CENTRAL BANK OF LIBERIA

ANNUAL REPORT 2020

Central Bank of Liberia
Annual Report
January 1 to December 31, 2020

"This Annual Report is in line with part XIII Section 63 (1) of the Amendment and Restatement of the Act Establishing the Central Bank of Liberia (CBL) of October 2020. The contents include: (a) report on the Bank's operations and affairs during the year; and (b) report on the state of the economy, which includes information on the financial sector, monetary aggregates, financial markets developments, and balance of payments performance".

CENTRAL BANK OF LIBERIA

Office of the Executive Governor

March 30, 2021

His Excellency
Dr. George M. Weah
PRESIDENT
Republic of Liberia
Capitol Hill
Monrovia, Liberia

Dear President Weah:

In accordance with part XIII Section 63(1) of the Amendment and Restatement Act (2020) of the Central Bank of Liberia (CBL), I have the honor, on behalf of the Board of Governors and Management of the Bank to submit, herewith, the Annual Report of the CBL to the Government of Liberia for the period January 1 to December 31, 2020.

Respectfully yours,

J. Aloysius Tarlue, Jr.
EXECUTIVE GOVERNOR

P.O. BOX 2048, LYNCH & ASHMUN STREETS, MONROVIA, LIBERIA
Tel.: (231) 0881 551 953 Website: www.cbl.org.lr

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ACRONYMS

ACH	-	Automated Check Processing and Clearing House
AFI	-	Alliance for Financial Inclusion
AML	-	Anti-Money Laundering
ATMs	-	Automatic Teller Machines
BoP	-	Balance of Payments
CAR	-	Capital Adequacy Ratio
CBL	-	Central Bank of Liberia
CFT	-	Counter Financing of Terrorism
CIC	-	Currency-in-Circulation
CoB	-	Currency outside Banks
COVID-19	-	Coronavirus
CPI	-	Consumer Price Index
CRS	-	Credit Reference System
DC	-	Direct Credit
EBLL	-	Ecobank Liberia Limited
ECF	-	Extended Credit Facility
ECOWAS	-	Economic Community of West African States
EMCP	-	ECOWAS Monetary Corporation Programme
EPSS	-	ECOWAS Payments and Settlement System
FROs	-	Functional Risk Officers
FSDIP	-	Financial Sector Development Implementation Plan
FSDU	-	Financial Sector Development Unit
FS	-	Financing Statements
FSI	-	Financial Soundness Indicators
FX	-	Foreign Exchange
GDP	-	Gross Domestic Product
GOL	-	Government of Liberia
GSSD	-	General Support Services Department
HRMD	-	Human Resource Management Department
IFRS	-	International Financial Reporting Standards
IICL	-	International Insurance Company Liberia Limited
IMF	-	International Monetary Fund
KA	-	Capital Account
KRIs	-	Key Risk Indicators
LBA	-	Liberia Bankers Association
LBDI	-	Liberian Bank for Development and Investment
LISGIS	-	Liberia Institute for Statistics and Geo-Information Services
LMA	-	Liberia Marketing Association
LRA	-	Liberia Revenue Authority
LRD	-	Liberian Dollar
M2	-	Broad Money Supply

MDIs	-	Microfinance Deposit Taking Institutions
MFDP	-	Ministry of Finance & Development Planning
MFIs	-	Microfinance Institutions
MMOs	-	Mobile Money Operators
MNOs	-	Mobile Network Operators
MoCI	-	Ministry of Commerce and Industry
MISTD	-	Management Information Systems & Technology Department
MPAC	-	Monetary Policy Advisory Committee
MPC	-	Monetary Policy Committee
MPR	-	Monetary Policy Rate
MSMEs	-	Micro Small and Medium Enterprises
NDA	-	Net Domestic Assets
NEPS	-	National Electronic Payment Switch
NFA	-	Net Foreign Assets
NFIS	-	National Financial Inclusion Strategy
NPC	-	National Payments Council
NPLs	-	Non-Performing Loans
NPS	-	National Payment Systems
ODA	-	Oracle Database Appliance
P2P	-	Person to Person
PAPD	-	Pro-Poor Agenda for Prosperity and Development
PAPSS	-	Pan African Payment and Settlement System
PoS	-	Point of Sales
RCFIs	-	Rural Community Finance Institutions
RCFP	-	Rural Community Finance Project
ROA	-	Return on Assets
ROE	-	Return on Equity
RPPD	-	Research, Policy and Planning Department
RSD	-	Regulations and Supervision Department
RSP	-	Remittance Split Policy
RTGS	-	Real Time Gross Settlement System
SDF		Standing Deposit Facility
SIBLL		Sapelle International Bank Liberia Limited
SIPS	-	Systematically Important Payments System
SMEs	-	Small Medium Enterprises
TA	-	Technical Assistance
T-Bills	-	Treasury Bills
UBALL	-	United Bank for Africa Liberia Limited
USA	-	United States of America
USAID	-	United States Agency for International Development
USD	-	United States Dollar
WAIFEM	-	West African Institute for Financial & Economic Management
WAMA	-	West African Monetary Agency
WAMI	-	West African Monetary Institute

WAMZ	- West African Monetary Zone
WB	- World Bank

FOREWORD

The year 2020 was ushered in with uncertainty as global growth momentum weakened to a contraction of 3.5 percent on account of the adverse effect of the global health crisis and trade tension between the United States of America (USA) and China as well as the post-Brexit developments within the Euro zone. Despite the contraction in the global economy, inflation was subdued in advanced economies, but moderated in emerging markets and developing economies on account of downward movement in the price of oil and other commodities.

Despite these trying macroeconomic conditions, the outlook is generally positive for all regions in 2021 with projected growths of 4.3 percent in advanced economies; 6.3 percent in emerging and developing economies, and 3.2 percent in sub-Sahara Africa largely on expectation of containment of the pandemic and recovery-supported policies.

The global economic slowed down had adverse implication on domestic economic activity with real GDP growth estimated to further contract by 3.0 percent from 2.5 percent in 2019, mainly due to the global health crisis and decline in activity in the tertiary sector estimated at negative 12.7 percent. In 2021, the domestic economy is projected to grow at 3.2 percent, largely driven by the manufacturing and services subsectors.

End-of-year inflation in the domestic economy moderated to 13.1 percent from 20.3 percent at end-December 2019. The reduction in inflation was induced by stability of Liberian dollar, favorable international oil prices and the tight monetary policy stance of the CBL. In 2021, the inflation outlook is positive with inflation projected to be in single digit, anchored on the monetary policy stance of the CBL, complemented by sustained policy reform.

Developments in the monetary aggregate showed 13.2 percent expansion in currency in circulation mainly explained by macroeconomic uncertainty largely exacerbated by the global slowed down in economic activities. The CBL instituted several measures to mitigate mainly the rising currency outside the banking system. The introduction of CBL short-term bills with an attractive effective annual rate of 25.0 percent intends to incentivize businesses and individuals to move away from holding idle cash. The Bank is also working with stakeholders for the implementation of a comprehensive currency reform that seeks the full replacement of the existing banknotes. It is the wisdom of the Management of the Bank that the reforms provide golden opportunity for us to strengthen internal control, ensure transparency and accountability in the domestic currency management process, especially with technical assistance being provided by development partners. To address the liquidity pressure during the year, the Bank implemented several actions including the procurement of additional L$4.0 billion banknotes.

During the year, developments in the foreign exchange market relatively favored the Liberian dollar. In terms of the annual end of period exchange rate, the Liberian dollar appreciated by 14.4 percent to L$164.22 per US$1.00 at end-December 2020, from L$178.93 per US$1.00 at end-December 2019. This development was largely underpinned by the CBL tight monetary policy stance coupled with the relative increased foreign exchange inflows into the domestic economy.

Developments in the external sector were relatively favorable with reserve assets recording a surplus of 2.4 percent of GDP to US$79.0 million and marginal improvement in months of import cover to 2.4 from 2.3 months cover in 2019. The deficit on current account improved to 17.8 percent of GDP contributing to the stability of the exchange rate and by extension, the lower inflation environment.

In 2020, the financial sector remained resilience amidst relatively high non-performing loans (NPLs) and liquidity constraints partly due to COVID-19 which has significantly affected the cashflows of businesses and households to service their obligations to the commercial banks. The CBL, working with the commercial banks and mobile money operators implemented several policies to mitigate the impact of the pandemic on businesses, households and the population in general. The CBL also encouraged banks to explore more options of digital banking and reached consensus with mobile money companies to temporarily reduce charges. The introduction of these measures witnessed the relative easing of pressure on commercial banks and wider usage of mobile banking for payments.

To ensure financial deepening, the CBL continued to support the establishment of agent banking, especially in areas with limited presence of commercial banks with 73 agents for three banks approved for operation. As at end-December 2020, the agents of commercial banks were visible in 8 of the fifteen Counties. Despite the macroeconomic constraints, commercial banks continued to lubricate the engine of the economy by providing credits to critical sectors. As at end December 2020, the total stock of credit in the economy amounted to L$72.3 billion. Developments in the interest rates partly accounted for the level of credit during the year.

Considering the general macroeconomic situation facing the country, it is important to note that the Management of the CBL put in place stringent measures to streamline the operational cost of the Bank. Though strenuous, the austerity measure led to an overall saving of US$3.2 million for the year 2020.

During the year, the CBL worked with the GOL to strengthen the domestic debt market. As an essential component of financial markets development, the CBL continued to mobilize a pool of retail investors to promote secondary market operations. The total stock of bills issued, since the implementation of monetary policy rate in 2019, amounted to L$42.49 billion at end-2020, of which L$42.11 billion was purchased by commercial banks and L$0.38 billion by retail investors. Similarly, the total redemption from 2019 to end-December 2020 amounted to L$39.77 billion.

As a strategic goal, the CBL remained focused on the improvement of the National Payment Systems. The Bank with technical assistance from the World Bank began the review of the National Payment Systems Act, while at the same time engaged the current solution provider for the enhancement of the National Electronic Payment Switch (NEPs) to scale up the existing infrastructure and promote interoperability among various digital/electronic payments platforms.

In the context of financial inclusion, the CBL places high premium on lifting the most vulnerable population, especially rural dwellers out of poverty by supporting policies to increase access to affordable and desired financial services through the implementation of the National Financial Inclusion Strategy (NFIS).

In terms of internal operations, the Bank implemented several policy reforms aimed at strengthening governance and internal controls as well as enhancing productivity of staff. The passage of the amendment and restatement of the CBL Act of 2020 was a significant milestone in the ongoing reform of the Bank as it enhanced the governance system at the Bank. There was significant improvement in the currency procurement policy and procedures, Internal Audit and

Human Resource management and other key internal policies of the Bank. The Bank adopted a biometric system to track staff attendance and movement.

As part of the institutional reforms, the CBL commenced the development of a new Strategic Plan (2021-2024) aimed at rebranding the Institution to set a new direction and restore public confidence in the Bank and the financial system. On the premised of three cardinal Pillars: Price and Financial System Stability; (2) Payment System integration and Digitization of the Economy; and (3) Rebranding and Improving the Image of the CBL, the current strategic plan seeks to provides an inclusive framework for charting a new direction for the CBL.

The achievements noted in this report would not have been possible without the invaluable contributions of our staff and Board, and the unwavering support of all our stakeholders. I would like to thank our staff members for their tireless hard work and focus on putting our core Values into practice through innovation, commitment, and dedication. Let me also acknowledge the important role played by the members of the Board of the Bank through their independent views and strategic focus on attaining the objectives of the CBL. We would also like to express our gratitude to the Minister of Finance and Development Planning and his staff for the invaluable support they have extended to the Bank. Our appreciation equally goes to all our stakeholders, who granted their cooperation and provided us with information and data throughout the year, which the Bank used to compile this report and other publications. In the year ahead and as we look to the future, we will continue to be guided by our ethos of hard work and shall continue to be guided by a determination to fulfil the Bank's Mission through unwavering commitment and dedication to always act in the public interest. We will strive to fulfil the Bank's Mission to foster stability, integrity and efficiency of the nation's monetary, financial and payment systems. In the face of the unique challenges posed by the COVID-19 pandemic and its economic and financial fallout, we will redouble our efforts in this regard, ensuring a quick return to calmer waters.

Signed: ____________________

Hon. J. Aloysius Tarlue, Jr.

The CBL's Vision, Mission, Objectives, Functions, and Autonomy

Vision

"To achieve and maintain price stability by ensuring a sound financial system, thereby contributing to the nation's sustainable economic development."

Mission

"To maintain efficient and effective financial, payments, and information systems, and to formulate and implement a prudent monetary policy."

Objectives

Pursuant to Part II, Article 3, Section 5 of the Amended and Restated 2020 Act of the CBL, the objectives of the CBL are inter-alia:

I. *to achieve and maintain domestic price stability in the Liberian economy;*

II. *Without prejudice to the above objective, to contribute to fostering and maintaining a stable financial system; and*

Without prejudice to the objectives stated in subsections (I) and (II) under this section, to support the general economic policy of the Government, in keeping with its monetary policy mandate.

Functions

Pursuant to the Amended and Restated 2020 Act of the CBL, the CBL has functional independence, operational autonomy, power and exclusive authority to:

1. *Formulate and implement monetary policy;*
2. *Issue domestic banknotes and coins;*
3. *Administer the currency laws and regulate the supply of money;*
4. *Determine the appropriate foreign exchange regime;*
5. *Formulate and implement the exchange rate policy;*
6. *Act as fiscal agent for the Government;*
7. Administer and enforce the New Financial Institutions Act of 1999 or its successor legislation;
8. *License, regulate, monitor and supervise and resolve bank and non-bank financial institutions, as well as other specialized-deposit taking institutions;*
9. *Collect and produce statistics relative to its functions;*
10. *Hold and manage the foreign exchange reserves of Liberia, including gold;*
11. *Advise the Government on financial and economic matters;*

12. Conduct foreign exchange operations;

13. Promote a safe, sound, and efficient payments system and provide supervision over payment service providers as further specified in relevant laws and regulations;

14. Administer the Securities Exchange Act 2016 to facilitate the establishment of the Securities Exchange Commission in keeping with the provisions of the said Act;

15. Adopt and implement the regulatory framework for insurance companies as further specified in relevant laws and regulations;

16. Formulate and coordinate macro-prudential policy and supervision; and

17. Collaborate with the relevant agencies of Government responsible for enforcing anti-money laundering, counter financing of terrorism and proliferation of weapons of mass destruction laws with regard to bank and non-bank financial institutions as well as non-bank financial services institutions.

Autonomy

I. In pursuit of its objectives and functions, the CBL shall be autonomous and accountable as provided for in the Amended and Restated Act of the CBL; and

II. Subject to constitutional requirement, the CBL and its Governors, Officers and Staff shall not take or seek to take instruction from any person or entity, including entities in the exercise of their functions.

EXECUTIVE SUMMARY

In 2020, the uncertainty in the global economy adversely affected investment and business confidence largely on account of the COVID-19, trade tension between the USA and China as well as post-Brexit developments within the Euro zone. However, the estimated contraction in global growth was revised downward to 3.5 percent in 2020, partly reflecting the easing of lockdown measures as well as activity in emerging and developing economies, especially China. Inflation in advanced economies was subdued at 0.7 percent but estimated to moderate to 5.0 percent in 2020 in emerging and developing economies, mainly driven by fall in prices of crude oil and other commodities.

The outlook is generally positive for all regions in 2021 with growths projected at 4.3 percent in advanced economies; 6.3 percent in emerging and developing economies, and 3.2 percent in sub-Sahara Africa largely on expectation of containment of the pandemic and other recovery-supported policies. At end-2021, inflation in advanced economies is projected at 1.3 percent, while in emerging markets and developing economies, it is projected at 4.2 percent.

On the domestic side, the Liberian economy was estimated to further contract by 3.0 percent from a contraction of 2.5 percent recorded in 2019. The downturn of the domestic economy was on account of uncertainty from COVID-19 and worsening of activity in the tertiary sector. End-of-year inflation in the domestic economy moderated to 13.1 percent, induced by the stability of the Liberian dollar, favorable international oil prices and monetary policy stance. The outlook appears positive in 2021 with growth of the Liberian economy projected at 3.2 percent premised on activities in the manufacturing and services subsectors, while inflation is projected to revert to single digit on expectation of sustaining the monetary policy reform.

With the focus of monetary policy on price stability to manage the Liberian dollar liquidity, the CBL in the last half of 2020 maintained its policy rate at 25.0 percent in tandem with inflation expectation, while utilizing other monetary policy instruments to promote monetary and financial sector stability.

At end-December 2020, broad money supply (M2) expanded by 5.2 percent to L$127,296.86 million, mainly on account of rise in net domestic assets (NDA). The Liberian dollars in circulation at end-December 2020 stood at L$23,902.53 million, reflecting a growth of 13.2 percent primarily induced by 10.0 percent rise in currency outside banks.

Commercial banks' credits to various economic subsectors contracted by 13.4 percent, signaling economic slowdown during the year. Interest rate showed mixed trends with declines in mortgage and personal loan rates, while other rates (lending, time deposits, certificate of deposits and saving deposits) remained stable.

In the financial markets, the CBL issued unindexed bills at an effective annual return of 25.0 percent resulting to rise in retail subscriptions from 19 in January 2020 to 146 in December 2020. No foreign exchange auction was conducted during the period, but the CBL issued treasury bills amounting to L$535.6 million and US$2.0 million with tenors of 360 days on behalf of the Government of Liberia in 2020.

Despite the increasing expenditure demand, the fiscal operations of the Government during the year yielded a surplus of 3.9 percent of GDP mainly on account of improved revenue performance. Public debt stock remained within the ECOWAS regional threshold and stood at 52.1 percent of GDP, partly accounting for the lagged effect of legacy debt.

Developments in the external sector were relatively favorable with reserve assets recording a surplus of 2.4 percent of GDP to US$79.0 million and marginal improvement in months of import cover to 2.4. The current account deficit improved to 17.8 percent of GDP on account of activities in the trade balance, secondary income (net) and primary income (net). The balance on capital account expanded to 10.6 percent of GDP due to increased investment grants. Net personal inward remittances grew by US$92.6 million relative to the amount recorded in 2019. The Liberian dollar generally appreciated, both on average and end-period bases, due to the monetary policy stance, weak demand, and increased foreign exchange (FX) inflows.

In 2020, the financial sector showed signs of resilience with indicators of the banking industry generally in compliance with critical regulatory requirements such as Capital Adequacy Ratio (CAR) and liquidity ratio reported at 31.5 percent and 36.8 percent, respectively. However, Non-Performing Loans (NPLs) remained above the 10.0 percent regulatory tolerable limit by 11.2 percentage points. Several measures were introduced by the CBL to ease the impact of the pandemic, including suspensions of prudential regulation for asset classification and interest on nonperforming loans, as well as provision of digital banking services with flexibility on charges, among others.

Regarding financial inclusion, the CBL developed an In-Country Implementation Proposal for the conduct of a financial inclusion baseline survey for the implementation of the NFIS. Additionally, grants were advanced to the Micro-finance Institutions (MFIs) aimed at supporting the provision of financial services.

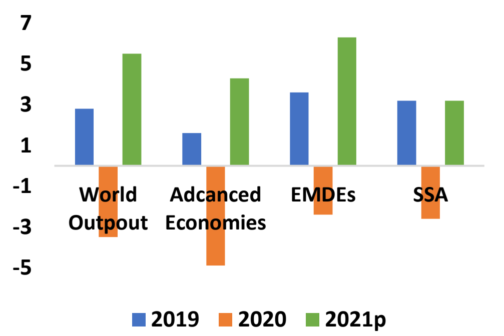
In the drive towards cash lite economy, the number of mobile money users increased partly induced by waiver of tariffs on mobile money transactions (March-June 2020) and increased public sensitization. The National Payment Systems Council (NPSC) Charter was approved in 2020 aimed at expanding electronic payments. The CBL also developed and published regulations on the licensing and operations of electronic payments to efficiently leverage on new technological innovations.

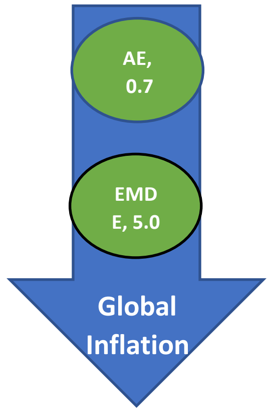
During the year, the CBL remained extensively engaged with its external stakeholders, including the regional institutions and multilateral institutions such as the West African Monetary Agency (WAMA), West African Monetary Institute (WAMI) and, West African Institute for Financial and Economic Management (WAIFEM); the International Monetary Fund (IMF) including AFRI TAC West 2; the World Bank (WB), and the Alliance for Financial Inclusion (AFI). WAMI introduced regional Integration of the Payment System in the West African Monetary Zone (WAMZ) in 2020 to facilitate cross-border transactions in the WAMZ. The ECOWAS Payments and Settlement System (EPSS) was also initiated.

HIGHLIGHTS

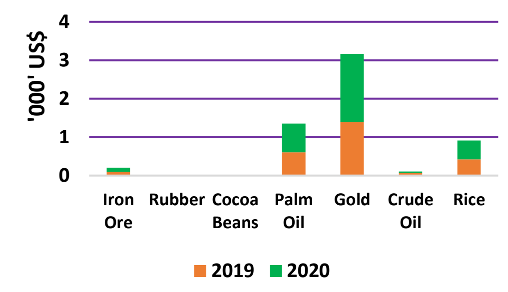
2020 In Data

Global Output Growth

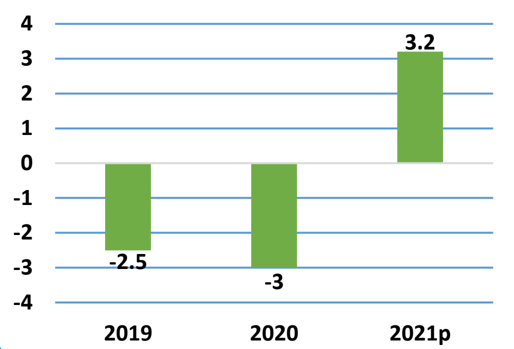


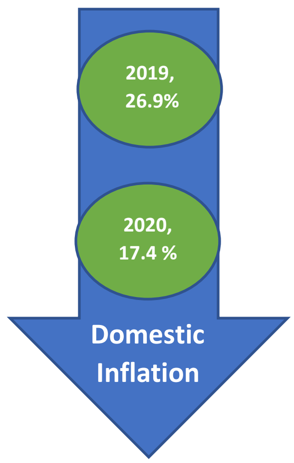


Commodity Prices Trend (y/y)

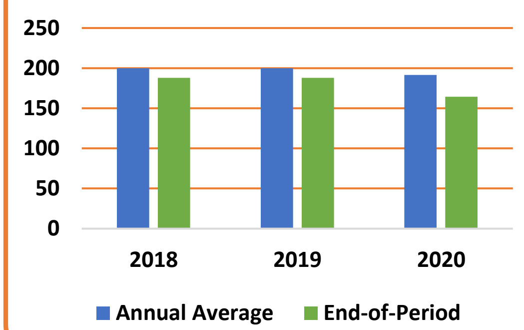


RGDP Growth (Annual % Change)

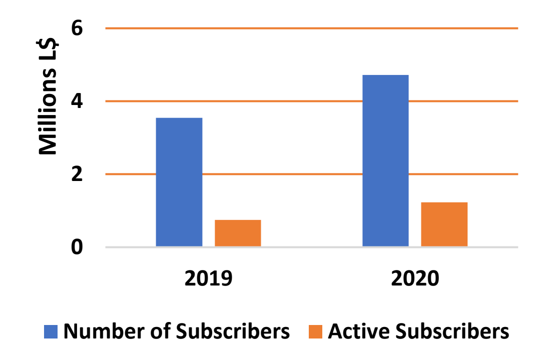


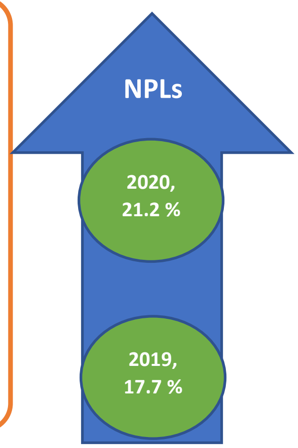


Exchange Rate (LD/USD)

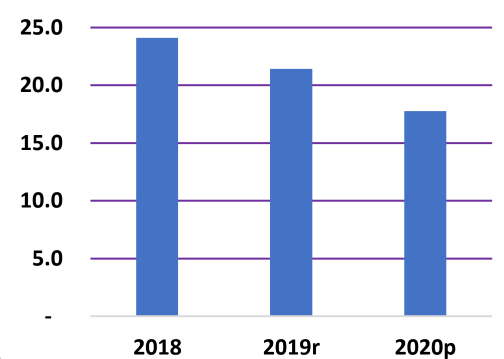


Mobile Money Subscribers

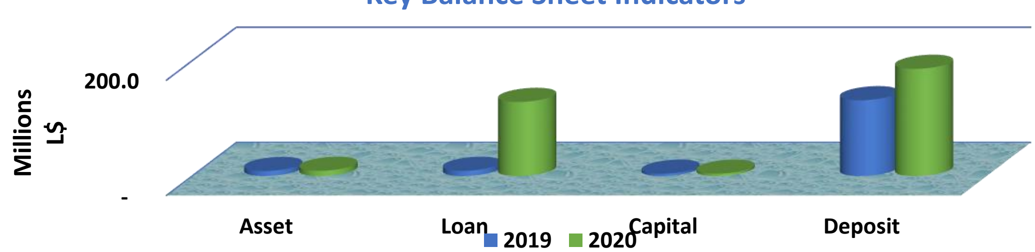




Current A/C Deficit (% GDP)



Key Balance Sheet Indicators



The Board of Governors

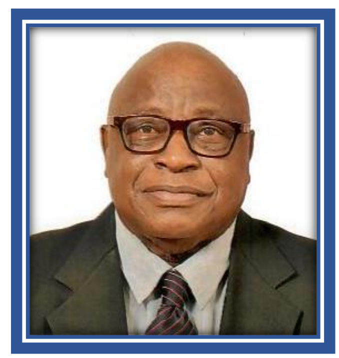
As at end-December 2020

Hon. J. Aloysius Tarlue, Jr.
Executive Governor / Chairman
Board of Governors

Governor D. Sheba Brown
Member
Board of Governors

Governor A. Richard Dorley
Member
Board of Governors

Governor James B. Dennis
Member
Board of Governors



Governor Timothy E. Thomas
Member
Board of Governors

The Management

As at end-December 2020

Hon. J. Aloysius Tarlue, Jr.
Executive Governor

Nyemadi D. Pearson
Deputy Governor/Operations

Musa Dukuly (PhD)
Deputy Governor/Economic Policy

Heads of Department / Senior Staff

Jefferson S.N. Kambo
Director
Research, Policy & Planning Department

Fonsia M. Donzo
Director
Regulation & Supervision Department

Amaso B. Bawn
Director
Financial Markets Department

Maway T. Cooper-Harding
Director
Human Resources Management Department

Mustapha E. Sherman
Director
Finance Department

Cllr. Francis L. Yancy
Director
General Support Services Department

William G. Jloepleh
Director
Banking Department

Miatta Oberly Kuteh
Director
Payment Systems Department

Christian N. Allison
Director
Enterprise Risk Management Department

John K. Wangolo, Sr.
Director
Management Information System Department

James B. Wilfred
Director/Operations

Roosevelt Kofa Forh
Director
Internal Audit Department

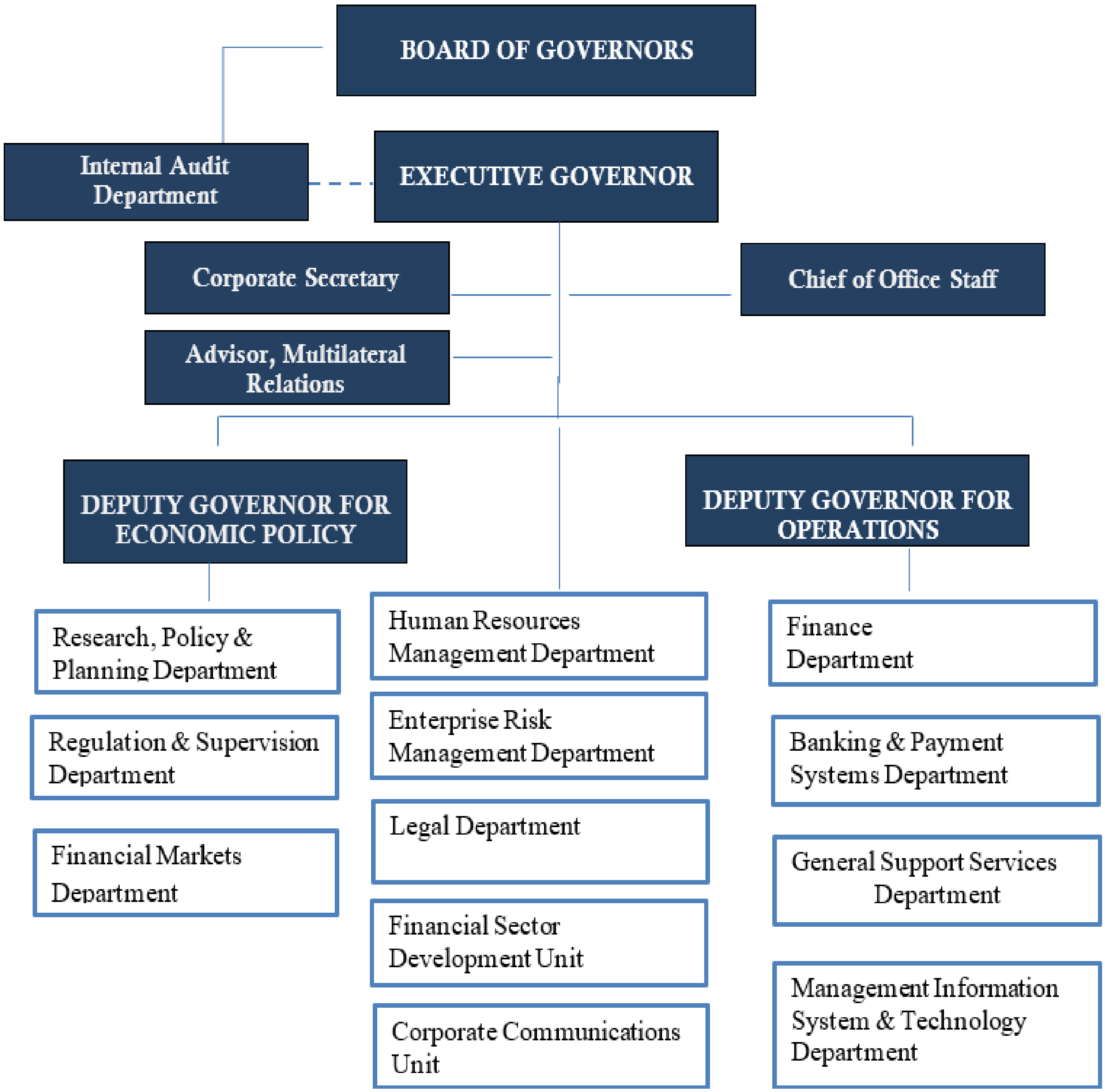
Cllr. Esther R. Barclay
Legal Counsel
Legal Department

Mussah A. Kamara
Senior Technical Advisor
Office of the Executive Governor

Michael B. Ogun
Senior Advisor
Multilateral Relations

Chart 1: The Organizational Structure

(As at end-December 31, 2020)



Chapter 1.0: Governance and Organizational Structure

1.1 The Board of Governors

The governing body of the CBL, as stipulated in the Amended and Restated Act of 2020, Part IV Section 10, is the Board of Governors. The Board is composed of the Executive Governor, who also serves as the Chairman of the Board and four non-Executive Governors who are all appointed by the President of the Republic of Liberia and confirmed by the Liberian Senate. The Executive Governor and the two Deputy Governors are each appointed for a term of five years and are eligible for re-appointment. The Board has the oversight in the implementation of monetary policy as well as oversees the strategic planning to ensure realization of the principal objectives of the CBL, as set out in the Amended and Restated Act of 2020. The Board approves the annual budget, monitors the financial and operational performance, assesses reports from the external auditors, and more importantly, provides policy guidance to the Management of the CBL. As the Chairman of the Board, the Executive Governor steers the day-to-day affairs of the CBL. As at end-December 2020, the Board of Governors comprised the following members:

1.	Hon. J. Aloysius Tarlue, Jr.	Executive Governor/Chairman
1.	Hon. D. Sheba Brown	Governor
2.	Hon. A. Richard Dorley	Governor
3.	Hon. James B. Dennis	Governor
4.	Hon. Timothy E. Thomas	Governor

During the year under review, the Board of Governors held six (6) regular and four (4) called meetings and undertook several critical decisions to ease the emerging and legacy challenges faced by the CBL.

Secretary to the Board

Mrs. Amie N'Gaye Rogers
Mr. Fred Koilor
Mr. Ashford Ward

Mandates of the Board

The Board is responsible for the approval of policies necessary for the achievement of the overarching objectives of the CBL. To this end, the mandates of the Board are outlined below:

(1) Unless provided otherwise in the Amended and Restated Act of the CBL, the powers of the CBL shall be vested in the Board of Governors, which shall be responsible to:

- (a) define and adopt policies of the CBL other than those done by the Monetary Policy Committee (MPC) pursuant to the Amended and Restated CBL Act 2020 and adopt, as appropriate, internal rules for the implementation as stated in Section 16 of the Amended and Restated CBL Act;
- (b) have the power to take enforcement measures, including instructing any supervised banks or financial institutions, or any regulated payment, clearing and securities settlement system, to take remedial actions; or by appointing a receiver for such entities;
- (c) impose administrative measures, as provided by the Amended and Restated CBL Act, or by any other Law;
- (d) supervise the implementation of the policies and the exercise of the functions of the CBL;
- (e) approve all regulations issued by the CBL;
- (f) determine the general policies and adopt by-laws and internal rules applicable to the administration and operations of the CBL;
- (g) decide on the establishment and location of branches, representative offices, and operational facilities;
- (h) determine the CBL's general terms and conditions of employment, including the remuneration policy;
- (i) approve the annual budget of the CBL;
- (j) approve the Annual Report and Policy Statement, Financial Statements and other formal reports of the CBL;
- (k) appoint the external auditors of the CBL based on the proposal of the Audit Committee. However, reports from the external auditors shall be sent to the National Legislature.

(l) oversee the CBL's system of financial reporting, internal controls, and risk management;

(m) adopt the CBL's accounting policies and procedures in line with internationally accepted financial reporting standards;

(n) monitor implementation of the internal auditor's recommendations of the CBL;

(o) decide whether the CBL should take on debt denominated in other currencies rather than Liberian dollars in material amounts; and if so, the terms and conditions of such debt;

(p) determine the categories of assets that shall constitute the official international reserves;

(q) determine the categories of assets that shall be suitable for investment of the CBL's financial resources;

(r) determine the denominations and design of banknotes and coins as well as matters relating to their issuance and handling with the approval of the National Legislature once every three years;

(s) establish one or more advisory bodies consisting of members of the Board and / or other persons, and to define their responsibilities;

(t) adopt the rules of procedure for the Board of Governors; and

(u) exercise such other powers and functions as granted in the Amended and Restated CBL Act.

(2) The Board of Governors may delegate the functions provided in Paragraphs (b) and (c) of Subsection (1) to the Executive Governor. Such delegation shall be made through Board resolution.

(3) The Board of Governors may establish advisory committees to assist its supervisory functions provided in Subsection (1) (s) of the Board Charter, determine their terms and conditions of appointment of their members, and determine the terms of reference of such committees.

1.2 Committees of the Board

The Board of Governors of the CBL comprises two committees: the Audit and Investment Committees. During the year, the Audit Committee was chaired by Governor D. Sheba Brown, while the Investment Committee was chaired by Governor (Prof.) A Richard Dorley.

1.3 Policy Decisions by the Board

In keeping with its mandate of oversight and approval of policies and procedures for the CBL to achieve its objectives, as enshrined in Section 2.1 of its Charter, the Board took the following policy decisions in 2020:

- approved a proposal for the construction of four regional cash hubs in strategic locations in the country to promptly respond to the cash needs of the public in remote locations as well as ensuring the availability of liquidity in rural Liberia;

- approved series of monetary policy decisions aimed at stabilizing the exchange rate and lowering inflation in the economy. The monetary policy rate was adjusted downward during the second quarter 2020 consistent with developments in inflation. The Board's decision was also intended to deepen sensitization for more subscriptions of the CBL bills; and

- approved a request from the Management of CBL for the printing of L$4.0 billion (additional Liberian dollar banknotes) to ease the liquidity pressure in the economy, especially for the July 26, 2020 festivity.

1.4 Monetary Policy Framework and Operations

The implementation of monetary policy was guided by the theoretical policy trade-offs of the macroeconomic "impossible trinity" which underscores the impossibility of simultaneously achieving fixed exchange rate, free capital mobility and independent monetary policy.

During the year, the CBL continued with its new policy framework (monetary targeting) introduced in the last quarter of 2019. The CBL used the price variable (interest rate) and the quantity variable (reserve money), as operational and intermediate targets, respectively. To meet the policy objectives, the CBL also leveraged on open market operations (bi-weekly, monthly and quarterly auctions of CBL bills) as the major tools to manage Liberian dollar liquidity.

1.4.1 Mandates

The Monetary Policy Advisory Committee (MPAC), which derived its mandate from Part IV, Section 17 of the Amended and Restated CBL Act 2020 advised the Board on formulation of monetary policy for the CBL. The full constitution of the MPC in 2020 was unachievable due to several challenges, hence the MPAC served as a de-facto MPC throughout the year 2020.

1.5 Monetary Policy Advisory Committee Meetings

The MPAC met once in each quarter (March, May, August and November) of 2020 and reviewed both global and domestic macroeconomic developments that informed its policy recommendations to the Board. The MPAC met and deliberated on various policy actions intended to support the Bank's objectives and the emerging outcomes (inclusive of the monetary policy rate (MPR) from the MPAC's deliberation) were transmitted to the Board for consideration.

At the March 2020 meeting, the Committee highlighted global growth, inflation and interest rates as well as potential implications of the COVID-19, trade tension between USA and China. In the domestic economy, the Committee assessed consumer prices, interest rates, remittances, merchandise trade, monetary aggregates, monetary conditions, output gap, fiscal stance and fiscal impulse as well as commodity prices, among others.

Following the assessment, which informed the basis to tighten monetary policy amid negative output gap and lingering inflationary pressure, the Board maintained the monetary policy rate at 30.0 percent, despite the moderation in inflation to 25.8 percent in quarter four of 2019, from 30.7 percent in quarter three of 2019. The decision to maintain the policy rate was intended to increase subscriptions in the instrument and further moderate inflation in the economy.

In other complementary policy decisions for the Management of the CBL to implement, the Board also agreed on continuity of the following: the issuance of shorter tenor instruments (2 weeks, 1 and 3 months); the sensitization of CBL bills to increase retail subscriptions; the suspension of the Remittance Split Policy (RSP) for the next quarter; and the sensitization campaign on electronic payments, including mobile money.

The Second MPAC Meeting

In its second sitting in May 2020, the Committee's decisions were based on soft developments in the global economy with a projected improvement, including the manufacturing and services subsectors. Financial conditions also strengthened, following moves to increase monetary policy accommodation through reduced policy rates and easing of the trade policy tensions between the USA and China. However, the adverse effect of COVID-19 on the global economy resulted to estimated output loss of about US$9.0 trillion and a projected contraction of 3.0 percent in global growth.

In the domestic economy, developments were also affected as evidenced by contraction in GDP growth to 2.5 percent in 2019. This subdued performance was further accentuated by the COVID-19 pandemic in 2020, weighing down on the services and manufacturing sub-sectors as well as deterioration of the output gap to negative 5.0 percent from negative 4.3 percent in the previous quarter. Despite improvements in merchandise trade, the deficit in trade balance deteriorated and the Liberian dollar depreciated in nominal terms in quarter one of 2020. However, annualized inflation for the quarter ended March 2020 moderated by 2.1 percentage points to 23.7 percent, from the 25.8 percent recorded in the last quarter of 2019.

The Board decided to set the monetary policy rate at 25.0 percent (500 basis points lower than the previous rate) in support of financial intermediation and low inflation, while monitoring macroeconomic and market conditions within the economy. The Board of Governors also decided to: continue the issuance of shorter tenor instruments (2 weeks, 1 and 3 months) at the adjusted policy rate; intensify the sensitization of CBL bills; maintain the suspension of the RSP; and continue the campaign for promotion of electronic mode of payments, including mobile money.

The Third MPAC Meeting

In August 2020, the third MPAC meeting was conducted and the decisions were informed by the developments in the global and domestic economies.

In the global economy, activity contracted further to 4.9 percent for 2020 from a revised contraction of 3.0 percent. Prices of key commodities in the energy and non-energy categories fell significantly; average inflation was projected at 0.4 percent and 1.2 percent in advanced economies and emerging market economies, respectively, with policy rates relatively stable in advanced and most West African economies. Domestic economic growth remained in contraction at 2.5 percent, as output gap deteriorated further in quarter two of 2020, reflecting weak production and tight monetary conditions.

Annualized inflation for the quarter ended June 2020 moderated to 18.0 percent, from 23.7 percent recorded in quarter one of 2020; exchange rate remained relatively stable, while inflation was projected at 17.0 percent. The Board, based on these developments, decided to retain the policy rate at 25.0 percent in line with the inflation projection for Q3.

The Board also urged Management to design policy in support of deepening financial intermediation to critical growth catalysts of the economy, including agriculture, manufacturing and Small and Medium-Scale Enterprises (SMEs) and requested for heightening of policy coordination with the fiscal authority on liquidity management.

The Fourth MPAC Meeting

In November 2020, the fourth and last MPAC meeting of the year was held. The Board considered the lingering uncertainty in the global economy induced by unabated COVID-19, with contraction in growth improving marginally to projected 4.4 percent from projection of negative 4.9 percent in quarter two. Despite the rising prices of energy and non-energy commodities (excluding rice), global inflation for 2020 was projected to remain subdued in advanced economies at 0.8 percent, while inflation in emerging markets as well as developing economies was projected at 5.0 percent. In sub-Saharan Africa, inflation was forecast to rise to 10.6 percent from 8.5 percent in 2019 on account of supply disruptions. Policy rates in advanced economies remained relatively stable, while generally unchanged in countries of the West African Monetary Zone (WAMZ), excluding Nigeria, which eased its policy rate.

In the domestic economy, output gap in the third quarter significantly improved to negative 3.3 percent from negative 9.3 percent, reflecting improved consumption and production. Year-on-year inflation moderated to 15.3 percent in quarter three from 18.0 percent in quarter two of 2020. However, the end of period (September 2020) inflation marginally rose to 14.0 percent from 13.1 percent recorded at end-June 2020.

Merchandise trade balance deteriorated to a deficit of 6.4 percent of GDP from deficit of 3.8 percent of GDP in the previous quarter. Net inflow of worker remittances rose to US$49.4 million in quarter three of 2020, largely reflecting slight improvement in financial conditions of major remitting countries. The Liberian dollar, in nominal term (year-on-year), appreciated by 4.5 percent at end-September 2020, but depreciated modestly by 0.30 percent compared to the second quarter of 2020.

Despite the 4.4 percentage points rise in non-performing loans (NPLs), overall growth in credit to the private sector slightly improved during the period. Broad money supply (M2) expanded by 6.1 percent, while currency-in-circulation (CIC) grew by 6.5 percent, mainly reflecting the rise in currency-outside-banks (CoB) by 8.2 percent. Following these developments and considering the inflation forecast of 14.7 percent with a bandwidth of +/- 2 for the last quarter of the year, the Board agreed to maintain the policy rate at 25.0 percent.

Other decisions of the Board were to: encourage commercial banks to restructure loans (especially performing loans prior to COVID-19) in support of the economic recovery effort and promote financial stability and encourage commercial banks to adjust their time and savings deposit rates as an incentive for attracting more deposits.

In summary, the transition from exchange rate management to interest rate policy yielded some gains, including the downward spiral in annual headline inflation and relative exchange rate stability. The inflation rates, which were 25.8 percent in quarter four of 2019 and 30.9 in August 2019, have moderated significantly. Inflation further moderated from 23.7 percent in quarter one 2020, to 18.0 percent in quarter two of 2020, down further to 15.3 percent in quarter three and to 12.5 percent in quarter four of 2020. Despite the contraction in real output by 3.0 percent in 2020, the tight monetary policy stance partly contributed to relative stability in the exchange rate, thereby significantly increasing the values on Liberian dollar assets.

1.6 Financial Stability Committee Activities

The Financial Stability Committee (FSC) with the mandate amongst other things to review developments of systemic concerns in the financial sector met and deliberated on the following policies in 2020:

Draft Regulations Concerning the Licensing and Operations of Discount House

The regulation, which was proposed by the Financial Markets Department, is intended to promote growth and efficiency of the money market in Liberia and to serve as a legal instrument between the CBL and the licensed financial institutions in the open market operations (OMO) and other eligible money market securities.

Amended Draft Regulations Concerning Non-Bank Credit Only Institutions & Amended Draft Prudential Regulations Regarding Microfinance Sector Loans

The Regulation and Supervision Department sought the FSC's endorsement for the issuance of the two amended regulations- the Draft Non-Bank Credit Only Regulations and Part II of the Asset Classification, Provisions for Loan Losses and Suspension of Interest on Non-Performing Loans and Advances which covers Prudential regulations regarding microfinance sector loan. The objective of the review and amendment was to consolidate the existing regulations where necessary, align usage of terminology, unify approach to regulations and introduce tier risk-based approach in the provision of microfinance services as well as new capital requirements for non-bank credit institutions.

Agreement between the National Identification Registry (NIR) and the CBL

An MoU was drafted between the CBL and the National Identification Registry (NIR) for the CBL and commercial banks to access the database of the NIR, mainly to perform credit checks on prospective borrowers. The FSC reviewed the draft agreement and made several amendments and recommendations on the draft document.

Proposal for Adjustment in Annual Operating Levy

The Regulation and Supervision Department developed a paper proposing a two-pronged approach for the determination of the annual operating levy for banks, considering the size and complexity of each licensed bank and the cost of regulating and supervision of banks and their branches.

Chapter 2.0: Global Economy

2.1 World Output

The year 2020 was marred by heightened uncertainty affecting investment and business confidence, largely due to the COVID-19 pandemic and geopolitical factors, including the US-China trade tension and post-Brexit developments. Estimated global growth was revised to a contraction of 3.5 percent from the earlier projection of negative 4.4 percent, reflecting improvement in the global economy. The improvement during the year was triggered by relaxation of travel restrictions and other complementary support, especially monetary and fiscal policies. In 2019, global growth stood at positive 2.8 percent. However, global growth for 2021 is projected at 5.5 percent on expectation of additional policy measures alongside improvement in containment of the pandemic.

Growth in advanced economies was estimated at negative 4.9 percent for 2020, from 1.6 percent in 2019. The contraction was due to the alarming rate of COVID-19 infection that disrupted economic activity, especially in the services sub-sectors. The growths in US and Japan were estimated to contract by 3.4 percent and 5.1 percent in 2020 but is projected to rebound in 2021 at 5.1 percent and 3.1 percent, respectively. The economies of the United Kingdom and euro area were estimated to also contract by 10.0 percent and 7.2 percent, respectively and are projected to remain in contractions in 2021. The varying growth patterns across countries reflected slower public health responses to the pandemic and structural rigidities entering the crisis (Table 1).

Growth in emerging markets and developing economies was also estimated to contract to negative 2.4 percent in 2020 and is projected to recover to 6.3 percent in 2021. In China, growth was estimated at 2.3 percent for 2020 and projected to further rise to 8.1 percent for 2021 on account of effective containment measures, public investment response and liquidity support. The Indian economy suffered recession in 2020 with growth estimated at negative 8.0 percent on account of sharp increase in unemployed daily wage workers, supply chain disruptions and weakened external demand. However, India’s growth is projected at 11.5 percent in 2021 in anticipation of stronger recovery. Downsides to global developments are slow normalization of cross-border travel and dim growth prospect for leading oil exporters, such as Russia and Saudi Arabia with estimated growth of 3.6 percent and 3.9 percent, respectively, as well as tourism-based economies such as Brazil with growth estimated at 4.5 percent.

Growth in sub-Sahara Africa was estimated to contract to 2.6 percent for 2020, largely reflecting slow recovery in commodity prices (notably oil), weak industrial production and external demand as well as disruption to supply chain due to the pandemic. The region's growth, however, is projected to rebound to 3.2 percent in 2021, largely hinged on commodity price recovery and easing of financial conditions. Growths in Nigeria and South Africa for 2020 were estimated at negative 3.2 percent and negative 7.5 percent, respectively, but forecast to upturn to 1.5 percent for Nigeria and 2.8 percent for South Africa in 2021.

Table 1: Selected Global Outputs and Consumer Prices

	Estimates		Projections	Difference from October 2020 WEO	
	2019	**2020**	**2021**	**2020**	**2021**
World Output	2.8	-3.5	5.5	0.9	0.3
Advanced Economies	1.6	-4.9	4.3	0.9	0.4
United States	2.2	-3.4	5.1	0.9	2.0
Euro Area	1.3	-7.2	4.2	1.1	-1.0
Japan	0.3	-5.1	3.1	-0.2	0.8
United Kingdom	1.4	-10.0	4.5	-0.2	-1.4
Canada	1.9	-5.5	3.6	1.6	-1.6
Emerging Markets and Developing Economies	3.6	-2.4	6.3	0.9	0.3
Emerging and Developing Asia	5.4	-1.1	8.3	0.6	0.3
China	6.0	2.3	8.1	0.4	-0.1
India	4.2	-8.0	11.5	2.3	2.7
Latin America & the Caribbean	0.2	-7.4	4.1	0.7	0.5
Brazil	1.4	-4.5	3.6	1.3	0.8
Middle East, and Central Asia	1.4	-3.2	3.0	0.9	0.0
Sub-Sahara Africa	3.2	-2.6	3.2	0.4	0.1
Nigeria	2.2	-3.2	1.5	1.1	-0.2
South Africa	0.2	-7.5	2.8	0.5	-0.2
Consumer Prices					
Advanced Economies	1.4	0.7	1.3	-0.1	-0.3
Emerging Markets and Developing Economies	5.1	5.0	4.2	0.1	-0.5

Source: International Monetary Fund. World Economic Outlook (WEO) Update, January 2021.

2.2 Global Inflation

Global headline inflation remained subdued, especially in advanced economies, consistent with the persistence of negative output gaps. Inflation in advanced economies was estimated at 0.7 percent for 2020, from 1.4 percent in 2019, while inflation for emerging markets and developing economies was estimated to marginally moderate to 5.0 percent for 2020, from 5.1 percent in 2019. Furthermore, inflation in advanced economies for 2021 is expected to remain below wide-range monetary targets, forecast at 1.3 percent. For emerging markets and developing economies, inflation is projected at 4.2 percent in 2021.

2.3 Commodities Market

Global commodity prices in 2020 were impacted diversely, with varying price movements in different commodity types. Overall, commodity price was projected to fall as indicated by the global commodity price index largely influenced by crude oil prices. However, metal prices rose, especially in the second half of 2020, mainly driven by recovery in China and improved consumption in advanced economies. Food prices were relatively unaffected with grain prices remaining generally stable, despite rising prices of other agro-commodities.

Outlook for 2021 is positive and reflective of rising projections in commodity prices as the global economy is anticipated to recover. Oil price is projected to rise by about 20.0 percent in 2021, while the non-oil commodity prices, mainly metals, are projected to be favorable.

2.3.1 Crude Oil

Crude oil price suffered an unprecedented decline during the first half of 2020 but later gained momentum towards the end of 2020 settled at US$48.7 per barrel. The average price of crude oil declined in 2020 by 32.7 percent to US$41.3 per barrel, from US$61.4 per barrel recorded in 2019. The decline in the price of crude oil was influenced by rapid fall in global demand amid slowdown of businesses and travel restrictions. However, the price of crude oil is forecast to rise to about US$58.4 per barrel in 2021 on anticipation of increased demand.

2.3.2 Iron Ore

The average price of iron ore was estimated to rise by 16.1 percent to US$108.9 in 2020, compared with US$93.8 per metric ton recorded in 2019. The price increase was attributed to disruption in mining activities in key ore-producing economies amid growing demand from China. Moreover, iron ore price is projected to remain relatively stable for at least the first half of 2021.

2.3.3 Rubber

Global rubber price was estimated to rise by 5.5 percent to US$1.73 per kilogram in 2020, from US$1.64 per kilogram in 2019. This rise was mainly on account of disruptions in production due to the impact of the pandemic, coupled with infested rubber trees in South-East Asia amid increased global demand. Outlook for the commodity in 2021 is expected to be favorable as automobile production picks up in China.

2.3.4 Palm Oil

The estimated global price of palm oil trended upward to US$754.0 per metric ton in 2020, from US$602.0 per metric ton in 2019. The price for palm oil is projected at US$904.8 per metric ton in 2021 on account of the anticipated improvement in global demand.

2.3.5 Cocoa Beans

The price of cocoa beans over the year increased marginally by 1.3 percent in 2020, from the global price of US$2.34 per kilogram recorded in 2019. The uptick in price reflected domestic price increase to aid farmers in both Ghana and Ivory Coast that accounted for over 60.0 percent of global output. In 2021, the price of cocoa is expected to rise to about US$2.74 per kilogram on account of rise in global demand.

2.3.6 Rice

The international price of rice was estimated at US$496.8 per metric ton in 2020, from US$418.00 per metric ton at end-2019. The rise in price was attributed to increased demand and panic buying to stockpile the commodity in anticipation of supply chain disruptions caused by the global pandemic. In 2021, rice price is expected to see slight increase due to expected improvement in global trade.

2.3.7 Gold

The global price of gold was estimated to increase to US$1,770.0 per troy ounce in 2020, from US$1,392.0 per troy ounce at end-2019. The rise was triggered by increased demand due to volatility in other financial assets induced by economic uncertainty. In 2021, gold price is projected to rise on account of prospects in the global economy and rise in the demand for precious metals.

Table 2: Selected Global Commodity Prices (2018-2020)

Commodity	Unit	2018 Actual	2019 Revised	2020 Estimate	Percent Change 2019	Percent Change 2018
Iron Ore	USD/MT	69.75	93.85	108.92	16.06	56.16
Rubber	USD/KG	1.57	1.64	1.73	5.49	10.19
Cocoa Beans	USD/KG	2.29	2.34	2.37	1.28	3.49
Palm Oil	USD/MT	638.66	601.37	751.77	25.01	17.71
Gold	US$/TOZ	1,269.23	1,392.23	1,770.25	27.15	39.47
Crude Oil	USD/BBL	68.35	61.41	41.26	-32.81	-39.63
Rice	USD/MT	420.67	418.00	496.75	18.84	18.09

Source: World Bank Commodities Price Data (The Pink Sheet), February 2, 2021

2.4 Global Financial Markets

The conditions of global financial market eased due to policy actions in response to the economic adversity of the COVID-19 pandemic. In advanced economies, interest rates, including sovereign bond yields in the equity markets declined, on account of lower return on safe assets, consistent with low forward-looking monetary policy rates. Similarly, sovereign yields in emerging markets declined.

Movements in currencies were mixed with the dollar depreciating by about 4.0 percent in real effective terms, mainly explained by uncertainty attributed to the increased COVID-19 cases in the US. In contrast, the Euro appreciated by 4.0 percent on account of improved risk sentiments. Most emerging markets currencies also recovered, including the strengthening of the Chinese renminbi. Generally, currencies in emerging market economies such as Asia remained relatively stable in real effective terms. However, the Russian, Brazilian, South African and Indian currencies were somewhat unstable largely on account of supply disruptions.

2.5 Implications for the Liberian Economy

Like many other developing countries, the containment measures at home and abroad to mitigate the COVID-19 pandemic also had a toll on the Liberian economy. The economy contracted by an estimated 3.0 percent, from a contraction initially projected at 2.5 percent in the first half of 2020, thereby resulting to a nominal GDP loss estimated at US$109.3 million. This deteriorated the economic activity gap as consumption and production were subdued. The suspension of businesses, imposition of travel restrictions and social distancing translated into adversity on the services subsector that further contracted by 12.7 percent, from negative 7.5 percent recorded in 2019.

Despite the relatively favorable international prices of Liberia’s primary exports (gold, iron ore and rubber) in 2020, domestic production generally slowed down. However, the impact of the pandemic was moderate on inflation and exchange rate.

Monetary policy was constrained as credit to various subsectors in the economy fell by 13.1 percent to 12.3 percent of GDP, from 14.1 percent of GDP at end-2019. The financial sector was overwhelmed not only by the high volume of NPLs to 21.2 percent and low profitability, but also by the increased frequency of cash withdrawals from commercial banks and minimum incentive to mobilize savings.

Regarding some of the temporary monetary policy responses, the CBL reduced the policy rate in the second quarter and heightened collaboration with mobile network operators (MNOs) as well as commercial banks. This effort resulted to suspension of some charges relating to electronic modes of payments. Policies on credits were also relaxed on selected subsectors that significantly endured the effects of the pandemic.

Chapter 3.0: Domestic Economy

3.1 Overview

In 2020, the shock of the global health crisis generally affected domestic economic activity resulting to contraction of real GDP by 3.0 percent, mainly reflecting decline in the tertiary sector by 12.7 percent. The decline in the tertiary sector was induced by contractions in the transportation, trade, hotel and construction subsectors. Activity in the primary sector moderately expanded with growth estimated at 4.8 percent, driven largely by increased activities in the agriculture & fisheries and forestry subsectors. Activity in the secondary sector (with 0.0 percent growth in 2020) was mixed with the decline in beverage output outweighing the marginal increase in the cement output.

Headline inflation, on average and end-period, moderated to 17.4 percent and 13.1 percent, respectively, on account of the tight monetary policy stance alongside stable exchange rate and decline in the global oil price. Core inflation (overall CPI less food and transport) also moderated to 12.5 percent.

The economy in 2021 is projected to grow at 3.2 percent, largely hinged on anticipated expansions in mining & panning, manufacturing and services subsectors, while continuity in monetary policy management of the Liberian dollar liquidity is anticipated to put inflation in single digit. However, resurgence of the pandemic and the lingering liquidity pressure are major downside risks to the outlook.

Key monetary aggregates during the year expanded. Growth in broad money rose due to increase in net domestic assets, while CoB expanded which resulted to growth in CIC.

At end-December 2020, commercial banks' lending to various subsectors of the economy fell by 13.4 percent. Movement in the average lending rates revealed mixed trends with interest rate on mortgage and personal loans declining, while the interest rates on saving deposits, certificate of deposits, time deposits and lending remained unchanged.

Financial markets operations were largely characterized by the issuance of CBL bills at various tenors (2-weeks, 1-month, 3-month), while the 6-month and 12-month tenors were abandoned during the year. At end-December 2020, the net withdrawal in the operations of CBL bills totaled

L$4.6 billion, of which retail investors purchased L$0.07 billion and commercial banks accounted for the remaining.

Preliminary statistics on Government's fiscal operations revealed a strong performance in fiscal outturn in 2020 resulting to a surplus of 3.9 percent of GDP in the overall balance, largely occasioned by upswing in revenue generation.

Developments in the external sector relatively improved, including the deficit in the current account, primarily occasioned by activities in the trade balance, secondary income (net) and primary income (net), while the expansion in capital account was due to growth in investment grants.

Net inward remittances, during the year, expanded by US$92.5 million to US$212.0 million, reflecting developments in the remitting countries. Liberia's gross international reserves rose by 16.6 percent and months of import cover expanded slightly to 2.4. The local currency appreciated, on average and end-period bases by 4.5 percent and 14.4 percent, respectively, on account of tight monetary policy stance, weak demand and rise in FX inflows.

The country's leading destinations of exports (Switzerland, USA and China) and sources of imports (China, India and Cote d'Ivoire) were unchanged during the year. Iron ore, rubber and gold remained the major commodities exported, and petroleum products were the main imports.

3.2 Real Sector Performance

Real Gross Domestic Product (RGDP) in the Liberian economy contracted by an estimated 3.0 percent in 2020, from negative 2.5 percent recorded in 2019, mainly on account of 12.7 percent contraction in the tertiary sector. Despite the marginal growth in the primary sector, persistent weakening of the tertiary sector remained the major constraint to growth in RGDP.

In the primary sector (agriculture & fisheries, forestry, and mining & panning), growth was estimated to expand at 4.8 percent in 2020 from 3.2 percent in 2019. The estimated growth in the primary sector was driven mainly by expansions in the agriculture & fisheries and the forestry subsectors, especially rice, logs, timbers, and woods. The estimated growth in the secondary sector (manufacturing) remained unchanged with the decline in beverage output offsetting the marginal increase in cement production. Activity in the tertiary sector was estimated to contract by 12.7

percent in 2020, from negative 7.5 percent in 2019 on account of contractions in transportation, trade & hotel, and construction subsectors.

In terms of outlook for 2021, the economy is projected to recover at a growth rate of 3.2 percent on account of activities in all major sectors of the economy, especially the mining & panning, manufacturing, and services subsectors. It is, however, important to note that growth in the agriculture and fisheries subsector is expected to moderate to 3.4 percent in 2021.

Possible downsides to the prospect for 2021 are slow recovery in the global prices of the country's key commodities, slow pace of effort to ease liquidity pressure, and resurgence of the global COVID-19 pandemic.

Table 3: Sectoral Origin of Growth (GDP at 2018 Constant Prices) (2018-2021)

	2018	2019	2020**	2021**
Agriculture & Fisheries	882.1	902.0	960.0	993.1
Forestry	295.0	272.9	285.3	291.0
Mining & Panning	401.6	454.7	462.3	471.0
Manufacturing	208.0	186.1	186.1	192.3
Services	1,477.5	1,366.3	1,193.3	1,239.2
Real GDP	3,264.2	3,182.1	3,086.9	3,186.6

Source: Liberian Authorities & IMF staff estimates
All figures are expressed in millions of U.S. dollars.
***** Projection***

Preliminary statistics for the agriculture & forestry subsectors showed downward trend in the economy with deterioration in average output. Rubber production fell by 6.7 percent to 63,734 metric tons, from a revised 68,285 metric tons reported in 2019 on account of decrease in harvest of smallholders' farms induced by the lockdown.

Cocoa output in 2020 amounted to 5,916 metric tons, indicating a decline in production, from a revised 9,997 metric tons produced in 2019. The decline in output was mainly due to unfavorable harvest coupled with the impact of the health crisis. The production of crude palm oil (CPO) decreased by 265 metric tons to 22,200 metric tons, from a revised 22,465 metric tons produced a year ago mainly due to limited labor mobility induced by the restrictive measures to contain the COVID-19. Total round logs produced during the year fell by 43,253 cubic meters, from an estimated 698,657 cubic meters during 2019, reflecting COVID-19 induced labor disruption and weak global demand. Sawn timber output was estimated to decline to 169,097 pieces in 2020, from an estimated 409,655 pieces produced in 2019 (Table 5).

Table 4: Agriculture & Forestry Outputs (2018-20)

Commodity	Unit	2018	2019+	2020**
Rubber	Mt.	46,810	68,285	63,734
Cocoa Bean	Mt.	18,871	9,997	5,916
Crude Palm Oil (CPO)	Mt.	18,104	22,465	22,200
Round Log	M3	244,578	698,657*	655,404
Sawn Timber	Pcs.	262,753	409,655*	169,097

*Sources: Ministry of Commerce & Industry (MOCI) Liberia Agricultural Commodities Regulatory Authority (LACRA); Forestry Development Authority (FDA); Mano Palm Oil (Note: + Revised/Actual, ** Projection, *Estimate*

Production in the manufacturing subsector of the economy was mixed. Cement production during the year stood at 416,444 metric tons, from 343,219 metric tons reported during the previous year, reflecting an increase by 21.3 percent on account of activity in construction, especially during the first and fourth quarters of the year (Table 6). Production of beverages (both alcoholic and non-alcoholic) declined by 16.1 percent to 14.2 million liters in 2020, from a revised 16.9 million liters produced in 2019 largely induced by the COVID-19 related lockdown that resulted to inventory accumulation. The inventory build-up was mainly pronounced in the production of alcoholic beverages during the height of the lockdown. Total paint production (both oil & water paints) was 213,166 gallons, slightly up by 223 gallons from the revised 212,943 gallons produced in 2019. The rise was due to increased demand in the first and fourth quarters of the year as construction activities heightened.

Candle production fell to 71,274 kilograms, down from a revised 94,416 kilograms produced in 2019 due to weak demand for the commodity partly induced by expansion of electricity supply in the suburb of Monrovia and north-eastern Liberia. Conversely, chlorox output increased by 4.3 percent to 1,246,431 liters, up from a revised 1,195,428 liters produced in 2019, mainly driven by higher demand for the commodity for enhanced sanitation. Also, total volume of rubbing alcohol increased by 60.0 percent to 493,786 liters, up from the revised 308,650 liters produced in 2019 mainly for use as sanitary product.

The volume of iron ore produced in 2020 amounted to 4.9 million metric tons, up from the revised 4.4 million metric tons produced in 2019, due to favorable mining conditions. Gold production declined during the year to 141,342 ounces, down from the revised 162,936 ounces produced in the preceding year. Similarly, diamond output decreased by 2.4 percent to 54,599 carats, down from 55,936 carats produced in the previous year. The decline in diamond and gold production was reflective of disruption in mining activity to contain the pandemic.

Table 5: Key Industrial Outputs (2017-2019)

Commodity	Unit	2018	2019+	2020**
Cement	Mt.	332,094	343,219	416,444
Beverages	Liter	21,302,987	16,890,776	14,169,521
Paints	Gal.	202,405	212,943	213,166
Candle	Kg.	98,627	94,416	71,274
Chlorox	Liter	1,207,775	1,195,428	1,246,431
Rubbing Alcohol	Liter	236,466	308,650	493,786
Mattresses	Pcs.	120,881	100,040	103,353
Gold	Ounce	234,354	162,936	141,342
Diamond	Carat	75,554	55,936	54,599
Iron Ore	Mt.	4,657,155	4,428,645	4,874,409
Finished Water	Gal.	1,913,580,705	1,334,370,221*	1,159,549,783
Electricity	Kw	200,975,240	214,201,040	245,444,331

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

3.2.1 Price Developments

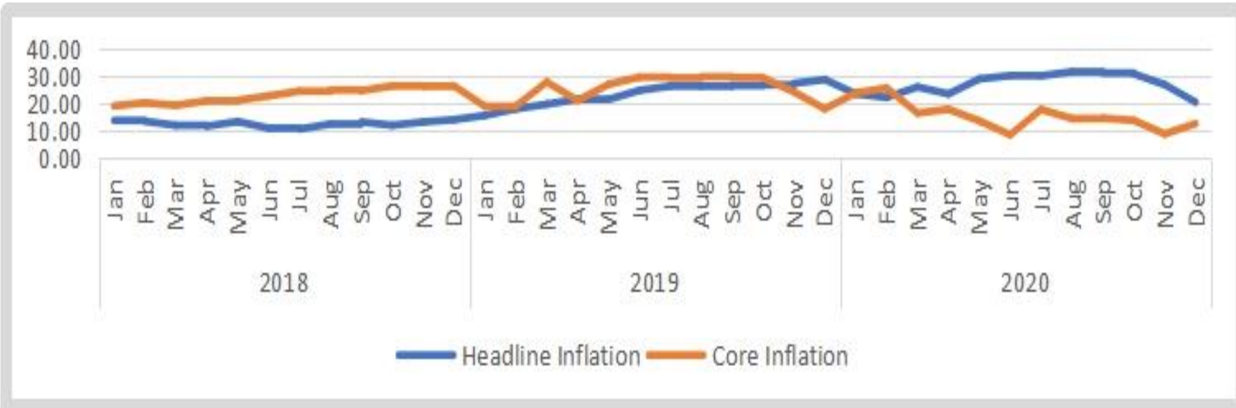
Average headline inflation for 2020 moderated to 17.4 percent, from 26.9 percent in 2019, while end-of-year inflation in 2020 stood at 13.1 percent, from 20.3 percent in December 2019. The moderation in inflation (both average and end-period) was largely explained by the CBL’s monetary policy stance coupled with stable exchange rate, favorable global oil price and constrained demand (Chart 2).

Chart 2: Year-on-Year Rates of Inflation
(December, 2005=100)
(2018-2020)

Source: Central Bank of Liberia

Except for health and education major groups, the remaining major groups in the CPI basket contributed to the moderate trend in end-of-year inflation during 2020 compared to 2019. Food & non-alcoholic beverages inflation moderated to 15.7 percent (from 23.0 percent). Inflation rates on alcoholic beverages, tobacco and narcotics moderated to 15.7 percent (from 23.0 percent); clothing and footwear to negative 10.9 percent (from 10.3 percent); housing, water, electricity, gas & other fuel to 11.0 percent (from 17.9 percent); furniture, household equipment & routine maintenance of house to negative 8.7 percent (from 24.6 percent); recreation and culture to negative 2.9 percent (from 14.5 percent); transport to 6.3 percent (from 26.3 percent); communication to negative 8.8 percent (from 17.7 percent); restaurants and hotels to 12.0 percent (from 26.6 percent); and miscellaneous goods and services to negative 9.8 percent (from 19.2 percent). In contrast, health increased to 53.4 percent (from 5.1 percent) and education to 35.7 percent (from 10.5 percent). Core inflation, the underlying inflation excluding food and transport, moderated to 12.5 percent from 17.9 percent in 2019. The downward trend in core inflation was underpinned by weak demand and relative exchange rate stability, especially in the second half of the year.

Chart 3: Headline and Core Inflation
(In Percent)
(2018-2020)



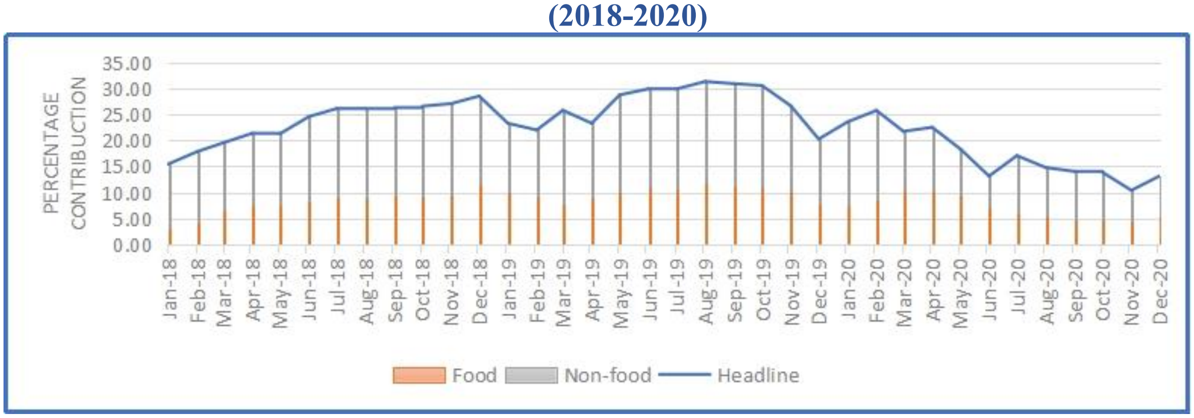
Source: Central Bank of Liberia

3.2.1.1 Food and Non-food Inflation

Average food inflation for 2020 stood at 20.9 percent, from 29.6 percent in 2019. The moderation in food inflation during the year was mainly explained by the relative strengthening of the Liberian dollar as well as decline in the prices of both imported and domestic food items in the economy.

Non-food inflation also moderated to 15.5 percent in 2020, from 25.5 percent in 2019, largely on account of relative exchange rate stability. On average, non-food category contributed more to headline inflation than food category, largely due to its weight in the CPI basket (non-food accounts for 65.9 percentage points, while food contributed 34.1 percentage points). In relation to the 17.4 rate of inflation, food inflation in 2020 contributed 7.1 percentage points, while non- food category provided 10.3 percentage points.

Chart 4: Food, Non-food and Headline Inflation
(2018-2020)

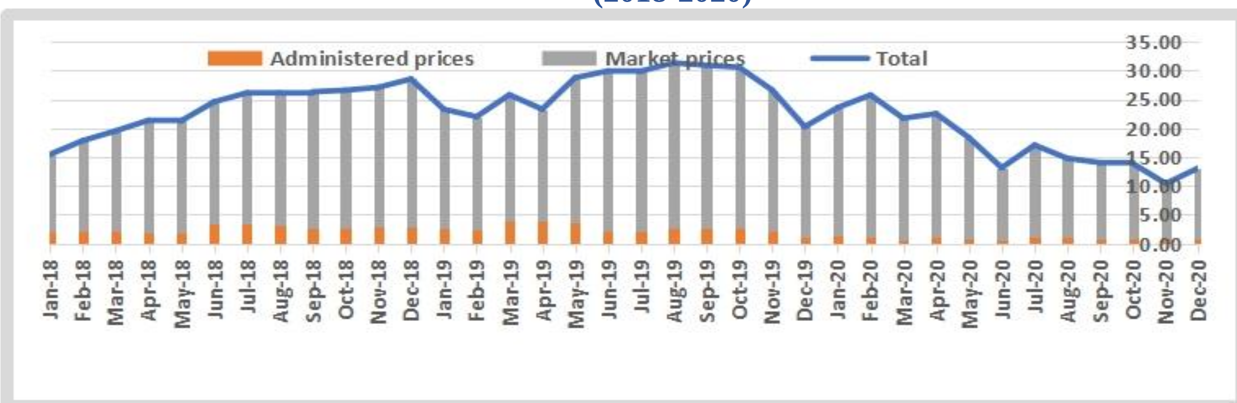


Source: Central Bank of Liberia

3.2.1.2 Administered versus Market Prices

Analysis of administered and market prices for 2020 showed that the moderation in average inflation for 2020 was driven mainly by market prices, which fell largely due to relative exchange rate stability and favorable domestic harvest of rice. In 2020, market prices contributed 16.5 percentage points to the 17.4 percent of the average rate of inflation, while administered prices accounted for the remaining 0.9 percentage point.

Chart 5: Administered versus Market Prices (2018-2020)

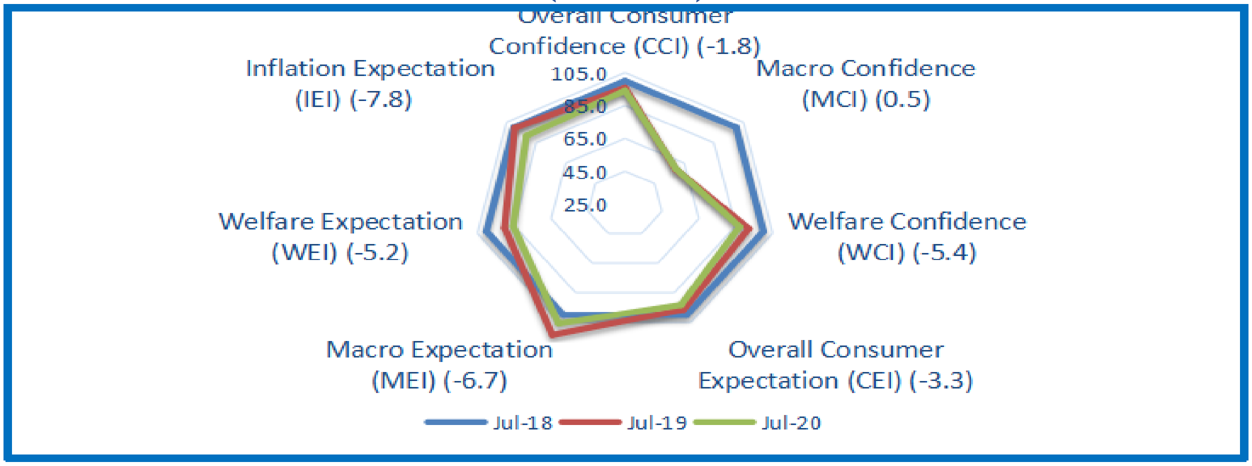


Source: Central Bank of Liberia

3.2.2 Consumer and Business Sentiments

Consumers' perception about the health of the economy in 2020 was less optimistic, thereby confirming the slowdown in economic activity. Compared to 2019, overall consumer confidence declined by 1.8 index point, mainly driven by declines in welfare confidence as well as macroeconomic and welfare expectations. The perceived declines confidence were underpinned by challenging liquidity pressure amid growing ramifications of the pandemic.

Chart 6: Measures of Consumer Confidence (2018-2020)



Source: ***CBL Staff Computation based on Consumer Confidence Survey***
Note: Exception for inflation expectation index, indices above 100 indicate optimism

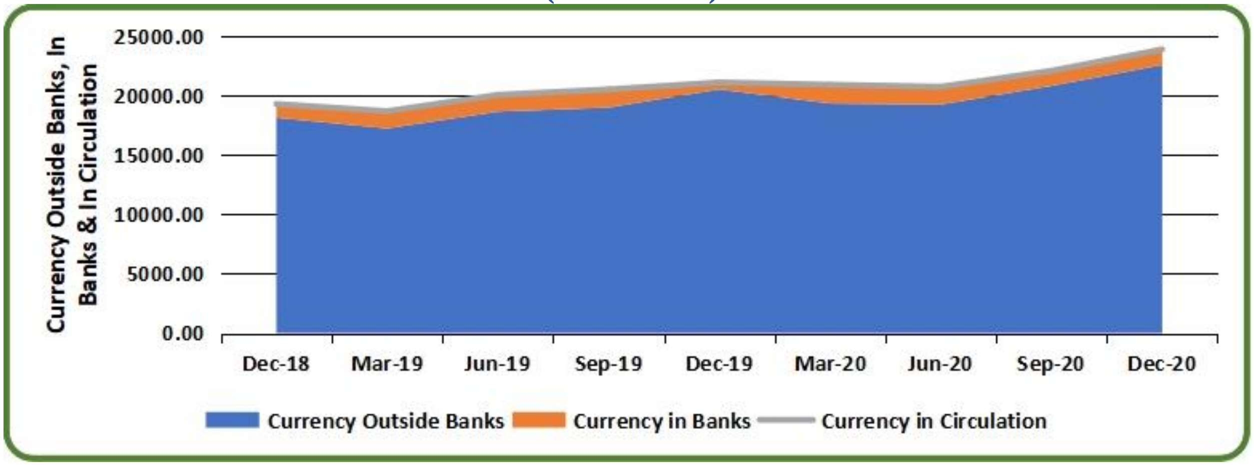
In 2020, the uncertainty resulted into decline in business confidence compared to 2019 and 1.2 index points, in relation to the base year of 2018. However, macro confidence and expectation (developments in inflation & exchange rate) relatively improved. Overall, perception of the economy by businesses confirmed contraction in economic activity, characterized by weak consumer demand and high cost of production as evidenced by the decline in overall assessment index by 4.9 points. According to the perception of businesses, the challenges during the period were largely heightened by the global pandemic (COVID-19). However, prospect for 2021, as perceived by businesses, is skewed towards improvement in economic activity.

3.3 Monetary Developments

3.3.1 Monetary Aggregates

The stock of Liberian dollars in circulation at end-December 2020 stood at L$23,902.53 million, reflecting a growth of 13.2 percent, from L$21,120.80 million recorded at end-December 2019. This expansion was primarily induced by 10.0 percent growth in CoB. Of the total CIC, CoB accounted for 94.5 percent, from 97.2 percent reported as at end-December 2019. The high level of currency outside banks was partly occasioned by macroeconomic uncertainty mainly exacerbated by the global pandemic.

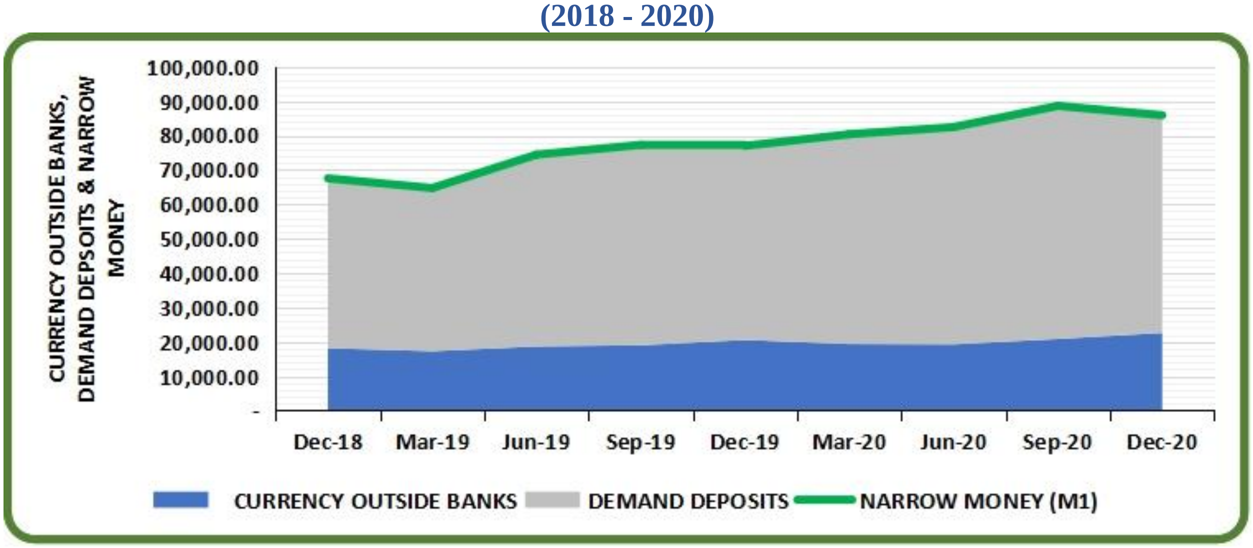
Chart 7: Liberian Dollar in Circulation (2018 - 2020)



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

At end-December 2020, the stock of narrow money supply (M1) stood at L$85,918.32 million, an increase of 11.6 percent, from L$77,006.70 million reported at end-December 2019. The growth in narrow money was influenced by 10.0 percent and 12.1 percent growths in CoB and demand deposits, respectively. Quasi money contracted by 6.0 percent to L$41,378.54 million driven mainly by 71.6 percent and 3.3 percent decreases in other deposits as well as time & savings deposits, respectively.

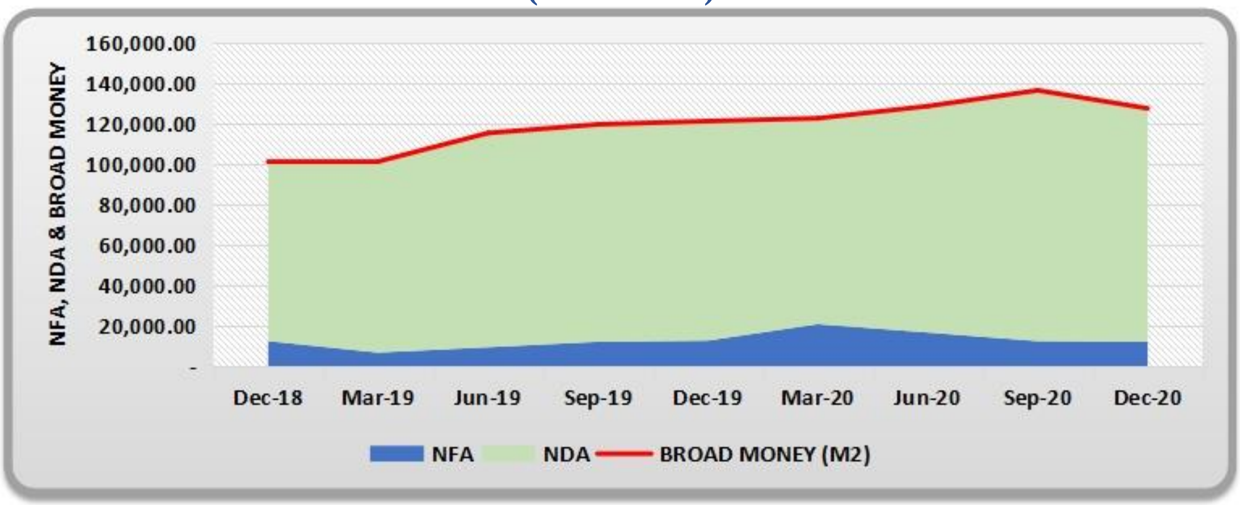
Chart 8: Narrow Money Supply (M1) (2018 - 2020)



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

At end-December 2020, broad money supply (M2) expanded by 5.2 percent to L$127,296.86 million, from L$121,006.34 million recorded at end-December 2019, mainly on account of 6.3 percent rise in net domestic assets (NDA), which offset the 4.1 percent slowdown in net foreign assets (NFA).

Chart 9: Broad Money Supply (M2)
(2018 - 2020)



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

At end-2020, reserve money grew by 5.8 percent to L$42,927.49 million, mainly due to growths in CoB and cash reserves of commercial banks held at the CBL (Table 6). The US dollar component of broad money at end-2020 accounted for 67.3 percent (L$85,669.97 million), from 68.0 percent (L$82,317.14 million) recorded at end-December 2019. However, the Liberian dollar share of broad money constituted 32.7 percent, compared to 32.0 percent recorded in 2019, reflecting the slow pace to minimize dollarization of the Liberian economy.

Table 6: Money Supply and Sources (2018-2020)

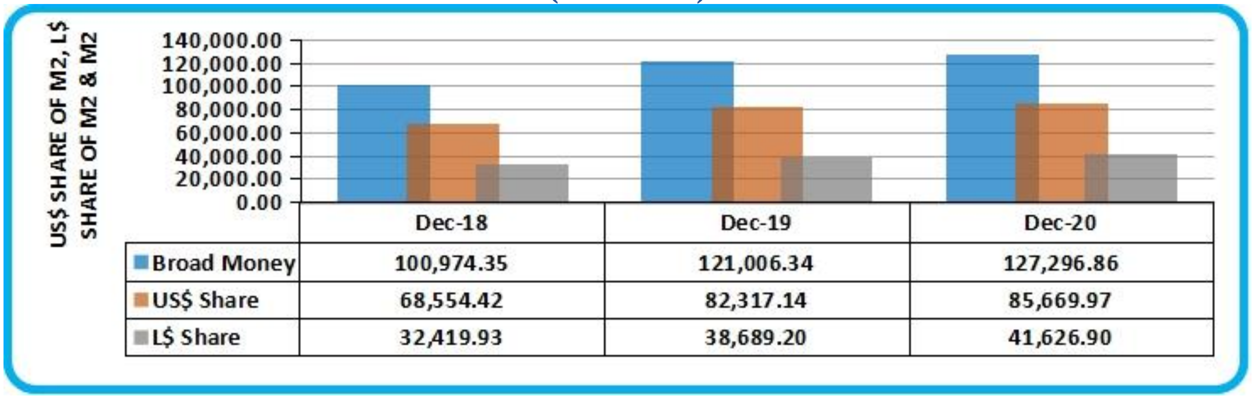
Monetary Aggregates	Dec-18	Dec-19	Dec-20	Percent Change	
				2018-19	2019-20
1.0 Money Supply M2 (1.1 + 1.2)	100,974.35	121,006.34	127,296.86	19.84	5.20
1.1 Money Supply M1	67,554.62	77,006.70	85,918.32	13.99	11.57
1.1.1 Currency outside banks	*18,148.82*	*20,535.35*	*22,591.32*	*13.15*	*10.01*
1.1.2 Demand deposit [1/]	*49,405.81*	*56,471.35*	*63,327.00*	*14.30*	*12.14*
1.2 Quasi Money	33,419.73	43,999.64	41,378.54	31.66	(5.96)
1.2.1 Time & Savings deposits	33,038.72	42,315.40	40,900.93	28.08	(3.34)
1.2.2 Other deposits [2/]	*381.00*	*1,684.24*	*477.62*	*342.05*	*(71.64)*
2.0 Net Foreign Assets	12,379.07	12,619.27	12,099.55	1.94	(4.12)
2.1 Central Bank	(2,882.47)	(7,088.76)	(6,688.45)	145.93	(5.65)
2.2 Banking Institutions	15,261.54	19,708.04	18,788.00	29.14	(4.67)
3.0 Net Domestic Assets (1.0 – 2.0)	88,595.28	108,387.07	115,197.32	22.34	6.28
3.1 Domestic Credit	140,938.01	181,003.84	191,684.66	28.43	5.90
3.1.1 (net)	57,009.49	87,356.44	105,309.94	53.23	20.55
3.1.2 Pvt. Sector & Other Pvt. Sector	83,928.51	93,647.40	86,374.72	11.58	(7.77)
3.2 Other assets Net (3.0 - 3.1)	52,342.73	72,616.77	76,487.34	38.73	5.33
Memorandum Items					
1. Overall Liquidity	100,974.35	121,006.34	127,296.86	19.84	5.20
2. Reserve Money	37,032.65	40,583.89	42,927.49	9.59	5.77
Currency outside banks	*18,148.82*	*20,535.35*	*22,591.32*	*13.15*	*10.01*
Banks Reserves	*18,502.83*	*18,364.30*	*19,858.55*	*(0.75)*	*8.14*
Other Deposits at CBL	*381.00*	*1,684.24*	*477.62*	*342.05*	*(71.64)*

Source: Central Bank of Liberia

Note: All figures are expressed in millions of Liberian dollars.

1/ Excludes managers checks from commercial banks; 2/Includes official and managers Checks issued by the CBL

Chart 10: Broad Money Supply (M2) Composition by Currency (2018-2020)



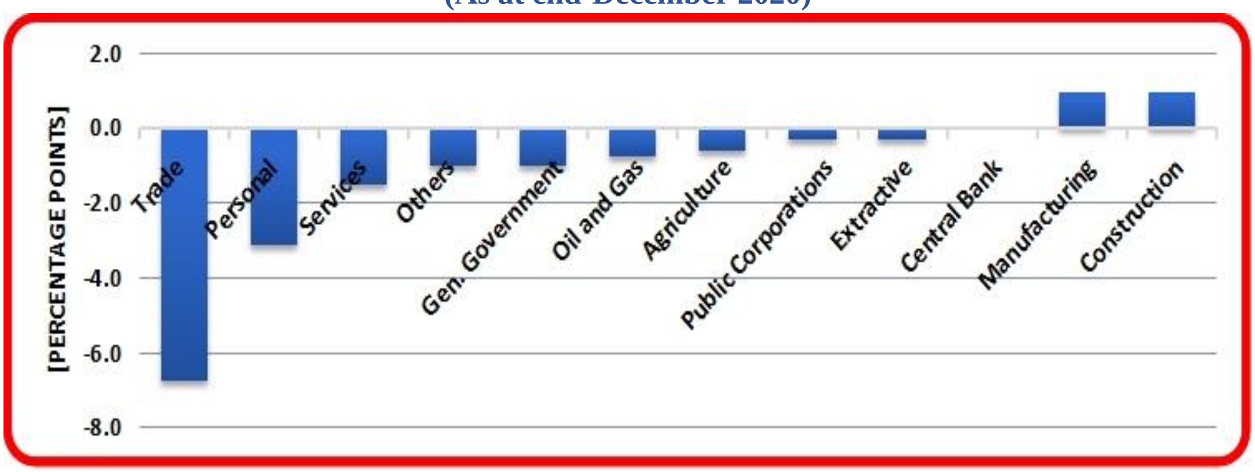
	Dec-18	Dec-19	Dec-20
Broad Money	100,974.35	121,006.34	127,296.86
US$ Share	68,554.42	82,317.14	85,669.97
L$ Share	32,419.93	38,689.20	41,626.90

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

3.3.2 Commercial Banks' Credits to the Economy

Commercial banks' credits to the various subsectors of the economy at end-December 2020 amounted to L$72,274.9 million, indicating 13.4 percent contraction against the amount reported at end-December 2019. The key subsectors accounting for the 13.4 percent contraction were trade (6.7 percentage points), loans & advances to individuals (3.1 percentage points), services (1.5 percentage point), and oil & gas (0.8 percentage point) (Chart 11).

Chart 11: Sectoral Contribution to Credit Growth (As at end-December 2020)



Source: Central Bank of Liberia

The reduction in sectoral credits was largely driven by the slow pace of economic activity, primarily on the back of the global health crisis (COVID-19), which slowed down implementation of infrastructural projects, including roads and energy. Moreover, the magnitude of the decrease in credits was also explained by the appreciation of the domestic currency, especially during the fourth quarter of 2020. Credit to the private sector as percent of GDP decreased to 12.3 percent, from 14.1 percent of GDP in 2019, which adversely impacted contribution of the financial subsector to economic activity. The private sector's share of total credits at end-2020 accounted for 96.3 percent of the total credit stock (Table 7).

Table 7: Commercial Banks' Loans by Sub-Sectors (2018-2020)

	Dec-18		Dec-19		Dec-20	
	L$	**share**	**L$**	**share**	**L$**	**share**
Agriculture	4,011.0	5.4	3,254.6	3.9	2,761.6	3.8
Extractive (Mining & Quarrying)	117.7	0.2	472.2	0.6	237.0	0.3
Manufacturing	1,188.4	1.6	1,538.7	1.8	2,340.3	3.2
Construction	3,893.6	5.3	6,043.1	7.2	6,853.7	9.5
Services	8,034.6	10.9	11,194.2	13.4	9,922.4	13.7
Trade	23,235.9	31.6	29,040.2	34.8	23,432.9	32.4
Personal	20,440.0	27.8	16,614.6	19.9	14,019.3	19.4
General Government	1,503.9	2.0	840.8	1.0	15.2	0.0
Central Bank	-	-	-	-	-	-
Public Corporations	1,026.4	1.4	2,901.7	3.5	2,662.4	3.7
Oil and Gas	4,579.4	6.2	5,364.6	6.4	4,720.9	6.5
Others	5,596.3	7.6	6,145.5	7.4	5,309.1	7.3
Total Loan (All Sectors)	73,627.1	100.0	83,410.3	100.0	72,274.9	100.0
Total Loan (Private Sector)	71,096.8	96.6	*79,667.7*	*95.5*	*69,597.4*	*96.3*

Source: Central Bank of Liberia

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

3.3.3 Interest Rates

Movements in the average interest rates in the economy for 2020 showed mixed trends. Interest rate on mortgages and personal loan decreased, while lending, time deposits, certificate of deposits and saving deposits rates remained stable. The average interest rates on mortgages and personal loans fell by 114.0 and 3.5 basis points, respectively, while the average rates on lending, time deposits, certificate of deposits and saving deposits remained unchanged at 12.4 percent, 3.5 percent, 3.3 percent and 2.1 percent, respectively, compared with the interest rates reported at end-December 2019. The stability in savings rate coupled with the constant lending rate clearly demonstrated the slow pace of economy activity, which transmitted into low mobilization of savings (Chart 12).

Chart 12: Average Commercial Banks' Interest Rates

Source: Central Bank of Liberia

3.4 Financial Markets Developments

During the year, the CBL worked with the GOL to strengthen the domestic debt market. The GOL regularized most of its debt obligations to commercial banks through restructuring, while servicing some of its debt obligations.

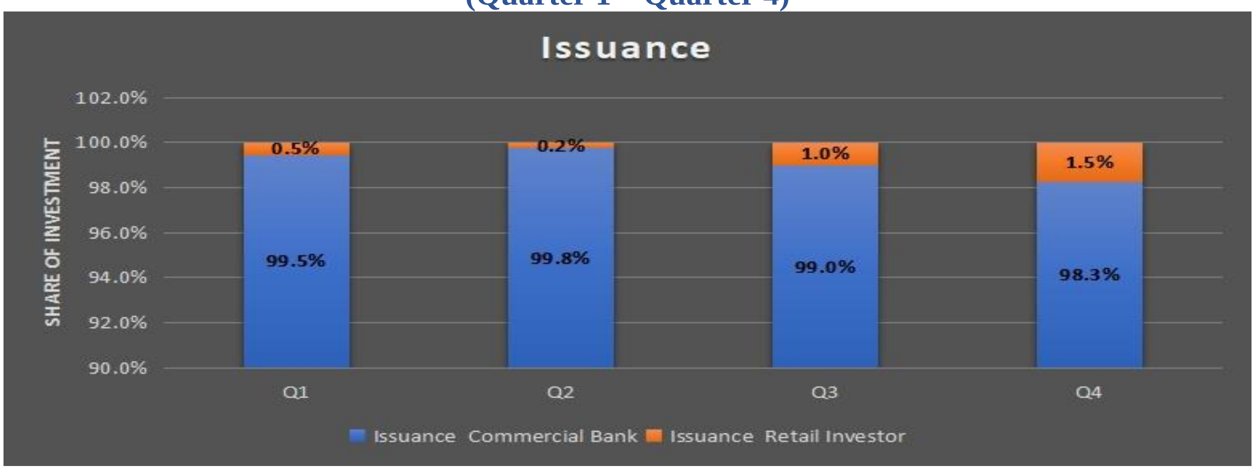
As an essential component of financial markets development, the CBL continued to mobilize a pool of retail investors to promote secondary market operations. In quarter two of 2020, the CBL stopped the issuances of its 6-months and 1-yr CBL bills to focus on shorter tenor instruments. It was purposed to increase investors' confidence due to the frequent redemptions and publication of results on the CBL's website. The number of retail investors increased from 19 in January 2020 to 146 in December 2020, totaling 387 subscriptions.

3.4.1 CBL Bills

The financial market operations were characterized by issuance of CBL bills. During the first quarter of the year, the Bank offered L$7.0 billion in various tenors (2-weeks, 1-month, 3-months, 6-months, and 12-months) on an effective annual return of 30.0 percent. However, during the second quarter of the year, the Board, at its sitting, reduced the interest rate by 500 basis points to 25.0 percent in line with the inflation projection for the second quarter of 2020, discontinued the issuance of longer tenor instruments (6-month and 1-year bills) and maintained shorter tenor instruments (2-weeks, 1-month, and 3-months), while maintaining the offered amount. The adjustment was aimed at increasing investors' confidence and reducing short term inflation expectations. In response to the adjustment, several subscriptions were rolled over by investors upon maturity, though the daily outstanding bills did not exceed the targeted L$7.0 billion. The total stock of bills issued, since the implementation of monetary policy rate in 2019, amounted to L$42.49 billion at end-2020, of which L$42.11 billion was purchased by commercial banks and L$0.38 billion by retail investors. Similarly, the total redemption from 2019 to end-December 2020 amounted to L$39.77 billion. Additionally, the CBL paid commissions, coupons, and interest along with indexed differentials to commercial banks and retail investors valued at L$0.95 billion during the year under review.

The share of commercial banks subscriptions of CBL bills for the year 2020 accounted for 99.12 percent of the total subscription as illustrated in Chart 13 below.

Chart 13: Investment in the CBL Bills for 2020
(Quarter 1 – Quarter 4)



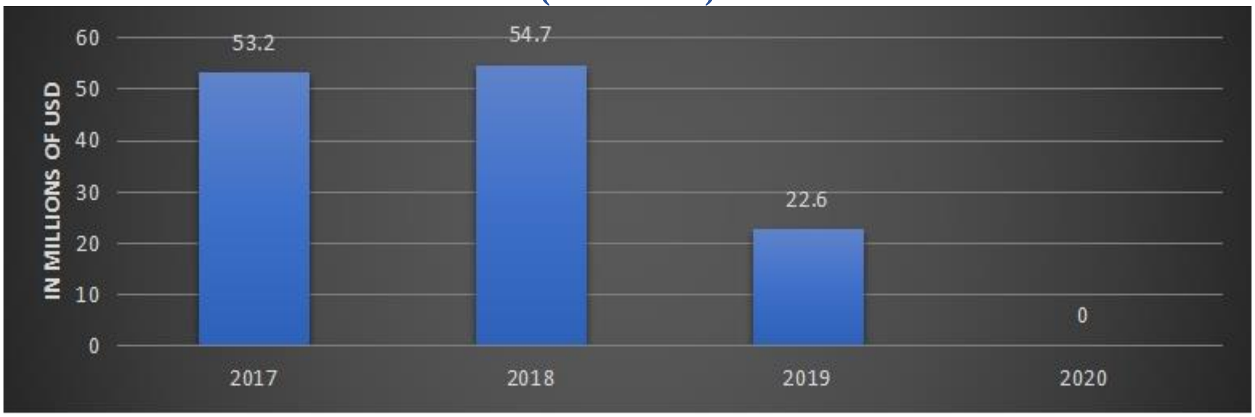
Source: Financial Market Department

3.4.2 Foreign Exchange Market

3.4.2.1 CBL's Foreign Exchange Auction

In 2020, the CBL did not intervene in the foreign exchange market due to the relative stability in the foreign exchange market. However, the CBL purchased the amount of US$6.32 million from the GOL at the Liberian dollars equivalent of L$1.09 billion.

Chart 14: Foreign Exchange Auction (2017 - 2020)



Source: CBL Financial Markets Department

3.4.3 Standing Facilities

3.4.3.1 Standing Deposit Facility

In the first quarter of 2020, the CBL offered a cumulative SDF in the amount of L$58.55 billion at an overnight interest rate of 0.07 percent. The total amount deposited in the SDF during the period was 21.4 percent more than the total deposits in the previous quarter, driven mainly by increase in the overnight interest rate. Total amount of interest payment during the first quarter of 2020 was L$41.23 million from L$16.31 million recorded in the last quarter of 2019. However, the SDF was suspended in the second quarter of 2020 to allow for effective operations of the CBL bills.

Table 8: SDF Utilization and Interest (in Millions of Liberian dollars)

SDF	Q4 2019	Q1 2020
Deposits	$48,235.00	$58,545.00
Recalled	$48,235.00	$58,545.00
Interest	$16.31	$41.23

Source: CBL Financial Markets Department

3.4.3.2 Standing Credit Facility

The standing credit facility was not utilized during the year due to lack of commercial banks' appetite for credit from the CBL to meet short term liquidity needs. The commercial banks, however, showed high preference for investing in the CBL bills of shorter tenors with an attractive annual rate of return.

3.4.4 Cost of Monetary Policy Intervention

The total cost of monetary policy intervention, using both the CBL bills and the SDF, amounted to L$996.12 million at end-December 2020 (Table 9). This cost was driven by the core mandate of the CBL to stabilize inflation through prudent Liberian dollar liquidity management.

Table 9: Cost of Monetary Policy Interventions (2020)

Policy Instruments	Amount in LRD
CBL Bills/EAR Interest	758,352,065.59
Interest/Coupon	57,560,466.57
FX/Index Differential	138,809,771.41
Commission	177,036.12
Standing Deposit Facility (SDF)	41,225,000.00
Foreign Exchange Auction	0
Total	996,124,339.69

Source: CBL Financial Markets Department

3.4.5 Interbank Market Developments

In the interbank market operations, commercial banks continued to submit daily interbank transactions to the CBL for tracking of activities. In 2020, the interbank market reported a total of 69 transactions, including placements of SWAPs and Repo. The total value of these transactions in 2020 amounted to L$7.3 billion and US$53.85 million compared to L$22.0 billion and US$239.0 million for 2019, reflecting declines in the volume of commercial banks transactions mainly induced by the pandemic.

3.4.6 GOL Treasury Bills and Bonds

In 2020, the CBL issued the total amount of L$535.59 million and US$2.01million of GOL Treasury bills (T-bills), while L$1.55 billion and US$4.60 million were brought forward for redemption in 2020. Of the total T-bills brought forward, L$831.60 million and US$2.0 million were redeemed bringing the total issued and rolled over T-Bills outstanding to L$1.25 billion and US$5.53 million with tenors of 360 days. Also, the total outstanding Treasury Bonds brought forward in 2020 for redemption was L$6.00 billion and US$69.40 million. The GOL paid a total of L$679.50 million and US$2.41 million as coupon, and US$9.32 million as partial principal, thus, bringing the total outstanding principal and coupon of the GOL to L$6.30 billion and US$60.40 million at end-December 2020. Overall, the total unredeemed T-Bills and T-Bonds for the review period stood at L$7.53 billion and US$65.93 million.

3.5 External Sector Developments

3.5.1 Overview of the Balance of Payments (BOP)

In 2020, developments in the external sector were relatively favorable. The net balance of the deficit in current and capital accounts improved to US$221.3 million, from deficit of US$408.3 million in 2019 largely due to increases in exports earnings and grants from development partners. The current account deficit improved to US$545.1 million (17.8 percent of GDP) mainly reflecting developments in trade balance through increased export earnings, secondary income (net) and primary income (net). Similarly, the capital account expanded to US$323.8 million (10.6 percent of GDP) from US$272.4 million (2.6 percent of GDP) mainly due to rise in investment grants from development partners. Net borrowing of the financial account lowered during the year as a result of considerable increase in reserve assets, offsetting the rise in net liabilities of other investment.

The overall balance of payments revealed a deficit of US$79.0 million (2.6 percent of GDP), indicating a rise in reserve assets, largely attributed to increased foreign currency holdings of banks.

Table 10: Balance of Payments Statistics
(In Million USD)
(2018 - 2020)

Account Description	2018	2019r	2020p
Current Account (CA)	(787.09)	(680.76)	(545.07)
Credit	1,069.11	916.92	1,007.71
Debit	1,856.20	1,597.68	1,552.78
Goods and Services	(812.83)	(689.79)	(693.35)
Credit	558.84	554.01	619.37
Debit	1,371.67	1,243.80	1,312.72
Goods (net): surplus (+)/ deficit (-)	(492.69)	(390.90)	(390.30)
Credit (Exports)	548.45	542.93	607.68
Iron ore	145.22	234.57	289.03
Rubber	68.42	85.57	82.19
Mineral (Gold & Diamond)	257.65	180.43	206.57
Palm oil	9.66	11.34	3.94
Other exports (excluding gold)	67.50	31.02	25.95
Debit (Imports)	1,041.14	933.83	997.98
Food and Live Animals (including Animals & Vegetable Oil)	283.43	286.29	283.81
O/w Rice	111.45	140.97	122.19
Minerals, Fuel, Lubricants	154.05	145.19	189.16
O/w Petroleum Products	109.82	115.59	161.60
Machinery & Transport Equipment	257.75	210.2	231.26
Manufactured goods classified by materials	176.07	125.63	106.37
Other Imports	169.84	166.52	187.38
General merchandise on a balance of payments basis	(718.56)	(555.23)	(584.74)
Credit	322.58	378.60	413.24
Debit	1,041.14	933.83	997.98
Of which Re-exports (credit)	31.49	3.61	0.00
Nonmonetary Gold (credit)	225.87	164.33	194.44
Services	(320.14)	(298.89)	(303.05)
Credit	10.39	11.08	11.69
Debit	330.53	309.97	314.74
Primary Income	(125.92)	(112.38)	(99.48)
Credit	23.17	23.80	20.95
Debit	149.09	136.18	120.43
Secondary Income	151.66	121.41	247.76
Credit	487.10	339.11	367.39
Debit	335.44	217.70	119.63
Capital Account (KA)	316.35	272.43	323.77
Credit	316.35	272.43	323.77
Debit	0.00	0.00	0.00

Net Lending (+)/Net Borrowing (-) balance from CA & KA	(470.74)	(408.33)	(221.30)
Financial Account (FA)			
Net Lending (+)/Net Borrowing (-) balance from FA	(323.58)	(244.11)	(142.37)
Direct investment	(129.13)	(86.68)	(86.96)
Net acquisition of financial assets	0.00	0.00	0.00
Net incurrence of liabilities	129.13	86.68	86.96
Other investment	(130.66)	(126.85)	(134.44)
Net acquisition of financial assets	36.07	3.85	36.34
Net incurrence of liabilities	166.73	130.70	170.78
Reserve assets	(63.79)	(30.58)	79.04
NET ERRORS & OMISSIONS	147.16	164.22	78.93
Overall Balance	63.79	30.58	(79.04)
MEMORANDUM ITEMS			
Gross Foreign Reserves Position	287.18	252.36*	294.40
Import Payments (cif)	1,143.35	868.78	1,102.20
Imports (cif) & Service Payments	1,357.49	1,206.98	1,416.94
Current Account Balance excluding Grants	(733.37)	(704.06)	(595.11)
Nominal GDP†	3,264.18	3,176.06	3,066.80
Current Account Deficit. (% of GDP)	(24.11)	(21.43)	(17.77)
Current Account Balance excluding Grants (% of GDP)	(25.64)	(21.90)	(19.41)
Trade (in goods) Deficit % of GDP	(15.09)	(12.31)	(12.73)
Capital Account Bal. (% of GDP)	9.69	8.58	10.56
Financial Account Bal. (% of GDP)	9.91	7.69	4.64
Months of Import Cover††	2.4	2.3	2.4

Source: Central Bank of Liberia staff
r - revised; p - preliminary
† NGDP is based on the 2020 ECF Review Mission Mini Model published in November 2020.

3.5.2 Financial Account (FA)

Preliminary statistics on the financial account revealed a net borrowing of US$142.4 million (4.6 percent of GDP), 41.7 percent lower than the US$244.1 million (7.6 percent of GDP) recorded in 2019. The decline in net borrowing of the financial account was largely occasioned by increase in acquisition of reserve assets.

3.5.2.1 Direct Investment

Direct investment inflow during the year was estimated at US$87.0 million (2.8 percent of GDP) compared with the US$86.7 million (2.7 percent of GDP) reported in the previous year. The slight increase was mainly attributed to rise in debt instruments from direct investors to direct investment enterprises.

3.5.2.2 Other Investment

The net incurrence of liabilities in other investment increased by 6.0 percent to US$134.4 million (4.4 percent of GDP). The disbursement of funds to help mitigate the impact of COVID-19 on the domestic economy was the key driver for the net incurrence of liabilities.

3.5.2.3 Reserve Assets

Transactions in the country's reserve assets recorded a surplus of US$79.0 million (2.6 percent of GDP), compared to a deficit of US$30.6 million (1.0 percent of GDP) reported in 2019. The increase in reserve assets was attributed to rise in non-resident transferable deposits of foreign currency and foreign currency holdings of the commercial banks.

3.5.3 Capital Account (KA)

During the year, official transfers were the key drivers of changes in the capital account. Preliminary statistics showed that the net balance on the capital account increased to US$323.8 million (10.6 percent of GDP), from the revised US$272.4 million (8.9 percent of GDP) reported in the preceding year. The growth was mainly triggered by rise in investment grants from development partners.

3.5.4 Current Account (CA)

Preliminary statistics on the current account balance showed improvement in the deficit to US$545.1 million (17.8 percent of GDP), from deficit of US$680.8 million (21.4 percent of GDP) in 2019, due to developments in trade balance, primary income (net) and secondary income (net).

3.5.4.1 Goods Account (net)

Total merchandise trade (with imports on cif basis) expanded by 8.5 percent to US$1,709.9 million (55.8 percent of GDP) in 2020, from US$1,576.2 million (49.6 percent of GDP) in 2019. The upturn was induced largely by increases in both earnings from exports and payments for imports (including insurances and freights). In contrast, the balance of trade deficit narrowed in 2020 mainly on account of rise in export earnings.

Earnings from exports rose by 11.9 percent to US$607.7 million (19.8 percent of GDP), from US$542.9 million (17.1 percent of GDP) reported a year ago, occasioned by increases in receipts from key export commodities, mainly gold and iron ore. Receipts from gold increased by 18.3 percent to US$194.4 million, from US$164.3 million in the preceding year. Receipts from iron ore exports rose by 23.2 percent to US$289.0 million, from US$234.6 million recorded in 2019. However, earnings from rubber, which constituted 13.5 percent of total export earnings, declined by 3.9 percent.

Import payments increased by 6.9 percent to US$998.0 million (32.5 percent of GDP), from US$933.8 million (29.4 percent of GDP) in the previous year. The rise in import payments was mainly on account of increase in payments for minerals, fuel & lubricant commodity group, predominantly petroleum products that rose by 30.3 percent to US$189.2 million, from US$145.2 million in 2019.

3.5.4.2 Services Account (net)

Preliminary statistics on services showed that both payments and receipts for services rose during the year. However, the rise in payments for services outweighed the increase in receipts, resulting to widened net service payments of US$303.1 million (9.9 percent of GDP). Payments for services rose slightly by 1.5 percent to US$314.7 million compared to the US$310.0 million recorded in 2019, induced by increases in payments for sea freight and insurance services by 4.7 percent and 24.0 percent, respectively.

3.5.4.3 Primary Income (net)

During the year, preliminary statistics showed that both inflows and outflows of primary income declined with the reduction in payments exceeding the fall in receipts. However, the balance on primary income improved to a deficit of US$99.5 million (3.2 percent of GDP), from deficit of US$112.4 million (3.5 percent of GDP) recorded in the preceding year largely due to decrease in investment income arising from a fall in reinvested earnings.

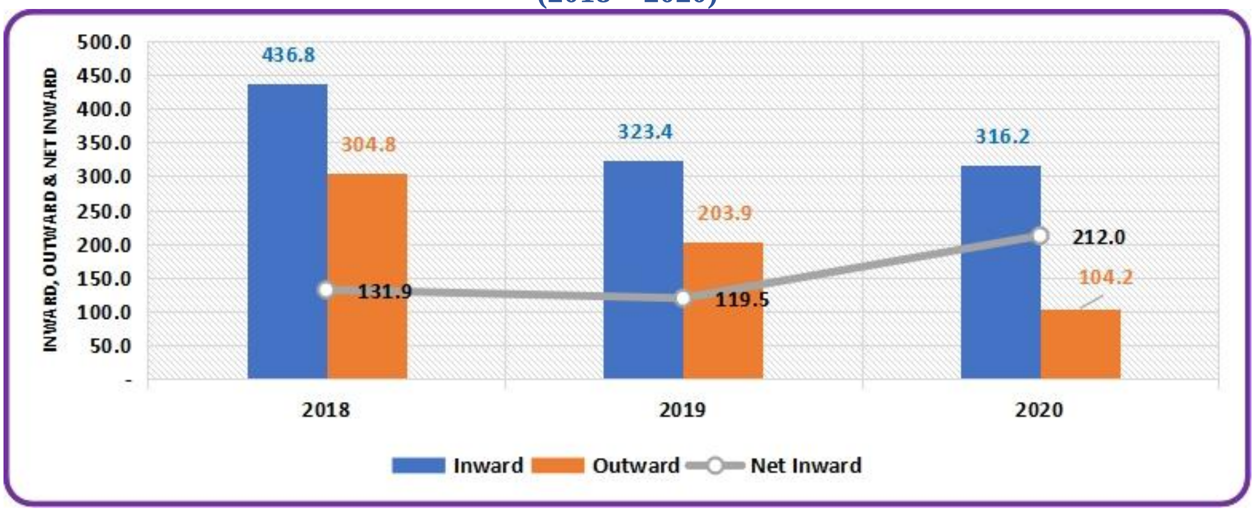
3.5.4.4 Secondary Income (net)

During the year, preliminary statistics showed that secondary income balance reported a surplus of US$247.8 million (7.4 percent of GDP), from the revised US$121.4 million (3.8 percent of GDP) in 2019 on account of growth in foreign aid flows to the Government.

3.5.4.4.1 Personal Remittances

Net personal inward remittances in 2020 grew by US$92.5 million (3.0 percent of GDP) to US$212.0 million, from US$119.5 million recorded for 2019. The expansion was explained by 7.1 percent growth in inward remittances and significant reduction in outward personal remittances. Outward remittances at end-2020 amounted to US$104.2 million, while inward remittances amounted to US$316.2 million.

Chart 15: Personal Remittances
(In Millions of US$)
(2018 – 2020)



Source: Central Bank of Liberia

3.5.5 International Reserves

Table 11: Gross International Reserves
(In Million USD, except otherwise indicated)
(2018 – 2020)

International Reserves[/1]	2018	2019	2020[p]	Percent Change 2020/2019	Val. Change 2020/2019
Gross	287.18	252.36	294.40	16.66	42.04
Net	70.13	27.51	0.05	(99.82)	(27.46)
Months of Import Cover	2.4	2.3	2.4		

Source: Central Bank of Liberia

p – preliminary, value is at end-November 2020.

r - revised

[/1] Gross International Reserves = CBL liquid foreign assets less net liquid liabilities to commercial banks plus SDR including Reserve Tranche. GIR was revised based on ECF Program but is not based on the flat exchange rate.

3.5.6 Direction of Trade (DOT)

Provisional statistics on Liberia's direction of trade revealed that Europe (mainly Switzerland), Asia (mainly China) and North America (mainly the United States of America) were the top destinations of exports during the year. Gold and rubber were the main commodities exported to Switzerland and USA, respectively, while iron ore was the key commodity shipped to China and rubber to the United States. On the overall, Europe accounted for 77.3 percent of total export earnings, while Asia and North America accounted for 10.8 percent and 7.1 percent, respectively. On the other hand, Asia (mainly China & India), Africa (mainly Cote d'Ivoire) and Europe were the top three sources of imports. Imports from Africa (predominantly petroleum products from Cote d' Ivoire) increased by 30.7 percent, while imports from Europe rose by 8.6 percent. Imports from Asia marginally declined by 1.0 percent.

Table 12: Directions of Trade
(In Million USD, except otherwise indicated)
(2018 - 2020)

Direction of Trade by Region	2018		2019r		2020p	
	Export	Import	Export	Import	Export	Import
Africa	19.66	169.71	21.86	162.50	7.81	212.38
o/w ECOWAS	13.60	*142.87*	20.65	*141.81*	7.52	*186.55*
o/w NC[/1]	10.34	*125.42*	14.03	*124.23*	0.68	*168.94*
o/w Sierra Leone	7.85		13.39		0.67	
o/w Cote d'Ivoire		*116.74*		*118.73*		*164.70*
Asia	41.45	585.85	72.14	555.11	65.62	549.46
o/w China	1.20	*227.96*	*31.95*	*190.30*	33.36	*177.70*
o/w ME[/2] Countries	29.88	*34.18*	*29.40*	*48.18*	20.87	*39.50*
o/w UAE	3.69	*12.17*	*24.56*	*16.13*	17.29	*18.90*
o/w India		*181.33*		*183.37*		*175.64*
Europe	379.96	185.03	350.69	124.70	469.61	135.45
o/w Switzerland	223.54		*151.12*		179.57	
o/w Netherland		*24.96*		*15.04*		*17.71*
o/w Eurozone	0.67	*32.41*	*3.46*	*80.63*	36.03	*95.45*
North America & The Caribbean	58.86	74.31	51.48	63.45	42.89	71.55
o/w USA	58.86	*67.91*	*51.48*	*58.84*	42.89	*67.45*
South & Central America	0.47	23.67	6.22	25.78	1.52	24.83
o/w Mexico	0.44		*5.96*		1.11	
o/w Brazil		*16.55*		*21.92*		*18.12*
Oceania	1.60	2.57	0.00	2.29	0.1	4.31
o/w Australia		*1.30*		*1.57*		*3.68*

Other Countries (n.i.e)	46.45	na	40.54	na	20.23	na
Total DOT	548.45	1,041.14	542.93	933.83	607.78	997.98

Source: Liberia Revenue Authority (CUSTOM ASYCUDA), Firestone Liberia, Total Liberia, Ministry of lands, Mines &
Energy
r-revised, p-preliminary
/1 - neighboring countries (these include Ivory Coast, Guinea and Sierra Leone)
/2 – Middle Eastern Countries

3.5.7 Exchange Rate Developments

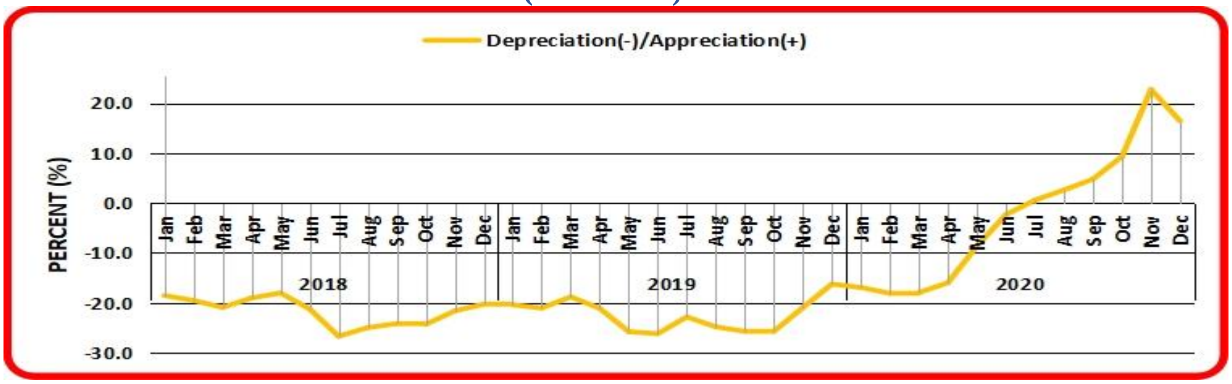
During the year, developments in the foreign exchange rate market relatively favored the Liberian dollar. Using annual average exchange rate, the Liberian dollar appreciated by 4.5 percent in 2020 to L$191.52/US$1, from L$199.78/US$1 in 2019. Similarly, the end-of-period exchange rate (EOP) at end-2020 recorded a relatively higher appreciation of 14.4 percent of the Liberian dollar to L$164.22/US$1, compared to L$178.93/US$1 reported in 2019 (Tables 13). Generally, the appreciation was mainly underpinned by weak demand, increased foreign exchange inflows and tight monetary policy stance.

Table 13: Buying and Selling Rates of LRD per USD (2018-2020)

	2018		**2019**		**2020**	
Period Average	**Buying**	**Selling**	**Buying**	**Selling**	**Buying**	**Selling**
January	126.46	127.24	158.97	159.97	191.24	192.89
February	126.85	127.26	160.65	161.44	195.85	197.67
March	131.48	131.79	161.74	162.69	197.02	198.64
April	130.94	131.37	165.91	166.82	197.41	198.83
May	134.15	134.63	180.72	181.75	197.84	199.10
June	142.90	143.79	193.65	195.10	198.52	199.67
July	153.88	155.08	199.51	201.08	198.64	199.81
August	152.97	154.12	203.75	204.98	198.65	199.84
September	154.52	154.94	207.74	209.18	198.39	199.62
October	156.31	157.08	210.40	211.88	192.59	193.85
November	157.30	158.28	198.69	200.91	162.10	163.47
December	156.80	158.21	187.93	188.39	160.76	162.34
Memo Items:	2018		2019		2020	
End-of Period	187.93		187.93		164.22	
Period Average	199.78		199.78		191.52	

Source: Central Bank of Liberia

Chart 16: Year-on-Year L$/US$ Exchange Rate Variability (2018-2020)



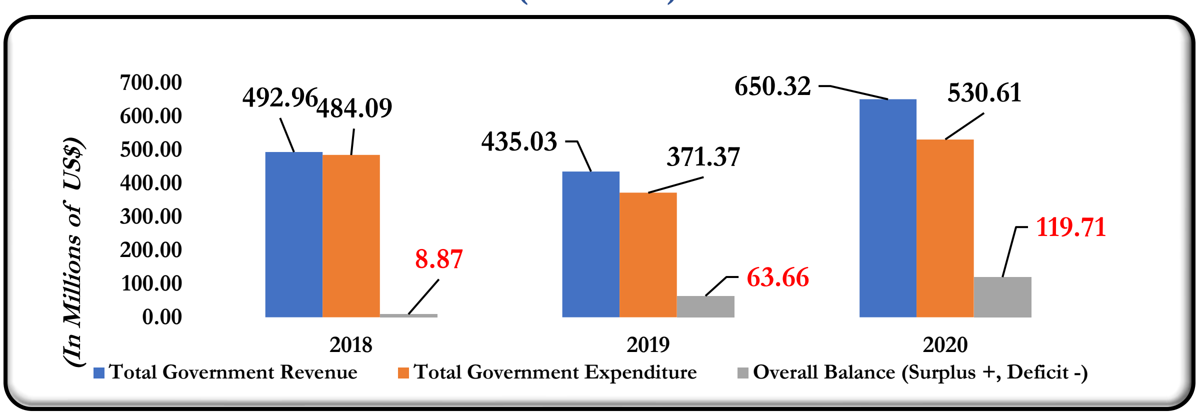
Source: Central Bank of Liberia

3.6 Fiscal Sector Developments

3.6.1 Overview of Operations

Despite the economic challenges exacerbated by the COVID-19 in the domestic economy, preliminary statistics on Government's fiscal operations showed strong performance in fiscal outturn in 2020 with a surplus of US$119.7 million (3.9 percent of GDP), mainly due to upswing in overall revenue. Total revenue (including grants) increased by 49.5 percent to US$650.3 million (21.2 percent of GDP). Similarly, total expenditure expanded by 42.9 percent to US$530.6 million (17.3 percent of GDP) due to activities in recurrent expenditure, especially compensation of employees and interest payments on loans and other charges. The stock of debt, which accounted for the legacy component, amounted to 52.1 percent of GDP at end-December 2020 and remained within the ECOWAS threshold of 70 percent of GDP.

Chart 17: Outlook of GOL's Fiscal Operations (2018-2020)



Source: CBL's Construction using MFDP data

3.6.2 Revenue

Total revenue (inclusive of grants) in 2020 rose by 49.5 percent to US$650.3 million (21.1 percent of GDP) compared to 2019 on account of increases in tax, non-tax and other revenues (including grants). During the year, overall tax revenue increased by 7.9 percent, totaling US$385.5 million (12.6 percent of GDP), while non-tax revenue rose by 12.2 percent amounting to US$87.4 million (2.9 percent of GDP). Other revenues (inclusive of grants) increased significantly to US$177.5 million (5.8 percent of GDP). The rise in tax revenue was largely driven by 19.9 percent improvement in levies generated from income and profit to US$168.9 million (5.5 percent of GDP) coupled with 3.3 percent upturn in international trade taxes totaling US$164.5 million (5.4 percent of GDP). Property income tax rose by 20.1 percent to US$73.7 million (2.4 percent of GDP). Conversely, administrative fees and penalties declined by 18.7 percent to US$13.2 million (0.4 percent of GDP).

Table 14: Government Revenue (2018-2020)

Fiscal Operations	2018	2019	2020	Y-O-Y
	(Millions of USD)			(%)
Total Revenue	492.96	435.03	650.32	49.49
Tax Revenue	399.29	357.15	385.47	7.93
o/w Taxes on Income & Profits	165.13	140.82	168.87	19.92
o/w Taxes on International Trade (Customs)	182.98	159.17	164.45	3.32
Non-tax Revenue	55.65	77.89	87.36	12.16
o/w Property Income	37.74	61.39	73.72	20.07
o/w Administrative & Penalties	17.87	16.28	13.24	(18.70)
Other Revenue (Grants & Borrowings)	38.02	0.00	177.49	>1000
Memo Items				
Total Revenue (% of GDP)	15.10	13.70	21.21	
Tax Revenue (% of GDP)	12.23	11.24	12.57	
Non-tax Revenue (% of GDP)	1.70	2.45	2.85	
Other Revenue (Grants & Borrowings)	1.16	0.00	5.79	
GDP (*In Millions of USD*)	3,264.18	3,176.06	3,066.80	

Source: CBL's computation using MFDP data

3.6.3 Expenditure

Total expenditure in 2020 expanded by 42.9 percent to US$530.6 million (17.3 percent of GDP) compared to 2019. The rise in expenditure was mainly driven by increases in current expenditure and payments on loans, interest and other charges. Recurrent expenditure stood at US$482.6 million (15.7 percent of GDP), expanding by 44.0 percent, while payments on loans, interest and other charges totaled US$47.2 million (1.5 percent of GDP), reflecting a significant increase, and Government 's commitment to service its debts. The rise in current expenditure was mainly due to increases in compensation of employees (19.5 percent), spending on goods and services (101.8 percent) and spending on social benefits (244.7 percent). However, capital expenditure stood at US$0.8 million, which remained relatively negligible as a proportion to GDP.

Table 15: Government Expenditure (2018-2020)

Fiscal Operations	2018	2019	2020	Y-O-Y
	(Millions of USD)			(%)
Total Expenditure	484.09	371.37	530.61	42.88
Current Expenditure	417.38	335.14	482.56	43.99
Capital Expenditure	13.98	12.54	0.80	(93.59)
Payments on Loans, Interest & other Charges	52.74	23.69	47.24	99.46
Memo Items				
Total Expenditure (% of GDP)	14.83	11.69	17.30	
Current Expenditure (% of GDP)	12.79	10.55	15.74	
Capital Expenditure (% of GDP)	0.43	0.39	0.03	
Payments Loan, Interest & other Charges (% of GDP)	1.62	0.75	1.54	
GDP (*In Millions of USD*)	3,264.18	3,176.06	3,066.80	

Source: CBL's computation using MFDP data

3.6.4 Public Debt

In 2020, Liberia's total public debt stock increased to 52.1 percent of GDP but remained below the ECOWAS regional threshold of 70.0 percent to GDP. The rise in the stock of public debt was driven by 12.0 percent growth in external debt to 31.1 percent of GDP and domestic debt to 21.0 percent of GDP. Multilateral debt amounted to 27.4 percent of GDP, increasing by 14.0 percent. Bilateral debt, during the review period, stood at 3.7 percent of GDP, declining by 0.7 percent. Government's liability to domestic financial institutions amounted to 19.1 percent of GDP. It is worth pointing out that the development in the overall debt stock was partly explained by the consolidation of Government's public debt to include legacy debt.

Table 16: Public Debt Statistics (2018-2020)

Fiscal Operations	**2018**	**2019**	**2020**	**Y-O-Y**
	(Millions of USD)			**(%)**
Total Debt Stock	1,039.87	1,270.56	1,596.78	25.68
External	774.86	850.75	952.97	12.01
Multilateral	651.94	737.29	840.29	13.97
Bilateral	122.92	113.47	112.68	(0.70)
Domestic	265.01	419.80	643.82	53.36
Financial Institutions	264.64	368.10	586.02	59.20
CBL	254.64	302.88	487.48	60.95
Commercial Banks	10.00	65.22	98.53	51.07
Other Debts	0.37	51.70	57.80	11.81
Other Institutions	0.00	51.51	47.19	(8.40)
Claims	0.37	0.19	10.61	5637.11
Memo Items				
Total Debt Stock (% of GDP)	32.74	41.43	52.07	
External Debt (% of GDP)	24.40	27.74	31.07	
Domestic Debt (% of GDP)	8.34	13.69	20.99	
GDP (*In Millions of USD*)	3,176.06	3,066.80	3,066.80	

Source: CBL's computation using MFDP data

Chapter 4.0: Developments in the Financial Sector

4.1 Overview

The banking sector accounted for at least 85.0 percent of the total assets of the financial sector as at end-December 2020. The sector recorded mixed results in key balance sheet indicators in 2020 compared to the preceding year largely explained by the slowdown in the economy. The results in key balance sheet indicators were represented as follow: negative 2.7 percent of total assets; negative 2.0 percent of total capital; 3.5 percent of total deposits; and negative 13.4 percent of total loans. The CAR of the sector for the period under review was 31.4 percent (or 21.41 percentage points above minimum requirement). The sector maintained a liquidity position of 36.8 percent, representing 21.8 percentage points above the minimum benchmark of 15.0 percent, but remained challenged by increasing non-performing loans (NPLs) from 17.2 percent in 2019 to 21.2 percent in 2020.

The insurance sector recorded decline in several key financial indicators during the review period. Total assets and net premium decreased by 4.7 percent and 21.5 percent, respectively. Similarly, profitability was a challenge for the insurance sector reflective of the rise in claims by 8.3 percent and the decrease in gross premium by 33.7 percent contributing to a drop in net income by 63.6 percent. During the period, the CBL contracted BICON (an audit firm) to serve as liquidators of the International Insurance Company Liberia Limited (IICL). The CBL also continued to pursue resolution options for the five (5) merged insurance companies.

4.2 Financial Stability

The financial sector remained relatively stable with banks and other financial institutions showing signs of resilience amid the effect of the COVID-19 pandemic. Globally, the financial system was immensely under pressure to calibrate response measures aimed at reducing the direct and indirect impacts of the pandemic on financial stability. The central banks, as the first line of defense to ensure the stability of the financial system, introduced both conventional and non-conventional policy interventions to minimize the impact of the shock. Some of the measures introduced by central banks include, liquidity support, policy rates easing, stimulus support, relaxation or suspension of prudential requirements, capital buffers, restriction on the payment of dividend etc.

On the domestic front, the stability of the financial sector remained relatively on course with banks and other financial institutions showing signs of resilience amid the slowdown in economic activity. The CBL, in March 2020, announced its policy measures to respond to the pandemic. The measures, inter alia, encouraged banks to suspend the Prudential Regulations for Asset Classification, Provisions for Loan Losses and Suspension of Interest on Non-Performing Loans and Advances, which allowed banks to suspend the passage of additional loans loss provision arising from default facilities. The CBL also encouraged banks to explore more options of digital banking and reached consensus with mobile money companies to temporarily reduce charges. The introduction of these measures witnessed the relative easing of pressure on commercial banks and wider usage of mobile banking for payments.

4.3 Commercial Bank Branch Network

The banks network was spread across 10 of the 15 counties in Liberia. Total number of bank branches, including annexes and windows, decreased to 85 from 86 reported in 2019. Most of the branches of banks were concentrated in Montserrado County. In terms of individual bank networks, LBDI and Ecobank maintained the largest share of bank branches, followed by Sapelle International Bank Liberia Limited (SIBLL).

Table 17: Commercial Banks' Branches, Annexes, Windows and Geographic Locations

County	No. of Branches		No. of Windows		No. of Annexes		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
BOMI	1	1	0	0	0	0	1	1
BONG	2	2	0	0	0	0	2	2
GRAND BASSA	6	6	0	0	0	0	6	6
GRAND GEDEH	1	1	0	0	0	0	1	1
MARGIBI	6	6	1	1	0	0	7	7
MARYLAND	2	2	0	0	0	0	2	2
MONTSERRADO	54	53	5	5	1	1	60	53
NIMBA	6	6	0	0	0	0	6	6
SINOE	1	2	0	0	0	0	1	2
Total	**81**	**81**	**7**	**7**	**5**	**5**	**86**	**85**

Source: Central Bank of Liberia

4.4 Agent Banking Activities

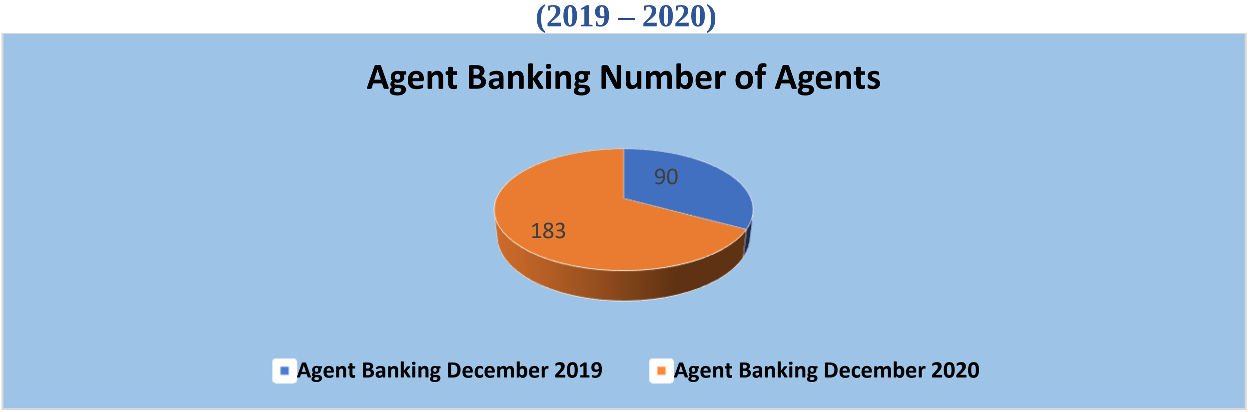
The CBL continued to support the establishment of agent banking, especially in areas with limited presence of commercial banks. During the review period, the CBL approved a total of 73 agents for three banks, namely: United Bank for Africa Liberia Limited (UBALL), Ecobank Liberia Limited (EBLL) and SIBLL under the Agent Banking Regulation No. CBL/RSD/001/2017. As at end-December 2020, the agents of commercial banks were visible in 8 Counties, including Montserrado, Margibi, Grand Bassa, Lofa, Bong, Nimba, Grand Gedeh and Maryland, with the highest number of Agents situated in Montserrado County. The volume and value of agents' transactions during the year declined significantly mainly due to the COVID-19.

Table 18: Agent Banking Transactions (2019 – 2020)

Indicator	December 2019	December 2020	Percent
Number of Agents	90	183	50.82
Active Agents	65	85	23.53
Total Volume (US$)	64,137	20,279	-216.27
Total Value (US$)	5,877,442.18	1,532,228.79	-283.59
Total Volume (L$)	-	-	-
Total Value (L$)	-	-	-

Source: Central Bank of Liberia

Chart 18: Number of Agents (2019 – 2020)



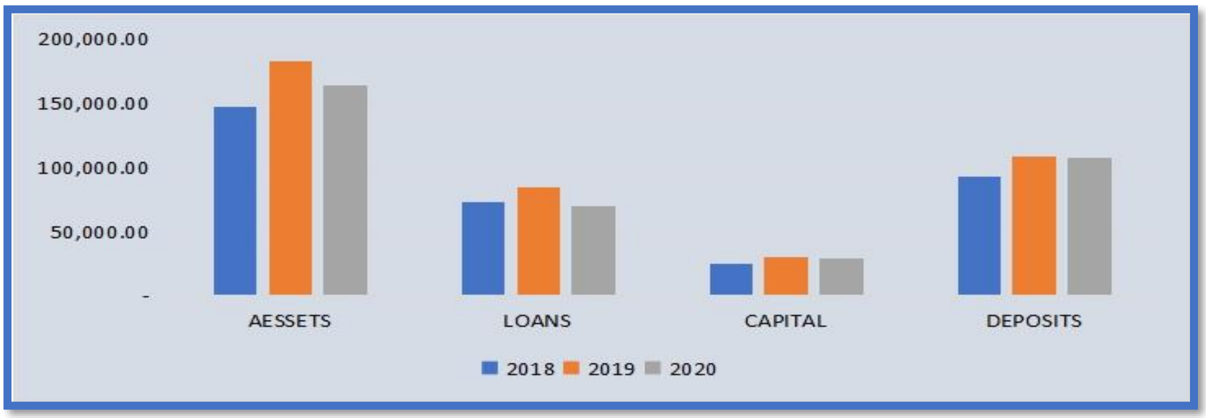
Source: Central Bank of Liberia

4.5 Banking Industry

4.5.1 Balance Sheet Structure

The review of the banking sector showed general decline in banks' balance sheet indicators in comparison to end-December 2019, except deposits. At end-December 2020, total assets reduced by 2.7 percent to L$194.61 billion, from L$199.95 billion; total loans and advances reduced by 13.4 percent to L$72.27 billion, from L$83.41 billion; total capital reduced by 2.0 percent in 2020, from L$29.90 billion to L$29.32 billion; and deposits rose by 3.5 percent to L$114.37 billion, from L$110.46 billion.

Chart 19: Selected Balance Sheet Indicators of the Banking Sector (2018 – 2020)

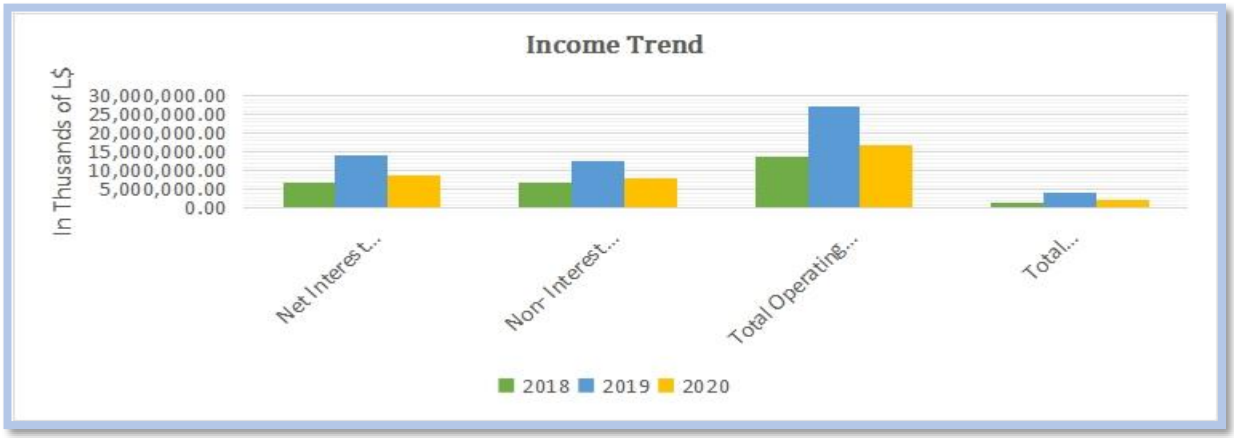


Source: Central Bank of Liberia

4.5.2 Income Statement Structure (Profit and Loss Statement)

The consolidated statement of comprehensive income of the banking sector at end-December 2020 showed a net income of L$2.01 billion. Compared with the corresponding year, net income declined by 50.0 percent. The statement showed that the sources of income include interest income and non-interest income, which as at end-December 2020, stood at L$9.50 billion and L$8.46 billion, respectively. Interest income accounted for 62.5 percent of the total operating income of L$17.96 billion. Similarly, the banking sector recorded a decline of 22.1 percent in interest expense to L$1.73 billion and 33.6 percent in operating expenses to L$17.96 billion, compared to the corresponding period in 2019.

Chart 20: Sources of Income (2018-2020)



Source: Central Bank of Liberia

4.5.3 Financial Soundness Indicators

The overall condition of the banking sector, in terms of the financial soundness indicators (FSI), revealed semblance of resilience and stability against potential treats and shocks. However, the liquidity challenge in the banking sector lingered during the year.

Table 19: Financial Soundness Indicators

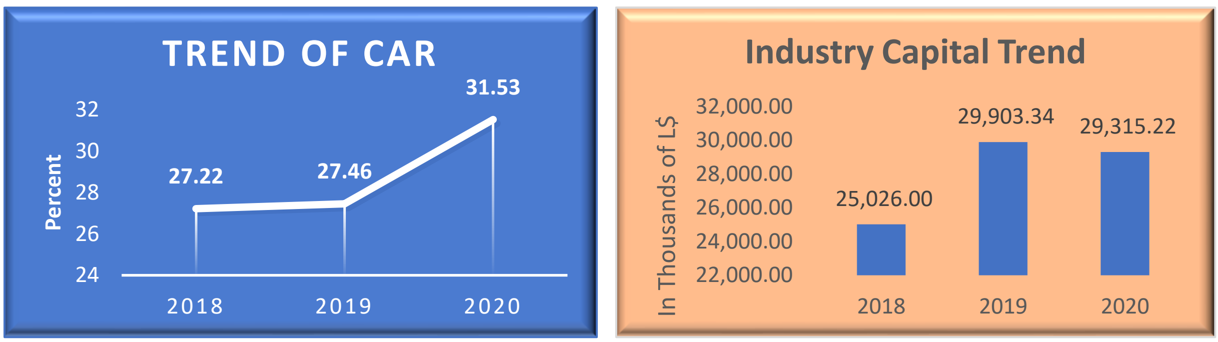
Indicators (figures in '000' of L$)	30-Dec.-19	30-Dec.-20
Gross Assets	199,946,865.89	194,610,111.90
Net Assets	179,4498,761.51	171,218,665.28
Net Loans	72,530,835.94	58,430,870.90
Deposits	110,457,664.26	114,370,703.70
Reported Capital Net of Provisions	32,792,263	31,230,325.52
Reported Net Capitalization	17.92%	19.12%
Capital Adequacy Ratio	27.46%	31.53%
Classified Loans to Total Loans	19.16%	25.51%
Non-performing Loans to Total Loans	16.51%	21.17%
Provisions to Classified Loans Net of Interest in Suspense	56.99%	75.60%
Provision to Non-perform Loans Net of Int in Suspense	62.26%	87.96%
Return on Assets	1.72%	1.24%
Return on Equity	10.36%	7.22%
Non-interest Income to Total Revenue	43.21%	57.0%
Liquid Assets to Net Assets	25.80%	31.0%
Net Loans to Deposits	25.79%	51.1%
Liquidity Ratio	41.93%	36.75%

Source: Central Bank of Liberia

4.5.4 Capital Adequacy

The total reported capital for the sector, on average, was US$29.32 million, exceeding the minimum requirement of US$10.0 million and representing a decrease by 1.97 percent compared to the average capital for 2019. The adjusted capital to total risk weighted assets or the Capital Adequacy Ratio (CAR) stood at 31.5 percent, which was 21.5 percent above the minimum ratio of 10.0 percent. Compared with the corresponding year, CAR grew by 4.1 percentage points.

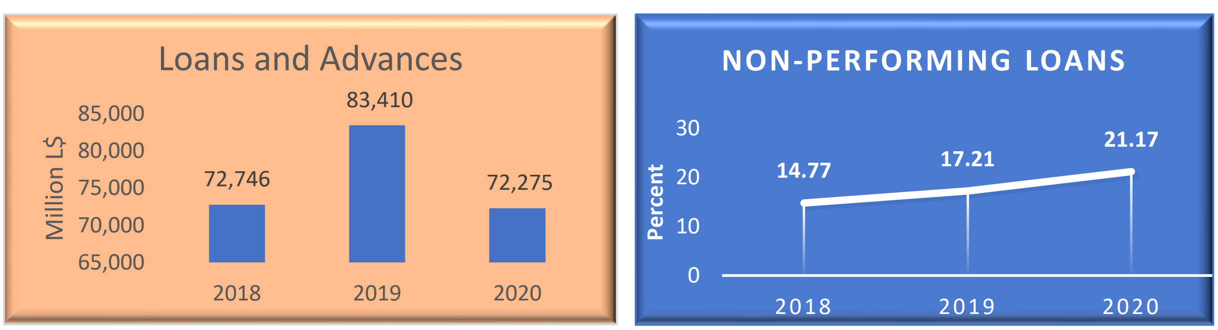
Chart 21: Capital Adequacy Ratio and Capital Movement



4.5.5 Assets Quality

The banking sector recorded 13.4 percent decline in gross loans and overdrafts to L$72.27 billion. NPLs (L$15.58 billion) to total loans (L$72.27 billion) slightly increased by 4.0 percentage points to 21.2 percent from 17.2 percent in 2019. Similarly, total loan loss provisions increased by 26.0 percent to L$13.74 billion, from L$10.91 billion recorded in 2019.

Chart 22: Loans & Advances and NPL

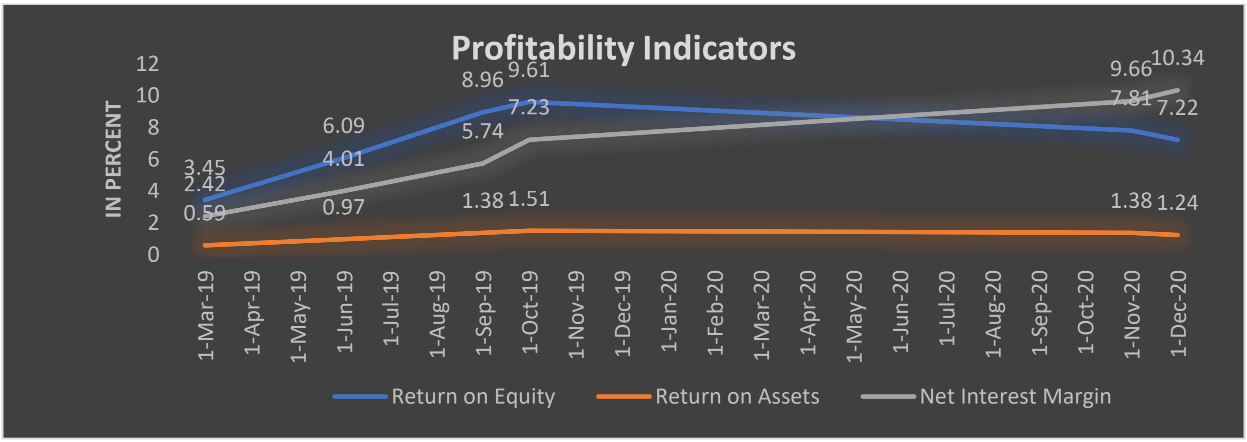


Source: Central Bank of Liberia

4.5.6 Earnings and Profitability

Total operating income for the period ended December 2020 stood at L$17.96 billion, recording a net profit of L$2.06 billion. The sector recorded the following: Return on Equity (ROE) – 7.2 Percent; Return on Asset (ROA) – 1.2 percent; and Net Interest Margin – 10.4 percent.

Chart 23: Trend in ROE, ROA and NIM

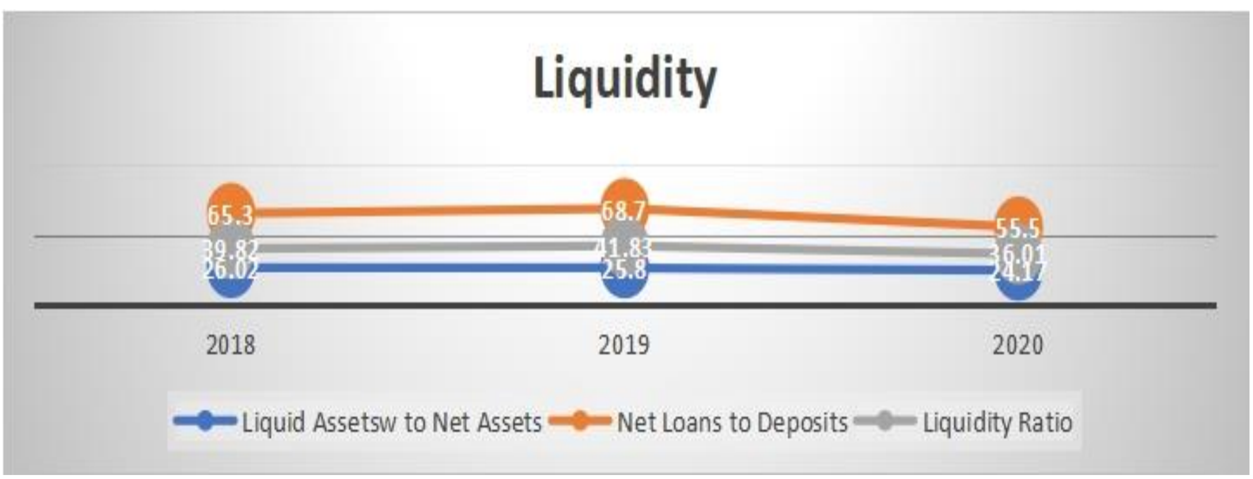


Source: Central Bank of Liberia

4.5.7 Liquidity

Liquidity ratio as at end-December 2020 stood at 36.8 percent, which exceeded the minimum liquidity ratio of 15.0 percent. During the latter part of the year, the banking sector came under stress from the public due to increased demand for Liberian dollars.

Chart 24: Liquidity Trend

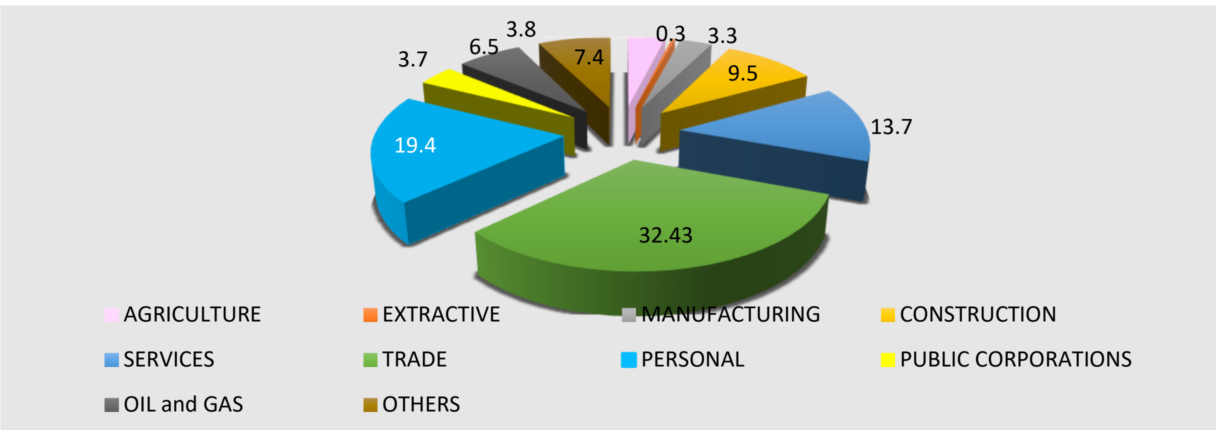


Source: Central Bank of Liberia

4.5.8 Sectoral Loans Distribution

Total loans and advances at end-December 2020 stood at L$72.27 billion, representing a decline by 13.35 percent compared with the level recorded at end-December 2019. The credit portfolio of the banking sector was diversified, as no single sector accounted for more than 50.0 percent of the total loans. The report established that 32.4 percent of the total industry's credit was concentrated in the trade subsector.

Chart 25: Sectoral Distribution of Loans and Advances



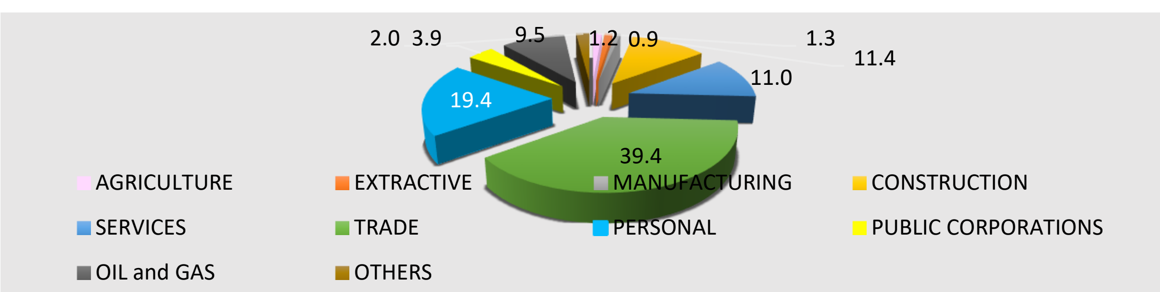
Source: Central Bank of Liberia

4.5.9 Sectoral Distribution of Non-performing Loans and Advances

As at end-December 2020, the aggregate NPLs and advances stood at L$15.58 billion (21.17% of gross loans), representing an increase by 4.0 percent compared with the corresponding period in 2019.

In terms of concentration, trade represented the highest, 39.4 percent, reflecting an increase of 13.3 percentage points compared with the corresponding period in 2019.

Chart 26: Sectoral Distribution of Non-Performance Loans & Advances



Source: Central Bank of Liberia

4.6 The Non-Bank Financial Institutions

As at end-December 2020, the other non-bank financial institutions consisted of diverse groups of formal and informal financial services providers, including one (1) development finance company (Liberian Enterprise Development Finance Company (LEDFC), one (1) deposit-taking microfinance institution (Diaconal MDI), seventeen (17) non-deposit taking microfinance institutions and twelve (12) Rural Community Finance Institutions (RCFIs). In addition, the sector also comprised of seventeen (17) money remittance entities, one hundred eighty-four (184) registered foreign exchange bureau, one hundred thirty-four (134) credit unions, and one thousand two hundred seventy (1,270) Village Savings and Loan Associations.

4.6.1 Microfinance Sector

The CBL with TA from the World Bank (WB), began a review of the regulatory and supervisory frameworks of the microfinance subsector of Liberia. The review aimed to consolidate the existing regulations where necessary, harmonize terminology, unify approach to regulations and introduce tier risk-based approach to provision of microfinance services. In view of the foregoing objectives, five regulations were reviewed, two of which were amended and issued to the public, namely:

1. Prudential Regulations for Microfinance Deposit Taking Institutions (MDIs)
2. Regulation Concerning Rural Community Finance Institutions

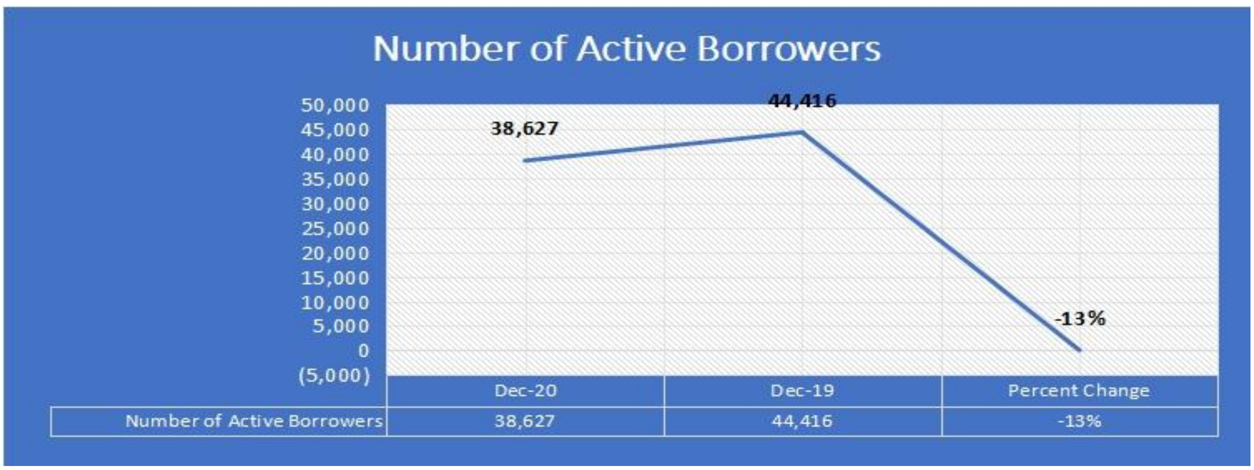
During the review period, the microfinance sector constituted seventeen (17) registered Non-Deposit taking (Credit Only) and one (1) Deposit Taking microfinance institution. For the period ended December 2020, the number of reporting institutions remained at six (6) and the largest player in the sector, BRAC, accounted for thirty (30) branches in six (6) of the fifteen (15) Counties of Liberia.

Total number of microfinance clients decreased by 9.0 percent to 44,473 in December 2020, from 49,000 in December 2019. Also, active borrowers decreased by 13.0 percent to 37,834 in December 2020, from 43,469 in December 2019. As at end-December 2020, almost all the active microfinance borrowers were women (Charts 27 and 28).

Chart 27: Number of Microfinance Clients

Source: Central Bank of Liberia

Chart 28: Number of Active Borrowers

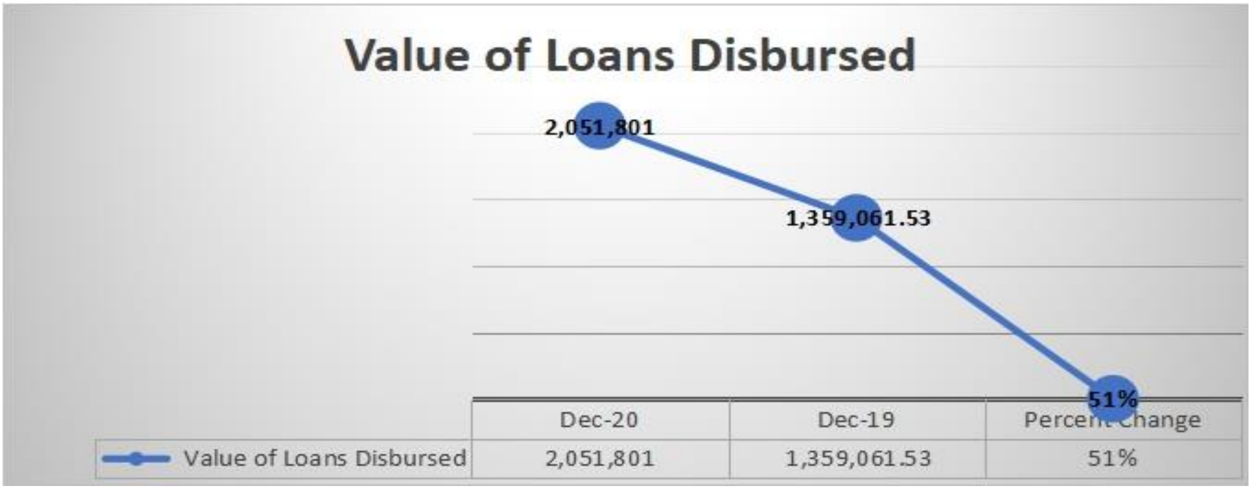


Source: Central Bank of Liberia

4.6.2 Micro Loans

Total microfinance loans increased by 51.0 percent to US$2,051,801 in December 2020, from US$1,359,061.53 recorded in the corresponding period of 2019. The increase was partly attributed to more refinancing of the existing loans coupled with the disbursement of new loans to mitigate the effect of the pandemic (Chart 30).

Chart 29: Value of Loans Disbursed



4.6.3 Financial Performance

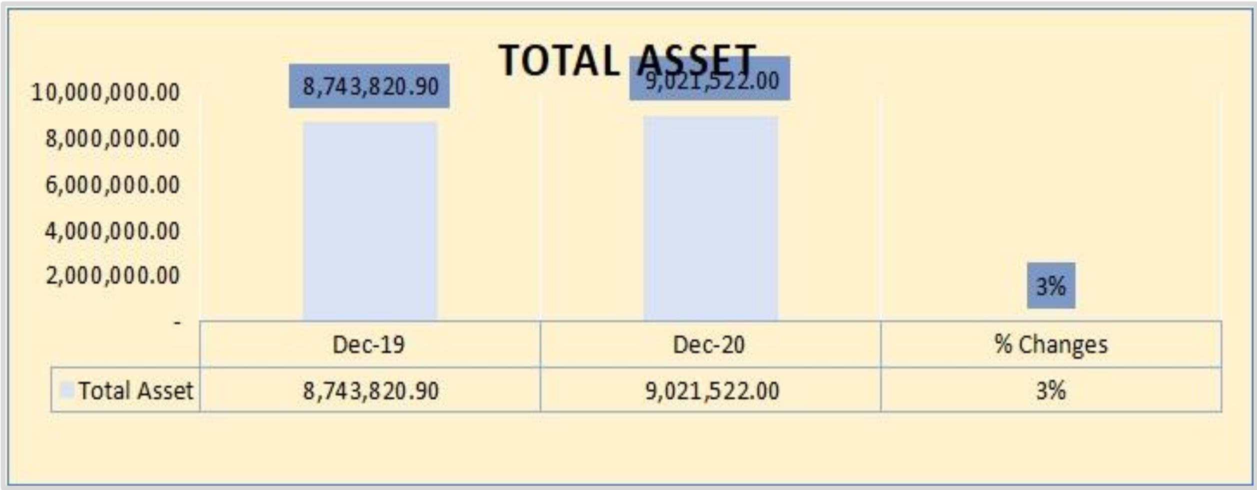
Table 20: Selected Industry Balance Sheet Indicators (2019-2020)

	Dec-19	Dec-20	% Changes
	USD	USD	
Total Asset	8,743,820.90	9,021,552.00	3.0
Total Capital	3,968,108.13	4,063,220.00	2.0
Operating Income (Before Tax)	1,164,589.54	211,204.00	-82.0
Net Income/Loss	879,046.10	181,472.00	-79.0

4.6.4 Total Asset

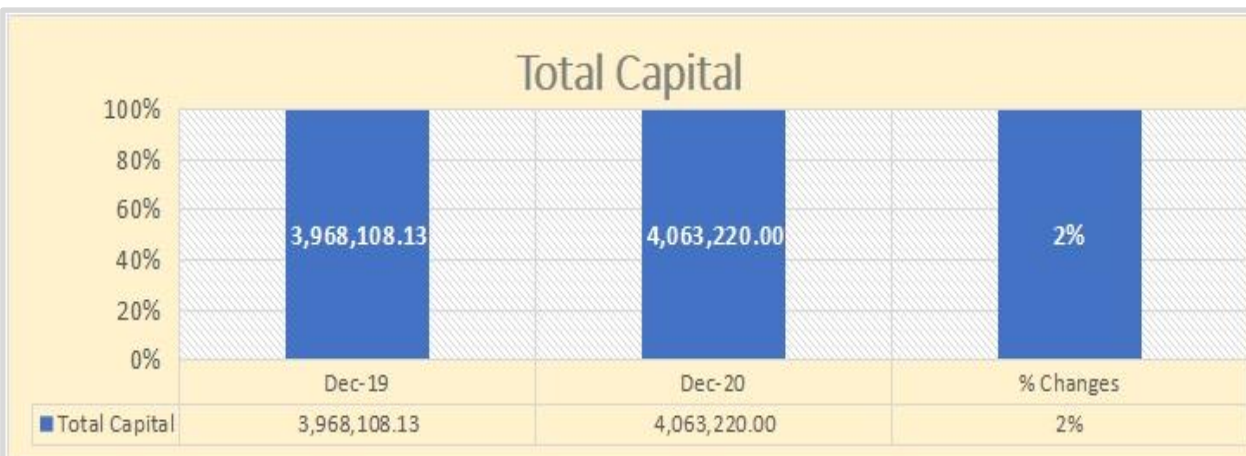
Total asset during the year rose by 3.0 percent to US$9,021,522 as at end-December 2020, from US$8,743,820.90 as at end-December 2019. Similarly, total capital increased by 2.0 percent to US$4,063,220 in 2020, from US$3,968,108 reported in 2019.

Chart 30: Assets at-end December 2020



Source: Central Bank of Liberia

Chart 31 : Capital at-end December 2020



Source: Central Bank of Liberia

4.6.5 Net Income/Lose

The sector recorded high decline in Net Income due to the incurrence of high operating expense. The Net Income/Loss decreased by 79.0 percent to US$ 181,472 as at end-December 2020, from US$ 879,046.10 recorded in December 2019 (Chart 33).

Chart 32: Income Statement

Source: Central Bank of Liberia

4.6.6 FX Bureaus

The total number of foreign exchange bureaus increased by 10.8 percent to 184 at end-December 2020, from 166 reported in 2019. In terms of classifications, about 128 FX bureaus were Category A, while the remaining 56 were classified as Category B licensed FX bureaus. Of the total FX bureaus, only 78 complied with payments of annual levy, while 106 were noncompliant as at end-December 2020 largely due to slowdown in businesses. Further, the CBL amended the FX-Regulation to accommodate a third category (Category C), thus, incorporated petite foreign exchange operators, including scratch card dealers.

4.6.7 Money Remittance Entities

The total registered money remittance entities (MREs) remained at eighteen (18) in 2020. Eleven (11) of the MREs were also registered FX bureaus. These MREs remitted money mostly in the subregion, especially within ECOWAS Member States.

4.7 Insurance Sector

The insurance industry recorded a slowdown in the growth of key balance sheet indicators during the review period compared with end-December 2019. In terms of assets, the sector recorded reduction by 4.8 percent. Both Liability and gross premium decreased by 5.6 percent and 33.7 percent during the year, respectively. In contrast, investment increased by 13.8 percent.

Profitability was a major challenge in the sector, as claims of insurance companies increased to 8.3 percent over the period, resulting to net losses in several companies.

Table 21: Key Financial Indicators (Annual Comparative Review)

Key Financial Indicators	Dec-19 (In LD$)	Dec-20 (In LD$)	% Change Annual % +/-
Capital	6,601,348,239.62	6,912,826,274.12	4.72
Total Assets	9,796,660,213.25	9,327,448,126.38	-4.79
Investment	2,492,242,481.20	2,835,786,997.35	13.78
Liabilities	2,558,408,280.50	2,414,277,140.94	-5.63
Outstanding Premium	1,746,739,785.14	1,657,881,977.81	-5.09
Gross Premium	9,636,553,487.05	6,388,806,419.21	-33.70
Underwriting Result	4,522,009,442.95	2,992,278,195.18	-33.83
Net Premium	6,360,932,684.77	4,991,739,554.91	-21.53
Net Income	908,749,894.81	330,148,148.44	-63.67
Expenses	3,489,874,864.71	2,532,073,249.91	-27.45
Claims	1,544,086,652.44	1,671,810,609.45	8.27
Technical Provision	1,051,807,716.91	1,216,836,694.06	15.69

4.7.1 Developments within the Sector

During the review period, the CBL collaborated with the Ministry of Transport, the Liberia Insurance Association, and other stakeholders for the successful enforcement of the Motor 3rd party liability insurance as well as the simultaneous sale of the ECOWAS Brown Card. These initiatives resulted to increased revenue for insurers, successful payment of Liberia's contribution to the regional scheme as well as submission of the country's bid to host the 2021 Zonal Conference.

As part of the reform of the insurance sector during 2020, the CBL continued with its supervisory engagement with insurance brokers and agents. The Bank conducted several onsite examinations intended to enforce licensing of players in the industry.

In keeping with its role as the insurance supervisory authority, the CBL informed the GOL of the Statutory Review of the Insurance Sector. After a careful consideration of the stage of development of the insurance market and its potential for future development, it was resolved that the CBL continues as the regulator for the next five years and that Insurance Unit be detached from a section in the Regulation & Supervision Department to a Department. This was provided for in the Amended and Restated CBL Act of 2020.

4.7.2 Rural Community Finance Institutions

As at end-December 2020, the number of Rural Community Finance Institutions (RCFI) remained at twelve (12) with its presence in eight (8) of the fifteen (15) counties. All the RCFIs were largely involved in the provision of salary-based credits and payments of civil servants' salaries across the country as well as money transfer services, including remittance and mobile money services.

To improve the general operating conditions of RCFIs, the GOL and the International Fund for Agriculture Development continued with the implementation of the Rural Community Finance Project worth about US$5.5 million. The project, which started in August 2019, was expected to provide additional resources for the RCFIs in the form of improved capital base, fixed assets, IT system and human resources for these entities. The project was also expected to lead to establishment of additional ten (10) RCFIs across the country, but implementation was slowed down due to the pandemic.

4.8 Financial Performance

Total deposit liabilities increased by 41.0 percent to L$185.98 million in 2020, from L$131.44 million reported in 2019, while total loans and advances increased by 62.0 percent to L$128.52 in 2020, from L$79.10 million recorded in the preceding year. Conversely, the industry-wide net income decreased by about 112.0 percent to a loss of L$2.30 million in 2020, from LS$18.87 million in the previous year.

Table 22: Selected Financial Indicators

2019		2020	2019/2020
	L$	**L$**	**Percent Change**
Deposit	131,442,098.00	185,975,841.02	41.0
Loan	9,100,000.00	128,516,363.76	62.0
Net Income	8,867,625.18	(2,295243.03)	121.0

Central Bank of Liberia

4.9 The Collateral Registry and Credit Reference System

4.9.1 Operations of the Collateral Registry

The CBL's Collateral Registry System (CRS) continued to promote movable lending to businesses, especially the small and medium-scale enterprises (SMEs) and individuals. Several businesses, especially those in the informal sector, continued to use different kinds of movable assets as collaterals to secure loans through the CRS.

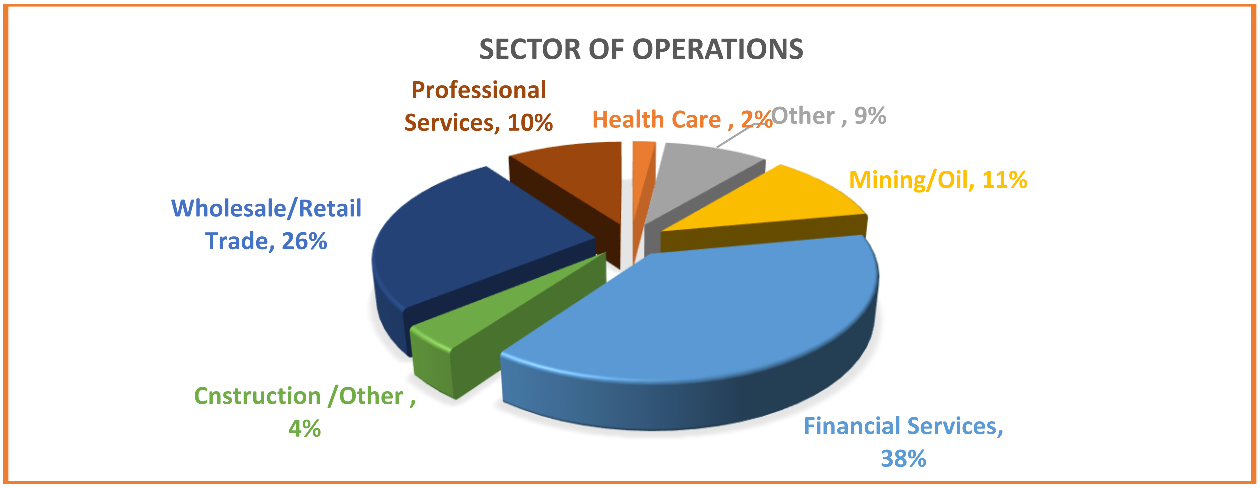
The clients/users of the system comprised 17 legal entity clients (commercial banks, microfinance institutions and non-bank financial institutions); 31 individual clients and 6 others. A total of 47 financing statements (FS) or loans were registered in the system. Considering the FS registrations, microfinance institutions accounted for 73.0 percent, while commercial banks and nonbank financial institutions accounted for 1.0 percent, 12.0 percent, respectively. The value of the FS or loans amounted to L$3.9 million and US$1.5 billion in 2020 compared to L$16.0 million and US$35.2 million reported in 2019. Analysis on the number of FS by debtors' categories for the period under review showed that the highest proportion of 81.0 percent, 13.0 percent, 2.0 percent, and 4.0 percent were registered as loans to individuals, large, medium, micro, and small firms, respectively. A total of 88 movable assets were used as collaterals during the period under review.

Cumulatively, since the inception of the operations of the CRS, the value of FS and /or loans registered amounted to L$110.1 million and US$3.0 billion against 1,768 borrowers/debtors while collaterals used by borrowers to collateralize the loans totaled 3,562. Searches conducted totaled 1,059.

4.9.2 Distribution of Loans to Sectors of Operations

The distribution of loans to subsector of operations during the year showed that financial services accounted for 38.0 percent of the total loans (Chart 34). Sectoral credit concentration showed that Wholesale/Retail Trade accounted for 26.0 percent; professional services, 10.0 percent; healthcare, 2.0 percent; construction, 4.0 percent; mining/oil, 11.0 percent, and others, 9.0 percent.

Chart 33: Distribution of Loans to Sector of Operations

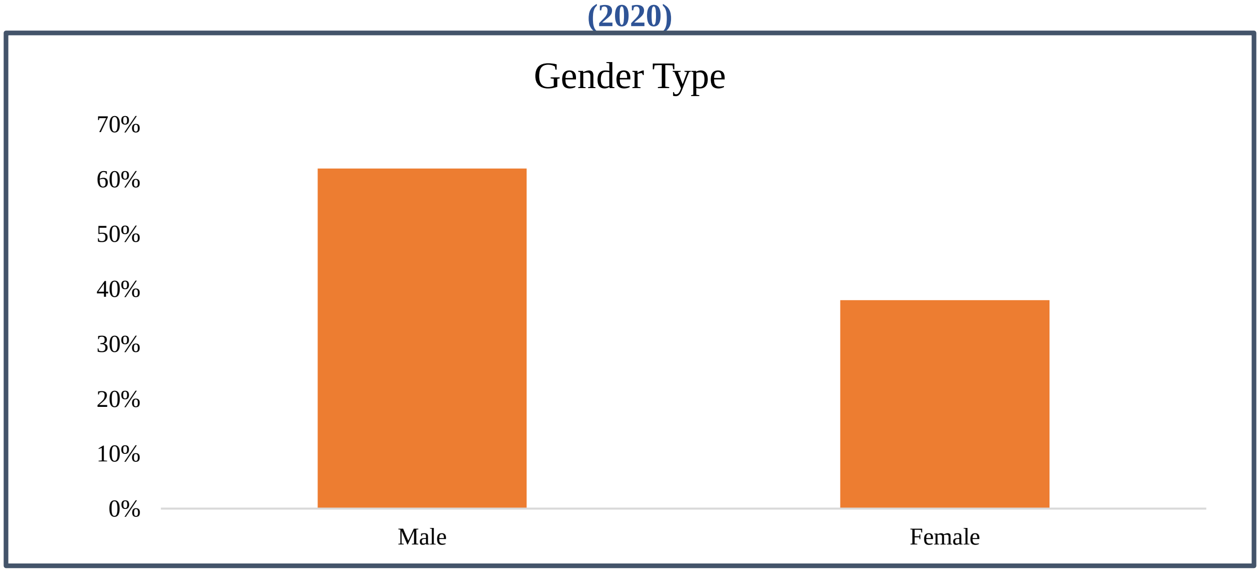


Source: Central Bank of Liberia

4.9.3 Loan Beneficiary - Debtor Gender Type

Credit concentration in term of gender showed that 62.0 percent of the total credit was granted to male, while 18.0 percent was directed to female.

Chart 34: Credit Concentration by Gender (2020)

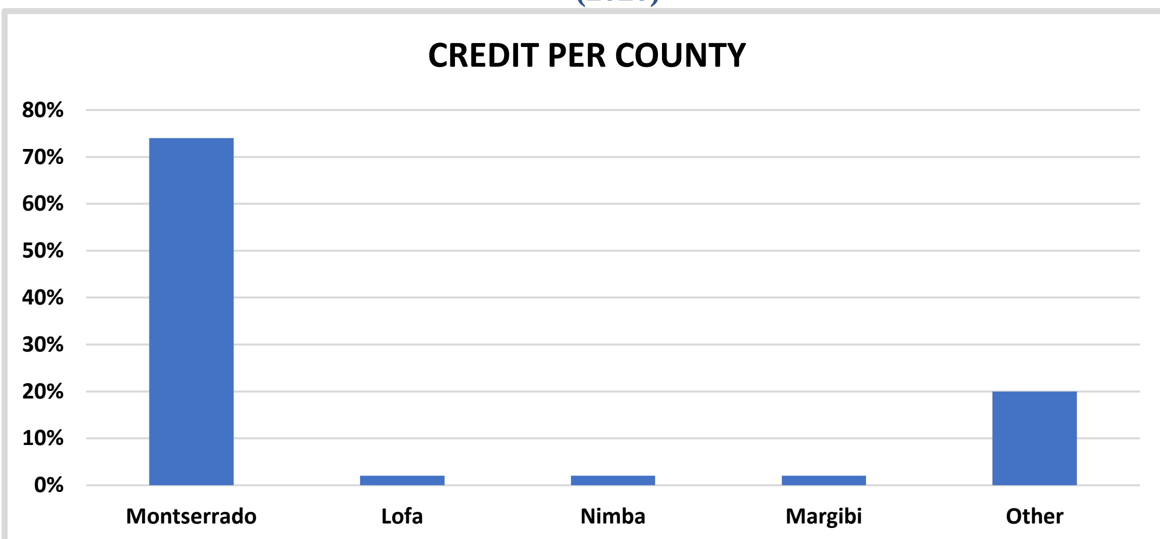


Source: Central Bank of Liberia

4.9.4 Access to Finance by Counties

The credit concentration by counties showed that almost all of the credits were adavnced in Monsterrado County (74 percent), followed by Margibi County (2.0 percent), Lofa County (2.0 percent), Nimba County (2.0 percent) and others (20.0 percent).

Chart 35: Credit Concentration by County (2020)



Source: Central Bank of Liberia

4.9.5 System Expansion/Usage

As part of the CBL's Registry engagement with stakeholders, the Bank conducted a field visit to assess the 11 RCFIs for expansion and status of the usage of the system in the Counties in 2019. In 2020, the CBL did not do follow-ups with the RCFIs relative to training and other engagements due mainly to the outbreak of the COVID-19 in the country. Other workings of the Registry were also impeded but are expected to be implemented in 2021.

4.9.6 Operations of the Credit Reference System

The CRS continued to be used for management of the credit risk in the financial sector. The system remained helpful not only in managing the credit risk inherent in the entire portfolios of bank and nonbank financial institutions, but also in producing credit records on current and potential borrowers of the financial sector in adherence to the system's guideline, regulation and directive. The system continued to provide full disclosures of borrowers' creditworthiness to bank and non-bank financial institutions for informed credit decisions. Despite the impact of the pandemic, the

CRS was responsive to credit checks. As at end-December 2020, the System responded to 9,967 credit reference checks for bank and non-bank financial institutions, representing a decline in credit checks by 37.0 percent compared to the same period in 2019.

Table 23: Statistics of Credit Checks

	Dec 2020	Sept 2020	Jun 2020	Mar 2020	Nov 2019	Sept 2019	Jun 2019	Mar 2019
	4151	2994	901	1921	2217	3714	4895	4997
Total	9,967				15,823			

Source: Central Bank of Liberia

4.10 Consumer Protection

The CBL, in 2020, continued to strengthen its oversight responsibilities in the financial sector to keep consumers informed and amicably resolve complaints in accordance with the Consumer Protection and Market Conduct Regulation No. CBL/RSD/004/2017.

4.10.1 Summary of Cases

During the period under review, the CBL received a total of 13 complaints from the general public. Of the total, 8 complaints came against commercial banks and the remaining 5 were against insurance companies. For the same period, the CBL amicably resolved 54.0 percent, while investigation was on-going for the remaining 46.0 percent.

Table 24: Complaints of Customers

No	Description	2018	2019	2020
1	Number of Complaints	28	10	13
2	Resolved	60%	50%	54%
3	Pending	32%	50%	46%
4	Referred for further investigation	8%	0%	0%
5	Nature of complaint	Refusal to settle claims, Unapproved Interest Deductions, Internet Banking Fraud, Freeze on customer's account	Refusal to settle claims, alleged illegal deductions, Refusal to credit account	Refusal to settle claims, Unapproved Interest Deductions, Failure for the bank to ensure transfer reaches account

In keeping with its mandate, the Consumer Protection Unit, during the review period, received complaint returns from financial institutions, including those investigated and resolved by financial institutions. A total of 952 complaints were received by the 9 commercial banks, of which 97.2 percent were resolved.

4.11 Payment Systems Developments

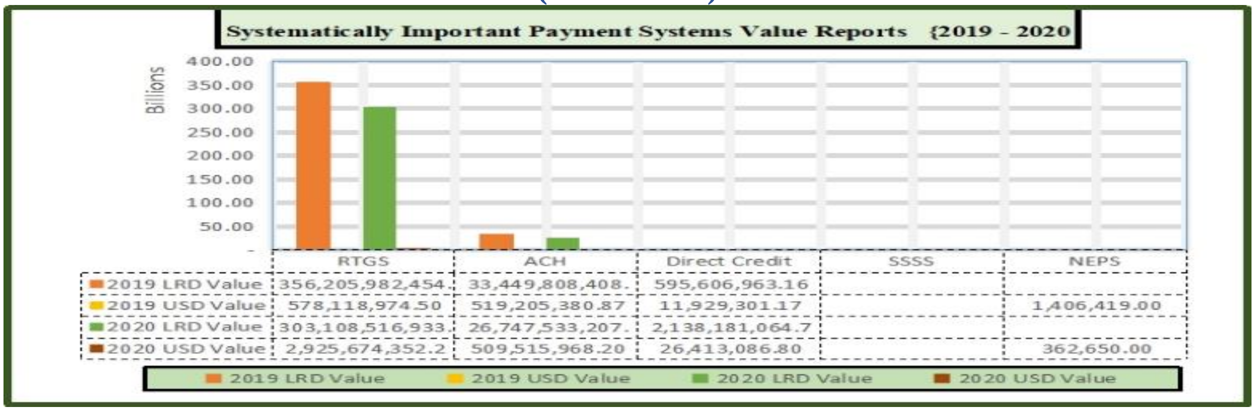
The Systematically Important Payments systems (SIPs) performance showed an increase in the usage of the RTGS, DC and the ACH in 2020 compared to 2019. All payment channels were high in volume in 2020. However, the NEPS was significantly underutilized due to technical challenges.

Table 25: Annual SIPS Transactions (2019 – 2020)

No	Platform	2019				2020			
		LRD		USD		LRD		USD	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
1	RTGS[/2]	4,378	356,205,982,454.55	21,838	578,118,974.50	11,730	303,108,516,933.44	31,705	2,925,674,352.31
2	ACH[/3]	17,324	33,449,808,408.95	72,296	519,205,380.87	14,172	26,747,533,207.54	61,485	509,515,978.70
3	Direct Credit	8,234	595,606,963.16	12,278	11,929,301.17	9,768	2,138,181,064.75	11,964	26,413,086.80
4	NEPS[/1]			8,472	1,406,419.00			4,278	735,605.00
Total		29,936	390,251,397,826.66	114,884	1,110,660,075.54	35,670	331,994,231,206	109,432	3,462,339,022.81

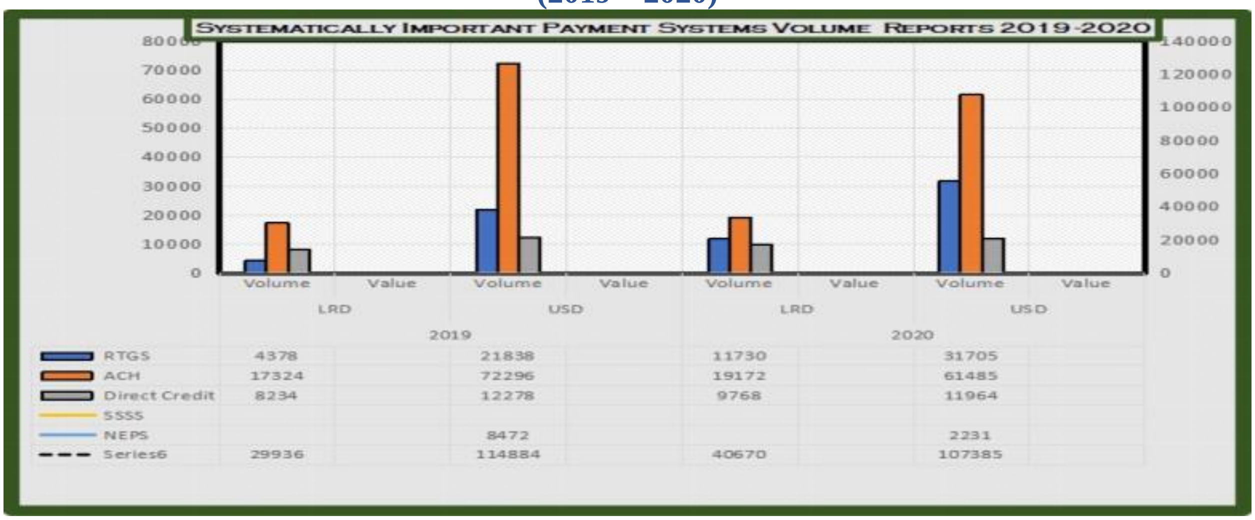
Data Source: /1. NEP-National Electronic Payment Switch
/2. RTGS- Real Time Gross Settlement
/3. ACH- Automated Clearing House

Chart 36: SIPS Value (2019 – 2020)



Source: Central Bank of Liberia

Table 37: SIPS Volume (2019 – 2020)



Source: Central Bank of Liberia

Table 26: Digital Financial Services 2020

Indicator		LRD		USD	
		Volume	Value	Volume	Value
1	ATM	655,541	1,918,490,562.00	953,909	230,913,564.25
2	POS	1,529	680,722,100.44	180,240	19,839,865.95
3	Internet Banking	3,064	2,293,747,446.56	54,130	297,155,598.13
4	Mobile Banking	49,553	274,627,559.00	916,012	137,067,289,78
5	E-Money	20,655	2,464,693,897.79	14,005	663,510,681.54
6	Mobile Money	183,176,143	140,933,529,382.84	44,758,752	276,732,625.65
7	Debit Cards	520,437	1,173,495,740.00	323,724	2,739,836,851.76
8	Prepaid Cards	215	2,811,212,400.00	170,705	24,697,228.71
Total		184,427,137	152,550,519,089	47,371,477	4,252,686,415.99

Source: Central Bank of Liberia

Developments in the digital financial services during 2020 showed mobile money as the dominant means of payments. The volumes of mobile money transactions in Liberian and US dollars increased to 183.1 million and 44.7 million in 2020, from 40.4 million and 1.2 million in 2019, respectively. Similarly, the use of Point of Sales (PoS) in terms volume increased by 61.7 percent, while the volume of ATM usage declined by 219.0 percent in the corresponding period of 2019.

In 2020, registered e-money (mobile money) customers increased by 39.0 percent to 4,916,758 million compared to 3,544,045 in 2019, mainly on account of approval granted to commercial banks to integrate with the MNOs. This facilitated the seamless transfer of funds from banks' accounts to mobile wallets and vice versa, which greatly enhanced e-commerce and digital financial services. Also, the number of agents more than doubled to 31,084 in 2020, from 13,158 recorded in 2019. The COVID-19 pandemic and the attending social distancing preventive measures coupled with the GOL's State of Emergency encouraged consumers to leverage on mobile money for financial transactions.

4.11.1 National Electronic Payment Switch Implementation

The WAMZ Payments System Project paved the way for the NEPS. The Service Provider completed the deployment of the hardware and application and integrated four banks (UBA, Ecobank, GTBank and LBDI) that have payment switches on the CBL Shared Switch for the interoperability of ATMs, only. The CBL, in 2020 requested for TA from the WB to assess the infrastructure and recommend a way forward to achieving the CBL's objectives of efficient, cost-effective, and interoperable digital payment ecosystem under the National Financial Inclusion strategy (NFIS).

The GOL, using the payment system as a driver of financial inclusion in the NFIS, leveraged on the Automated Clearing House (Direct Credit) for the processing of expenditures through Electronic Funds Transfer (EFT). A two-year roadmap for the digitization of the Liberian Economy was also developed and approved. These efforts were expected to serve as a springboard for the utilization of existing infrastructure for wholesale and retail payments in the country.

4.11.2 ECOWAS Payment Settlement Systems (EPSS)

During the year, the ECOWAS EPSS was initiated, aimed at promoting integration of payment systems at the zonal and national level, with the ultimate goals of establishing a regional payments system and its enabling environment. A stock taking exercise with referenced on the legal framework of each country, in terms of trade and payments and the electronic payments landscape relative to the EPSS, was virtually conducted by a consultant through meetings with member countries.

In 2020, the African Inter-Regional Payments Integration Task Force was formed to coordinate and pursue the dual objectives of developing (i) an inter-regional payment system integration framework and (ii) an integrated inter-regional mobile payment strategy. To this end, the Task Force established among others, two Working Groups to support its work: the Payment Systems Integration Working Group and mobile Integration Strategy Working Group.

4.12 Mobile Money Activities

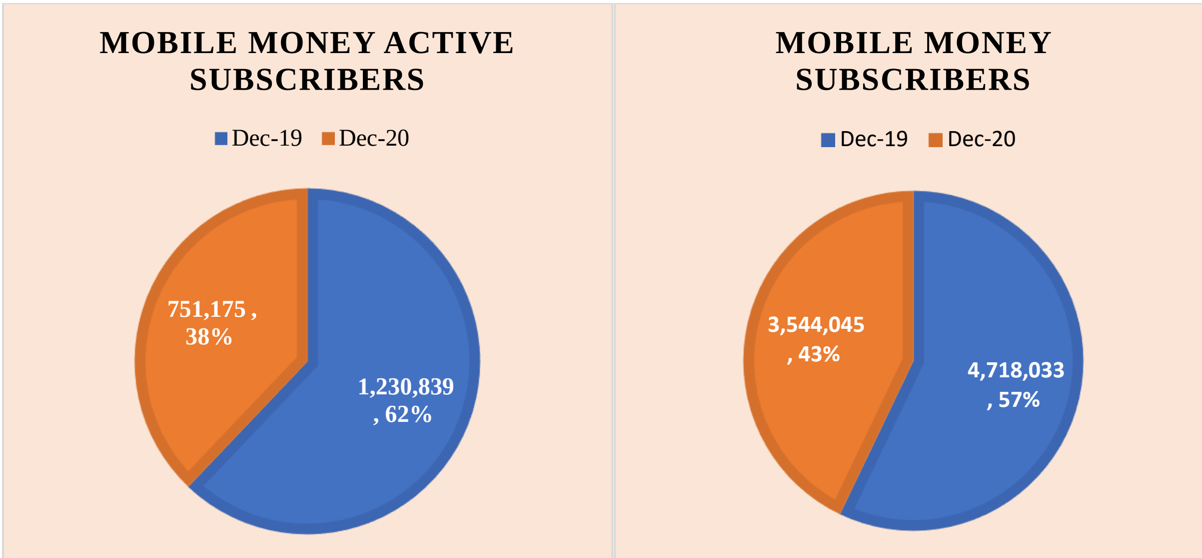
During the period under review, the CBL collaborated with MNOs to reduce charges to facilitate wider electronic transactions in support of social distancing policy. The CBL enforced policy changes on the transaction level and dropped charges on person to person (P2P) transactions for mobile money providers to facilitate ease of transactions. As a result, mobile money activities expanded across the 15 counties in Liberia with an increase in the agent network of mobile money providers consistent with increase in usage and uptake in Liberia.

Table 27: Mobile Money Subscribers and Agents (2019 – 2020)

Indicator	December 2019	December 2020	Percent Change
Number of Subscribers	3,544,045	4,718,033	33.13
Active Subscribers	751,175	1,230,839	63.86
Number of Agents	13,158	30,506	131.84
Active Agents	7,275	16,710	129.69
Total Volume (US$)	1,217,124	3,277,287.00	169.26
Total Value (US$)	76,324,935.70	2,483,232,459.69	3153.31
Total Volume (L$)	40,483,691	117,139,974	189.35
Total Value (L$)	68,162,027,857.88	86,044,768,376.87	26.24

Source: Central Bank of Liberia

Chart 38: Mobile Money Subscribers



Source: Central Bank of Liberia

4.13 Outlook of the Financial Sector

In 2021, the financial sector is expected to remain relatively stable and viable with the aim of supporting and promoting access to finance across the country to buttress the path to recovery. Given the anticipated economic recovery in 2021, the NPLs is anticipated to reduce, while balance sheet indicators of the financial sector are expected to improve. Despite the lingering of the pandemic with minimum signal of full eradication in 2021, the CBL will not only continue to enhance monitoring of the financial sector but also expected to engage commercial banks to revisit their business models in response to the risks of the pandemic.

The anticipated growth of 3.2 percent in 2021 is likely to transmit optimism in the financial sector to ensure the provision of loans and other advances to growth enhancing subsectors, including agriculture and manufacturing. In minimizing potential risks, the strengthening of the prudential regulations through the formulation of appropriate policies is expected to incentivize commercial bank and non-bank financial institutions to support micro, small and medium businesses through financial intermediation.

Chapter 5.0: Internal Developments

5.1 Overview

During the year, despite the challenges posed by the COVID-19 pandemic, the CBL delivered on its responsibilities of producing regular publications to inform the public on issues pertinent to developments in the Liberian economy, conducting surveys to generate necessary macroeconomic and financial data and sharing same with relevant stakeholders, and fostering both internal and external collaborations with partners. The Bank also held four MPAC meetings geared toward setting the Monetary Policy Rate (MPR) to steer the economy in the right direction.

Consistent with its role as supervisor and regulator of the financial system, the CBL took several actions to ensure the safety and soundness of the system. The Bank amended and issued several regulations and directives affecting the banking industry. To enhance financial inclusion, the CBL developed supporting framework documents for the NFIS, which was launched in 2019.

The Bank also made significant progress in enhancing wider use of digital payments, amid the COVID-19 pandemic and the liquidity squeeze affecting the banking system. The CBL instituted regulatory measures to link mobile money wallets to bank accounts to allow for transfer of funds and vice versa (Push and Pull).

In response to the COVID-19 pandemic and its attendant impacts on the Liberian economy, the CBL worked with the World Bank Group and the Ministry of Finance and Development Planning (MFDP) to develop an assistance plan intended to ensure Micro, Small and Medium Enterprises (MSMEs) continued their operations. Additionally, the Bank worked in collaboration with commercial banks and mobile money operators to ensure that charges for digital payments were suspended during the height of the COVID-19 pandemic.

5.2 Research and Publications

The Research, Policy and Planning Department (RPPD) remained the main fulcrum of CBL's Monetary Policy formulation and guided policy advisory to Management aimed at achieving the primary objective of low and stable inflation through evidence-based research.

During the year, the Department disseminated statistical information on monetary, financial stability and the general macroeconomic developments to its domestic and international partners.

To this end, fifty-three weekly reports, twelve monthly reports and three quarterly reports under the Extended Credit Facility (ECF) program were submitted. Additionally, there were eleven monthly IMF (Article IV) submissions, two data submissions to WAMI, two data submissions to WAMA and two data submissions to ECOWAS. The Department was effective with provision of relevant information to the public through various publications, namely: the Monthly Economic Review; the bi-monthly Liberia Financial Statistics; the Quarterly Economic Bulletin; the monthly Monetary Survey; and the quarterly Balance of Payments & International Investment Positions Statements for Liberia.

During the year, RPPD also steered the activities of the Secretariat of the MPAC and conducted four quarterly assessments of the global and domestic macroeconomic developments accompanied by implications to inform monetary policy decision. In addition, several policy briefs and papers were prepared for the Board of Governors and Management, including the paper on currency reform, reserve management, and implication of COVID-19 on monetary policy.

Similarly, RPPD conducted thirty-six field surveys for market and services data to produce monthly inflation numbers and maintained partnership with the Liberia Institute of Statistics and Geo-information Services (LISGIS), for weekly market price survey to generate monthly price statistics. The annual Weighted Average Exchange Rate survey to establish the weights of the contributions of various players in the foreign exchange market as well as the Business and Consumer Confidence Survey were conducted by the RPPD. The Department commenced the development of a data warehouse during the year aimed at mitigating future challenges relating to data compilation, storage, and maintenance for timely analysis.

With significant focus on thematic research, the Department developed a brief working paper on near-term forecasting of exchange rate and inflation rate for 2020 as well as commenced work on two working papers, namely: “The Determinants of Financial Inclusion in Liberia” and ‘‘The Determinants of Inflation in Liberia”.

The Department ably represented the Bank at several stakeholder meetings, including the Sectoral and Pillar Two meetings of the Pro-Poor Agenda for Prosperity and Development (PAPD) and also coordinated the Liquidity Working Group (LWG) meetings involving the MFDP and the

Liberia Revenue Authority (LRA) aimed at monitoring liquidity developments in the Liberian economy and their implications for exchange rate and inflation developments.

5.3 Regulatory and Supervisory Activities

5.3.1 Regulatory Activities

In 2020, the CBL, through RSD, amended and issued several new regulations and directives affecting the banking industry as follows:

Amended *Regulation No. CBL/RSD/004/2020 Concerning Consumer Protection and Market Conduct in Liberia*- This Regulation was issued on January 8, 2020 revising Regulation No. CBL/RSD/004/2017. *Key amendments*- expansion of the scope of the regulation to include all licensed financial institutions and not only banks as provided in the previous regulation. It was also amended to include digital credit to enhance digital financial services and to introduce a Truth in lending/truth in savings forms for further disclosure;

Amended *Regulation No. CBL/RSD/005/2020 Concerning Regulations for Micro Finance Deposit Taking Institutions (MDIs)*- This Regulation was issued on January 8, 2020 revising Regulation No. CBL/RSD/004/2012. K*ey amendments*- to increase the maximum amount of loan to be granted from US$7,000 to US$50,000.00 or 5.0 percent of the total net worth of MDI and to expand the permissible activities of MDIs;

Amended *Regulation No. CBL/RSD/006/2020 Concerning Regulations for Rural Community Finance Institutions (RCFLs)* - This Regulation was issued on January 8, 2020 revising Regulation No. CBL/RSD/002/2016. K*ey amendments*- to categorize RCFIs into two different tiers based on their capital requirements, saving limits and the permissible activities;

Regulations No. CBL/RSD/003/2020 Concerning Licensing & Operations of Electronic payment (E-Payment) Services in Liberia. Key amendments- provide a regulatory framework to license and supervise Providers and Operators of e-payment schemes and promote financial inclusion without risking the safety and soundness of the financial system and address issues that though peculiar to payments system in general, may be amplified by the use of electronic media;

Amended Regulation No. CBL/RSD/005/2020 for the Licensing and Supervision of Foreign Exchange Bureaux- This Regulation was gazetted on January 8, 2020 revising Regulation No.

CBL/RSD/002/2011. *Key amendment*- to incorporate and formalize the operations of small Liberian foreign exchange operators who are categorized as Category "C" foreign exchange operators, and to ensure order in the conduct of the foreign exchange market. This Regulation was gazette, pending issuance;

Directive No. CBL/RSD/DIR/005/2020 Lifting of Moratorium on Rules on Asset Classification and Provisioning. The Directive lifted the moratorium on the temporary suspension of the rules on asset classification and provisioning on loans extended to the aviation, hospitality, tourism, agriculture subsectors as well as small and medium businesses that was introduced by the CBL as part of its policy response to ease the impact of the COVID-19 on the Liberian economy; and

CBL Directive Concerning No Objection of Fees, Charges and Commission of Financial services or Products issued September 17, 2020. This directive is intended to promote transparency in the pricing of financial services and products which directs all financial institutions wishing to introduce new charges, fees and/or commissions on any financial service or product, to seek a 'No Objection" from the CBL.

5.3.2 Supervisory Activities

The CBL, through RSD, continued to play its supervisory role effectively to safeguard the financial system. In this effort, the Department conducted several onsite examinations using different risk management tools, including qualitative and quantitative analyses.

5.3.3 Anti-Money Laundering and Counter Terrorist Financing (AML/CFT)

During the year 2020, the AML/CFT Unit achieved the following:

- The AML/CFT Unit conducted two separate follow-up examinations (February & October 2020) of the 6 banks in the sector that were examined in 2019;
- The Unit also reviewed the AML/CFT Risk Management Guideline for Banks, which was developed along with the IMF TA Team;
- The Unit attended GIABA's 33rd and 34th Virtual Hybrid Plenaries, which were held August 24-28, 2020 and December 2-11, 2020, respectively;

- The CBL continued its collaboration with the FIU aimed at concluding discussions on the National Risk Assessment (NRA) in preparation of Liberia's Mutual Evaluation scheduled for March 2022;

- The Unit conducted a Joint AML/CFT/Digital Financial Services (DFS) Risk-Based Examination of MTN Mobile Money; and

- The Unit also conducted AML/CFT Risk-based Examination of two (2) Insurance Companies.

5.4 Human Resource Management Department

The Human Resources Management Department (HRMD) was effective with its primary responsibility of implementing policies to recruit, retain and motivate an effective workforce to meet the growing needs of the Bank. Several development programs were initiated, whilst several employees participated in capacity development programs offered by the partners. Two employees benefited from partially funded foreign CBL scholarships to pursue graduate studies related to the financial industry, while a total of 170 employees participated in several professional training programs local/foreign using visual online technologies and in-person offered by partner institutions such as the Federal Reserve Bank of New York, International Monetary Fund (IMF), African Training Institute, West African Insurance Institute, AFRITAC West 2, World Bank Group, African Development Bank Group, the West African Institute for Financial & Economic Management (WAIFEM), George Washington University, The Central Bank of Nigeria, Egyptian Banking Institute, amongst others.

With the need to further build capacity, nine permanent staff were recruited, including Internal Audit Director, Human Resource Director, Chief of Office Staff of the Executive Governor's Office, among others. Several contractors and consultants were also recruited by the CBL. Additionally, twenty-two staff were promoted to various senior and mid-management level positions.

In other developments, thirteen employees were granted voluntary retirement upon request. Also, an Employee Reward and Recognition Program was initiated by the Department to recognize the contribution and effort of staff for "going the extra mile".

During the year, the CBL's Management, in adherence to the COVID-19 health protocols announced by the Republic of Liberia, mandated HRMD to put in place effective health measures to curb the spread of the pandemic.

5.5 Management Information System and Technology

The Management Information Systems & Technology Department on the back of multiple challenges encountered in the implementation of its 2019 work and strategic plans, switched focus to reassessing and realignment of its strategic objectives in compliance to an IMF program requirement, primarily targeting reduction in the Bank's spending on maintenance of technology systems. Specific to this assessment was the network infrastructure maintenance and support as well as the recalibration of internal collaboration systems.

Considering the level of success in achieving the Bank's 2020 restructured mandate, the department endeavors to prioritize the following tasks in 2021:

a) Completion of the Financial Sector Super Data Highway implementation

b) Migration to Oracle Database Appliance (ODA) of targeted systems databases in SILO systems to include the Real-Time Gross Settlement (RTGS) and Temenos (T24) Core Banking system.

c) Stabilization of the Datacenter specifically backup power for reliability and continuity, considering the challenges experienced with provision of stable power.

The department is also playing the role of technical lead on two (2) key national projects, namely: Liberia Automation Project or Electronic Funds Transfer (EFT) and Pan African Payments and Settlement Systems (PAPSS) aimed at enhancing the digital payments agenda nationally and regionally.

5.6 Banking Operations

The year 2020 was challenging due to liquidity constraints as well as the pandemic that impacted all facets of our country and the world at large. Despite the difficulties encountered in 2020, the CBL through the Banking Department, was able to meet some of the cash needs of the banks and its parastatals; though under difficult circumstances. Furthermore, the Banking Department coordinated the printing of four (4) billion Liberia Dollars banknotes by Crane Currency and shipped to meet the increasing cash-demand from the and commercial banks during the festive seasons. One of the key functions of the CBL is to ensure continuous money supply to the Liberian economy.

To achieve this goal, the banking department of the CBL, with the approval of the Senior Management opened payment centers in four of the fourteen leeward counties to address the payments of civil servant and pensioners salaries and allowances. These centers are located in Tubmanburg, Bomi County, Vionjama, Lofa County, Zwedru, Grand Gedeh County and Gbanga, Bong County.

The centers are solely established to pay employees and do not collect revenues. To ensure liquidity supply to the centers, the CBL replenishes the vaults of the payment centers on a monthly and quarterly basis. However, considering the inaccessibility of some parts of the counties and to further ensure a central point of transactions, the Management of the Bank begun construction of regional cash hub to serve the cash needs of employees and pensioners.

Plans are also underway for the establishment of more regional hubs and payment centers in areas that do not have the visibility of commercial banks. The CBL through the Banking Department, continued to provide banking services to the GOL through the five revenue collection windows in various locations within Monrovia and its immediate environs.

Table 28: Revenue Collection Windows and Locations

No.	Revenue Collection Window	Location
1	MFDP Window	MFDP, Broad Street
2	NPA Window	Freeport, Bushrod Island
3	Temple of Justice Window	Temple of Justice, Capitol Hill
4	LBR Window	LBR Building, Nelson Street
5	LRA Headquarters	ELWA Junction, Paynesville

Source: Central Bank of Liberia

5.7 Financial Sector Development Programs

5.7.1 Financial Inclusion Activities

The CBL, through the Financial Sector Development Unit (FSDU) in 2020, developed the supporting framework documents for the implementation of the NFIS, following the launch of the National Financial Inclusion Strategy (NFIS- 2019-2023) in 2019. The project charter, program risk management document, data collection framework etc. were all developed. A new project operational manual was developed to guide response and intervention. Three Technical Committees/Working Groups, drawn from across ministries and agencies as well as private institutions, were established in sync with the three pillars of the NFIS. The working groups were: (1) The Access to Financial Services & Credit Working Group; (2) Digital Financial Services Working Group; and (3) Consumer Protection and Financial Capability Working Group.

In the wake of the effects of the COVID-19 pandemic on businesses including, the CBL worked with the World Bank Group, the MFDP and Ministry of Commerce & Industry (MoCI) to review and support small businesses. The new interventions include suspension of interest payments and subsequent reduction of interest rates of participating financial institutions. Additionally, grants were given to Micro-finance Institutions (MFIs) with good performance record. This was intended to support MFIs to continue the provision of financial services. The revised program was intended to attract additional financing from the World Bank to increase lending to the MSME sector.

During 2020, the CBL developed an In-Country Implementation Proposal for the conduct of a financial inclusion baseline survey and submitted same to the Alliance for Financial Inclusion (AFI for the implementation of the NFIS as well as monitoring and evaluating progress of the action plan. The AFI Executive Team approved the grant proposal made by the CBL and AFI is expected to provide US$84,250.00 to cover the financial cost for the design and conduct of a baseline financial inclusion survey.

The CBL conducted a review of the 63 recommended policy actions under the Financial Sector Development Implementation Plan (FSDIP) aimed at taking stock of the implementation of the FSDIP and ensure support for the implementation of critical reforms. Out of the sixty-three policy actions, 13 have been completed, 14 are ongoing under the NFIS, 17 are on-going separately under other programs of the CBL, 7 are being implemented by National Social Security and Welfare Corporation, while implementation of 12 of the policy actions have not started.

The CBL had extensive technical discussions with the World Bank Group on the development of the Liberia Economic Recovery and Transformation Project. Under this component, the following activities are envisaged: (1) MSME Finance Facility focusing on sustainable market interest rates for end-borrowers; (2) Resolving Insolvency – exploring IPF support to the commercial and debt courts for the digitization of the court processes.

Additionally, the CBL assessed the implementation of GOL's commitments under the Maya Declaration and recorded progress in meeting its commitments under the Declaration as well as the Denarau Action Plan.

5.8 Payments System Update

The Liberian payments system landscape witnessed significant changes in 2020 on account of CBL's efforts in promoting digital payments. Additionally, the COVID-19 pandemic induced the transactional need for electronic payments, especially mobile money. The CBL obtained TA from the World Bank in the implementation of the National Financial Inclusion Strategy and assessment of the NEPS.

The usage of the Systematically Important Payments System (SIPS) in 2020 increased with the Real Time Gross Settlement System (RTGS), the Automated Clearing House (ACH), and Mobile Money. The RTGS payment channel had a total Liberian dollar transactions volume of 11,730, amounting to L$303.1 billion and USD transaction volume of 31,705 at US$2.9 billion. The ACH processed a total volume of 14,172 that amounted to L$26.7 million, with the USD transaction volume totaling 61,485, which amounted to US$509.5 million.

The volumes of retail payments, especially Mobile Money in 2020, were 183.1 million and 44.7 million, valued at L$140.9 billion and US$276.7 million, respectively, reflecting developments in value of mobile money services, POS, and Automated Teller Machines (ATMs). ATMs volume totaled 655,541 and 953,909 for Liberian and United States dollars, respectively, with total value of L$1.9 billion and US$ 230 million.

5.9 Legal and Regulatory Framework

The CBL developed and published Regulations Concerning the Licensing & Operations of Electronic Payment (E-Payment) Services (No. CBL/RSD/003/2020) for financial institutions and other fintech companies to respond efficiently to current and future payment needs. The development of the regulations led to the approval of the TIPME Liberia LLC, the first licensed Payment Service Provider.

The amendment of the National Payment Systems Act (2014) was followed by the first in-person validation meeting on the Amended Act in December 2020. The revised Payments System Law covers payments, clearing, and settlement systems, as well as payment instruments and services that are necessary for integrating the Liberian economy into the regional and international financial system.

5.9.1 Oversight Policy Framework

In 2020, the CBL approved an Oversight Policy Framework and Guidelines for Implementation for the National Payment Systems. The Bank also approved the Charter of the National Payment Systems Council (NPC) to facilitate efficient digital payment ecosystem, cost-efficient operations, and active participation of all stakeholders. It is expected to operate as a consultative body, which will provide support to the CBL and ensure that the payment and securities clearance and settlement systems are safe and efficient. The CBL also engaged other external stakeholders such as World Bank, WAMI, IMF/ AFRI TAC West 2 and the AFI for the deepening of electronic payments in Liberia.

5.9.2 Facilitating Digital Financial Services

As a measure to encourage cooperation and competition in the Digital Financial Payment Ecosystem, the CBL in 2020, rolled out regulatory measures for the bilateral implementation of the Mobile Money integration with banks (Push and Pull Services). This has allowed funds transfer from bank accounts to wallets and vice versa, pending the completion of the NEPS Project. Five (5) banks (UBA, GTBank, Access Bank, LBDI and EBLL) were approved for the Push and Pull Services with the MNOs.

Among the five banks, UBA is the only commercial bank approved for engagement with Orange Money Push and Pull service as at end-2020. Additionally, the CBL amended its regulations on remittances to allow the termination of in-bond remittances to mobile money account/wallet. Towards this end, Lonestar Cell/MTN, and TipMe Liberia LLC were approved to conduct remittance with direct termination to the beneficiary's wallets/accounts.

5.9.3 Policy Measure to ease the impact of COVID-19 on the Financial Sector

The COVID-19 pandemic constrained operation of the financial sector of Liberia with increased demand for cash by customers mainly due to limited alternative delivery channels. The situation induced the CBL to swiftly respond by instituting several policy measures intended to ease the negative impact on the Liberian economy.

Among the measures, the CBL suspended for three months, all charges on the SIPS, ACH, DC and RTGS. Further, mobile money charges to customers for push and pull services, merchant payment transaction fees using mobile money and charges for people to people (P2P) funds transfers via the internet and mobile banking services were also suspended for one month. Additionally, the daily limit for mobile money transactions were adjusted by the CBL for three months subject to Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) requirements. The Bank also adjusted for three months the monthly aggregate transaction limits for purchasing of goods and services as well as transfers through mobile money.

During the months (March to April 2020), the total mobile money (push & pull) transactions volume in United States dollar was 505 valued at US$5,501,091.37 and total transactions volume in Liberian dollars was 232 valued at L$539,704.00. Orange Money registered 233 merchants, while MTN and SIB Bank registered 149 and 3, respectively, thus, increasing the total number of merchants to 7,810, from 7,425 at end-May 30, 2020.

Similarly, to ease the COVID-19 impact on consumers, the CBL suspended all charges on the SIPS to the commercial banks to enable them to waive same to their customers. During the three months period, the RTGS, ACH and DC processed total volume of 10,484; 17,729; and 5,254, respectively, in both currencies. These SIPS processed transactions with total value of US$447.7 million and L$89.74 billion. The CBL saw an increase in the usage of digital financial services, increased consumers' confidence, and interest in digital payments usage.

5.10 Enterprise Risk Management

The CBL's activities during the year were hampered by COVID-19 pandemic, despite measures instituted to contain the spread of the virus. Notwithstanding the challenges, the Department engaged and completed several activities:

1. Conducted quarterly risk and control assessment of policies and procedures that business units used as a guide to carry out their functions. This exercise revealed that a significant number of business units developed policies and procedures that were being used.

2. Several training programs were held throughout the year to enhance the skills and professional development of staff of Enterprise Risk Management Department to ensure that employees' knowledge and skills are enhanced and retained with new concepts and processes of Enterprise Risk Management.

3. Carried out monitoring and reviewing of business units control processes to ensure that previously identified risks were mitigated to prevent escalation of risks that threaten the strategic objectives and business operations of the Bank.

4. Fullscope semi-annual enterprise-wide risk assessments was conducted across the CBL to bring business units and key personnel of the Bank together to identify threats, critical risks and impacts that should be considered when pursuing the overall strategic objectives of the Bank.

5. Special Assessment of General Support Services Department's bulk fuel purchase and inventory usage was carried out to evaluate record keeping, inventory and reconciliation, equipment. It was also aimed at measuring instruments ensure that it meets compliance standards as well as satisfy CBL's contractual terms as specified in contracts signed with vendors for fuel supply and maintenance of storage facilities.

6. Training of Functional Risk Officers (FROs) and new staffs across the Bank was conducted to enable FROs to have basic understanding and develop the requisite knowledge required to be a liaison between the Enterprise Risk Management Department and their business

units. Two training sessions with FROs, new staff and other interested staff of all business units were held in the CBL auditorium with over 50 participants.

7. The Department, during the year, continued its monthly monitoring of key risk indicators (KRIs) to ensure that risks were actively managed. Business units submitted monthly KRIs to the Department for analysis. This was important to eliminate surprises and ensure appropriate and timely actions are taken to reduce risks to tolerable levels; and

8. Conducted bi-annual staff-supervisor feedback session to develop a clear professional development goals and career plan for each staff of ERMD on individual basis. Two Staff-Supervisor feedback sessions were also held during the year.

5.11 CBL Accounting and Finances

The CBL's financial statements remained effective in accordance with International Financial Reporting Standards (IFRS). In 2020, Deliotte and Touche was selected as the auditor for a period of three years. Consistent with Part XI, Section 50 (3) of the Amended and Restated 2020 CBL Act, the 2020 statutory audit was earmarked to be conducted by Deliotte and Touche in collaboration with Baker Tilly.

Income and Expenditure

The CBL's preliminary unaudited Income Statement for the year ended December 31, 2020, revealed gross income of L$6.0 billion compared with L$2.2 billion in 2019. This represents L$3.8 billion rise in gross revenue. The gross income includes interest income, fees & commission, and other income. The increase in gross income in 2020 was mainly due to the increase in interest earned on GOL Consolidation Loan and rewinding of previous years provisions on financial assets. The main revenue drivers were net interest income of L$1.8 billion and fees & commission and other income amounting to L$4.2 million.

Total expenditure for the year amounted to L$4.6 billion compared with L$7.9 billion in 2019. This decrease was attributed to Management's rigorous austerity measures complemented by the appreciation of Liberia dollar.

Financial Position

The CBL's preliminary unaudited Statement of Financial Position including IMF related balances recorded total assets of L$254.0 billion as at end-December 31, 2020, compared with L$241.0 billion in the same period of 2019. The growth was mainly due to increase in cash and balances with banks abroad, loans and advances to GOL, increase in property, machinery and equipment, intangible and other assets as at the reporting period. Excluding the IMF, approximately 43.0 percent of total assets are represented by claims on GOL with huge segment accounting for legacy component. The loans performed in 2020 due largely to a memorandum of understanding (MOU) signed in 2019 between the CBL and the GOL.

The CBL's preliminary unaudited total liabilities including IMF related liabilities as at December 31, 2020 amounted to L$240.0 billion compared with L$225.0 billion in 2019. The increase in liabilities of L$15.0 billion was mainly attributed to increases in IMF related liabilities, deposits from banks and retirement & benefit obligations.

The CBL's preliminary unaudited owners' equity as at December 31, 2020 was L$13.3 billion compared with L$15.7 billion in 2019 due partly to the appreciation of Liberian dollar.

The Budget

The Board of Governors approved the sum of US$32,740,053.00 for the budget of 2020, which is the ceiling agreed under the ECF program. During the fourth quarter of the year 2020, the CBL recorded a year-to-date income of US$20,214,908.00 against a projection of US$19,404,697.00, exceeding the projection by US$810,211.00, representing 4.0 percent.

On the expenditure side, the CBL incurred a total of US$29,559,029.00 year-to-date expenditure against the approved allotment of USUS32,740,053.00 leading to an overall saving of US$3,181,070.00.

5.12 Internal Audit

The CBL's Internal Audit Department provided independent, objective assurance and consulting services designed to add value and improve the Bank's operations. The Department helped the CBL to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. Through a co-sourcing arrangement with PricewaterhouseCoopers, the Internal Audit Department transitioned fully to a risk-based internal audit methodology. During the year, the Department developed its 3-year rolling strategic plan and 1-year operational plan. These plans were submitted to and approved by the Board Audit Committee.

A risk-based strategic approach to developing the audit plans was adopted. This involved an identification of risks that could potentially impair the achievement of CBL's strategic and operational objectives. The key objective of the assessment was to align internal audit's annual audit plan with the most critical risks facing CBL.

The 2020 1-year operational plan identified nineteen high risk areas to be audited, along with several special audits and assignments. Of those nineteen high risk areas and special audits and assignments identified, only six engagements were completed due to COVID-19. The Department started work with various process owners to review key business processes to ensure they are appropriately documented (i.e., through process narratives and flowcharts).

5.13 Legal Services

The mandate of the Legal Department of the CBL remained focused on effective handling of the legal needs of the Bank and put in place mechanism to mitigate legal risks. During the year, the Department provided legal guidance in compliance with the CBL's Act.

The Department steered the affairs of the Interdepartmental Team that worked on the Amendment and Restatement CBL Act of 2020, which was approved in October 2020. the Amended Act inter alia is expected to engender improved functional and operational autonomy of the CBL.

5.14 Communications and Public Relations Activities

The Corporate Communications Unit, during the year drafted four press releases, publicized the Bank's monetary policy decisions and organized radio talk shows with a team of CBL experts. The talk shows provided public education and awareness about the implication of the decisions on inflation and economic growth. During the first half of 2020, the Unit collaborated with the United States Agency for International Development (USAID) and Kroll Associates in developing and implementing a communications strategy for the printing of the L$4.0 billion banknotes.

In April 2020, the Unit drafted a COVID-19 communication strategy to ensure that the CBL continued to perform its core functions and that the financial sector remained operational in the event of a worsening COVID-19 infection rate. The Strategy sought to address the communications vacuum that a lockdown could create. It emphasized telecommuting, video conferencing, internet banking and digital financial services to avert the worst impact of a lockdown.

To chart a new course with the media, a lunch-meeting was held on December 30, 2020. During the meeting, media institutions were informed about the importance of their partnership with the CBL, with a promise that such engagement would be as frequent as events demand.

5.15 Community Outreach Initiatives

During the year, the CBL was involved with several community outreach initiatives. The Bank joined the fight against the deadly COVID-19 pandemic and on May 16, 2020 donated assorted items to the 14 Military Hospital in Margibi County, including masks, aprons, rice, oil, detergent, canned food, and chlorox buckets. The CBL also donated to the School of the Blind, Gibraltar community, Home of the Elderly, and the Liberia Nursing Association.

5.16 General Support Services

The General Support Services Department of the Bank was active in various support services to all departments of the Bank in 2020, including arrangement with third party suppliers and contractors for the supply/provision of sundry goods and services. The Department, in 2020, delivered cost effective and provided timely operational support services, while striving for continuous improvement in service delivery. The Department endeavored to fulfill its obligations in providing operational and logistical support services to all departments of the CBL.

Notwithstanding the gains, the year 2020 was challenging for GSSD, including the stay home action by the Bank. During the year, key activities and achievements included: successful implementation of the procurement process for the printing and delivery of the L$4.0 billion banknotes; processed and awarded contract for the construction of a regional cash hub in Gbarnga, Bong County; connected the Payment Center in Zwedru, Grand Gedeh County to the national power grid; completed the re-roofing of the National Housing & Savings Bank in Water Side

Monrovia; and ensure timely procurement of stationery and supplies. Other activities were the installation of the 4,000 gallons capacity fuel tank for generators at the Data Recovery Site and the renovation of a section of the Banking Institute for the establishment of TA Support Unit (TASU)'s office.

5.17 Banking Institute of Liberia

In the face of the lingering economic challenges, the human resource gap remained a constraint to sustain the relative stability in the financial sector. As such, the expansion of operations of commercial banks in the rural parts of the country engendered the critical need for human capacity development. In response to the demand for trained personnel in the sector, the Banking Institute of Liberia, Inc. remained operational in collaboration with the CBL and supported by the Liberia Banker Association (LBA) to provide cutting edge training to the professional and administrative competencies of staff in the banking and financial sector. During the year, sixty-five participants successfully completed course requirements and were awarded BIL Certificates of Completion. The institute offered short-term courses in the following areas: Systems and Controls, Banking Operations, Regulatory Framework & Compliance, Credit Analysis, Internal Audit and Financial Reporting & Analysis. It is worth highlighting that the Institute's activities significantly slowdown due to the COVID-19 pandemic, which stalled the opening of face-to-face classes.

To diversify its income stream and bridge the capacity gap in the sector, BIL officially planned in 2020 to launch its two-tier fee-paying Enterprise Program in February 2021. The Institute's program comprises professional certificate and professional development courses.

Table 29: LEVEL II COURSE ENROLMENT OF PARTICIPANTS PER BANK

		BANKS										
No	Course	CBL	ABLL	ALFB	LBDI	SIB	GTB	ECO	GLB	IB	UBA	TOTAL
1	System & Control	2	2	0	2	0	2	0	0	2	1	11
2	Banking Operations	6	2	0	2	0	1	0	0	1	0	12
3	Regularly Framework & Compliance	2	2	0	2	0	2	1	2	o	1	12
4	Credit Analysis	0	0	3	2	2	2	0	0	2	1	12
5	Internal Audit	0	2	0	0	2	2	0	0	0	1	7
6	Financial Reporting & Analysis	1	2	o	2	1	2	0	0	2	1	11
7	TOTAL	11	10	3	10	5	11	1	2	7	5	65
8	Enrolment Percentage	16.9231	15.3846	4.6154	15.3846	7.6923	16.9230	1.5385	3.0769	10.7692	7.6923	100

Source: Banking Institute of Liberia, Inc.

Chapter 6.0: External Relations

Liberia continued its multilateral relations and institutional commitments with both national and international institutions across the region, the continent, and the globe in 2020 amidst the COVID-19 pandemic impact on Liberia's physical presence at several meetings due to measures of full lockdowns, border closures, businesses closures, curfews, restrictions of all forms of travels, among others.

Those measures significantly impacted economic activities in all countries and dampened outlook. The first cases of COVID-19 in Africa were reported in Egypt and Algeria in mid-February and Liberia in March 2020. Thus, most meetings were suspended and /or postponed to later date, but the alarming spread of the virus resulted to the virtual hosting of several activities and programs.

ECOWAS REGION

The economies of the ECOWAS region were negatively impacted with disruption in many socioeconomic activities. Consequently, several activities on the Revised Roadmap of the ECOWAS Monetary Cooperation Program (EMCP) could not be realized in 2020 partly due to the adverse effect of the COVID-19 Pandemic. While the Authority of ECOWAS Heads of State and Governments expressed satisfaction at its session held on September 7, 2020 in Niamey on the EMCP, the Authority decided on the followings:

- Postponement of the launch of the ECOWAS Single Currency to a later date;
- Exemption of Member States from compliance with the convergence criteria in 2020;
- Maintaining the gradualist approach for the launching of the "eco" currency;
- Development of a new Macroeconomic Convergence and Stability Pact among Member States; and
- Directing the ECOWAS Commission, the Member States along with other regional economic institutions to develop a new Roadmap for the ECOWAS Single Currency Program.

Accordingly, implementation of the relevant activities led to the adoption of the currency name (eco) and symbol of the single currency (Ec), federal system model and name of the common central bank (Central Bank of West Africa) and the inflation targeting monetary policy framework with a flexible exchange rate regime. However, substantial number of activities was outstanding including policy harmonization, location of central bank, size of capital, and legal framework amongst others.

The assessment of Liberia's performance on the convergence scale as at end-December 2020 indicated that out of the four primary and two secondary criteria, Liberia met one primary target (budget deficit) and the two secondary targets (public debt to GDP and exchange rate variation). However, the country's performance on the primary criteria is expected to further improve in 2021 to meet the inflation target on account of commitment to ongoing macroeconomic reform.

On the payments system development across the region, Liberia was among Member States working out operational and legal modalities with economic institutions in the region and the continent in establishing the EPSS and the PAPSS to ensure all harmonized regulations and policy in all member states, while having inter-regional payment system infrastructure operating seamless transactions on a real time basis. The EPSS remained one of the activities for the realization of the single currency with an overarching objective to have an integrated payments & settlement system across the ECOWAS region. The Pan-African Payment System & Settlement System is expected to serve as centralized payment infrastructure for processing, clearing, and settling of intra-African trade and commerce payments.

Regional Technical Assistance

As part of a full Comprehensive Economic Assistance package from the Federal Republic of Nigeria through the CBN to Liberia through the CBL, the Bank was expected to benefit from TA and capacity building for staff, especially in the area of macroeconomic policy. Furthermore, the country was expected to benefit from a N10.0 billion Revolving Trade (Loan) Facility, which was intended for Liberian businesses to finance the imports of goods and services produced in Nigeria only. Discussions were ongoing between the two financial regulators and expected to be concluded in 2021 for the operationalization of the scheme and the trade facility.