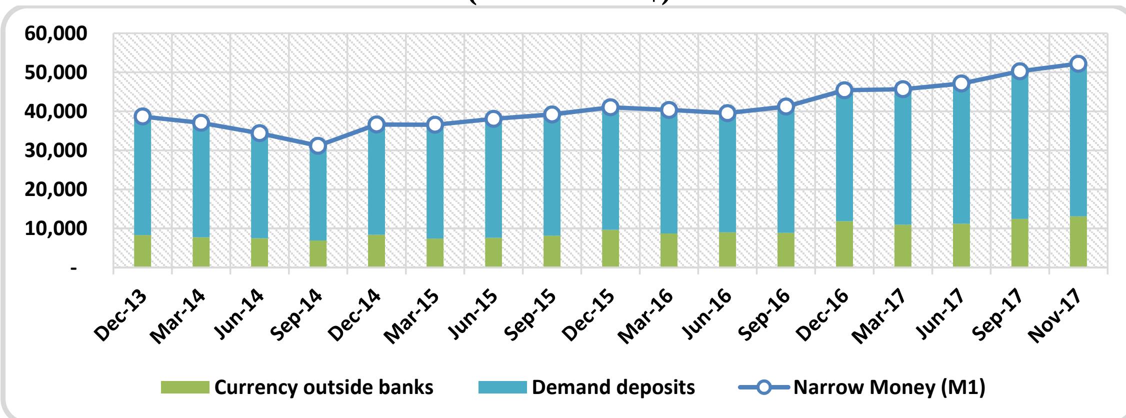
Source: *Central Bank of Liberia*

Narrow money supply (M1)[4] at end-November, 2017, stood at L$52,207.9 million, expanding by 14.9 percent compared with L$45,418.0 million recorded at end-December, 2016. The rise in narrow money stock was triggered by 10.2 percent and 16.6 percent

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

growths in both currency outside banks and demand deposits, respectively. Quasi money[5] grew by 23.2 percent, to L$26,224.0 million as a result of a 25.0 percent increase in time and savings deposits.

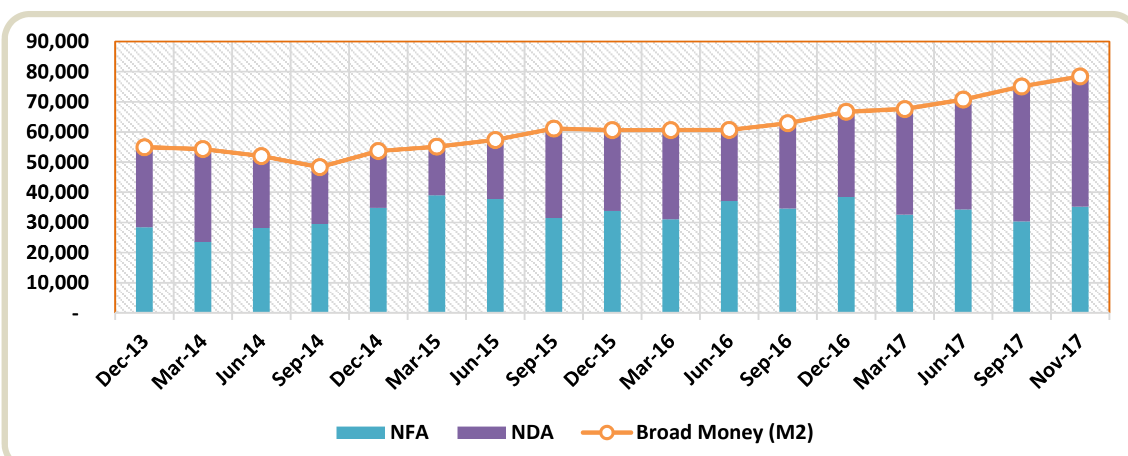
Chart 8: Money Supply (M1) (2013–October, 2017)
(In millions L$)



Source: *Central Bank of Liberia*

Broad money (M2)[6], expanded by 17.6 percent to L$78,431.8 million at end-November, 2017, from L$66,711.9 million recorded at end-December, 2016 mainly on account of a 52.9 percent rise in net domestic assets (NDA) which offset the 8.4 percent decline in net foreign assets (NFA). Net claims on government and credit to the private sector are the main drivers of growth in NDA.

Chart 9: Broad Money (M2) (2013 - October, 2017)
(In millions L$)



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

[6] Broad Money (M2) is defined as M1 plus Quasi Money

Source: Central Bank of Liberia

Reserve money, for the period, grew by 19.0 percent, on account of a 28.3 percent growth in banks' reserve deposits at the CBL, and a 10.2 percent increase in currency outside of the banking system. The US dollar share of broad money at end-November, 2017 accounted for 66.8 percent (L$52,423.3 million[7]), from 67.0 percent (L$44,668.7) at end-December, 2016, signifying the high degree of dollarization of the economy (Table 10).

Table 10: Money Supply and its Sources (2015 – November, 2017)
(In millions L$)

Monetary Aggregates	Dec-15	Dec-16	Nov-17	Percent Change	
				2015 - 17	2016 - Nov-17
1.0 Money Supply M2 (1.1 + 1.2)	**60,627.3**	**66,711.9**	**78,431.8**	**29.4**	**17.6**
1.1 Money Supply M1	41,036.5	45,418.0	52,207.9	27.2	14.9
1.1.1 Currency outside banks	*9,656.2*	*11,851.6*	*13,062.9*	*35.3*	*10.2*
1.1.2 Demand deposit [1/]	*31,380.3*	*33,566.4*	*39,144.9*	*24.7*	*16.6*
1.2 Quasi Money	**19,590.8**	**21,293.9**	**26,224.0**	**33.9**	**23.2**
1.2.1 Time & Savings deposits	*19,496.3*	*20,764.0*	*25,959.3*	*33.1*	*25.0*
1.2.2 Other deposits [2/]	*94.6*	*529.9*	*264.7*	*180.0*	*-50.0*
2.0 Net Foreign Assets	**33,877.0**	**38,460.8**	**35,249.4**	**4.1**	**-8.3**
2.1 Central Bank	24,222.1	30,480.7	28,749.7	18.7	-5.7
2.2 Banking Institutions	9,654.9	7,980.1	6,499.7	-32.7	-18.6
3.0 Net Domestic Assets (1.0 - 2.0)	**26,750.3**	**28,251.1**	**43,182.4**	**61.4**	**52.9**
3.1 Domestic Credit	49,943.1	61,231.9	93,610.6	87.4	52.9
3.1.1 Government (net)	10,652.5	12,782.5	29,061.5	172.8	**127.4**
3.1.2 Private Sector (Incl. NBFIs)	39,290.6	48,449.4	64,549.1	64.3	**33.2**
3.2 Other Items Net (3 - 3.1)	23,192.8	32,980.8	50,428.2	117.4	**52.9**
Memorandum Items					
1. Overall Liquidity	60,627.3	66,711.9	78,431.8	29.4	17.6
2. Reserve Money	23,125.4	26,614.6	31,680.5	37.0	19.0
Currency outside banks	*9,656.2*	*11,851.6*	*13,062.9*	*35.3*	*10.2*
Banks Reserves	*12,220.8*	*13,576.0*	*17,410.9*	*42.5*	*28.2*
Other Deposits at CBL	*1,248.4*	*1,187.1*	*1,206.7*	*-3.3*	*1.7*

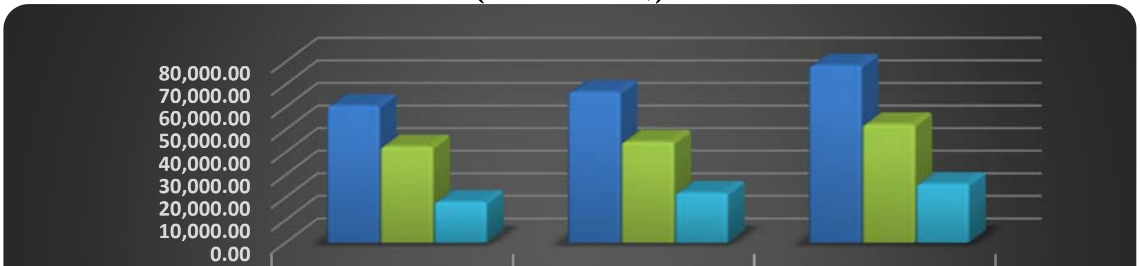
Source: *Central Bank of Liberia*

1/ Excludes Manager's checks from commercial banks

2/Includes official and managers Checks issued by the Central Bank

[7]US-dollar share converted to L$

Chart 10: Broad Money (M2): Share of US and Liberian Dollars (2015 - October, 2017) (In millions L$)



	Dec-15	Dec-16	Nov-17
Broad Money	60,627.30	66,711.93	78,431.83
US$ Share	42,557.35	44,668.72	52,423.28
L$ Share	18,069.94	22,043.21	26,008.56

3.5.5 Financial Markets Developments

At end 2017, the CBL issued a total of L$517.5 million T-bills, reflecting a decline of 15 percent, from L$609.0 million issued in 2016. Of the total T-bill issued, the unredeemed component at end-2017 was L$1077.0 million.

For the bond market, the total T-bond issued in 2017 was L$1.56 billion, 26 percent of the L$6.0 billion issued in 2016. The total unredeemed T-bond at end-2017 was L$7.6 billion. The issuances of the government debt securities in the bond and money markets have been solely through institutional investors. The FMD is currently working on modalities to bring retail investors into the market. To support the transfer of securities in the secondary markets, the CBL has established a unit in the Financial Markets Department responsible to establish the Central Securities Depository.

3.5.6 CBL's Foreign Exchange Auction

The total amount of US dollar sold during the year stood at US$53.2 million, up by 117.1 percent compared with the sale of US$24.5 million in 2016. This level of intervention was necessary to help smooth out volatility in the exchange rate and slow the rapid fall in the value of the Liberian dollar in the wake of low inflows of foreign exchange in the domestic economy.

Chart 11: Foreign Exchange Auction (2015- 2017)
(In millions L$)

Source: *Central Bank of Liberia*

3.5.7 International Reserve Position and Months of Imports Cover

Liberia's gross international reserves position (including SDRs and Reserve Tranche) at end-December, 2017 decreased by 15.0 percent to US$499.7 million, from US$588.0 million recorded at end-2016. The reduction in reserves was largely due to the inability of the Government to redeem swaps due to lower-than-expected inflows of foreign exchange revenue intake, lower-than-expected sales of foreign exchange to the CBL by the Government, and increased foreign exchange intervention on the foreign exchange market by the CBL. The foreign exchange auction process was improved on, transiting from manual to electronic through the Scriptless Security Settlement System (DEPO/X). Now, all foreign exchange transactions are conducted and settled by the means of DEPO/X, thereby avoiding bottlenecks.

Table 11: Stock of International Reserves (2015-2017)
(In millions, US$ unless otherwise indicated)

Foreign Reserve	End-Dec-2015	End-Dec-2016	End-Dect-2017
Gross Foreign Reserve	560.5	588	499.7
Net Foreign Reserve	164	176	154.8
Months of Import Cover	3.4	3.6	4.6

Source: *Central Bank of Liberia*

Also, the country's net foreign reserves position (excluding SDRs and Reserve Tranche) decreased by 9.7 percent to US$150.7 million at end-November, 2017, from US$166.9 million recorded at end-December, 2016. Similarly, it declined by 8.1 percent compared with the stock of US$164.0 million recorded at end-December, 2015.

Gross international reserves in months of imports grew to 4.6 in 2017, up from 3.6 and 3.4 months recorded in 2016, and 2015, respectively, primarily on accounts of declines in import payments for goods and services.

3.6 External Developments

3.6.1 Net Lending/Net Borrowing

From preliminary statistics, the net current and capital accounts balance deteriorated by 1.0 percent to net borrowing of US$281.0 million in 2017 against the net borrowing of US$283.8 million reported in 2016. Similarly, when compared with the US$738.1 million net borrowing recorded in 2015, net borrowing on current and capital accounts declined by 61.9 percent at end-2017. The narrowing of net current and capital accounts balance is reflective of Liberia's decreasing import and service payments.

Table 12: Annual Balance of Payments (BOP) Statistics (2015-2017)
(In millions, US$ unless otherwise indicated)

Description	2015	2016e	2017p
Current account	**-852.3**	**-325.4**	**-346.5**
Credit	2401.2	2122	1457.4
Debit	2086.3	2447.4	1803.8
Goods and services	**-1360.3**	**-1514.1**	**-781**
Credit	486.5	370.4	461.7
Debit	1846.8	1884.6	1242.7
Trade Balance	-1,268.00	-1,040.70	-629.3
Credit (Exports)	**283.3**	**279.3**	**388.8**
Iron ore	141.8	48.2	63.3
Rubber	61.1	56	68.1
Mineral (Diamond & Gold)	53.4	145.3	220.4
Palm oil	0.3	1.5	8
Other exports (excluding gold)	26.7	28.3	29.1
Debit (Imports)	**1,551.40**	**1,210.30**	**1,018.20**
Food and Live Animals	356.5	268	267.5
O/w Rice	171.9	95.2	109.3
Minerals, Fuel, Lubricants[1]	431.6	353.6	212.3
O/w Petroleum Products	365.7	337.5	189.7
Machinery & Transport Equipment	371.8	136.5	229.9
Other Imports	391.5	452.2	308.5
General merchandise on a balance of payments basis	**-1,294.60**	**-921.9**	**-800.6**
Credit	256.8	279.3	201.3
Debit	1,551.40	1,201.30	1,018.20
Of which Re-exports (credit)	7.4	40.5	0.1
Services	**-92.3**	**-473.4**	**-151.7**

Credit	203.1	200.8	72.9
Debit	295.4	674.2	224.6
Primary Income	**112.9**	**-252.7**	**-44.1**
Credit	39.1	23.3	20.2
Debit	-73.9	276	64.3
Secondary Income	**1,422.60**	**1,441.50**	**478.6**
Credit	1,736.10	1,728.30	975.5
Debit	313.4	286.8	496.8
Capital Account	**99.6**	**41.6**	**65.4**
Credit	99.6	41.6	65.4
Debit	0	0	0
Net Lending (+)/Net Borrowing (-): Current & Capital Accounts balance	**-738.1**	**-283.8**	**-281**
Financial Account			
Net acquisition of financial assets (+)/Net incurrence of liabilities	-1,089.80	-558.2	-661.5
Direct investment	-736.5.	-501.7	-247.8
Net acquisition of financial assets	0	0	0
Net incurrence of liabilities	736.5	501.7	247.8
Other investment	-389.7	-491.7	-326
Net acquisition of financial assets	-238.6	-469.1	-185.8
Net incurrence of liabilities	151.1	22.6	140.2
Reserve assets	36.4	35.1	-87.7
Special drawing rights	6.3	-32.4	3.3
Reserve position in the IMF	0	48.8	0.7
Other reserve assets	30.1	18.7	-91.7
NET ERRORS & OMISSIONS	**-351.7**	**-274.5**	**-380.5**
MEMORANDUM ITEMS			
Gross Foreign Reserves Position	560.5	588	500.5†
Import Payments (cif)	1,687.20	1,301.80	1,110.80
Imports (cif) & Service Payments	1,982.60	1,976.00	1,335.40
Current Account Bal. Excl. Grants	-1,927.00	-1,310.90	-825.1
Nominal GDP	**2,038.00**	**2,101.00**	**2,190.00**
Current Account Bal. Incl. Grants % of GDP	-41.8	-15.5	-15.8
Current Account Bal. Excl. Grants % of GDP	-94.6	-62.4	-37.7
Trade (in goods) Deficit % of GDP	-62.2	-49.5	-28.7
Months of Imports Cover	3.4	3.6	3.7††

Source: *Central Bank of Liberia*

3.6.2 Financial Accounts

Net incurrence of liability during the review year stood at US$661.5 million, from an estimated US$558.3 million recorded in 2016, increasing by 18.5 percent. The fall in net incurrence of liability position during the year was a result of decline in direct investment.

When compared with 2015, the overall net financial position at end-2017 improved by 39.3 percent, occasioned by rise in other investment by 16.3 percent owing to increase in currency and deposit.

3.6.2.1 Direct Investment

Preliminary statistics on net direct investment flow in 2017 showed a decline of 20.5 percent to US$247.8 million, from US$311.7 million at end 2016. Compared with 2015, net inflows of direct investment to Liberia further declined by US$488.7 million occasioned mainly by slowdown in the iron ore mining sub-sector.

3.6.2.2 Other Investments

Other investment net during 2017 grew by 15.7 percent to US$326.0 million, from US$281.7 million recorded in 2016. The improvement in other investment was occasioned by increase in currency and deposit. However, compared with 2015, other investment net slumped by 16.3 percent.

3.6.2.3 Reserve Assets

Reserve assets during the year declined by US$122.9 million to negative US$87.7 million, from US$35.2 million resulting from balance of payments transactions in the net borrowing of current and capital accounts balance.

3.6.3 Capital Account

The capital account balance improved by US$23.8 million to US$65.4 million at end-December, 2017, from US$41.6 million in 2016, but declined by 34.3 percent when compared with the US$99.6 million reported at end-2015. The improvement in net capital account stemmed from growing inflows of aid for infrastructure development as well as the construction of highways and bridges.

3.6.4 Current Account

The current account balance deteriorated by 6.5 percent to a deficit of US$346.5 million during 2017, from US$325.4 million deficit reported in 2016. The deterioration in Liberia's current account deficit in 2017 was explained by a sharp deterioration in net secondary income owing to projected reduction in receipt by 43.6 percent. However, the deficit improved by 59.4 percent when compared to the US$852.3 million deficit recorded in 2015.

3.6.4.1 Goods Account

3.6.4.1.1 Merchandise Trade Balance

From preliminary statistics, Liberia's merchandise trade balance continued to be in deficit. At end-2017, the deficit in trade balance improved by 31.7 percent to US$629.3 million, from US$921.9 million in 2016. When compared with 2015, the trade balance in the year improved by over 50.0 percent. The improvement in trade deficit was mainly a result of declining trends in import payments.

3.6.4.1.2 Merchandise Exports

Preliminary statistics on merchandise exports earnings in 2017 showed an increase of 39.2 percent to US$388.8 million, from US$279.3 million recorded in 2016, largely on account of a rise in receipts from gold, rubber and iron ore exports. Earnings from gold rose by 60.9 percent to US$187.5 million, from US$116.5 million, rubber by 21.5 percent to US$68.1 million, from US$56.0 million and iron ore exports receipt grew by 31.3 percent to US$63.3 million, from US$48.2 million recorded in 2016. The share of Gold in total exports increased to 48.2 percent, from 41.7 percent, while both rubber and iron ore experienced a fall to 17.5 percent in 2017, from 20.0 and 16.3 percent, from 17.3 percent, respectively.

Table 13: Commodity Composition of Exports: 2015-2017
(In millions, US$ unless otherwise indicated)

Commodity Composition of Exports	Unit	2015			2016r			2017p		
		Export Volume	Export Value	% share of Total	Export Volume	Export Value	% share of Total	Export Volume	Export Value	% share of Total
Iron Ore	(000/Mt)	5,553.00	141.8	50.1	1,405.20	48.2	17.3	2,024.40	63.3	16.3
Rubber	(000/Mt)	40.4	61.1	21.6	43.9	55.9	20.0	39.7	68.1	17.5
Cocoa Beans	(000/Mt)	227.6	12.3	4.3	22.4	12.4	4.4	6.6	2.5	0.6
Coffee Beans	(000/Mt)	161.2	0.3	0.1	20.2	0.1	0.0	0	0	0.0
Mineral			53.4	18.8		145.2	52.0		220.3	56.7
Diamond	(000/Crt)	61.1	26.8	50.2	60.9	28.7	19.8	58.6	32.8	14.9
Gold	(000/Oz)	29.1	26.6	49.8	129.6	116.4	80.2	202.2	187.5	85.1
Other Exports			3.2	1.1		6.4	2.3		21.1	5.4
Goods Procured			11.2	4.0		11.2	4.0		13.5	3.5
TOTAL			**283.3**	**100.0**		279.3	**100.0**		**388.8**	**100.0**

Source: *Customs/Liberia Revenue Authority, Ministry of Lands, Mines & Energy, Firestone, etc.*
'r – revised, 'p – preliminary

Destination of Exports

Preliminary statistics on destination of exports indicated that the Middle East (especially Turkey), Europe (mainly the Eurozone) and North America (especially the USA) were the leading trading partners of Liberia in 2017. The Middle East's share of total exports increased by 8.1 percentage points to 52.0 percent in 2017 due to increased shipment of gold to Turkey, while Europe and North America commanded 18.8 percent and 12.9 percent of total export, respectively.

Table 14: Destination of Exports (2015 - 2017)
(In Million USD, except otherwise indicated)

Regions	2015		2016		2017p	
	Value	% share	Value	% share	Value	% share
Africa	55.0	20.8	47.1	16.9	15.0	3.9
o/w ECOWAS	54.7	19.3	46.8	16.8	10.7	71.4
o/w Neighboring Countries	22.8	8.0	26.0	9.3	10.2	95.6
Asia	65.3	23.0	11.6	4.2	4.9	1.3
o/w Other Asian Countries	61.0	21.5	10.6	3.8	4.2	87.0
Europe	80.0	28.2	44.8	16.0	73.2	18.8
o/w Eurozone	51.5	18.2	33.0	11.8	34.7	47.4
North America	38.2	13.5	33.8	12.1	50.2	12.9
o/w United States	38.2	13.5	33.8	12.1	50.2	100.0
Middle East	24.7	8.7	123.2	44.1	202.1	52.0
South & Central America	0.0	0.0	0.1	0.0	5.5	1.4
Oceania & The Caribbean	0.0	0.0	0.0	0.0	0.0	0.0
Other Countries (n.i.e)	20.1	7.1	18.6	6.7	38.0	9.8
TOTAL	**283.4**	**100.0**	**279.3**	**100.0**	**388.8**	**100.0**

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

3.6.4.1.3 Merchandise Imports

Liberia's merchandise import payments declined during 2017. Payments for major commodities contracted by 15.2 percent to US$1,018.2 million, from US$1,201.2 million recorded at end-2016. The fall in import payments at end-2017 was a result of slumps in payments for food and live animals, minerals, fuel and lubricants as well as machinery and transport equipment related imports. Similarly, payments on imports declined by 34.4 percent, when compared with 2015.

Table 15: Commodity Composition of Imports (SITC): 2015-2017
(Millions of US dollars, unless otherwise indicated)

Commodity	2015		2016r		2017p	
	Value	% share	Value	% share	Value	% share
Food and Live Animals	327.4	21.1	268.0	22.3	267.5	26.3
O/w Rice	157.1	48.0	99.5	37.1	109.3	40.8
Beverages and Tobacco	24.9	1.6	22.4	1.9	15.7	1.5
Crude Materials & Inedible except Fuel	22.1	1.4	16.1	1.3	17.8	1.7
Minerals, Fuel, Lubricants1	431.6	27.8	337.5	28.1	212.3	20.8
O/w Petroleum Products	365.7	84.7	297.8	88.2	189.7	89.4
Animals and Vegetable Oil	20.8	1.3	23.2	1.9	24.4	2.4
Chemicals & Related Products	145.3	9.4	95.0	7.9	94.0	9.2
Mfg. Goods classified chiefly by Materials	159.4	10.3	136.5	11.4	121.5	11.9
Machinery & Transport Equipment	371.8	24.0	271.1	22.6	229.9	22.6
Misc. Mfg. Articles	48.2	3.1	31.3	2.6	35.1	3.4
Comm. & Transaction related	0.0	0.0	0.0	0.0	0.0	0.0
Total Imports (F.O.B)	**1,551.4**	**100.0**	**1,201.2**	**100.0**	**1,018.2**	**100.0**

Source: *Customs/Liberia Revenue Authority, Central Bank of Liberia, Monrovia, Liberia*
'r – revised
'p – preliminary

Sources of Imports

Statistics on sources of imports continued to show a declining trend. The decline in import payments to the regions were mainly attributed to decline in payments to Africa and Europe by 33.6 percent and 28.1 percent, respectively. Additionally, preliminary statistics at end-2017 showed that Asia (especially China), Africa (mainly the neighboring countries) and Europe (the Euro Zone) were the three (3) top regions that commanded larger payments for importation of commodities. Asia, Africa and Europe accounted for 41.0 percent, 23.4 percent and 14.7 percent of payments, respectively.

Table 16: Sources of Imporsts (2015 - 2017)
(In Million USD, except otherwise indicated)

Regions	2015		2016r		2017p	
	Value	% share	Value	% share	Value	% share
Africa	442.3	28.5	359.0	29.9	238.4	23.4
o/w ECOWAS	406.0	91.8	330.5	92.1	209.6	87.9
o/w Neighboring Countries	388.0	95.6	311.9	94.4	201.3	96.0
Asia	496.7	32.0	389.4	32.4	417.2	41.0
o/w China	197.2	39.7	178.9	45.9	191.1	45.8
Europe	273.8	17.6	208.8	17.4	150.1	14.7
o/w Eurozone	163.5	59.7	119.4	57.2	83.0	55.3
North America	143.5	9.2	93.0	7.7	84.8	8.3
o/w United States	136.6	95.2	87.9	94.5	81.6	96.1
Middle East	155.4	10.0	114.1	9.5	101.7	10.0
South & Central America	30.0	1.9	30.5	2.5	21.5	2.1
Oceania & The Caribbean	9.7	0.6	6.4	0.5	4.4	0.4
TOTAL	**1,551.4**	**100.0**	**1,201.2**	**100.0**	**1,018.2**	**100.0**

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

Services Payments (net)

Net services payments at end-2017, when compared with 2016, declined by 68.0 percent to US$151.7 million, from US$473.4 million, due to declines in both receipts and payments for services. However, the drop in net service payments was mainly due to payments on freight for transport and government goods and services.

Primary Income (net)

From preliminary statistics the balance on primary income in 2017 improved by US$208.6 million due to a significant reduction, especially payments for government debt services.

Secondary Income (net)

At end-2017, statistics on secondary income, when compared with 2016, showed a downturn owing to projected reduction in receipt by 43.6 percent that fell below payments of income that rose by US$210.0 million.

3.6.4.2 Personal Remittances

Net personal inward remittances [8]in 2017 fell by US$121.0 million or 49.4 percent to US$124.1 million during the review year, from US$245.1 million recorded in 2016, mainly explained by 46.2 percent increase in outward remittances compared to 3.6 percent increase in personal inward remittances. Outward remittances recorded US$445.3 million, while inward remittances amounted to US$569.4 million in the reporting period.

When compared with the amount recorded in 2015, net personal inward remittances performed dismally as it fell by US$197.9 million or 61.5 percent. On a disaggregated basis inward and outward remittance totaled US$569.4 million and US$445.3 million, respectively.

Table 17: Personal Remittances: 2015-2017
(Millions of US Dollars, unless otherwise indicated)

Personal Remittances	2015	2016r	2017p	Y-on-Y Change	
	Value	Value	Value	2017/2016	2017/2015
Inward	615.4	549.7	569.4	3.6	-7.5
Outward	293.4	304.6	445.3	46.2	51.8
Net Inward	322.0	245.1	124.1	-49.4	-61.5

Source: *Central Bank of Liberia, Monrovia, Liberia*
**p – preliminary *r - revised*

3.7 Exchange Rate Developments

The average exchange rate between the Liberian and the US dollars depreciated by 24.5 percent to L$125.50/US$1.00 in December, 2017 compared with L$100.80/US$1.00 in December, 2016. Similarly, the annual average for 2017 depreciated by 19.2 percent to L$112.61/US$1.00 compared with L$94.46/US$1.00 for 2016 (Tables 19 & Chart 19). The depreciations were largely a result of deteriorating terms of trade (ToT), high demand

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

for forex to facilitate 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.

The total demand for foreign exchange through the FX auction in 2017 was US$116.3 million. Of the total amount demanded, only US$53.2 million (45.7 percent) was provided by the CBL. This resulted into an excess demand of US$63.1 million which had to be acquired from other sources that translated into upward pressure on the exchange rate.

Table 18: Market Exchange Rates: Liberian Dollars per US Dollar (2015 – 2017)

Market Rate	December 2015	December 2016	December 2017
End of Period	88.50	102.50	125.45
Period Average	86.19	94.46	112.61

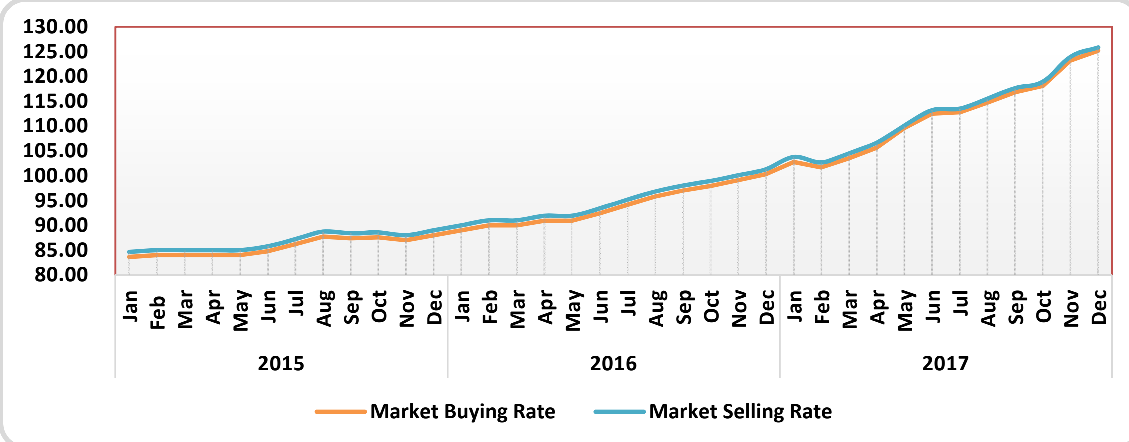
Source: *Central Bank of Liberia, Monrovia, Liberia*

Table 19: Monthly Averages of Buying and Selling Rates of Liberian Dollar per US Dollar (2015 – 2017)

Period Average	2015		2016		2017	
	Buying	**Selling**	**Buying**	**Selling**	**Buying**	**Selling**
January	83.63	84.63	89.00	90.00	102.77	103.77
February	84.00	85.00	90.00	91.00	101.67	102.67
March	84.00	85.00	90.00	91.00	103.52	104.52
April	84.00	85.00	90.92	91.92	105.64	106.64
May	84.00	85.00	90.92	91.92	109.62	110.08
June	84.77	85.77	92.42	93.42	112.48	113.19
July	86.19	87.19	94.15	95.15	112.78	113.50
August	87.73	88.73	95.81	96.81	114.74	115.50
September	87.38	88.38	97.00	98.00	116.82	117.65
October	87.56	88.56	97.92	98.92	118.06	118.90
November	87.00	88.00	99.08	100.08	123.21	123.94
December	88.00	89.00	100.30	101.30	125.18	125.83

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

Chart 12: Monthly Averages of Buying and Selling Rates of Liberian Dollar per US Dollar (2015–2017)



3.8 National Stock of Debt

3.8.1 Stock of Public Debt

Liberia's public debt stock at end–November-2017 increased by US$102.9 million (13.3 percent) to US$874.1 million (41.3 percent of GDP), up from US$771.2 million (36.7 percent of GDP) recorded at end December, 2016. Compared with the level recorded at end- December 2015, it increased by US$218.8 million (32.2 percent). External and domestic debts at the end of the review period amounted to 608.0 million (28.8 percent of GDP) and 266.7 million or (12.6 percent of GDP), respectively.

This also constituted 69.6 percent and 30.4 percent of Liberia's total public debt stock at end-November, 2017, respectively. The rise in public debt stock during the period when compared with 2016 was mainly due to a 20.9 percent increase in external debt stock.

Table 20: Liberia's Overall Public Debt Position by Composition (As at September 30, 2017)

Category	2015	2016	2017	
	End-Dec	End-Dec	End-Nov	Share (%)
Total External Debt	386.0	502.9	608.0	69.3
Total Domestic Debt	269.4	268.3	266.1	30.7
Total Public Debt (millions, US$)	**655.4**	**771.2**	**874.1**	**100.0**

Source: *Ministry of Finance & Development Planning*

3.8.1.1 External Debt

External debt stock at end-November, 2017 stood at US$608.0 million (28.8 percent of GDP), increasing by US$105.1 million or 20.9 percent against the stock of US$502.9 million recorded in the corresponding period in 2016. When compared with 2015, external debt rose significantly by US$222.0 million (57.5 percent), from US$386.0 million.

On a disaggregated basis, in 2017, multilateral and bilateral debt stocks accounted for 63.4 percent (US$554.3 million) and 6.1 percent (US$53.7 million) of total public debt, respectively. While debt to financial institutions accounted for 30.4 percent (US$266.1 million). The surged in the external debt stock at end-November, 2017 was attributed to a 19.4 percent or US$90.0 million and a 39.0 percent or US$15.1 million increase in multilateral and bilateral debt stock, respectively.

3.8.1.2 Domestic Debt

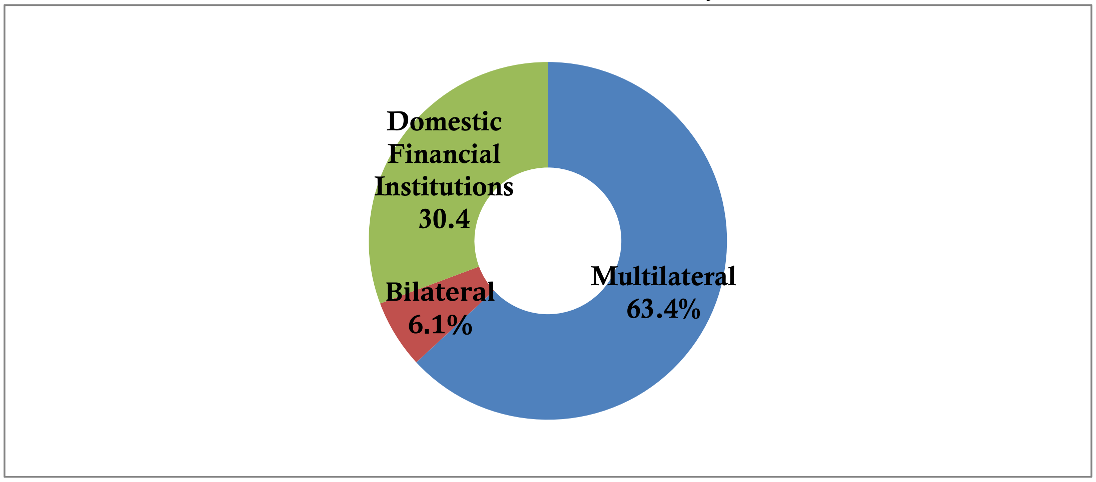
At end-November, 2017, domestic debt stock stood at US$266.1 million (12.6 percent of GDP), slightly reducing by US$2.2 million (0.82 percent) and US$3.3 million (1.2 percent) compared with the stock at end-2016 and 2015, respectively.

Table 21: Liberia's Overall Public Debt Position by Creditors
(In millions, US$)

Creditors	2015	2016	2017
	End-Dec	**End-Dec**	**End-Nov**
Multilateral	352.2	464.3	554.3
Bilateral	33.8	38.6	53.7
Commercial Creditors	-	-	-
Total External Debt	386.0	502.9	608.0
Supplier's Credit	-	-	-
Salary & Allowances	-	-	-
Financial Institutions	269.4	268.2	266.1
Pre NTGL Salary Arrears	-	-	-
Others	-	0.1	-
Total Domestic Debt	269.4	268.3	266.1
Total Public Debt	**655.4**	**771.2**	**874.1**

Source: *Ministry of Finance & Development Planning*

Chart 13: Share of Public Desbt by Creditors



Source: *Ministry of Finance & Development Planning*

CHAPTER IV:
FINANCIAL SYSTEM DEVELOPMENTS

4.1 Overview

The number of licensed and operating banks in the Liberian banking sector in 2017 remained nine (9), unchanged over the past 5 years. Although in 2016 the CBL closed the First International Bank Liberia Limited (FIBLL) for insolvency and major regulatory breaches, the CBL licensed a new bank, (GN Bank Liberia Limited (GNBLL)) in June, 2016 through a purchase and assumption arrangement. Commercial banks' branch network, including windows and annexes across the country reduced by 3, from 93 in 2016 to 90 in 2017 due to closure of some unprofitable branches by Ecobank.

There is 1 development finance company, Liberian Enterprise Development Finance Company (LEDFC), 1 deposit-taking microfinance institution, Diaconia MDI, and 19 licensed insurance companies with thirty one (31) branches across the country. There are two (2) insurance brokerage firms licensed by the CBL to provide insurance intermediation. The number of registered licensed foreign exchange bureaux also increased from 131 in 2016 to 133 in 2017. There are 16 registered microfinance institutions (MFIs) and 12 licensed Rural Community Finance Institutions (RCFIs). There are presently 260 credit unions, and 2,300 village savings and loan associations established across the country.

There are two Mobile Money Providers: Orange Money, a subsidiary of Orange Communication Company and Lonestar Cell MTN Mobile Money Inc. The number of mobile money agents increased from 2,110 in November, 2016 to 3,162 at end-October, 2017.

The banking industry which is the largest subsector of the financial sector (accounting for at least 85 percent of the total assets of the financial sector) witnessed strong growth in its balance sheet in 2017 due mainly to exchange rate depreciation of the Liberian dollar (the reporting currency) and increased business activities during the year. Total assets rose by 30.1 percent compared with 5.4 percent in 2016. Total capital also grew by 38.4 percent compared with 21.2 percent in 2016 and total deposits grew by 19.4 percent compared with 3.8 percent in 2016. Growth in total loans was 36.1 percent compared with 12.3 percent in 2016.

Liquidity for the sector remained strong during the year with a liquidity ratio of 41.8 percent which is 26.8 percentage points above the 15 percent minimum requirement. Factoring out the impact of the Liberian dollar depreciation, on a year-on-year basis, total assets, total capital, total deposits and total loans grew by 1.4 percent, 19.1 percent, 2.3 percent and 13.3 percent, respectively.

The insurance industry, the second largest subsector of the financial sector, remained stable during the review year; notwithstanding, the enormous challenges faced by a number of companies. Overall, the financial system has grown stronger and remained resilient. However, the current weak economic environment (despite some recovery in 2017) and political transition have significant implications for the continuous viability of the system.

4.2 The Bank and Non-Bank Financial System

The number of bank branches by county at end-2017 showed that 11 of the 15 counties now have at least one bank branch. The growth in branch network is evident of the growing confidence reposed in the banking sector in addition to the increased momentum in economic activities in the country.

Table 22: Bank Branches by County (2016 and 2017)

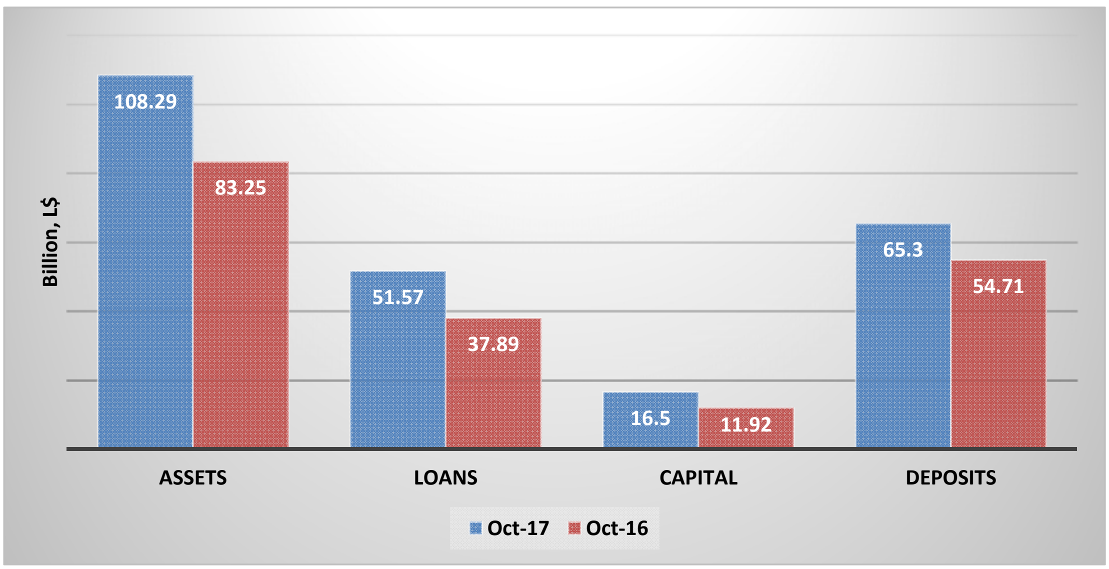
County		Number of Branches	
	Banks' presence	**2016**	**2017**
Montserrado	9	57	60
Margibi	4	10	8
Grand Cape Mount	1	1	1
Grand Bassa	6	6	6
Sinoe	1	1	1
Maryland	2	4	3
Bong	2	3	2
Nimba	5	7	6
Lofa	1	2	1
Grand Gedeh	1	1	1
Bomi	1	1	1
Total		**93**	**90**

Source: *Central Bank of Liberia*

4.2.1 Balance Sheet of the Banking Sector

The performance of the banking sector showed strong growth in the balance sheet of the banks. At end-October, 2017, total assets grew by 30.1 percent to L$108.3 billion, from L$83.3 billion recorded at end-October, 2016. Similarly, total loans and advances increased by 36.1 percent to L$51.6 billion, up from L$37.9 billion during the same period a year ago. Additionally, total capital increased by 38.4 percent, from L$11.9 billion to L$16.5 billion and deposits grew by 19.4 percent, from L$54.7 billion to L$65.3 billion over the same period.

Chart 14: Balance Sheet of the Banking Sector (As at October, 2017)



4.2.2 Financial Soundness Indicators

The financial soundness and performance indicators of the banking sector at end-October 2017, showed that the sector is stable and contributing towards the overall economic growth and development. However, the issue of non-performing loans (NPLs) remained a major challenge in the banking sector, which the CBL and the Liberia Bankers Association are working assiduously to address. Notwithstanding, the issue of NPLs, the industry continued to witness improvements in profitability due to cost cutting measures as well as the utilization of alternative sources of income generation such as government securities.

Table 23: Industry Financial Soundness Indicators (2016 & 2017)

Indicators (figures in 000' of L$) unless otherwise indicated	**31-Oct-16**	**31-Oct-17**
Gross Assets	83,245,436	108,292,711
Net Assets	78,993,062	98,269,245
Net Loans	33,638,023	47,270,001
Deposits	54,710,998	65,304,434
Reported Capital Net of Provisions	11,923,302	16,501,433
Reported Net Capitalization (SSR 32)	15.10%	18.40%
Capital Adequacy Ratio	21.40%	33.40%
Classified Loans to Total Loans (SSR 66)	16.40%	14.90%
Non-performing Loans to Total Loans (SSR 67)	11.80%	13.61%
Provisions to Classified Loans Net of Interest in Suspense (SSR 69)	64.30%	59.70%
Provisions to Non-performing Loans Net of Interest in Suspense (SSR 68)	93.80%	63.10%
Return on Assets (SSR 70)	1.10%	1.70%
Return on Equity (SSR 71)	7.80%	10.76%
Non-interest Income to Total Revenue (SSR 73)	50.90%	48.20%
Net Interest Margin over Average Assets (SSR 72)	6.90%	1.20%
Liquid Assets to Net Assets (SSR 76)	27.70%	31.70%
Net Loans to Deposits (SSR 75)	61.50%	72.40%
Liquidity Ratio	36.80%	41.88%

***Source:** Central Bank of Liberia*

The banking sector continued to show strong capital position during the year as reflected in the two main capital measures (Capital Adequacy Ratio (CAR) and reported capital net of provisions). With respect to total reported capital, the sector recorded an average position of US$15.3 million, which exceeded the minimum requirement of US$10.0 million and represented an increase of 13.2 percent compared with the average capital for 2016. Asset quality, on the other hand, measured by the level of non-performing loans, witnessed deterioration, from 11.8 percent in 2016 to 13.6 percent in 2017. The CBL continued its policy measures against delinquent borrowers, especially the naming and shaming policy through publication of names of non-compliant delinquent borrowers and barring of such delinquent borrowers from the use of the banking sector services. It is worth noting that the current level of NPLs can be partly attributed to the impact of both the legacy effect of the Ebola Virus Disease (EVD) and fall in the country's primary commodity prices.

Gross earnings for the period ended October 2017, stood at L$14.02 billion, compared with L$7.3 billion recorded in the same period a year ago. Similarly, net profit for the same period was L$1.65 billion, compared with L$934.91 million recorded in 2016.

Return on Equity (ROE) and Return on Asset (ROA) in 2017 were 10.8 percent and 1.7 percent compared with 7.8 percent and 1.1 percent, recorded in 2016, respectively.

Liquidity remained on a solid footing in 2017 with a ratio of 41.9 percent, which was in excess of the minimum liquidity ratio of 15.0 percent. Non-interest income, mainly fees and commissions, constituted the largest portion of the income of the banking sector. Although this percentage continued to decline over the years, this level still points to the issues of low-level of intermediation by banks and the problem of NPLs which requires suspension of interest on NPLs thereby shrinking the interest income component of the commercial banks' income.

4.2.3 Rural Community Finance Institutions

In support of the Bank's strategy on access to affordable finance, an additional Rural Community Finance Institution (RCFI) was opened in Foya, Lofa County in 2017. To date, the CBL, in partnership with Afriland First Bank, has supported the establishment of twelve (12) RCFIs which operate in eight (8) counties. All of the RCFIs are involved in the payments of civil servants' salaries, thereby alleviating the burdens previously faced by teachers and health workers to access their salaries. Ten (10) RCFIs are granting salary-based loans while they are all involved in providing money transfer services including remittance as well as mobile money services.

At end-September, 2017, the total customer accounts for all RCFIs grew to 11,790, from 8,029 at end-November, 2016. The RCFIs accounts are savings, salary and borrower account holders. The total deposit liabilities grew from L$65.2 million and US$310.2 thousand in 2016 to L$206.9 million and US$997.0 thousand at end-November, 2017, respectively. The total loan portfolio grew from L$6.2 million to L$35.8 million.

Table 24: List of Rural Community Finance Institute

	Official Name of RCFI & (County)	No. of share-holder 2016	Nov-2017	Total deposit 2016		Total deposit Nov-2017		Total Loan 2016	Total Loan Nov-2017
				L$	US$	L$	US$	L$	L$
1	Gbahlay-Geh RCFI (Nimba)	306	346	28,524,015	$10,294	47,747,226	37,701	1,605,007	3,554,779
2	Grand Kru RCFI (Grand Kru)		862	265,120	$1,428	34,719,885	115,875	634,440	1,808,122
3	Rivergee RCFI (River Gee)		745	6,725,545	1791ss43	20,176,635	537,429	4,280,325	8,564,564
4	Gbarpolu RCFI (Gbarpolu)	343	343	3,311,231	34,855	10,069,026	31,178	150,665	6,589,536
5	Rivercess RCFI (River Cess)		168	1,286,100	6,706	898,500	26,018	-	6,000,000
6	Sinoe RCFI (Sinoe)	203	203	3,439,620	15,907	7,988,855	35,844	-	453,204
7	Sanniquellie RCFI (Nimba)	420	550	7,000,360	15,230	24,343,383	56,853	4,374,000	4,351,331
8	Zorlayea RCFI (Lofa)	327	327	3,859,298	27,318	27,513,210	42,299	610,887	594,794
9	Kolahun RCFI (Lofa)	729	730	4,679,660	10,854	12,622,094	34,878	828,330	1,553,335
10	Totota RCFI (Bong)	125	126	2,997,475	6,228	9,695,195	38,090	-	-
11	Tappita RCFI (Nimba)	-	323	3,086,345	2,190	11,141,257	14,865		2,359,933
12	Foya RCFI (Lofa)	-	246	-	-	-	-	-	
	Total	**3,483**	**4,969**	**65,174,769**	**310,153**	**206,915,266**	**997,048**	**12,483,654**	**35,829,598**

Source: *Central Bank of Liberia*

During the year, the CBL, working with the Ministry of Agriculture (MoA) and Ministry of Finance and Development Planning (MFDP) finally concluded the financing agreement with the International Fund for Agricultural Development (IFAD). The agreement, in the tune of US$5.5 million, is to provide financing for the Rural Community Finance Project intended to support the RCFIs. The Government of Liberia (GoL) signed the financing agreement for a grant facility and loan for the RCFI sector, and the agreement was ratified by the National Legislature. This project will support the establishment of additional RCFIs and strengthen existing ones. There are currently ongoing preparations to commence the full implementation of the project as soon as possible. The IFAD project will provide infrastructural support, such as IT as well as training and development of internal policies and manuals for the effective operations and functioning of the RCFIs. A special unit will be set up to coordinate and provide technical assistance to the RCFIs.

As part of its continuous technical assistance, in collaboration with IFAD, the CBL organized a four-day national seminar and capacity building workshop from December 11-14, 2017 in Ganta, Nimba County. It was the second national event sponsored by CBL aimed at strengthening the capacity of the RCFI sector. The CBL strongly believes in the potential of the RCFIs, and remains committed to supporting the sector, while ensuring full regulatory compliance and ethical practices in the sector.

4.2.4 Microfinance Sector

The number of operating non-deposit-taking microfinance institutions remained 16 with 49 networks and continued to provide credit services, mainly in the rural, hard to reach poor communities across the country. Considering the important role of the microfinance sector, the reform of the sector has been given high priority under the Financial Sector Development Implementation Plan (FSDIP). A diagnostic and assessment study was conducted on the sector, through the World Bank funding, which led to the development of a concept document for a "Tiered Risk-Based Approach to Regulation of Microfinance Institutions in Liberia". The concept document is currently being reviewed by the CBL for implementation in 2018.

At end-September, 2017, the total number of clients in the microfinance sector was 26,352, up from 23,478 recorded in June, 2017.

Total loan outstanding in the sector amounted to L$609.6 million or US$4.8 million, from L$563.7 million or US$4.5 million at end-June, 2017. Total mandatory savings was LD105.3 million or US$0.84 million, from L$105.3 million or US$0.84 million at end-June, 2017.

Additionally, loan repayment under the Loan Extension and Availability Facility (LEAF) funded program increased in the last year due to constant follow-up on the borrowers. Repayment balances at commercial banks and rural community finance institutions had increased by L$9.5 million to L$130.9 million as of August, 2017, from L$121.5 million in September 2016.

4.3 Developments in the Insurance Sector

4.3.1 Financial Performance

During the year, total assets of the insurance sector reduced by 24.1 percent, capital decreased by 37.1 percent and investment grew by 6.3 percent compared to 2016. These developments were largely attributed to the enforcement of CBL Regulation CBL/RSD/INS/005/2016 Concerning Prudential Requirements of Insurance Companies which calls for the discounting or disallowance of assets for regulatory solvency purposes. Gross premium (comprising life and non-life businesses) grew by 33.2 percent, while net income recorded a growth of 24.7 percent. The improvement in premium income was largely driven by the life business.

Table 25: Selected Performance Indicators in the Insurance Sectors

Key Financial Indicators	Oct-17 (In LD$)	Oct-16 (In LD$)	(%) Change
Capital	1,678,697,048.11	2,668,343,342.97	-37.09
Total Assets	3,317,311,428.01	4,369,351,461.12	-24.08
Investment	883,229,632.72	831,179,871.48	6.26
Total Liabilities	1,678,697,853.38	1,701,054,605.50	-1.31
Expenses	1,332,406,767.77	940,090,103.18	41.73
Claims	740,074,403.01	964,470,418.41	-23.27
Gross Premium	2,854,408,536.20	2,142,425,148.36	33.23
Outstanding Premium	470,151,526.39	1,297,442,719.66	-63.76
Underwriting Result	1,614,719,299.09	1,148,936,255.84	40.54
Net Income	194,433,670.86	155,917,666.51	24.7

Source: *Central Bank of Liberia*

4.3.2 Supervisory & Regulatory Activities

i) New Minimum Capital Requirement for Insurance Companies: In its effort to ensure adequate capitalization of the insurance industry aimed at ensuring the soundness and safety of the industry, the CBL remains committed to implementing and enforcing Regulation N0. CBL/RSD/INS/001/2015 Concerning new Capital Requirements for Insurance Companies and Regulation N0. CBL/RSD/INS/005/2016 Concerning Prudential Requirement of Insurance Companies. The enforcement exercise began in the 3rd quarter of 2016.

In order to enforce compliance with the new minimum capital requirement, the CBL has taken a number of supervisory measures to assist companies that will not meet the capital requirement and intend to merge with stronger companies or be acquired. These measures includes close monitoring of weak insurance companies, conducted workshop on merger and acquisition for the industry and hired the services of an auditing and consulting firm to assist the CBL provide an independent capital compliance assessment of each company.

The CBL will also suspend, seize and revoke the licenses of companies that will not comply with the new capital requirement deadline scheduled at end-March, 2018.

ii) Reform of the Reinsurance Sector: In its efforts to strengthen the insurance sector, and mobilize domestic resources in order to help stimulate growth and development, the CBL has begun the process of reforming the reinsurance sector. The reform began with the restructuring of the National Insurance Corporation of Liberia (NICOL).

To this end, the Government has endorsed the CBL's revitalization plan for NICOL which include amending/and or repealing the NICOL Act, drafting of a regulation concerning the regulation and supervision of reinsurance companies in Liberia, auditing of NICOL, etc. At the same time, the Bank is in discussion with potential investors and the industry for the restructuring of NICOL to focus solely on reinsurance.

iii) Collaboration with Regional Organization: The CBL remains committed to its regional partnership with the ECOWAS Brown Card Scheme. During the year under review, the CBL remained engaged with all stakeholders including the Council of Bureaux of the ECOWAS Brown Card Scheme, the Liberia National Bureau of the ECOWAS Brown Card, the Ministry of Transport and the Association of Insurers of Liberia regarding the implementation of the compulsory use of the ECOWAS Brown Card. Based on these engagements, a memorandum of understanding (MoU) was drafted for review and subsequent signing by all stakeholders for the implementation of the compulsory use of the ECOWAS Brown Card in Liberia in 2018. The Brown Card is an extension of motor vehicle policies issued by local insurance companies in Liberia and is intended to cover all liabilities arising from cross-border accidents in the region.

iv) Collaboration on the implementation of Motor Vehicle Third Party Liability Scheme: During the year , the CBL, the Ministry of Transport (MoT), Liberia National Police (LNP) and the Association of Insurers of Liberia (AIL), signed a MoU for the implementation of Motor Vehicle Third Party Liability (TPL) Scheme intended to achieve the below listed objectives:

i) Foster efficient and effective enforcement mechanisms for the Motor Vehicle Third Party Liability Insurance (TPL) Scheme;

ii) Develop strategies to step-up the frequency of enforcement of the TPL Scheme;

iii) Ensure the full implementation of the Original and Supplementary Protocols of the ECOWAS Brown Card Scheme, which is an extension of the TPL;

iv) Review the current TPL's premium rates and come up with appropriate recommendations based on statistical data; and

v) Promote consumer protection, insurance literacy, and education initiatives; etc.

4.4 Digital Financial Services

The CBL has made considerable progress during the year in implementing its financial inclusion agenda by engaging banks and non-bank financial institutions to play key roles in the digital finance space, expand their agent networks and be more innovative in carrying out mobile money activities. During 2017, there were further expansion of mobile money activities across the 15 counties of Liberia with an increase in the agent networks from 2,110 in November, 2016 to 3,162 as at October 31, 2017, representing an increase of 49.9 percent. The total number of subscribers or users of mobile money significantly increased over the period from 1,034,725 at end-November, 2016 to 1,709,436 as at October 31, 2017, which represents 65.2 percent increase in the subscriber's base. The total mobile money transactions valued from January to October, 2017 was US$20.4 million and L$12.85 billion.

This rise in the number of subscribers or users was in part driven by the increase in the number of mobile money agents in the market. Also, during the period under review, Cellcom Technologies, Inc. was acquired by Orange Money Liberia. Seven (7) banks namely: Ecobank Liberia Limited (EBLL), Guaranty Trust Bank Liberia Limited (GTBLL), United Bank for Africa (UBA), Afriland First Bank Liberia Limited (AFBLL), Global Bank Liberia Limited (GBLL), International Bank Liberia Limited (IBLL) and Liberian Bank for Development & Investment (LBDI) were approved as authorized agents to provide mobile money services in partnership with Lonestar Cell MTN Mobile Money Inc., and Orange Money Liberia.

The CBL continued to support the efforts and work of the Digital Financial Services Working Group, which was established under the UNCDF Mobile Money for the Poor (MM4P), to drive the mobile money agenda in the country. During the review period, the United Bank for Africa (UBA) launched MasterCard debit cards, whilst Ecobank launched the Masterpass Quick Response code product. The launching of these two services reflects efforts being made to further expand and encourage the wider outreach of financial services in Liberia while at the same time, building a cashless society.

4.4.1 Increased Usage of Automated Machines and Point of Sales Terminals

Five commercial banks are currently offering ATM services, while four of the banks have deployed Point of Sale Terminals. A total of US$165.81 million and L$277.96 million value of Automatic Teller Machine transactions were reported for the period, while the value of POS transactions was US$19.86 million and L$ 164.42 million.

Table 26: Automatic Teller Machines (ATM) & Point Of Sales (POS) Transaction Value

ATMs & POS Transaction Value for the period (January - October 2017)				
	ATMs Transaction values		POS Transaction values	
	US$	L$	US$	L$
Ecobank	130,413,539.25	27,350.00	15,631,162.38	0
IBLL	66,305.00	0	0	0
GTBank	13,574,386.00	0	398,241.59	0
LBDI	950,523.50	0	24	0
UBA	20,803,405.65	277,930,619.00	3,830,273.25	164,418,964.57
Total	**165,808,159.40**	**277,957,969.00**	**19,859,701.22**	**164,418,964.57**

Source: *Central Bank of Liberia*

4.5 Consumer Protection

The CBL continued to strengthen its oversight responsibilities in the financial sector by ensuring that consumers are well informed and complaints are amicably resolved in accordance with the Consumer Protection and Market Conduct Regulation. For the period under review, the CBL received a total of nineteen (19) complaints from consumers. Of the 19 complaints received, 8 were resolved, investigation are on-going for 9, while the remaining 2 are pending further investigation.

As part of efforts to strengthen the Consumer Protection Unit, the CBL established a Consumer Helpdesk to enhance the process of customers' redress and confidence in the financial system. This helpdesk ensures that consumers get quick and easy redress in matters concerning financial institutions. During the period, the CBL also established a Consumer Protection Data Portal for the public to access via the CBL's website. The Portal includes a platform for consumers to instantly lodge complaints, know their rights and responsibilities and seek prompt inquiries to enable them make informed decisions on their choice of products and/or services.

Table 27: Summary of Financial Institutions' Complaints

S/N	Banks	No. of Complaints	Resolved	Pending	Other
1	Guaranty Trust Bank Liberia Limited (GTBLL)	5	5	0	
2	Afriland	3	-	2	1
3	Liberia Bank for Development and Investment (LBDI)	1	1	0	
4	AICOL Insurance Company	3		2	1
5	Family Dollar Universal Insurance Services	1	1	0	
6	Atlantic Life & General Insurance Co.	1		1	
7	Mutual Benefit ASSURANCE Co.	1		1	
8	Ecobank Liberia Limited (EBLL)	2		2	
9	Global Bank Liberia Limited (GBLL)	1	1		
10	First International Bank Liberia Limited	1		1	
	Total	**19**	**8**	**9**	**2**

NOTE: *Others- refers to cases forwarded to Ministry of Labor or the Court or cases that did not meet the criteria for redress through the consumer protection function of the CBL*

4.6 Collaboration with Liberia National Police

In order to respond to the growing and increasing burglaries and thefts in the banking system, the CBL and the Liberia Bankers Association (LBA) established a partnership with the Liberia National Police (LNP) to improve security at banking premises and facilities in Monrovia and its environs. A special Bank Security Patrol Detail (BSPD) was established at the LNP to implement the bank security project. The establishment of the Unit has brought significant improvement in banking security, as the level of reported cases of burglaries has significantly declined during the course of the year.

4.7 Implementation of the Banking Institute Project

The Banking Institute project which has been implemented on a pilot basis for the past 6-7 years saw a significant improvement during the year. The CBL and the commercial banks, as the major shareholders of the institute, took important steps to move the project to a full-fledged institute status. The Board of Directors, constituting representatives from the two tertiary institutions, the LBA and the CBL, was set up. The institute is expected to begin full operations by 2018. In addition, the CBL established formal relationships with Chartered Institute of Bankers of Nigeria (CIBN) and the Financial Institutions Training Center (FITC) under the umbrella of the Banking Institute of Liberia (BIL).

CHAPTER V:
INTERNAL DEVELOPMENTS

5.1 Overview

The Bank, in 2017, began the implementation of its 3-year Strategic Plan anchored on three strategic pillars, namely: financial sector development, financial inclusion, and internal reforms. The year, 2017 witnessed the implementation of several internal reforms ranging from enhancing human resources management and reducing processing time for procurement and banking operations to improving the quality of management information system, enterprise risk management, accounting and audit standards. The Bank also embarked on strengthening its regulatory and supervisory capacity and continued engagements and communication with stakeholders through its regular publications.

5.2 Human Resources Management

The Human Resources Management Department (HRMD) of the CBL was formed as a result of an organizational restructuring of the Bank in December, 2016 and became functional in January 2017. It was previously situated under the Department of Administration. The Department is responsible for managing the human resources of the Bank by developing and implementing policies and programs to ensure the Bank achieves its mandate on human resource.

During the year in review, a three-year HR Strategy was developed in line with the CBL Strategic Plan (2017-2019) and implementation began with the hiring and right placement of staff in the department; followed by the standardization of processes and the development of various tools and forms. Several key policies were released in May, 2017 with a comprehensive HR Handbook launched on September 1, 2017. Critical to pay and benefits administration, a pay and grade system was developed to include a job classification mechanism. Work is currently underway to automate all employee records and also the HR functions by implementing a Human Resource Information System (HRIS) which will include a Biometric Time and Attendance System. In terms of performance monitoring and management, a robust Performance Management System was developed and presented to the staff for implementation beginning January 1, 2018.

In line with the Bank's mandate on capacity building and development, 11 staff of the Bank benefited from full and partial local/foreign CBL scholarships to pursue various fields of study related to the financial industry. In addition to that, over 100 employees participated in several professional training programs offered by the International Monetary Fund (IMF), the West African Institute for Financial & Economic Management (WAIFEM), FITC, World Bank Group, West African Monetary Agency (WAMA), International Management Training Consortium, Management Training and Consultancy Service, The Central Bank of Nigeria (CBN), amongst others.

The workforce of the CBL rose by twenty-seven (27) new staff; thirty-one (31) staff were promoted to various positions and seven (7) persons were retired during the year.

5.3 Management Information System & Technology (MIST)

The MIST Department in its work plan for 2017, stayed true to the overarching objectives of the CBL under the strategic plan in achieving the three pillars of reform.

The department's strategy sought to align projects under the three pillars accordingly. It chronologically tackled projects beginning with the CBL reform. These projects included the formulation of a Cyber Security Unit within the department whose objective is to identify, prevent, protect and educate the enterprise on vulnerabilities to the system(s) both internal and externally.

The evolution of information technology with its many facets has engendered many inherent and artificial risks. Interconnectivity and interoperability between dispersed systems requires security at every level, and organizations data and information are all resident in the cyber space. This comes with many vulnerabilities or risks that can be exploited by unauthorized individuals or resources for whatever purpose. Like most other organizations, the CBL has defined Cybersecurity as the utilization of technologies, standard processes, tools, and practices to protect information systems including platforms, infrastructures, and networks, from attack, unauthorized access and modification, destruction or theft. It has therefore embarked on the latest Critical Security Controls (CSC V60) program.

Another engagement of the MIST Department is the undertaking of a modernized Metropolitan Area Network (MAN) in support of the payment systems and other financial analytics systems. Currently the infrastructure resides on high frequency point-to-point edge peripherals. The foreseeable future will see the adoption of dark fiber for the interconnectivity ring amongst and between the financial institutions in the financial sector sphere.

The Department has recently completed consolidation of critical business applications on the Microsoft Relational Data Base Management System (RDBMS) platform. The exercise extends to the applications running on the Oracle RDBMS. The CBL has been able to realize huge savings on maintenance, administration and cost of ownership. The RDBMS of each application is no longer silo but collated on a single platform. The Oracle implementation is currently ongoing. The engagement with Oracle on the roadmap for this implementation has yielded significant dividends. The environment has been provisioned for the consolidation and the implementation is scheduled for 1st quarter of 2018.

5.4 Banking and National Payments System

5.4.1 National Payments System (NPS)

The Central Bank of Liberia (CBL) acquired the National Electronic Payments Switch (NEPS) to complement and solidify its overall payments system reform, an initiative that was funded by the African Development Bank (AfDB) and implemented by the West African Monetary Institute (WAMI). The retail payment systems being one of the most critical systems provide efficient, reliable, secure, cost-effective and interoperable electronic services to the Liberian banking industry.

With the intention of achieving financial stability, financial inclusion, economic viability, monetary policy objectives, and fiscal policy goals through the National Payment Systems (NPS) the CBL has over the years taken a number of initiatives to put in place an efficient payment and settlement infrastructure and policies in the country covering both the retail and large-value transactions.

In the retail systems, the implementation of the Automated Clearing House (ACH) has led to the reduction in the check clearing cycles to D+1, (i.e. Day plus one) and the implementation of Check Truncation. In order to provide real-time ATM, & POS clearing and Settlement and funds transfer facility to retail customers and to also cater to the other retail service delivery channels such as; mobile money, Bill Payments, and Inter Bank fund transfer, the CBL has undertaken the implementation of the National Electronic Payment Switch (NEPS).

5.4.2 Integration with LRA & MFDP

During the review period, the CBL, committed to achieving its Financial Sector Development and Financial Inclusion agendas, engaged the MFDP, Civil Service Agency (CSA) and the Liberia Revenue Authority (LRA) to automate all GOL civil servants and pensioners' salaries as well as all payments to GOL vendors, etc. The automation of the revenue collections from the various collection points on real time and online basis for processing in favor of the Government at the CBL will help to enhance CBL's fiscal responsibility. These projects are expected to commence January, 2018.

The integration will serve as a catalyst for driving a portion of the unbanked population to the banking sector by ensuring all civil servants, pensioners, government suppliers are recognized account holders. It is also intended to reduce floats and provide convenient access to cash through other electronic payment channels and finally, minimize fraud, theft, human errors and cost associated with printing checks.

5.5 Financial Markets Activities

The mandate of the Financial Markets Department (FMD) is to implement CBL's monetary policy via effective intervention in the financial markets, conduct auctions in GOL's and CBL's securities, sell foreign exchange for liquidity management, manage CBL foreign exchange reserves and develop instruments to deepen the financial markets and provide investor's education. The FMD also conducts the following activities: monitor activities in the financial markets, conduct market research and product development, formulate policy proposals, and implement plans for deepening the financial markets.

5.5.1 Financial Market Operations

In keeping with the Financial Markets Department three years strategic plan, the Department focused on the development of the interbank market, money market, secondary market and investors' education or public awareness in 2017.

The FMD drafted a framework on interbank lending and foreign exchange trading market (IFXM) and a guideline on repurchase and reverse repurchase agreement. The purpose of the framework on the IFXM is to engender a complete interbank market structure, enhance efficiency and facilitate a liquid and transparent interbank market, which, when actualized will increase the number of policy instruments available to the Bank.

The guidelines on repurchase agreements is intended to set out the scope of Repo transactions that can be conducted by banks; promote sound risk management practices by banks and particularly on credit risk, market risk, and settlement risk for the conduct of Repo transactions, and protect investors as well.

The FMD also began revising the FX Auction Rules and Regulations and the guidelines on standing credit facilities that was issued in October 2016 to make provision for standing deposit facility to support the IFXM. This is in line with the policy direction of the bank to ensure the active management of liquidity within the banking system. The two standing facilities should serve as a monetary policy tool aimed at steering short-term interest rates.

During the year, the Department also facilitated SWAP and Repo transactions for commercial banks as a means of instilling confidence in the interbank market.

5.5.2 Collateral Registry and Credit Reference System

The CBL's Collateral Registry is a centralized system used by financial and non-financial institutions to register security interests in movable property. Its primary objective is to create access to finance for businesses especially Micro, Small and Medium Enterprises (MSMEs). The system continues to support the CBL Financial Inclusion Agenda and over the period has make significant impact in the country, thus creating an enabling environment where MSMEs and lower income earners can use alternative kinds of movable assets to access finance.

As at November 2017, the System had a total of 51 registered clients/creditors which indicated a 4.0 percent decline when compared to end-November 2016. Legal entity and individual users of the system were 20 and 31, respectively. During the period under review, 527 loans collateralized with moveable asset were registered in the system which amounted to US$113.0 million and L$27.4 million. These loans were extended to individuals, large firms and medium firms.

Overall, the total value of loans registered in the Collateral Registry System amounts to US$382.0 million and L$82.5 million. The number of collateral (movable assets) registered along with these loans were 2902.

During 2017, the Registry's collaborating partners, the International Finance Cooperation (IFC) provided an extension of its support (covering training) to the CBL's Collateral Registry. Both institutions (CBL & IFC) conducted a joint training on Movable Finance Lending for financial and non-bank financial institutions using the Collateral Registry System. This training further strengthened and increased knowledge on the use of the registry services in the sector.

It is important it highlight that the Liberia Collateral Registry is one of the best in the sub-region, hence, the CBL, honored a request from the Reserve Bank of Zimbabwe, for a study tour on CBL's Collateral Registry System in preparation to establish similar system in Zimbabwe.

5.5.3 Operations of the Credit Reference System

Since its establishment over the past twelve years, the credit reference system (CRS) continues to provide credit information on borrowers' creditworthiness to the banks and non-bank financial institutions using the system to generate credit information on potential borrowers. During the year, a total of 21,943 credit inquiry requests were received from the financial system (18,040 requests from the commercial banks and 3,903 received from non-bank financial institutions, notably: Liberian Enterprise Development Finance Corporation (LEDFC) and Diaconia Microfinance Deposit-taking Institution (DMDTI)).

The CBL, in collaboration with the nine commercial banks, one development finance company and one deposit-taking microfinance institution, in August 2017, embarked on the Credit Reference Enhancement Project to achieve the following objectives:

i. Know Your Customer to uniquely identify every bank account holder signatory (personal and corporate) in Liberia;
ii. To record, track, evaluate and grade the individual credit performance of each personal and corporate bank account holder and extract data for appropriate credit reporting over a defined period;

iii. To provide an automated interface mechanism between the CBL, and participating financial institutions to enable these institutions provide to the CBL updates on the credit performance of account holders; and

iv. To provide an automated interface mechanism between the Central Bank of Liberia and participating financial institutions that will enable the participating institutions obtain from the CBL up-to-date credit rating status of account holders registered on the Liberia My Identity App (MIA) Register, and to track alleged fraudsters in the financial system.

The CBL contracted OeSD International GmbH from Vienna, Austria, to develop the application. The project is at an advanced stage and is scheduled to be completed and fully rolled-out by March, 2018.

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

During 2017, the CBL completed the on-site money laundering and terrorist financing risk-based examinations of four banks which brought to nine the number of banks that the CBL has examined and issued reports on since the creation of a dedicated AML/CFT unit in 2016.

The unit continued the ongoing monitoring of the compliance status of the banking sector through both follow-up inspections and off-site surveillance. The unit observed that banks are improving their respective compliance statuses with AML/CFT laws and regulations but there is still much work to be done as banks are yet to conduct ML/TF risk assessments of all their products, customers, delivery channels and geographical locations.

During the year, the CBL risk management tools which include the AML/CFT Risk Management Questionnaire, AML/CFT Data Collection Template (DCT), ML/TF risk sensitive institutional profile and Excel Risk Matrix Module, were developed, modified and tested through a technical assistance program from the IMF aimed at strengthening the AML/CFT Supervisory Regime.

The AML/CFT unit conducted a sensitization and training workshop for relevant staff of commercial banks including internal auditors, compliance officers, IT staff and risk management staff geared at capacitating these staff to collect AML/CFT data using the CBL Data Collection Template and the Risk Management Questionnaire.

During 2017, all the nine commercial banks filed AML/CFT data using the DCT and completed the self-assessment risk management questionnaire. The AML/CFT Unit used the information to conduct an ML/TF risk assessment and to complete the institutional profile of the nine (9) banks.

The CBL continued to play an important role in the activities of the Intergovernmental Task Force for the Fight against Money Laundering in West Africa (GIABA) and the Financial Action Task Force (FATF). The Bank made representations at the plenary meetings of both bodies, and worked closely with the Financial Intelligence Unit of Liberia (FIUL) to address the outstanding deficiencies in the AML/CFT system of Liberia, which led to the upgrading of the status of Liberia from enhanced follow-up process to regular expedited follow up process.

5.5.5 Engagement with AfDB

The CBL has held discussions with the African Development Bank (AfDB) soliciting support for Liberian banks in the areas of trade finance, money remittance and other products and services. The negotiation with AfDB is at an advanced stage with the AfDB having completed due diligence on three local commercial banks in connection with the provision of trade finance credit lines to stimulate and make more efficient trade finance transactions for the banks' customers.

5.6 Research and Publications

In keeping with its statutory mandate, the Department continued its regular publications as a means to inform the general public and international partners about the Bank's activities, relative to monetary policy, among others. Updates on macroeconomic performances on a regular basis were provided to Management for policy actions. The Department continued its working paper series on topics relevant for understanding the dynamics of the Liberian economy and how changes in macroeconomic fundamentals could affect the country's monetary and financial stability.

As part of the CBL's strategy to enhance date collection and dissemination, the Department upgraded its exchange rate data collected process to the Weighted Average method from the mode method to help reduce the disparity in the spread on the foreign exchange (FX) market. The Bank also expanded the scope of exchange rate data collection to include five (5) counties: Bong, Grand Bassa, Margibi, Montserrado and Nimba. The Balance of Payments Unit of the Department conducted its annual BoP's Survey which informed the country's external accounts position for the year.

The Department collaborated with regional partners in capacity building by allowing two staff members to be attached to the Bank of Ghana and another two at the Central Bank of Nigeria on Macroeconomic Modelling. In collaboration with the IMF, the Bank developed a framework of a Composite Index of Economic Activity (CIEA) to further enhance the analysis of macroeconomic developments in the country.

Collaborations with key stake holders, especially the Ministry of Finance and Development Planning and the Liberia Revenue Authority on policy harmonization and coordination was enhanced through the Liquidity Working Group (LWG). Similarly, the Department collaborated with the Liberia Institute of Statistics and Geo-information Services (LISGIS) on the rebasing of the Consumer Price Index (CPI) and identifying more sources for national accounts data. The department, in partnership with LISGIS, also continued the weekly conduct of the market price survey to generate monthly price statistics which were published in the Bank's various publications. The CBL begun the process of developing an electronic data warehouse that will serve as a repository of all statistical information of the Bank, and a data unit that will develop other indicators and indices that are important to users of statistical information.

5.7 CBL Accounting and Finance

The CBL's financial statements for the ninth year are being prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements were audited by PricewaterhouseCoopers-Ghana, the Bank's external auditor and its affiliate in Liberia up to 2015 when their contract with the Bank ended. The 2016 statutory audit was conducted by KPMG, our current external auditors. The 2017 Statutory Audit is expected to be completed on schedule by KPMG in collaboration with Parker & Associates, consistent with the provisions of Section 50 of the CBL Act.

5.7.1 Income and Expenditure

The CBL's un-audited Income Statement for the year ended 2017 revealed gross income of L$1.92 billion compared with L$1.79 billion in 2016. The gross income includes interest income, unwinding of fair value of GOL Loan, fees and commission and other income. The increase in gross income in 2017 was mainly due to the increase in interest earned on the Bank's deposit at the Federal Reserve Bank of New York (FBRNY) and the unwinding of the fair value of GOL loan consistent with IFRS. The main revenue drivers were unwinding of GOL Loan of L$924.04 million, interest income of L$560. 69 million and Fees & commission and other income amounting to L$430.65 million.

Total expenditure for the year amounted to L$3.9 billion compared with L$4.4 billion in 2016. This decrease is attributed to reduction in both operating and capital expenditures in 2017 as compared to 2016.

- **Financial Position**

The CBL's un-audited Statement of Financial Position including IMF related balances recorded total assets of L$122.7 billion for the year ended 2017 compared with L$120.2 billion in 2015. The 2.03 percent increase was mainly due to increase in IMF related assets. Excluding the IMF, approximately 49.0 percent of total assets are represented by claims on the Government of Liberia. The loans have been performing based on a memorandum of understanding (MOU) signed in 2007 between the CBL and the Government of Liberia. The CBL's un-audited total liabilities including IMF related liabilities at year-end 2017 amounted to L$109.18 billion compared with L$111.78 billion in 2016. The decrease in liabilities of L$2.6 billion was mainly attributed to decrease in deposits of GOL and agencies. The CBL's un-audited total owners' equity at year-end 2017 was L$13.46 billion compared with L$8.38 billion in 2016, on account of increase in remittance reserve and other reserves.

5.7.2 The Budget

The CBL implemented the 2017 budget of US$24.95 million as approved by the Board of Governors. The budget was over spent by US$7.79 million mainly due to the printing of banknotes. The 2017 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, 2017 was US$154.8 million down from US$176.85 million in 2016. The above net foreign reserve is comprised of CBL net foreign reserve and net SDR Holdings (i.e. SDR Holdings less ECF Loan). The decrease was mainly due to short-term lending to GOL.

5.8 Enterprise Risk Management

5.8.1 Risk Identification and Assessment

The Enterprise Risk Management Department (ERMD) conducted a Risk and Controls Self-Assessment (RCSA) of the Business Units of the CBL, which led to the identification of Seventy Three (73) risks across the bank.

The next step undertaken in the risk management process was to conduct an assessment and measurement of each of the 73 identified risks. This process entailed determining, based on pre-determined standards, the likelihood of each of the identified risk actually occurring and impact that the occurrence of the risk will have on the CBL. On the basis of this, each of the identified 73 risks across the bank was measured and assigned a severity score.

5.8.2 Developing Controls, Monitoring, and Reporting

There have been some notable achievements of the tasks mandated by the previous assessment, which was to increase the levels of control across the CBL. In view of this, the ERMD has developed a number of policies and procedures, some of which were approved by Management during the year and others are expected to be approved in 2018.

All of these measures are in furtherance of the third pillar of the CBL Strategic Plan, i.e. CBL Reform: formulating and implementing strong policies and procedures that put the bank in an appropriate position to achieve its vision, mission and mandate. In addition to monitoring and reporting regularly on the identified risks, further efforts are going to be expended on developing additional control measures so as to further narrow remaining control gaps across the bank.

5.9 Internal Audit

Internal Audit Department (IAD), as provided for by the CBL's Act of 1999, is to conduct audits of the operational activities and accounts of the Central Bank on a continuous and regular basis in accordance with internationally accepted auditing standards. These services are provided through the delivery of independent, objective assurance and consulting functions intended to improve the Bank's operations through a disciplined approach by evaluating and improving the effectiveness and efficiency of risk management, internal control and the governance processes of the Bank.

In compliance with its annual work plan, the Internal Audit Department shifted from Traditional Internal Audit approach to a Risk-Based Internal Audit approach through its assurance and consulting services. Pursuant to this, during the year under review, IAD collaborated with the ERMD in the strengthening and promoting the ERM framework through training of IAD's staff in and out of Liberia in Risk based internal audit. The IAD also conducted interviews with senior and other staff of the Bank with the view of accessing and relying on their knowledge about ERM. In addition, IAD conducted audits of the risk management approaches of the various departments of the Bank on the appropriateness and precision of the procedures and processes leading to the development of objectives and controls intended to successfully achieving those objectives. Through recommendations resulting from observations and findings derived from those audits, a positive shift was achieved in the understanding of staff about the ERM framework and its implementation.

IAD's staffs during the year underwent tutorials and tests in various professional business related courses that should lead to the earning of Certified Internal Auditor (CIA) and Association of Certified Accountants (ACCA) certificates from the jurisdictions of the Institute of Internal Audit (IIA) and the Association of Certified Chartered Accountants (ACCA) based in Accra, Ghana.

5.10 Legal Services

As part of its roles and responsibilities, the Legal Department, during the year rendered legal services to the Bank. The Department provided legal advice and support to the CBL Board and Management in achieving the implementation of the Banks policies. The Department also helped in the strengthening of the legal and regulatory frameworks with assistance of two private law firms as consultants.

The Bank, through the Legal Department, participated in the reviews aimed at amending the existing Money laundering law. Three pieces of legislation were finalized and ratified by the National Legislature: 1) The Liberia Anti-Terrorism Act; 2) Targeted Sanctions against Terrorist Act; and 3) Special Criminal Procedures for Offenses Involving Terrorist Acts. The department also drafted legislation for Liberia's ratification of the AFREXIMBANK Charter.

CBL was successful in getting approval from the Civil Law Court to grant the Bank's petition to liquidate the International Insurance Company of Liberia (IICL). The liquidation proceedings will formally start in 2018.

5.11 Corporate Communications

Since its establishment less than two years ago, the Corporate Communications Unit (CCU) has emerged as one of the Bank's strategic units. Effective communication is an underlying factor in the successful implementation of the Bank's Strategic Plan. According to the Bank's Strategic Plan, the key objective of the CCU is to project "clear and effective messaging to the public on CBL decisions and activities, in support of the goals of the enterprise". As a new member of the Executive Governor's division, the CCU, in addition to its core responsibilities, spent a considerable period of the year under review in providing communications support in the form of helping other business units in their community outreach activities, media campaigns and the designing of their communications strategies.

The focus of the CCU's activities during 2017 was to provide clear and effective messaging to the public on CBL's activities and interactions with its stakeholders, including regional and international bodies, government agencies, and community-based institutions.

In fulfilment of the CBL Executive Governor's commitment to help strengthen the capacity of the media on financial and economic reporting, the Bank, in collaboration with the West African Institute for Financial and Economic Management (WAIFEM), hosted a five-day National Workshop on Economic & Financial Analysis for Media Practitioners and Legislative Budget Officers in Monrovia in March 2017.

CHAPTER VI: EXTERNAL RELATIONS

6.1 Overview

The CBL continued its commitments to regional institutions which include the West African Monetary Institute (WAMI), West African Monetary Agency (WAMA), ECOWAS Commission (ECOWAS), and Association of African Central Banks (AACB) in fulfilling its statutory roles as well as making efforts towards compliance with the macroeconomic performance convergence criteria and the roadmap for a single currency across the region.

Throughout the year, the CBL participated in regular and annual meetings of ECOWAS and the AACB and supported the integration efforts being made both at the regional and continental levels, respectively, aimed at improving economic activities in regional trade, and enhance inclusive growth.

The CBL, during the year, continued to work with development partners including the World Bank (WB), International Monetary Fund (IMF), AFRITAC WEST II, and the African Development Bank (AfDB), among others, through regular meetings, trainings, technical assistance, data exchange, and consultancies on policy issues relative to macroeconomic development in the economy.

The CBL participated in the 52nd Annual Meetings of the Board of Governors of the African Development Bank in Ahmadabad, India, from May 22nd-25th, 2017. In collaboration with the Ministry of Finance & Development Planning (MFDP), the CBL jointly hosted the 2017 mid-year Statutory Meetings of WAMZ in Monrovia from July 27th–August 4th, 2017. Also, the CBL participated in the 40th Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks (AACB) hosted by the South African Reserve Bank from August 12th -16th, 2017, in Pretoria, South Africa. Also, the Bank during the year attended the Joint IMF/WB Spring and Annual meetings in April and October, 2017, respectively, to deliberate on macroeconomic developments including issues related to the status of the extended credit facility (ECF) of the country.

6.2 Regional & Sub-Regional Organizations

During the year, the CBL participated in a number of meetings of regional institutions in Africa which included two statutory meetings of the West African Monetary Zone (WAMZ), West African Institute for Financial & Economic Management (WAIFEM), ECOWAS Commission (ECOWAS), Association of African Central Banks (AACB), and the African Development Bank (AfDB).

The focus of the meetings, inter alia, was to assess reports on member countries in achieving the convergence criteria across the region towards creating a common currency and the endorsement report for the establishment of a WAMZ Commission. The commission will be mandated to work with the UEMOA commission for the creation of a common currency and a (possibly) common regional central bank.

The mid-year 2017 Statutory Meetings of the WAMZ were hosted in Liberia from July 27th – August 4th, 2017. The meetings were organized under the joint auspices of the CBL and the MFDP in collaboration with the WAMI, with the aim of reviewing macroeconomic performance of member countries of the zone, especially the status of convergence and compliance with policy harmonization benchmarks as required under the single currency program of the WAMZ.

The report of the 40th and 41st Meetings of the Technical Committee of the WAMZ formed the basis of the Governors' deliberations. Development in the global economy adversely impacted economic activities in the WAMZ. As a result, performance of each member country on the primary and secondary criteria was mixed.

In view of the WAMZ joint multilateral surveillance report, Liberia met all the ECOWAS primary and secondary convergence targets during the second half 2016 and missed out in the first half of 2017 on one primary criteria (inflation) and one secondary criteria (exchange rate). Notwithstanding, external shocks and domestic imbalances continued to challenge Liberia and other WAMZ member countries not to have been able to achieve sustained compliance.

During the meetings, the Executive Governor of the Central Bank of Liberia, Hon. Milton A. Weeks, was elected as Chairman of the Committee of Governors of member countries of the WAMZ, replacing the outgoing chairman, the Governor of the Bank of Sierra

Leone. Also under the WAMZ framework, the CBL played an active role in the College of Supervisors of the WAMZ.

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

The CBL was part of the member countries panel in the selection processes of the Director of the Financial Sector Management Department and Director of Research at the Institute. Messrs. Paul Mendy of The Gambia and Alvin G. Johnson of Liberia were selected, respectively. The Executive Governor of the Central Bank of Liberia, Hon. Milton A. Weeks, will continue to serve as Chairman of the Board of Governors of WAIFEM until 2018.