



CENTRAL BANK OF LIBERIA

ANNUAL REPORT

2006

JANUARY 1, 2006
TO
DECEMBER 31, 2006



CENTRAL BANK OF LIBERIA

Office of the Executive Governor

January 30, 2007

Honorable Members of the Legislature
Capitol Building
Capitol Hill
Monrovia, Liberia

Honorable Ladies and Gentlemen:

In accordance with part XI Section 49(1) of the Central Bank of Liberia Act, 1999, I have the honor on behalf of the Board and management of the Bank to submit, herewith, the Annual Report of the Central Bank of Liberia to the Government of Liberia and the Legislature for the period January 1 to December 31, 2006.

Sincerely yours,


J. Mills Jones
Executive Governor

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TEL.: (231) 226-991, FAX: (231) 226-

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**BOARD OF DIRECTORS
AS AT DECEMBER 31, 2006**



John G. Bestman
Board Member



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



David K. Vinton
Board Member



George H. Gooding
Board Member



Betty J. Saway
Board Member

Organizational Chart

**MANAGEMENT
AS AT DECEMBER 31, 2006**



Dr. J. Mills Jones
Executive Governor



Ethel Davis
Deputy Governor



Dennis Boothe
Chief Administrator

HEADS OF DEPARTMENTS



A. Richard Dorley
Director
**Research, Policy &
Planning Department**



Melisa A. Emeh
Director
Banking Department



Charles E. Sirleaf
Director
Finance Department



A. Tefleh Wollor
Officer-In-Charge
Supervision Department

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Acronyms used







AACB	Association of African Central Banks
ACDB	Agricultural and Cooperative Development Bank
ADB	African Development Bank
AFRACA	African Rural and Agricultural Credit Association
BOL	Bank of Liberia
BOP	Balance of Payments
BPS	Bank Payment Slips
CBL	Central Bank of Liberia
CMC	Cash Management Committee
COICOP	Classification of Individual Consumption by Purpose
EBLL	Ecobank Liberia Limited
ECOWAS	Economic Community of West African States
EGSC	Economic Governance Steering Committee
FDA	Forestry Development Authority
FEB	Financial and Economic Bulletin
FIA	Financial Institutions Act
FIBLL	First International Bank Liberia Limited
FPC	Firestone Plantations Company
GBLL	Global Bank Liberia Limited
GDP	Gross Domestic Product
GEMAP	Governance Economic Management Assistance Program
GOL	Government of Liberia
HCPI	Harmonized Consumer Price Index
HIPC	Heavily Indebted Poor Country
IBLL	International Bank Liberia Limited
IFC	International Finance Corporation
IFRS	International Financial Reporting Standard

ILO	International Labour Organization
IMF	International Monetary Fund
IPRSP	Interim Poverty Reduction Strategy Paper
JAI	Joint African Institute
LBDI	Liberia Bank for Development & Investment
LEAP	Liberia Enterprise Assistance Program
LEEP	Liberia Emergency Employment Program
LFS	Liberia Financial Statistics
MCA	Millennium Challenge Account
MCI	Ministry of Commerce and Industry
MCPI	Monrovia Consumer Price Index
MDGs	Millennium Development Goals
MOF	Ministry of Finance
NGO	Non-governmental Organization
PCC	Permanent Claims Commission
SMP	Staff-Monitored Program
TA	Technical Assistance
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UNMIL	United Nations Mission in Liberia
USA	United States of America
WAMA	West African Monetary Agency
WAMI	West African Monetary Institute
WAIFEM	West African Institute for Financial and Economic Management
WAMZ	West African Monetary Zone

Highlights: 2006

<p>CBL Capacity Building</p> 	<ul style="list-style-type: none">■ Priority given to training in various areas of central banking, macroeconomic management and statistics at the IMF and the West African Institute for Financial and Economic Management (WAIFEM).■ In-house training for staff on bank supervision and regulation.■ A number of technical assistance missions from the IMF visited and conducted seminars and provided technical advice to the Bank.
<p>Payments System</p> 	<ul style="list-style-type: none">■ CBL opened three payment centers for the encashment of GOL rural employees' salary checks; with logistical support from UNMIL, CBL also improved encashment of salary checks in areas where there are no payment centers.■ Expansion of commercial bank branches.■ Clean banknote policy put into effect.■ Commercial banks more actively engaged in the encashment of government payroll checks.■ Regularization of foreign exchange auction, which helped to stabilize the exchange rate.

<p>CBL Financial Management</p> 	<ul style="list-style-type: none"> ■ Board constituted an Audit Committee to enhance oversight role. ■ Internal Audit Section stepped up its activities, working in collaboration with the Board Audit Committee. ■ Board of Governors approved the selection of Ernst and Young as CBL’s external auditor. ■ CBL adopted the International Financial Reporting Standard (IFRS) as its reporting standard. ■ Safeguard Assessment of CBL conducted by IMF at the request of CBL. ■ Operational Budget registered a surplus of more than US\$1.0 million compared with a deficit of US\$2.09 million in 2005.
<p>Banking Stability</p>  	<ul style="list-style-type: none"> ■ CBL improved its supervision of banks based on risk-based supervisory approach. ■ Compliance Committee established to ensure implementation of restructuring and recapitalization of banks. ■ Completion and adoption of a comprehensive On-Site Examination Manual. ■ Recapitalization of delinquent banks. ■ Regular consultations and dialogue with leadership of the banks.
<p>Reserves</p> 	<ul style="list-style-type: none"> ■ Net reserves of CBL at end December 2006 was US\$21.8 million compared with US\$6.5 million at end of December 2005.

<p>Microfinance</p> 	<ul style="list-style-type: none"> ■ Microfinance Unit established at the CBL. The Unit is working with the UNDP to implement project entitled “An Inclusive Financial Sector in Liberia”. ■ National Microfinance Task Force reactivated. ■ First Investment Committee meeting of “An Inclusive Financial Sector in Liberia” project held in Liberia. ■ Staff sponsored by UNCDF.
<p>Publications</p> 	<ul style="list-style-type: none"> ■ Quarterly publication of CBL Financial and Economic Bulletin and Liberia Financial Statistics.
<p>Information Technology (IT)</p> 	<ul style="list-style-type: none"> ■ Upgraded network infrastructure; added two new remote sites. ■ Improved website.
<p>Anti-Money Laundering</p>   	<ul style="list-style-type: none"> ■ CBL strengthened its engagement with the ECOWAS Task Force on anti-money laundering, and continued to serve as focal point for Liberia’s experts concerned with combating money laundering.

The Macroeconomy



- The economy is expected to grow at 7.8 percent compared with 5.3 percent in 2005. However, unemployment remained high.
- Inflation dropped from 11.1percent to 7.4 percent
- The government is implementing a cash-based balanced budget, with a significant increase in revenue projected for the fiscal year.

Governor's Statement

This was a year of new beginnings for Liberia, bringing to the fore the challenges of economic revitalization after a prolonged civil conflict. In this context, the Central Bank of Liberia has been mindful of its critical role in helping to lay the foundation for sustained economic growth and development. Working together, the Board and management have set the pace for change by taking steps to improve the capacity of the CBL to carry out its duties more effectively and efficiently. By and large, the staff have responded favorably, recognizing that they are the most important asset of the Bank.

Progress has been made on many fronts in such a short period, which augurs well for the future:

- The management of CBL's finances has improved markedly. The outturn of the operational budget showed a cash surplus of more than US\$1.1 million compared with a deficit of US\$2.09 million in 2005. The CBL Board approved a balanced budget for 2007.
- The benchmarks agreed with the IMF under the staff-monitored program were met and negotiations for a successor program were all but concluded by the end of 2006.
- More than 23 staff of CBL participated in training programs in various aspects of central bank operations.
- The IMF has remained fully engaged with technical assistance to the CBL, covering such important areas as bank restructuring and money and foreign exchange operations.

- Technology is being upgraded in the CBL in order to enhance efficiency.
- Microfinance work was brought into the mainstream of the CBL's activities, and local stakeholders and external partners have become more involved in finding ways of bringing banking to the poor.
- The payments system saw much improvement, with the commercial banks participating more fully in the encashment of civil servants salary checks. CBL commenced cashing government employee salary checks in all counties of Liberia in December 2006.
- Government has drafted a debt strategy, which includes a plan for regularizing the servicing of debt owed to commercial banks and the CBL.
- Engagement with potential investors has led to interest in bringing in new capital into the banking system through existing banks.
- An investment bank has opened an office in Monrovia.

Overall, the banking sector ended the year in a much better position than at the end of 2005. All of the banks, except one, have satisfied the minimum capital requirement; the one that has not yet done so is on track to meet the requirement in early 2007. This attests to the renewed effort by both the CBL and the commercial banks to rebuild confidence in the banking system. The public should take assurance that over time this shared sense of responsibility will lead to a strong and stable banking industry, one that has the capacity to be the engine that drives the wheels of private-sector led development, underpinned by Liberian entrepreneurship.

The economy continued its rebound in 2006, with real GDP growing by 7.8 percent. However, the damaged infrastructure, the ban on the export of timber and diamonds and problems in the agricultural sector are all factors that have kept GDP growth below potential. The level of unemployment remains a concern, necessitating the need for direct investment in agriculture, the timely revival of the forestry sector and targeted external support for rehabilitation of infrastructure. The exchange rate of the Liberian dollar relative to the US\$ dollar remained broadly stable during the year, depreciating by 5.3 percent as at end-December 2006. Inflation was kept in single digits during the year. Savings deposits increased, an indication of the rebuilding of confidence in the banking system; and there was a sharp rise in credit by commercial banks.

The outlook for the banking sector is one of continued progress; but major challenges remain. Increased attention must be given to improving the environment for commercial banks to deal with the problem of low loan recovery, which has been one of the most troubling areas of the Liberian banking system. Also, there needs to be a better alignment between lending and deposit rates, requiring, among others, steps on the part of commercial banks to improve efficiency. This should help with the mobilization of domestic savings and the encouragement of investment. Another challenge concerns the strengthening of the CBL's ability to conduct monetary policy. In this regard, a liquidity monitoring framework which was completed in 2006 will be used to guide monetary policy; the CBL will put in place a modified reserve requirement system that would give flexibility to commercial banks in managing their liquidity; and CBL will broaden the collection of data on foreign exchange volumes traded in the market and the flow of remittances. The foreign exchange auction will be conducted under a revised set of rules to deepen the market.

The CBL will remain guarded in the granting of licenses, while it takes additional steps to strengthen capacity to perform its supervisory and regulatory functions. In this connection, consideration may be given to licensing internationally reputable banks that have the capacity to start operations with a strong capital base, and have a credible plan for contributing to the revitalization and growth of the Liberian economy.

The CBL worked closely with other central banks during the year in enhancing economic cooperation among member countries of the Economic Community of West African States (ECOWAS). In particular, the Bank participated in various technical meetings of the West African Monetary Agency (WAMA) relative to ECOWAS' economic integration program. Also, the Bank continued to work cooperatively with the International Monetary Fund, the World Bank, the African Development Bank (ADB) and other multilateral institutions. Relationship with these institutions are important, and the CBL will remain engaged with them on matters of mutual interest.

I wish to take this opportunity to thank the Board of Governors and the Government of Liberia for their support to the Bank in its efforts aimed at bringing about a fully-functioning banking system that would adequately respond to the needs of the national economy. I also wish to recognize the level of cooperation demonstrated by the commercial banks during the year. As they are well aware, there are social and economic challenges ahead which must be tackled by all of us in order to move Liberia forward.


J. Mills Jones
Executive Governor

CHAPTER I: OVERVIEW OF THE CENTRAL BANK OF LIBERIA

1.1 The Central Bank of Liberia (CBL) was created by an Act of the Liberian National Legislature in March of 1999. It is the successor to the National Bank of Liberia.

1.2 Objectives of the Bank

The primary objective of the Bank is to maintain price stability. To this end, the Bank's policies are designed to:

- (i) preserve the purchasing power of the national currency.
The national currency is defined by law as the Liberian dollar composed of 100 cents;
 - (ii) promote internal and external equilibrium in the national economy.
This means that the Bank should work to ensure a stable macroeconomic environment;
 - (iii) encourage the mobilization of domestic and foreign savings and their efficient allocation for productive economic activities.
The channeling of savings to investment is critical for sustained economic growth. Such activity is one of the major responsibilities of banking sector;
 - (iv) facilitate the emergence of financial and capital markets that are capable of responding to the needs of the national economy.
Financial and capital markets are important instruments for mobilizing savings and financing investment; and
 - (v) foster monetary, credit and financial conditions conducive to orderly, balanced and sustained economic growth and development.
- In the final analysis, the Bank's policy must serve the twin purpose of economic growth and development.

1.3 Functions of the Bank

As prescribed by Part II Section 4 of the Central Bank of Liberia Act of 1999, the Central Bank has functional independence, power, and authority to carry out its functions. The concept of “functional independence” is consistent with the broad trend in central banking, whereby the authorities of central banks are expected to operate in a professional manner, take decisions on a non-partisan basis and be guided broadly by market-related considerations. The CBL is committed to carrying out its responsibilities on this basis. However, it is fully cognizant that its independence and authority must come from the confidence of the public. The actions of the CBL during the course of the year, aimed at improving its financial management, building capacity, strengthening and restructuring the banking system, improving the payments system and providing clean banknotes, among others, were a concerted attempt to build public trust in the institution. This remains the commitment of the CBL, and there will be stepped-up efforts to communicate the activities of the Bank to the public, keeping in mind the need to appropriately respect confidentiality, given the sensitivity of some of the issues that a central bank has to deal with.

The key functions of the Bank under the law are: to (i) issue legal tender banknotes and coins; (ii) administer the currency laws of the country and regulate the supply of money; (iii) provide credits to bank-financial institutions on a discretionary basis; (iv) act as fiscal agent for the Government of Liberia; (v) administer the New Financial Institutions Act of 1999 and regulate banking activities of commercial banks; (vi) regulate bank and non-bank financial institutions, as well as non-bank financial services institutions; (vii) hold and manage foreign exchange reserves of Liberia, including gold; (viii) advise the government on financial and economic matters; (ix) conduct foreign exchange operations and (x) play an active role in collaboration with bank-financial institutions in the creation and maintenance of efficient and safe mechanisms for payments, clearing and settlements to meet the needs of the financial markets, commerce, government agencies and the general public. The Bank carries out these functions through consultations with bank-

financial institutions and the implementation of proper regulations and standards, as needed.

Primary Responsibilities of the Bank

- ***Issuance of banknotes:*** The issuance of banknotes of high quality is an important aspect of an efficient payments system, which in turn, facilitates economic activities. The timely availability of banknotes is critical for the Liberian economy which is cash-based, with limited financial instruments. The CBL has acted in this regard, consistent with the needs of the economy, which includes the replacement of mutilated and damaged notes. In order to ensure the acceptance of the banknotes and deter counterfeiting and other forms of debasement of the notes, the CBL adheres to stringent standards in the design and production of the banknotes.
- ***Regulate the supply of money:*** This is crucial to the promotion and maintenance of price stability. Restoring confidence in macroeconomic management will help the CBL develop instruments that will help it to regulate the money supply. In Liberia, the main mechanism through which the money supply affects the movement in prices is the exchange rate. Hence, the exchange rate is used as an anchor for the Bank's monetary policy.
- ***Act as Fiscal Agent for the Government:*** The CBL serves as a depository of all Government revenue and effects general disbursement on behalf of the Government. The CBL also administers a payment, clearing and settlement system for the Liberian financial sector.

- ***Supervise and Regulate banking Activities of commercial banks:*** This is how the Bank is able to promote and sustain a viable and stable financial system. The CBL issues licenses to commercial banks to operate in the country as part of its regulatory functions. In this regard, the Bank issues and enforces prudential regulations with respect to capital adequacy, liquidity, asset quality and management procedures. The CBL also ensures that commercial banks conduct their operations in a professional and transparent manner.
- ***Hold and manage foreign reserves of the country:*** The CBL has the responsibility to manage official foreign exchange reserves of the country on behalf of the Government. This is consistent with its role of helping to ensure internal and external equilibrium in the economy.
- ***Advise the Government on financial and economic matters:*** The CBL advises the Government on a wide range of economic and financial issues. This is done through consultations with the relevant officials of government and by the CBL serving on several Government and public committees. The Bank collects and disseminates macroeconomic statistics, including those relating to financial sector and international transactions, which are regularly provided to government officials and to the public.
- ***Create and maintain an efficient Payments system:*** The Bank works in collaboration with commercial banks in efforts aimed at creating and maintaining an efficient payments system. This is important for the development of the private sector and for enhancing public confidence in the use of the banking system to facilitate transactions.

1.4 Administration and Management

The Board

The powers of the Central Bank of Liberia are vested in a Board of Governors, which is responsible for formulation and implementation of policies of the Bank. The Board of Governors consists of five Governors, including the Executive Governor who serves as Chairman of the Board. Members of the Board are appointed by the President of Liberia and confirmed by the Liberian Senate.

The Board is required to meet as often as the business of the Bank may require, but not less frequently than once every three months. Pursuant to its By-laws, the Board may provide for regular meetings for which no notice shall be necessary, and special meetings to be convened at the written request of the Executive Governor or any other Governor(s), for which adequate notice is required. In addition to the four regular quarterly meetings, there were five called meetings and a number of informal meetings.

Tenure of Governors

The law establishes the tenure of the Executive Governor to be five (5) years, with the possibility of only one reappointment for an additional period of 5 years. Each of the four other Governors, is appointed on a staggered-term basis for terms of four (4) years, three (3) years, two (2) years, and one (1) year in the order of appointment. Governors may be eligible for one reappointment. The law also prescribes procedures for removal of a member of the Board of Governors from office and the reasons for removal. Continuity and the independence associated with it are important for the proper operations of a central bank. The CBL Act also requires that those appointed to the Board of Governors be individuals of integrity and have the requisite knowledge and experience to effectively carry out their responsibilities.

The Executive Governor

The Executive Governor is the Chief Executive Officer of the Bank, responsible to the Board of Governors for the implementation of its policies. The Executive Governor is in charge of the day-to-day management of the Bank, with power to act, contract and sign instruments for and on behalf of the Bank.

Organization

The Central Bank is presently organized into four departments: the Research, Policy and Planning Department, the Supervision Department, the Banking Department, and the Finance Department. There are also a number of autonomous sections. The main ones are: Internal Audit, Human Resource Management, General Services, Legal, and Management Information System. The organizational structure can be changed as conditions require.

Chapter II: Operations of the CBL

2.1 Administration of the Bank

There was a strong degree of cooperation between the Board of Governors and Management, contributing to the strengthening of the Bank's role as overseer of the financial system. To enhance its oversight role, the Board constituted an Audit Committee, comprising three members. The Committee is mandated to review the accounts of the Bank and all reports of the internal and external auditors and to make appropriate recommendations to the full Board. The Executive Governor is not a member of the Audit Committee, in order to ensure accountability.

Capacity Building

Building capacity was a major focus of Management, with reliance on both internal and international training. This was underpinned by augmenting staff proficiency in the use of computers.

Technical assistance missions from the IMF were the main source of internal training. The IMF advisory missions focused on a number of critical areas including: (i) bank restructuring and recapitalization and the closure of abandoned and non-operating banks; (ii) monetary and foreign exchange operations; (iii) the payments system (iv) the financial position of the Central Bank and (v) Central Bank accounts.

There was also effort to strengthen capacity in the area of statistics. Working with the IMF mission on monetary and financial statistics, the staff received guidance on: (i) methodology and procedures for compiling, processing and disseminating monetary and financial statistics; (ii) using the Standardized Reporting Forms (SRFs) for reporting monetary and financial statistics to the IMF for the accounts of the CBL and other depository corporations; and (iii) ensuring that monetary statistics submitted by the CBL to the Fund are fully aligned with the Monetary and Financial Statistics Manual (MFSM). The staff also began dialogue with fund experts on the development of an Integrated Monetary Database (IMD).

Steps were taken to improve the collection of data on Liberia's balance of payments. The staff have also received training in implementing the methodology in the last edition of the IMF's Balance of Payments Manual.

Twenty-three staff members participated in courses conducted by the West African Institute for Financial and Economic Management (WAIFEM), located in Nigeria; the West African Monetary Institute (WAMI), located in Ghana; the International Monetary Fund Institute, in Washington, DC; and the Joint Africa Institute (JAI) in Tunisia. Staff also participated in a course in Bahrain sponsored by the Arab Bank for Development. The courses, among others, included: financial programming and policies, compilation of monetary statistics, banking supervision, regulation and enforcement, credit and foreign exchange markets, capital market developments, safeguard assessment of central banks, computer hardware & networking and compilation and harmonization of economic and financial statistics of the sub region.

The Bank awarded scholarships to four (4) of its employees to pursue graduate studies at the University of Stellenbosch and one (1) at the University of Cape Town, South Africa. The staff member who studied at the University of Cape Town returned to the Bank in December, 2006. Another staff member also received a joint Japanese/World Bank grant to undergo graduate study in economics at Williams College, Massachusetts, United States of America. All five employees of the Bank pursuing graduate studies abroad are expected to return home during the course of 2007.

2.2 Key Committees

In order to improve the decision-making process, the Executive Governor established a Money Management and Policy Review Committee. Its responsibilities include discussion of a wide range of monetary, financial and economic issues, reviewing policies and making appropriate recommendations to the Governor for smooth operation of the Bank, and the strengthening of the banking system. The Committee is chaired by the Executive Governor, and comprises the Deputy Governor, the chief Administrator and Heads of Department of the Bank.

In keeping with the priority attached to reforming and strengthening the banking system, a Banking Reform Committee was established, co-chaired by the Deputy Governor and the Chief Administrator. Some aspects of the Committee's work have already been used to inform management's engagement with the commercial banks. A reform agenda was drafted geared towards ensuring, among others, that banks are adequately capitalized, with appropriate management procedures and internal controls and that the Central Bank has the capacity to effectively supervise and regulate the activities of commercial banks. Such would enable the commercial banks to enhance their intermediation role, thereby fostering sustained growth of the economy. An offshoot of the Banking Reform Committee is the Compliance Committee, which was set up to strengthen the supervisory function of the CBL to ensure that commercial banks are in compliance with the banking laws, regulations and directives of the Central Bank.

2.3 Audit

Consistent with the CBL Act, continuous and regular audits of the Bank were conducted during the year. The Internal Audit Section stepped up its activities, working in collaboration with the Board Audit Committee in the discharge of its responsibilities. Audit activities during the year included, examination of evidence relative to the Bank's financial statements, assessment of the accounting principles used and estimates made by the Accounts Section, and the extent to which past recommendations made by the auditors and technical assistance missions had been implemented.

Additionally, the Board of Governors approved the selection of Ernst and Young as the Bank's external auditor for 2006, replacing the firm that had served as external auditor for several years. Meanwhile, the Board agreed to adopt transparent procedures for the selection of reputable external auditors as well as clear guidelines for the rotation of auditors. The Bank also invited a safeguard assessment mission from the IMF to conduct an assessment of the measures that are in place to ensure prudent management of the Bank's resources. Regarding reporting standards, the Board adopted the International Financial Reporting Standards (IFRS) for presentation of its financial reports, and full transition to this system is expected to be completed by 2008.

2.4 Fiscal Agent to the Government

The Bank's role as fiscal agent of the Government was enhanced in 2006 by the close cooperation between the Bank and the Ministry of Finance. Statements of Government accounts were prepared in a timely manner; the Bank monitored payments to ensure that they were in line with the decisions taken by the Cash Management Committee (CMC) of the Ministry of Finance; and there were enhanced efforts to improve encashment of civil servants salary checks throughout the country. The Executive Governor and the Minister of Finance met regularly to discuss issues concerning the relationship between the Bank and the Ministry as well as matters affecting the general economy.

The Central Bank also improved its efficiency in helping the Government with the collection of revenues, which is centralized at the Bank. There is a CBL Office at the Ministry of Finance which is responsible for an automated tax collection system with direct link to the Bank's headquarters.

The Central Bank expects to further improve its assistance to the Government in revenue collection in 2007, with the possibility of expanding the automated system to other revenue-generating agencies. Toward this end, discussions are advanced with a donor on assisting the CBL in upgrading its technology.

The Bank made timely payments to the International Monetary Fund, the World Bank and the African Development Bank on behalf of Government, in addition to ensuring that transfers were made to diplomatic missions abroad.

In addition to providing financial services to the Government, the CBL exercised its advisory role by serving on a number of Government committees. These include, among others, the Technical Committee of the Governance Economic Management Assistance Program (GEMAP), the Economic Governance Steering Committee (EGSC), chaired by the President of Liberia, the Inter-ministerial Technical Committee for Mineral Development (IMTCMD), the National Environmental Control Committee (NECC), the Economic Revitalization Committee and the technical team for the production of the Interim Poverty Reduction strategy Paper (IPRSP).

Payments System

Improving the payments system in Liberia received priority attention in 2006, given its importance to the smooth functioning of the economy. One of the steps in this direction was the opening of three additional check encashment centers in 2006 in Tubmanburg, Bomi County, Voinjama, Lofa County and Zwedru, Grand Gedeh County. The other counties with payment centers are Margibi, Bong, and Grand Bassa. The construction of the centers in 2006 was made possible by financing provided by UNMIL through its Quick Impact Project Unit. UNMIL has also been very cooperative with the CBL in providing logistics for moving cash throughout the country. For those counties without permanent payment centers, the Bank put in place Special Arrangement Check-Encashment Teams to carry out GOL salary checks encashment on a monthly basis.

Issuance of banknotes of high quality to the national economy is an essential component of an efficient payments system, which in turn, facilitates macroeconomic activity. In this connection, the Bank implemented a clean note policy, an aspect of which was the campaign to remove the so-called “tear-tear” money from circulation. The adequacy of banknotes is also a key component of an efficient payments system, and the CBL took steps, in keeping with its mandate, to ensure that this was the case.

Clearinghouse and Auction Activities

Efforts were made to more efficiently administer the clearinghouse by reducing time for settlements of inter-bank financial obligations and in transactions involving domestic banks' obligations to foreign banks.

A total amount of US\$5.5 million was sold to the commercial banks and foreign exchange bureaux through the foreign exchange auction program, as a means of helping to maintain exchange rate stability. The Bank also provided a lender of last resort facility to the commercial banks, whenever it became necessary.

- **Consultation with Commercial Banks**

During the year, the Central Bank intensified its engagement with the Bankers Association. The CBL sponsored a monthly luncheon with the Bankers Association to exchange ideas in an informal setting. This has led to a heightened appreciation by all stakeholders that a strong and efficient banking system is not only in the interest of the public but also in the interest of the banking community. The CBL also engaged the leadership of individual banks more intensely on specific issues relating to improved management practices, adequate provisioning and recapitalization. A major result of these consultations is that as at end December 2006, the minimum capital requirement of all banks, except one, was observed. The remaining bank is on course to satisfying the capital requirement early in 2007, ahead of what had been agreed.

Taking Banking to the People

The CBL was aware of the need to expand banking services to a wider segment of the public. Accordingly, it encouraged commercial banks, in a position to do so to open branches both in Monrovia and in other parts of the country. One of the banks opened a branch in Ganta, Nimba County, while another continued operation of an existing branch in Harbel, Margibi County. The CBL intends to continue working with the commercial banks for additional branches in other counties as the economic environment improves.

A major step toward taking banking to the people was the emphasis that the CBL gave to the development of the microfinance industry in Liberia. Earlier in the year, a senior staff was appointed to coordinate all microfinance and related activities. This was followed by the establishment of a Microfinance Section, reflecting the desire of the Management to make microfinance work part of the mainstream activities of the CBL.

Making financial services available to poor and low income families is consistent with the Millennium Development Goals (MDGs), which aim at reducing poverty by half in 2015. In concrete terms the CBL worked in close collaboration with UNDP on a project entitled “An Inclusive Financial Sector in Liberia”. The project is being integrated into the work of the CBL, with the Country Resident Technical Advisor and Program Officer working out of offices at the CBL in collaboration with the CBL staff of the Microfinance Section. The CBL chairs the National Task Force which is charged with developing a microfinance strategy for Liberia. The Task Force comprises the CBL, the Ministry of Finance, the Ministry of Planning and Economic Affairs, the Liberian Bank for Development & Investment, the Local Enterprise Assistance Program (LEAP), Liberty Finance and Liberia Credit Union National Association. The UNDP and UNCDF serve as facilitators. The Central Bank of Liberia also chairs the Investment Committee of the project.

The Investment Committee approved a total grant of US\$830,000 in 2006 for two local microfinance institutions US\$530,000.00 to Liberty Finance and US\$300,000.00 to the Local Enterprise Assistance Program. Liberty Finance now has a total number of 3,342 clients in Montserrado, Margibi and Bong counties; LEAP has 3,495 clients in Montserrado and Bomi counties.

The Bank’s Senior Advisor on Special and Multilateral Projects paid fact-finding visits to the Central Banks of Sierra Leone and The Gambia during the year to see how microfinance projects are being implemented in these countries and if any lesson could be learned to help organize and improve microfinance activities in Liberia. A stakeholders’ workshop involving the CBL, microfinance institutions, Government, the academic community and donors is planned for early 2007. The “Inclusive Financial Sector in Liberia” Project is also expected to be officially launched in early 2007.

The Central Bank has also been engaged with other international partners interested in the development of the microfinance industry, including the International Finance Corporation (IFC) and Pro-Credit Holding. The two institutions conducted a pre-feasibility study on establishing a microfinance bank in Liberia and the IFC is funding a team of consultants from Pro-Credit to undertake a full business plan of the project between January and February 2007.

The IFC has agreed to provide funding to support a microfinance advisor to work with the CBL in regulatory reform for Liberia's microfinance sector. Also, the CBL held discussions with the World Council of Credit Unions (WOCCU) for a comprehensive assessment of the Liberian Credit Union Movement and WAIFEM to design microfinance training programs to build capacity and foster the growth of microfinance.

2.5 The Bank's Finances

The Budget

The 2006 budget of the Central Bank of Liberia was implemented in line with the intended objective of ensuring prudent utilization of the Bank's resources to improve its operation and achieve those targets agreed upon with the IMF under its Staff-Monitored Program (SMP).

Remarkable improvement was made in the Bank's financial position in 2006. The achievements include:

- A cash surplus on operations of US\$1.06 million for 2006 compared with a deficit of US\$2.09 million in 2005. This performance was mainly due to CBL's adoption of a more prudent approach to managing its holdings of foreign currency and implementation of mechanisms to monitor expenditure against the budget in order to realize the targets agreed under the Staff Monitored Program agreed with the IMF. The Bank's overall deficit for 2006 was US\$850,000.00, far below the

deficit of US\$2.46 million agreed under the SMP and a deficit of US\$4.86 for 2005¹.

- Net International Reserves increased by US\$15.3 million from US\$6.5 million at December 31, 2005 to US\$21.8 million at December 31, 2006.
- CBL's 2006 audit is on course for meeting the guidelines for publication of the 2006 audited financial statements required by the provisions of Section 50 of the CBL Act. The Bank and its external auditors, Ernst & Young, have agreed to a program for completion of the audit which is being rigorously adhered to. The interim work has already been completed and finalization of the audit is scheduled to commence on February 12, 2007. This is being financed by the European Commission.
- The CBL Board formally adopted the International Financial Reporting Standard (IFRS) as the Bank's accounting framework to be fully implemented by 2008. Questions have been raised regarding the auditing standards used for the 2004 and 2005 financial statements.
- The Board of Governors of the CBL approved a balanced budget for 2007 in December of 2006.

Internal controls

- All contracts, commitments and expenditure were reviewed and where appropriate, arrangements were terminated and steps taken to reduce nonessential expenditures. There have been significant improvements in internal controls, transparency and fiscal discipline at the CBL. Systems and procedures have been introduced with appropriate checks and balances designed to control expenditure,

¹ *This includes operating expenses, capital expenditure and the cost of printing Liberian currency notes.*

safeguard the assets of CBL and to ensure transparency in the conduct of business.

- Procedures were instituted for procurement of goods and services, including selection of the lowest of at least three quotations from suppliers, which have led to greater transparency and more competitive prices.
- During 2006, CBL's Board constituted an audit committee comprising three members, excluding the Executive Governor, to strengthen oversight of the financial affairs of the Bank.
- CBL streamlined its accounting department and hired new staff, which has resulted in the provision of accurate and timely financial and management reports.

2.6 Banking Supervision and Regulatory Activities

The Central Bank of Liberia supervises and regulates financial institutions in accordance with the New Financial Institutions Act of 1999. As banking supervision is one of the key functions to strengthen the banking system, the CBL continued to enhance its supervisory capacity during 2006 through workshops conducted by IMF technical assistance missions to Liberia, an advisor from the U.S. Treasury Department as well as short-term training at other institutions in the subregion. The purpose of prudential regulation and supervision of financial institutions is to ensure that the monetary, credit and financial system is properly functioning. Supervisory process at the CBL generally consists of On-Site Examination and Off-Site Surveillance of licensed financial institutions.

In conducting its supervisory and regulatory functions, the CBL, in keeping with international best practices, pursued a framework based on the Basel Core Principles and its associated methodologies. The Bank had fully complied with 12 of the 25 Basel Core Principles, and efforts were being made to comply with the rest as a prerequisite to adopting the Basel II supervisory regime.

Surveillance

The Off-Site Surveillance Unit monitors, reviews, and analyzes the returns of financial institutions and prepares reports that would draw attention to any emerging problems. Financial soundness indicators are computed for each bank, based on the CAMEL rating framework, to determine Capital Adequacy, Asset Quality, Earnings Sufficiency, and Liquidity Adequacy. As a means of effectively carrying out its functions, the Unit has established a databank that contains all pertinent information relating to the financial and operating conditions of the banks. During the year, all financial institutions, pursuant to the provisions of the New FIA, submitted prudential returns on a regular basis.

The On-Site Examination Unit conducted, in addition to several targeted inspections, a full-scope examination of four of the five operating banks. This contributed to the progress made with the recapitalization plan of two of the banks examined. One of the banks concerned has recapitalized to the current minimum required capital. Discussions with the other led to a substantial injection of capital with a view to bringing the bank into regulatory compliance and the early repayment of debt owed to the Central Bank.

Licensing

The CBL took a guarded position on the granting of licenses for establishing new banks. This was done against the need to strengthen its capacity to carry out more effectively its supervisory and regulatory functions. However, work is being done on applications from reputable international banks. Licenses may be issued to internationally reputable institutions that can commence operations with a strong capital base, have expertise in the banking business and can contribute to the recovery and development of the Liberian economy.

2.7 Research and Publication

Research and Publication are important areas for providing information to the public about issues of monetary policy and economic statistics. During the year, the Bank continued its research activities through the collection, compilation and analysis of macroeconomic data. The Bank produced the quarterly Financial and Economic Bulletin and the Liberia Financial Statistics on a bi-monthly basis.

On a monthly basis, the Bank, through its Research Department, submitted to the International Monetary Fund, the monetary survey (a collection of monetary and financial statistics of the economy) and balance of payments statistics.

The Research Department conducted regular surveys of the foreign exchange market. The Department also collaborated with the Liberia Institute for Statistics and Geo-Information Services (LISGIS) in collecting consumer price data.

The Bank's library remained opened to all professional researchers and students. During the year, a total of 2,850 persons conducted research in the library. Of this number, 2,000 were professionals from both the private and public sectors and 850 were students from high schools and universities.

2.8 Information Technology (IT)

The Bank developed two remote sites as part of its network infrastructure and the domain type which enabled it to operate on two separate lines. The improved infrastructure provided connectivity at the Ministry of Finance for handling the GOL Bank Payment Slips (BPS) which was designed to improve revenue collection, and at the CBL Annex where civil servants' salary checks are encashed. Additionally, the Bank's website was upgraded. The new dynamic feature of the website has made its maintenance easier, thus improving accuracy and efficiency in data processing.

2.9 Anti-Money Laundering

To build a credible banking system, the Central Bank has given attention to anti-money laundering activities. The Bank's Legal Section participated in anti-money laundering and anti-terrorist financing meetings/workshops sponsored by an Inter-Governmental Action Group Against Money Laundering (GIABA), the World Bank, the IMF and the US Treasury Department. The Bank, through GIABA, has also been working with ECOWAS' Inter-Governmental Action Task Force against money laundering in West Africa. The Bank continues to serve as focal point for Liberia's experts working to combat money laundering.

Chapter III: Towards Strengthening the Banking System

3.1 Nature of the Problem

The Liberian Banking System, comprising five operating banks, has been in a fragile state for the better part of the last one and half decade. Owing to the years of civil conflict and macroeconomic difficulties, the banking system has abandoned its essential intermediation role of savings mobilization and channeling resources to productive uses. Meanwhile, bank failures led to a loss of confidence in the system. The weakness of the banking system is evidenced by the high incidence of non-performing loans and advances, capital deficiencies and weak corporate governance and risk management procedures. Such conditions must be remedied so that the banking system can fully play its role as an essential pillar of economic recovery, long term growth and poverty reduction.

3.2 Reform Agenda

One of the principal objectives of the Central Bank of Liberia is to ensure a strong and reliable banking sector. To this end, the Central Bank of Liberia will pursue a reform agenda along the following lines:

- Ensuring adequate capitalization of the banking system, which will call for increasing capital beyond the current level of US\$2.0 million;
- Fostering the development of investment banking to ensure the availability of medium- to long-term capital;
- Ensuring the development of capital market to encourage the mobilization of domestic capital;
- Supporting the liquidity of the banking system and ensuring that lines of funding are available to the banks;

- Restructuring the banking system with the view of streamlining the sector through an active drive to liquidate the abandoned and non-operating banks, and strengthen the operating capacities of the existing banks;
- Providing opportunities for Liberian participation in the ownership and management of the banks;
- Strengthening the capacity of banks to effectively perform their intermediation roles;
- Enhancing corporate governance structures to enable Board of Directors of banks to strengthen their oversight role;
- Encouraging cooperation and creating an ideal environment for banking business by providing input to the legal framework pertaining to the collection of debts and enforcement of contracts which will lead to the adoption of a commercial code and establishment of a commercial court; and
- Focusing on capacity building to strengthen the supervisory capacity of the CBL.

The CBL has already taken some steps in the direction of reforming the system:

- The CBL has been holding informal discussions with heads of banks and other stakeholders to inform them about the need to increase the minimum capital requirement from the current level of US\$2Million to an appropriate level to be fully complied with within a specified period of time;
- Banks have been required, and are expected, to enhance their capital base and institute improved corporate governance and risk management practices;

- During 2006, the CBL made rigorous efforts to ensure the recapitalization of the banks under forbearance. This has led to one of the banks satisfying the minimum capital requirement, while another of these banks made substantial injection of capital to meet the current regulatory level;
- Adoption of a risk-focused regulatory framework;
- CBL is working to attract outside investors with proven track record to the banking system as an important element of building confidence and broadening the capital base of the banks;
- Improvement of relations with the leadership of commercial banks through the establishment of a practice of hosting the heads of the commercial banks in an informal tête-à-tête on a regular basis;
- Continuous Collaboration with International Monetary Fund (IMF) Technical Assistance (TA) Missions on various efforts aimed at restructuring the banking system, including dealing with the issues of failed and non-operating banks;
- Working with Commercial banks on expansion to other parts of the country. Already, two of the banks are operating branches in Margibi and Nimba Counties;
- Promoting saving habits by encouraging banks to open accounts for civil servants using GOL payroll checks; and
- Negotiation with International Finance Corporation (IFC) to extend its trade facility to banks in Liberia to facilitate the opening of documentary letters of credit.

Chapter IV: Monetary and Exchange Rate Developments

4.1 Monetary Aggregates

Money supply or narrow money (M1), in 2006 was L\$6,330.0 million, indicating a 30.0 percent increase over the level in 2005 (Table 1 & Chart 1). The expansion reflects the need to provide liquidity consistent with the growth of the economy as well as the goal of the CBL of building up its net foreign reserves position.

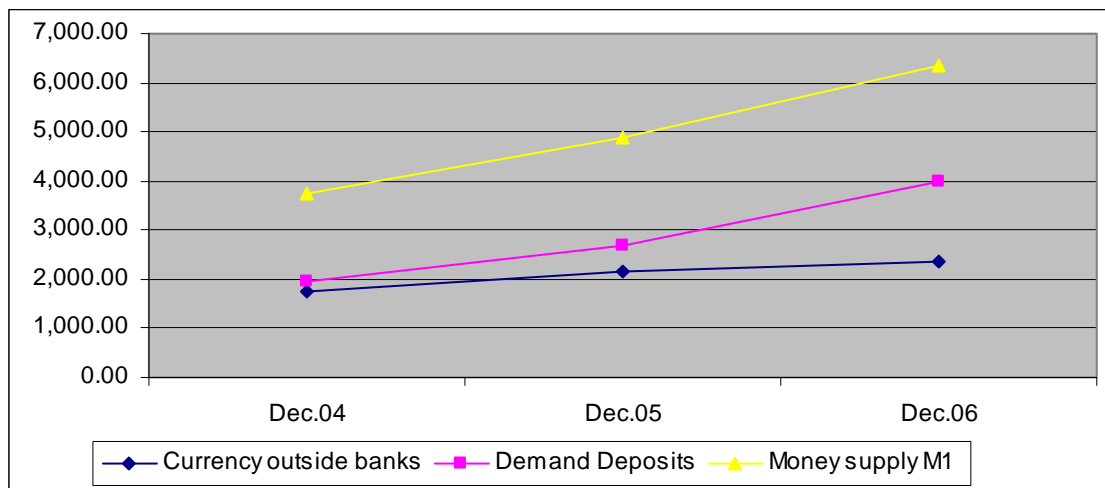
**Table 1: Money Supply And Broad Money
(December 2004 – December 2006)
(In Millions of Liberian Dollars)**

End of Period	Currency outside banks	Demand Deposits	Money supply M1 (1+2)	Savings Deposits	Time Deposits	Quasi-money (4+5)	Broad Money-M2 (3+6)
	(1)	(2)	(3)	(4)	(5)	(6)	(3+6)
Dec.04	1,754.9	1,971.9	3,726.8	956.0	4.2	960.3	4,687.1
Dec.05	2,168.9	2,701.9	4,870.9	1,429.7	61.4	1,491.0	6,361.9
Dec.06*	2,347.9	3,982.1	6,330.0	1,824.1	8.4	1,832.5	8,162.5

* Actual data are up to November 2006

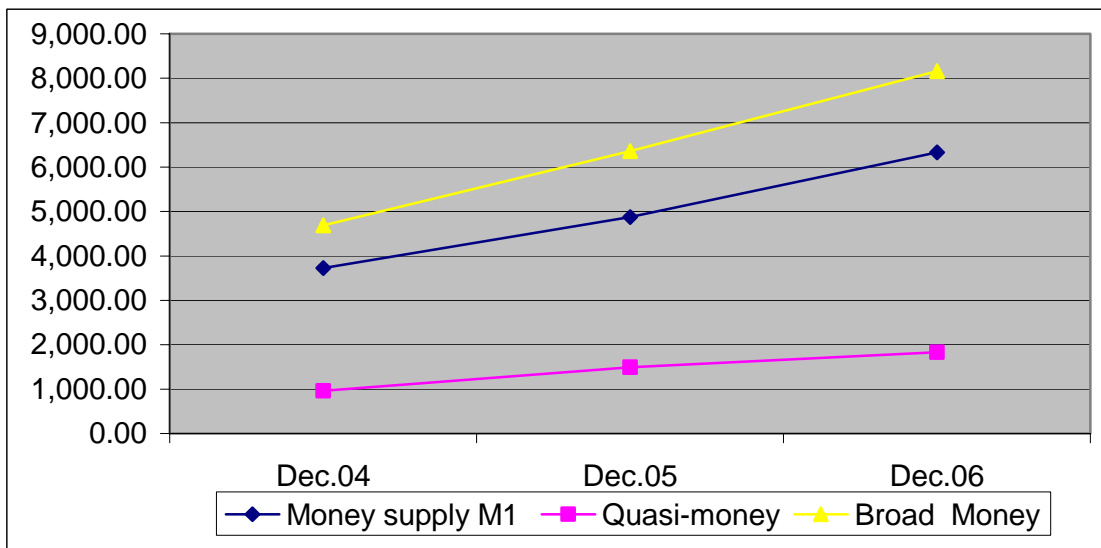
Source: Central Bank of Liberia, Monrovia, Liberia

**Chart 1: Money Supply (M1)
(December 2004 – December 2006)
(In Millions of Liberian Dollars)**



Broad money or M2 (M1 plus quasi money) recorded an increase of 28.3 percent, moving to L\$8,162.5 million, from L\$6,361.9 million recorded at end December, 2005. Like money supply, quasi money comprising savings and time deposits, increased by 22.9 percent, from L\$1,491.0 million at the end of 2005 to L\$1,832.5 million at end December 2006 (Table 1 & Chart 2). The increase in quasi money was largely influenced by a 27.6 percent rise in savings deposits. Time deposits declined significantly during the year as a result of draw downs against these deposits, especially during the last quarter when customers of some commercial banks preferred to have quick access to cash as the festive season approached and the level of transactions increased (Table 1 & Chart 2). The increase in savings deposits of the banking system is a broad indication of the rebuilding of confidence in the banking system.

**Chart 2: Broad Money (M2)
(December 2004 – December 2006)
(In Millions of Liberian Dollars)**



A disaggregation of broad money for 2006 shows that the Liberian dollar component amounted to L\$3,274.5 million or 40.1 percent, while the US dollar component was put at US\$86.5 million or L\$4,888.0 million, 59.9 percent (Table 3 & Chart 3). Recorded broad money in terms of Liberian dollars for 2006 increased by 17.7 percent over the level recorded in 2005. The 59.9 percent of broad money accounted for by US dollars is a reflection of the level of dollarization of the economy. Most of the large public and private sector transactions are conducted in US dollars with significant amount of savings at commercial banks held in US dollars.

**Table 2: Monetary Aggregates
Liberian & United States Dollars
(December, 2004 – December, 2006)
(Millions of Liberian Dollars)**

	Dec-04	Dec-05	Dec-06*
MONEY	4,687.1	6,361.9	8,162.5
M1	3,726.8	4,870.9	6,330.0
CURRENCY OUTSIDE BANKS L\$	1,754.9	2,168.9	2,347.9
DEMAND DEPOSITS (CoB)	1,971.9	2,701.9	3,982.1
United States Dollars component of Broad Money denominated to L\$	1,788.3	2,481.4	3,625.0
Liberian Dollars	183.6	220.5	357.1
TIME AND SAVINGS (CoB)	960.3	1,491.0	1,832.5
United States Dollars component of Broad Money denominated to L\$	700.3	1,099.6	1,263.0
Liberian Dollars	260.0	391.4	569.5
United States Dollars component of Broad Money denominated to L\$	2,488.6	3,581.0	4,888.0
Percentage share of US dollars to Liberian dollars.	53.1%	56.3%	59.9%
Exchange Rate	52.50	54.50	57.0

* Actual data are up to November, 2006

Source: Central Bank of Liberia, Monrovia, Liberia

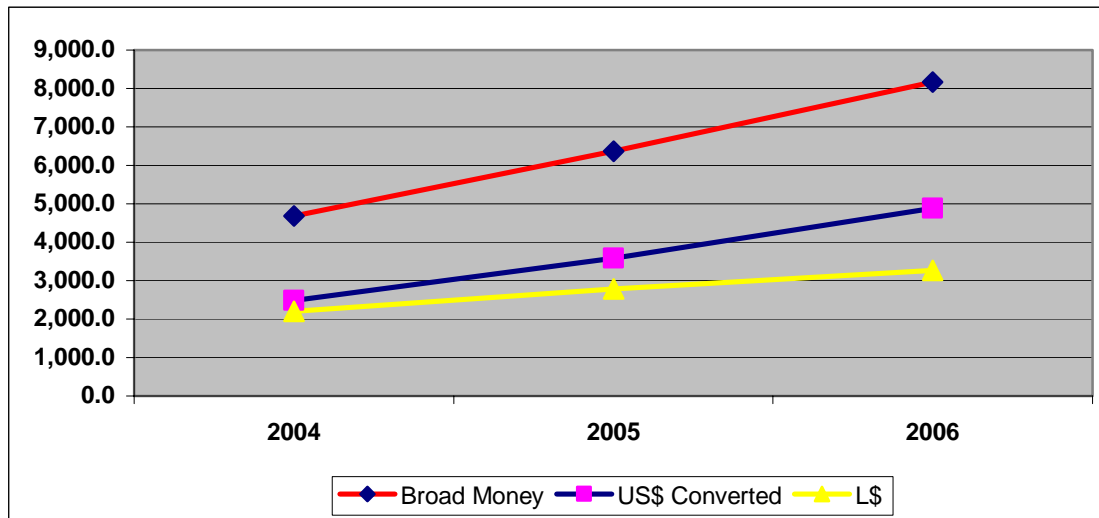
**Table 3: Broad Money (M2): Share of US and Liberian Dollars
(December, 2004 – December, 2006)
(In Millions of Liberian Dollars)**

	2004	% Share	2005	% Share	2006	% Share
Broad Money	4,687.1		6,361.9		8,162.5	
US\$ Converted	2,488.6**	53.1	3,581.0**	56.3	4,888.0**	59.9
L\$	2,198.5	46.9	2,780.8	43.7	3,274.5	40.1
		100.0		100.0		100.0

*** US Dollar components are converted at end of period exchange rates*

Source: Central Bank of Liberia, Monrovia, Liberia

**Chart 3: Broad Money (M2): Share of US and Liberian Dollars
(December, 2004 – December, 2006)
(In Millions of Liberian Dollars)**



4.2 Commercial Banks' Credit

There was a marked improvement in the provision of financial resources to the economy by commercial banks in 2006. Total commercial banks' loans and advances to various sectors of the economy increased by 43.7 percent moving from L\$2,678.6 million at end of December 2005 to L\$3,849.2 million at end December, 2006 (Table 4).

**Table 4: Commercial Banks' Loans by Economic Sectors 2004 – 2006
(In '000 Liberian Dollars)**

SECTORS	Dec-04	%	Dec-05	%	Dec-06*	%
1. Agriculture	197,425	8.0	284,457	10.6	260,527	6.8
2. Mining & Quarrying	0	0.0	3,578	0.1	1,405	0.0
3. Manufacturing	16,906	0.7	13,905	0.5	41,301	1.1
4. Construction	58,015	2.3	72,306	2.7	212,404	5.5
5. Trans., Storage & Comm.	45,745	1.8	116,583	4.4	165,936	4.3
6. Trade, Hotel & Rest.	474,497	19.1	362,495	13.5	787,066	20.4
7. Others	1,686,562	68.0	1,825,300	68.1	2,380,595	61.8
TOTAL	2,479,150	100.0	2,678,624	100.0	3,849,234	100.0

** Actual data are up to November, 2006*

Source: Central Bank of Liberia, Monrovia, Liberia

Table 4 shows that trade and hospitality services accounted for 20.4 percent of credit. The Agriculture Sector accounted for 6.8 percent, 3.8 percentage points lower than the level recorder in 2005. The Manufacturing Sector accounted for just 1.1 percent; Construction, 5.5 percent; and transportation, storage & communications, 4.3 percent. Regarding credit to “others”, this includes loans to individuals and public corporations.

As part of the effort to build momentum for the economic recovery, commercial banks will need to step up financing for agriculture, construction, transportation, communication and manufacturing. However, enhancing the intermediation role of banks requires, among others, an improvement in the environment in which they operate. Banks must be able to collect loans, requiring a change in the culture of borrowers and the legal system must permit the timely enforcement of collateral. There is a need for a strong commercial court within the Liberian judicial system where lenders can seek legal redress in an expeditious manner. This would serve as an incentive for banks to increase lending activities. Banks also need to improve their internal systems to be able to deal more efficiently with small and medium-sized entrepreneurs.

4.3 Interest Rates

The average lending rate rose by 2.40 percentage-points to 16.40 percent, from 14.00 percent in 2005, while the savings rate declined negligibly (Table 5). In real terms, the lending rate was 9.0 percent; the savings rate was negative 4.80 percent. This is a situation where capital is expensive, with adverse consequences for investment, while the deposit rate does not encourage savings.

Table 5: Commercial Banks Interest Rates

Commercial Banks	Dec-04	Dec-05	Provisional Dec-06
Avg. Lending Rate	17.20	14.00	16.40
Avg. Personal Loan Rate	12.90	12.70	13.20
Avg. Mortgage Rate	12.00	12.00	12.00
Avg. Time Deposit Rate	6.00	2.80	4.00
Avg. Savings Rate	3.00	3.00	2.60
Other Market Rates			
<i>Avg. Rate On CD's</i>	5.00	5.00	0.00

Source: Central Bank of Liberia, Monrovia, Liberia

4.4 Exchange Rate Movements

During 2006, the exchange rate broadly remained stable, fluctuating between L\$56.0 and L\$60.0 to US\$1.00. The end -of-period exchange rate for 2006 was recorded at L\$59.00 per US dollar compared to L\$56.50 to US\$1.00 at end of 2005. This shows a depreciation of the value of the domestic currency by 4.4 percent during the year (Table 6). However, this marginal depreciation did not materially impact the level of general prices of goods and services as the average inflation rate remained in single digits throughout the year.

**Table 6: Exchange Rates L\$/US\$
2004 – 2006**

EXCHANGE RATE	Dec-04	Dec-05	Dec-06
Market Rate: End of Period	54.50	56.50	59.00
Market Rate: Period Average	52.28	54.72	58.00

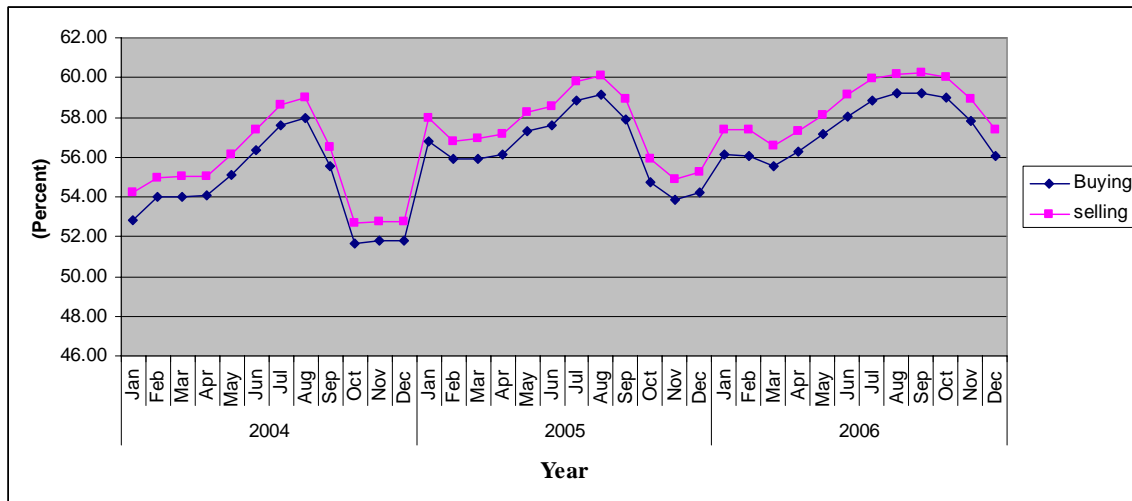
Source: Central Bank of Liberia, Monrovia, Liberia

**Table 7: Monthly Averages of Buying and Selling Rates of Liberian Dollars Per US dollar
January 2004 – December 2006**

	2004		2005		2006	
	Buying	Selling	Buying	selling	Buying	selling
January	52.81	54.19	56.81	57.96	56.15	57.40
February	54.00	54.97	55.88	56.77	56.04	57.38
March	54.00	55.00	55.89	56.94	55.52	56.57
April	54.04	55.04	56.13	57.13	56.30	57.32
May	55.12	56.15	57.31	58.23	57.19	58.13
June	56.35	57.40	57.58	58.58	58.06	59.12
July	57.59	58.63	58.81	59.81	58.81	59.94
August	58.00	59.00	59.11	60.11	59.19	60.19
September	55.52	56.52	57.88	58.94	59.23	60.21
October	51.62	52.69	54.73	55.90	59.00	60.00
November	51.83	52.73	53.85	54.85	57.81	58.90
December	51.78	52.78	54.22	55.22	56.04	57.40

Source: Central Bank of Liberia, Monrovia, Liberia

**Chart 4: Monthly Averages of Buying and Selling Rates of Liberian Dollars Per US dollar
January 2004 – December 2006**



4.5 Remittances

Remittances to Liberia have become one of the main sources of foreign exchange to the economy. Inward remittances up to November 2006 amounted to US\$606.8 million, while total outward transfers was recorded as US\$552.5 million, leading to a net inflow of US\$54.2 million. For 2005, inward remittances registered a total of US\$620.2 million; outward, US\$597.8 million and a net flow of US\$22.6 million.

Chapter V: Economic Developments - 2006

5.1 Macroeconomy

Output

Gross Domestic Product (GDP) is projected to grow by 7.8 percent, from US\$401.8 million in 2005 to US\$433.2 million in 2006, driven by the services and manufacturing sectors. The services sector includes electricity; water; construction; trade, hotels, & restaurants; transportation & communications; financial institutions; government services, and “Other” services. The sector expanded by 18.4 percent, from US\$93.3 million in 2005 to US\$110.5 million in 2006. The construction sub-sector grew by 41.3 percent in 2006, from US\$8.0 million in 2005 to US\$11.3 million in 2006, after expanding by 5.3 percent in 2005. This marked growth of the sub-sector is partly attributed to the rehabilitation of social and economic infrastructure as well as residential construction. Of total loans and advances extended by the commercial banks to the economy, over 5 percent went to the construction sub-sector. Trade, Hotels, and Restaurants sub-sector was also extended over 20.0 percent of aggregate loans and advances to the economy.

The improvement in the performance of the economy also benefited from the activities of the Government services sector. Its contribution to growth includes investment in the rehabilitation of social and economic infrastructure and the creation of an enabling environment for the conduct of economic activities. The sector is projected to grow by 5.1 percent in 2006, following an increase of 5.6 percent in 2005. From US\$9.9 million in 2005, the sector grew to US\$10.4 million during 2006.

The financial institutions sub-sector made a tremendous contribution to growth of the economy during the year through the expansion of banking operations, establishing branches outside of the capital city. The sub-sector also played a pivotal role in financial intermediation. During 2006, total commercial banks' loans and advances to the economic sectors rose by 43.7 percent to L\$3,849,234.9 million which largely benefited the following sectors: agriculture, general construction, transportation, communication, hotels, restaurants, etc.

**Table 8: Liberia: Sectoral Origin of Gross Domestic Product (GDP)
at 1992 Constant Prices
(In Million US\$)**

Sector	2004	2005	2006*
Agriculture	176.0	184.8	192.3
Rubber	33.3	41.5	35.3
Cocoa	2.3	1.2	1.3
Coffee	0.1	0.1	0.1
Rice	31.6	32.0	36.9
Cassava	37.0	36.5	42.0
Others	71.8	72.5	76.8
Forestry	69.2	71.3	74.1
Logs & Timber	1.9	0	0
Charcoal & Wood	67.2	71.3	74.1
Mining & Panning	0.8	0.7	0.7
Iron ore	0	0	0
Other	0.8	0.7	0.7
Manufacturing	47.8	51.7	55.5
Cement	11.1	14.9	13.4
Beverages	33.5	33.7	38.7
Other	3.2	3.2	3.5
Services	87.7	93.3	110.5
Electricity & Water	2.6	2.8	3.0
Construction	7.6	8.0	11.3
Trade, Hotels, etc	18.3	20.1	29.2
Transportation & Communication	27.0	28.6	30.9
Financial Institutions	9.8	10.3	10.8
Government Services	9.3	9.9	10.4
Other Services	13.1	13.6	14.9
GDP	381.5	401.8	433.2

* IMF Staff and Government authorities Estimates and Projections

Source: IMF Staff Mission to Liberia in November 2006 and the Liberian authorities

In 2006, the manufacturing sector is estimated to grow by 7.4 percent, from US\$51.7 million in 2005 to US\$55.5 million in 2006. The growth and development of the sector is retarded by the shortage of skilled manpower, inadequate public electric-generating system, and high cost of imported raw materials. Commodities produced by the manufacturing sector include wood-based materials, cement, chemical products, which are intended mainly for domestic consumption. Loans and advances extended the sector was recorded at 1.1 percent, amounting to L\$41.3 million, at end December, 2006.

Rubber, a major activity in the economy, declined by 20.1 percent during 2006 as a result of a number of factors, including disquietude at the Firestone Plantations Company (FPC), the largest rubber plantation in the country; occupation of the other plantations by former combatants; ageing of the rubber trees, etc. During 2006, an estimated total of 99,712 metric tons of rubber was produced against 124,778 metric tons produced in 2005 (Table 9).

**Table 9: Key Agricultural Production
(2004-2006)**

Commodity	Unit	2004	2005	2006*
Rubber	Mt.	88,381	124,778	99,712
Cocoa	Mt.	1120	2,192	1,107
Coffee	Mt.	-	-	11
Fish	Kg.	857,100	876,869	852,480
Round Logs	M ³	-	-	-
Sawn Timber	M ³	-	-	-

**Estimates*

Sources: Ministry of Planning & Economic Affairs, Forestry Development Authority (FDA); Ministry of Commerce & Industry, and the Liberia Produce Marketing Corporation (LPMC), Monrovia, Liberia

Production of cocoa and coffee also recorded declines, primarily as a result of the bad state of roads in the regions where these crops are cultivated, and cross-border trading of the crops by farmers for high prices. Cocoa production decreased by 49.5 percent to an estimated total of 1,107 metric tons in 2006, from 2,192 metric tons in 2005. The poor performance of the agricultural sector largely due to bad condition of roads, lack of farm implements, low domestic prices of produce as well as the United Nations sanction on log exports is a source of concern as the sector is the engine of growth of the economy.

The performance of the forestry sub-sector was constrained during the year by the United Nations sanction imposed on log exports. With the effect of the sanction, the sub-sector recorded only a marginal increase of 4.0 percent based on charcoal production, from an estimated US\$71.3 million in 2005 to an estimated US\$74.1 million.

The fishery sub-sector registered a decline of 2.8 percent to an estimated 852,480 kilograms, from 876,869 kilograms in the previous year. High prices of fishing equipment and petroleum products influenced the reduction in the volume of fish caught in the year under review. This development in the fishing industry led to the decline in the supply of fish, thus contributing to the high price of fish on the Liberian market.

The revival of the agriculture sector is crucial for the resurgence of the economy as it serves as the engine of growth of the economy. The sector provides employment opportunities and revenue for Government in the formal sector and livelihood for over 75 percent of the population who lives in the rural area of the country. The rapid resettlement of the rural people, who were uprooted by the civil war, and the increase in food production heavily depends on how quickly the agriculture sector is revived.

During the year, the mining sector, which is partly under sanction, recorded no growth after a decline of 14.9 percent in 2005. A total of 364 ounces of gold was produced during 2006. The low level of performance of the mining sector is attributed to cross-border trade in the commodity and the United Nations' sanction imposed on diamond exports.

Consumption of petroleum products expanded by 28.4 percent in 2006 to 62.4 million gallons, from 48.6 million gallons in 2005. The increase in consumption further reflects the growing economic activities in the country, especially in manufacturing, services, and transportation.

**Table 10: Key Manufacturing Output
(2004-2006)**

Commodity	Unit	2004	2005	2006*
Cement	Mt.	121,059	143,847	132,226
Beverages	Liter	15,463,113	15,393,455	17,413,502
Paint	Gal.	31,540	168,750	72,174
Nail	Kg.	78,450	50,938	n.a.
Candle	Kg.	557,814	390,653	539,911
Chlorox	Liter	380,202	362,505	654,075
Rubbing Alcohol	Liter	201,137	277,323	268,184
Mattresses	Pcs.	48,178	68,834	100,402
Deep Well Water ¹	Gal.	60,415,605	63,918,844	54,720,361
Finished Water ²	Gal.	432,521,479	462,168,224	643,436,265

Note: 1 Water from drilled wells

2 Water from the treatment plant in White Plains

* Data for January through November are actual; Data for December are estimates.

Sources: Ministry of Planning & Economic Affairs and Liberia Water & Sewer Corporation, Monrovia, Liberia

Employment

As a consequence of the just-ended civil war, one of the major problems that face the Government is unemployment. The rate of unemployment has been rising due to the increasing number of men and women who are graduating from institutions of higher learning and specialized schools as well as the continued closure of leading companies and firms that could have absorbed some of the increasing number of graduates. Even the enterprises that are opened have scaled down their operations, thus reducing manpower in the entities. Against this background, Government has become the largest single employer in the country. Confronted with this social and economic malaise, the Government designed a number of programs to remedy the problem. One of such efforts is the Liberia Emergency Employment Program (LEEP), which is intended to ensure a coordinated and strategic approach to the unemployment problem with the aim of building the foundation for a long-term employment strategy.

**Table 11: Employment by Industry
(2004 - 2006)**

Industry	2004	2005	2006*
Agriculture and Forestry	11,100	11,200	12,200
General Merchandise/Wholesale/Retail Trade	42,500	42,700	43,500
Business Services	2,250	2,430	2,475
Social/Community Services	10,500	11,340	12,470
Manufacturing	882	950	1,045
Construction	450	486	535
Transportation	1,300	1,400	1,540
Mining	850	918	1,009
GOL	60,000	64,000	58,500
Informal Sector	420,000	430,000	470,000
Unemployment Rate	75	80	85

**Estimates*

Source: Ministry of Labor

According to statistics from the Ministry of Labor, formal employment is estimated to be 133,274 with the rate of unemployment during the year standing at 85.0 percent. Employment in the public sector stood at an estimated total of 58,500, representing 43.9 percent of overall employment, while private sector employment totaled 74,774, accounting for 56.1 percent of total employment. An estimated total of 470,000 persons were engaged in informal economic ventures, including food kiosk, street-hawking, hair-plaiting, mat-weaving, street-side vehicle repair, watch repair, furniture making, roadside retailing, etc. A breakdown of employment by industry indicates that 32.6 percent of total employment is general merchandise, whole and retail trading; 9.4 percent in social/community services; 9.2 percent in agriculture and forestry; 1.9 percent in business services, etc.

**Table 12: Level of Employment in Liberia
Total Number of Employees by Sector and Year
(2004-2006)**

Sector	2004	2005	2006*
Public Sector	60,000	6,400	58,500
Private Sector	69,832	71,424	74,774
Total	129,832	77,824	133,274
Informal Sector	420,000	430,000	470,000

**Estimates*

Source: Ministry of Labor

Over the past three years (2004 – 2006) the rate of employment steadily rose; however, the pace of growth of job-seekers far exceeded the capacity of the economy to absorb the unemployed, which has further exacerbated the unemployment situation. The unemployment problem can be handled through the application of a two-prong strategy: creation of public investment programs that utilize labor intensive technology, and the empowerment of the informal sector through the provision of credits, training in small business management, etc.

Inflation

Economy-wide inflationary situation in 2006 remained moderate, resulting to a single digit rate of inflation. The overall rate of inflation, measured the year-on-year change in the consumer price index, stood at 7.4 percent, from 11.1 percent and 7.8 percent in 2005 and 2004, respectively. Relative stability in the exchange rate and prudent management of the national economy as well as further improvement in the peace process contributed significantly to the benign inflationary condition during the year.

The increase in the Food index (which has the highest group weight) indicates that subsistence food production has not picked up mainly due to the delayed return of a significant proportion of the displaced people and bad state of roads in the country. Personal Care & Health Services index also rose partly as a result of the termination of free medical services in Government hospitals and other health facilities as well as the phasing out of some health-related non-governmental organizations (NGOs) in the country.

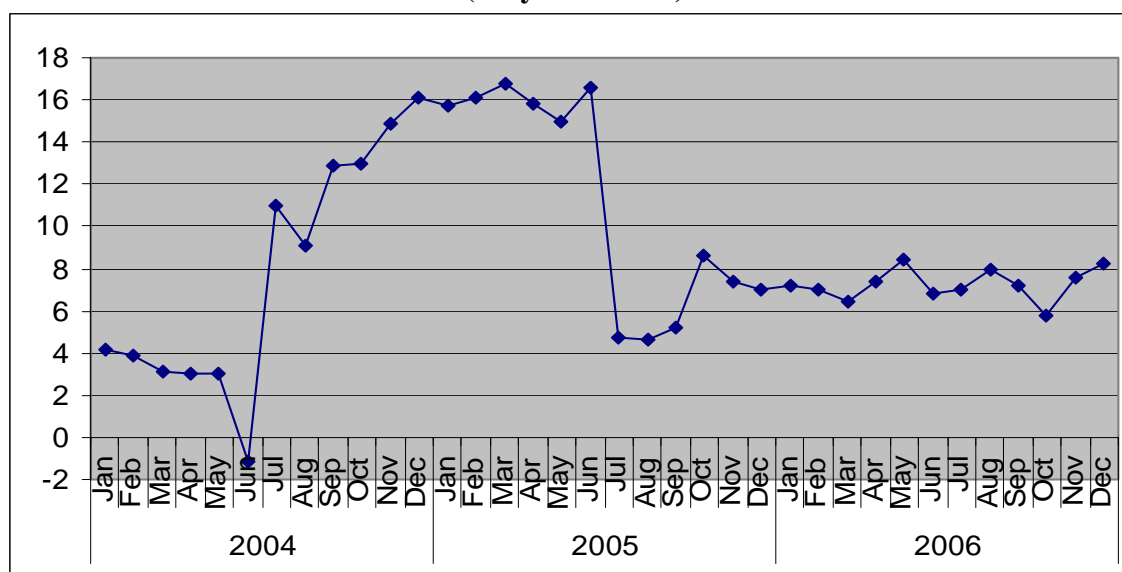
**Table 13: Year-on-Year rate of Inflation
(2004-2006)
(May 1998=100)**

Month			
	2004	2005	2006
Jan	4.2	15.7	7.2
Feb	3.9	16.1	7.0
Mar	3.1	16.8	6.4
Apr	3.0	15.8	7.4
May	3.0	15.0	8.4
Jun	(1.1)	16.6	6.8
Jul	11.0	4.7	7.0
Aug	9.1	4.6	8.0
Sep	12.9	5.2	7.2
Oct	13.0	8.6	5.8
Nov	14.9	7.4	8.1
Dec	16.1	7.0	8.9
Ave	7.8	11.1	7.4

**Estimates*

Source: Central Bank of Liberia

**Chart 5: Year on Year Rate of Inflation
(2004-2006)
(May 1998=100)**



Public Finance

The fiscal policy of the Government in 2006 was aimed at strengthening financial management. In this direction, the principal focus of fiscal policy of the new Administration is the maintenance of a cash-based budget. With this development, Government has proposed to spend in line with actual monthly revenue intake in adherence to the new Public Procurement & Concession Act.

The core of the policy stance include the maintenance of a balanced cash-based budget; the initiation of work on the comprehensive reform of the import tariff to move Liberia towards ECOWAS Common External Tariffs; the strengthening of the budgetary process and the scope of the budget to improve its role as a tool for resource allocation; the strengthening of public expenditure management capacity through full implementation of the Public Procurement Contracts and Concessions Act; the fulfilling of conditions to HIPC decision point, and the implementation of measure to meet the criteria for qualification to the Millennium Challenge Account (MCA).

The National Legislature approved a budget of US\$129,917,259 (L\$7,535,201,022 converted at L\$58.00 per US dollar) for the fiscal year 2006/2007. When compared to the 2005/2006 national budget, the 2006/2007 budget is 32.7 percent or US\$32,023,259 higher.

The recast budget for the period of five months of the fiscal year totaled US\$44.1 million which represents five – twelfth of the annualized recast budget of US\$105.84 million. This has left a balance of US\$85.80 million for the remaining period of the budget year.

A breakdown of the projected revenue by category indicates that Tax on Income and Profits is expected to generate 25.9 percent of total revenue; Property Tax, 0.6 percent; Domestic Taxes on Goods and Services, 16.6 percent; Taxes on International Trade and Transactions, 40.8 percent; Entrepreneurial and Property Income of Government, 0.8 percent; Fees and Charges, 4.8 percent; Extraordinary Revenue, 3.7 percent; and Contingent Revenue, 6.9 percent.

A decomposition of the projected expenditure by sector showed that the Other Institutions and Entities Sector was appropriated a total of US\$36.5 million, representing 28.1 percent of total budget. This is followed by the General Administrative Services Sector, US\$33.6 million (25.8 percent); Social & Community Services Sector, US\$31.4 million (23.9 percent); and the Economic Services Sector, US\$10.7 million (8.2 percent).

Domestic Debt

In 2006, an Inter-ministerial Vetting Committee was commissioned to vet all claims on Government with value less than or equal to the threshold for goods and services, and works in accordance with the Public Procurement Contracts and Concessions. The Committee was to vet all debts, recommend to Government modalities for their resolution, and also recommend a road map for the development of a national debt management strategy.

An international auditing firm, KPMG, was commissioned, during the review year, to vet all claims on Liberia with the following thresholds: Goods with value of more than US\$25,000; works with value of more than US\$50,000, and services with value of more than US\$10,000.

**Table 14: Summary of Liberia' Public Debt by Creditor
(As at December 2006)
(In Millions US\$)**

External Debt	2005	2006*			% Dist of Debt Stock by Creditors
		Principal	Accrued Interest	Total	
Multilateral	1,474.1	704.0	790.7	1,494.7	42.0
Bilateral	957.4	572.2	424.6	996.8	28.0
Financial Institutions	648.9	272.3	368.5	640.8	18.0
Suppliers' Credit	44.4	71.0	-	71.2	2.0
Sub-Total	3,124.8	1,619.5	1,583.8	3,203.5	
Domestic Debt	386.1	302.2	36.4	338.6	10.0
Sub-Total	386.1	302.2	36.4	338.6	
Total Stock of Debt	3,510.9	1,921.7	1,620.2	3,542.1	100.0

**December figures are estimates*

Source: Ministry of Finance and the Central Bank of Liberia, Monrovia, Liberia

Liberia's domestic debt during the year amounted to US\$302.2 million, following verification of claims. This amount represents 41.0 percent of total claims submitted. At the end of 2006, Liberia's overall debt stood at US\$3,542.1 million, after the verification of domestic debt, indicating an increase of about 1.4 percent over the level recorded in 2005. Total interest accrued of the total debt amounted to US\$1,620.2 million (or 45.5 percent), while the principal totaled US\$1,921.7 million (54.5 percent).

The Government is indebted to local financial institutions, vendors, and the Central Bank of Liberia. The domestic debt also comprise government commitments and notes issues by the Permanent Claims Commission (PCC), wages and salaries, the National Savings Bonds, among others.

External Sector

For about sixteen (16) years now, a comprehensive Balance of Payments (BOP) statement of Liberia has not been published due to the 14-year civil war. However, in May 2004, the Central Bank of Liberia (CBL) started the compilation of a rudimentary BOP statement following the International Monetary Fund (IMF) technical assistance on BOP compilation. The statement contains mainly current account data in the BOP statement.

Liberia's external trade sector was buoyant 2006. As foreign trade activities were on the increase in 2005, they also took an upward momentum in the current year. The expansion in foreign trade was due to improvement in the performance of exports and imports.

The total trade value in 2006 amounted to US\$624.6 million compared to US\$441.2 million in 2005 – an increase of 41.6 percent. This level of trade is the highest recorded in the past four years.

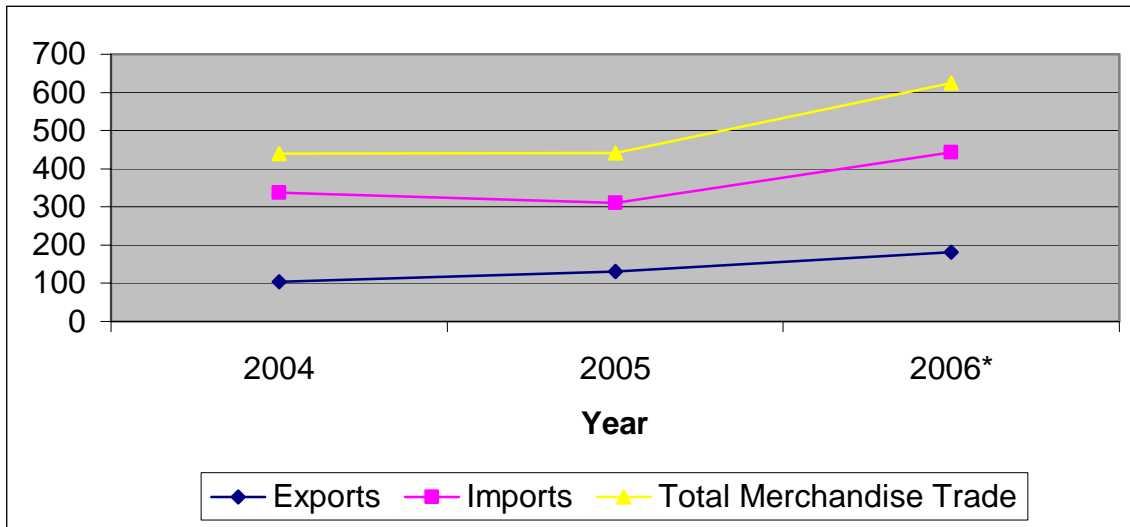
**Table 15: Foreign Trade
(2004 - 2006)**

(In Millions US\$)

Year	Exports	Imports	Trade Balance	Total Merchandise Trade
2004	103.8	336.8	-233.0	440.6
2005	131.3	309.9	-178.6	441.2
2006*	180.8	443.8	-263.0	624.6

** Actual export data are provided for the months of January to November, while imports are for the Months of January to October. Estimates were made for December exports and November and December imports, 2006.*

**Chart 6: Exports, Imports and Total Merchandise Trade
(2004-2006)
(In Millions of US\$)**



The external trade sector has been characterized by a number of factors which are categorized as economic and non-economic. The economic factors, include volatility in the exchange rate, heightened demand for imports, increase in world prices of imports, etc. Non-economic factors are: UN sanction on diamond, poor state of infrastructure, narrow export base, scaling down of humanitarian assistance, etc.

The country's net trade position has been characterized by persistent deficit over the years. The net trade position declined to US\$263.0 million in 2006, from US\$178.6 million in 2005, a deterioration of the deficit by 47.3 percent. This development can be attributed to high import demand which outpaced export expansion during the year.

Export earnings are yet to attain their pre-war level mainly due to factors such as: dormancy in some export earning activities; cross-border trade; dilapidated economic infrastructure, etc. Export earnings totaled US\$180.0 million in 2006 compared to US\$131.3 million in 2005. The 37.7 percent increase in export receipts was a result of the rise in rubber export proceeds and “other commodities” category. The increase in rubber export proceeds during the year is principally attributed to the rise in world market price of rubber and the peaceful settlement of the confusion which existed in the various rubber plantations.

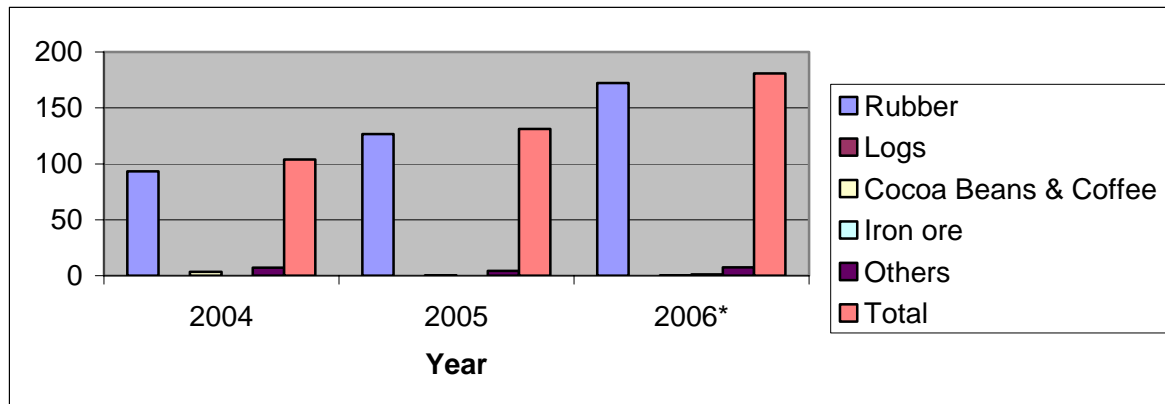
**Table 16: Commodity Composition of Exports
(2004-2006)
(In Millions US\$)**

Commodity	2004	2005	2006*
Rubber	93.4	126.7	172.3
Logs	n.a.	n.a.	n.a.
Cocoa Beans & Coffee	3.4	0.3	0.2
Iron ore	-	-	1.0
Others	7.0	4.3	7.3
Total	103.8	131.3	180.8

** Actual data provided for months January to November. However, figures for December were estimated*

Sources: Ministry of Commerce & Industry and the Central Bank of Liberia, Monrovia, Liberia

**Chart 7: Commodity Composition of Exports
(2004-2006)
(In Millions US\$)**



The direction of the country's exports remained as it was in the past year, with the United States and Europe serving as the principal markets. Export earnings from the United States amounted to an estimated US\$133.3 million, compared to US\$96.8 million in 2005. Export receipts from Europe totaled US\$42.1 million in the year, compared to US\$30.6 million in 2005. The export receipts from Europe were mainly earned from rubber.

Import payments during the year grew by 43.2 percent to an estimated US\$443.6 million, from US\$309.9 million in the previous year.

The growth in import expenditure for the reporting period was shared by the major import categories. Expenditure on Food & Live Animals category rose significantly by 78.0 percent, from US\$68.2 million in 2005 to US\$121.4 million in 2006. The almost four-fold increase was mainly influenced by rice import payments. There were also increases recorded in the capital goods category, such as Manufactured Products, 60.4 percent, and Machinery & Transport Equipment, 101.5 percent. Other categories that recorded increased import payments were Beverages & Tobacco, 131.0 percent; Animals & Vegetable Oil, 257.7 percent; Crude Materials, 88.8 percent, and Chemicals and Related Products, 141.3 percent.

Rice, a staple diet of the people of Liberia, occupies a vital place in the Food & Live Animal category. Expenditure on rice imports registered an increase during the year, from US\$17.2 million in 2005 to US\$70.4 million in the review year. Payments to the commodity represented a dominant share of 58.0 percent in the Food & Live Animals category. The availability of the commodity in various grades eases the tension that emerges when it is in short supply in the country.

In 2006, payments to the Petroleum Products category rose by 34.0 percent, from US\$91.0 million recorded in 2005 to US\$121.9 million in 2006. The huge import payment to Petroleum Products during the year is ascribed to the fluctuations in the world market prices of the products.

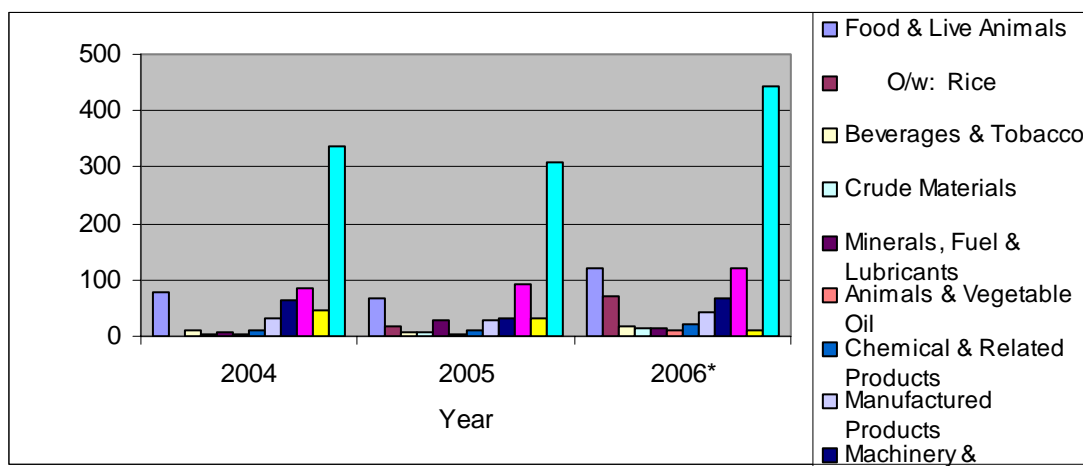
**Table 17: Commodity Composition of Imports
(2004 – 2006)
(In Millions US\$)**

Category	2004	2005	2006*
Food & Live Animals	77.4	68.2	121.4
O/w: Rice		17.2	70.4
Beverages & Tobacco	11.5	8.4	19.4
Crude Materials	2.9	8.0	15.1
Minerals, Fuel & Lubricants	5.4	28.9	15.8
Animals & Vegetable Oil	3.4	2.6	9.3
Chemical & Related Products	8.9	9.2	22.2
Manufactured Products	31.7	27.3	43.8
Machinery & Transport Equipment	63.3	32.6	65.7
Petroleum Products	84.5	91.0	121.9
Miscellaneous Articles	47.8	30.3	9.1
Total	336.8	309.9	443.8

** Actual data provided for the months of January to October. However, figures for November and December were estimated*

Sources: Ministries of Commerce & Industry, Finance and the Central Bank of Liberia, Monrovia, Liberia

**Chart 8: Commodity Composition of Imports
(2004 – 2006)
(In Millions US\$)**



External Debt

Liberia's external debt during 2006 was recorded at US\$3,203.5 million which is approximately 90.0 percent of its overall debt. Relative to the amount recorded in 2005, external debt increased by US\$78.7 million or 2.5 percent. Disaggregation of external debt indicates that multilateral debt amounts to US\$1,494.7 million or 46.7 percent; bilateral debt, US\$996.8 million or 31.3 percent; Financial institutions, US\$640.8 million or 20.0 percent, and suppliers credit, US\$71.2 million or 2.2 percent. The IMF, the World Bank, and the African Development Bank remain the largest multilateral creditors with a combined total of US\$1,408.1 million or 94.2 percent of multilateral debt.

The United States of America, Germany, United Kingdom, and Japan stand out as the largest bilateral creditors with an aggregate amount of US\$863.0 million or 86.8 percent of bilateral debt. The other bilateral creditors are owed a total of US\$133.6 million or 13.2 percent.

In order to prevent the acquisition of additional debt, the Government has made the thrust of its fiscal policy the maintenance of cash-based budget against the back drop that the current unsustainable public debt inhibits its ability to adopt a more active fiscal policy stance.

Outlook

The economic outlook for the country seems bright and favorable because of the consolidation of peace and the economic reform measures that are being designed, particularly those that relate to the strengthening of macroeconomic management. In addition, the prospects for growth of the global economy in 2007 remain good. A number of time-bound reforms are being undertaken, including judicial reform, civil service reform, governance reform, financial sector reform, and the formation of an anti-corruption commission. These reforms not only evoke investors' confidence, but also ensure sustainable economic growth and stability. The further liberalization of the economy, coupled with stepped-up activity in mining, should also help to strengthen growth prospects.

For 2007, inflation is projected to remain in single digit, averaging about 7.0 percent. However, there is a potential for price increases to emerge from developments in the oil market. There is also concern about the low level of food production in the country, but supply could increase as the result of resettlement of displaced persons as well as increased support to the agriculture sector.

STATISTICAL ANNEX

**Table A- 1: Currency in Circulation
(December 2004 – December 2006 – Provisional)**

End of Period	Currency in banks	Currency outside banks	Currency in circulation
	(1)	(2)	(1+2=3)
Dec.04	153.6	1,754.9	1,908.5
Dec.05	210.3	2,168.9	2,379.3
Dec.06	135.5	2,347.9	2,483.4

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A – 2: Money Supply and Broad Money
(December 2004 – December 2006 – Provisional)**

End of Period	Currency outside banks	Demand Deposits	Money supply M1 (1+2)	Savings Deposits	Time Deposits	Quasi-money (4+5)	Broad Money-M2
	(1)	(2)	(3)	(4)	(5)	(6)	(3+6)
Dec.04	1,754.9	1,971.9	3,726.8	956.0	4.2	960.3	4,687.1
Dec.05	2,168.9	2,701.9	4,870.9	1,429.7	61.4	1,491.0	6,361.9
Dec.06	2,347.9	3,982.1	6,330.0	1,824.1	8.4	1,832.5	8,162.5

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A-3: Monetary Aggregates
Liberian & United States Dollars
(Millions of Liberian Dollars)
(December 2004 – December 2006)(Provisional)**

	Dec-04	Dec-05	Provisional Dec-06
MONEY	4,687.1	6,361.9	8,162.5
M1	3,726.8	4,870.9	6,330.0
CURRENCY OUTSIDE BANKS L\$	1,754.9	2,168.9	2,347.9
DEMAND DEPOSITS (CoB)	1,971.9	2,701.9	3,982.1
United States Dollars componet of Broad Money denominated to L\$	1,788.3	2,481.4	3,625.0
Liberian Dollars	183.6	220.5	357.1
TIME AND SAVINGS (CoB)	960.3	1,491.0	1,832.5
United States Dollars componet of Broad Money denominated to L\$	700.3	1,099.6	1,263.0
Liberian Dollars	260.0	391.4	569.5
United States Dollars componet of Broad Money denominated to L\$	2,488.6	3,581.0	4,888.0
Percentage share of US dollars to Liberian dollars .	53.1%	56.3%	59.9%
Exchange Rate	52.50	54.50	57.00

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A-4: Broad Money (M2): Share of US and Liberian Dollars
(2004-2006)
In Million of Liberian Dollars**

	2004	% Share	2005	% Share	2006	% Share
Broad Money	4,687.1		6,361.9		8,162.5	
US\$ Converted	2,488.6**	53.1	3,581.0**	56.3	4,888.0**	59.9
L\$	2,198.5	46.9	2,780.8	43.7	3,274.5	40.1
		100.0		100.0		100.0

*** US Dollar components are converted at average exchange rate
Source: CBL*

**Table B-1: Liberia: Sectoral Origin of Gross Domestic Product (GDP)
at 1992 Constant Prices
(In Million US\$)**

Sector	2004	2005	2006*
Agriculture	176.0	184.8	192.3
Rubber	33.3	41.5	35.3
Cocoa	2.3	1.2	1.3
Coffee	0.1	0.1	0.1
Rice	31.6	32.0	36.9
Cassava	37.0	36.5	42.0
Others	71.8	72.5	76.8
Forestry	69.2	71.3	74.1
Logs & Timber	1.9	0	0
Charcoal & Wood	67.2	71.3	74.1
Mining & Panning	0.8	0.7	0.7
Iron ore	0	0	0
Other	0.8	0.7	0.7
Manufacturing	47.8	51.7	55.5
Cement	11.1	14.9	13.4
Beverages	33.5	33.7	38.7
Other	3.2	3.2	3.5
Services	87.7	93.3	110.5
Electricity & Water	2.6	2.8	3.0
Construction	7.6	8.0	11.3
Trade, Hotels, etc	18.3	20.1	29.2
Transportation & Communication	27.0	28.6	30.9
Financial Institutions	9.8	10.3	10.8
Government Services	9.3	9.9	10.4
Other Services	13.1	13.6	14.9
GDP	381.5	401.8	433.2

** IMF staff and Government authority estimates and projections*

Source: IMF Staff Mission to Liberia in November 2006 and Liberian authorities

**Table B-2: Key Agricultural Production
(2004-2006)**

Commodity	Unit	2004	2005	2006*
Rubber	Mt.	88,381	124,778	99,712
Cocoa	Mt.	1120	2,192	1,107
Coffee	Mt.	-	-	11
Fish	Kg.	857,100	876,869	852,480
Round Logs	M ³	-	-	-
Sawn Timber	M ³	-	-	-

**estimate*

Source: Ministry of Planning & Economic Affairs, Forestry Development Authority (FDA); Ministry of Commerce & Industry, and the Liberia Produce Marketing Corporation (LPMC), Monrovia, Liberia

**Table B-3: Key Mining Output
(2004-2006)**

Commodity	Unit	2004	2005	2006
Diamond		0	0	0
Gold		3,552	872	369

Source: Ministry of Lands, Mines and Energy, Monrovia, Liberia

**Table B-4: Level of Employment in Liberia
Total Number of Employees by Sector and Year
(2004-2006)**

Sector	2004	2005	2006*
Public Sector	60,000	6,400	58,500
Private Sector	69,832	71,424	74,774
Informal Sector	420,000	430,000	470,000

**Estimates*

Source: Ministry of Labor

**Table B-5: Key Manufacturing Output
(2004-2006)**

Commodity	Unit	2004	2005	2006*
Cement	Mt.	121,059	143,847	154,990
Beverages	Liter	15,463,113	15,393,455	17,309,315
Paint	Gal.	31,540	168,750	83,099
Nail	Kg.	78,450	50,938	n.a.
Candle	Kg.	557,814	390,653	539,911
Chlorox	Liter	380,202	362,505	654,075
Rubbing Alcohol	Liter	201,137	277,323	268,184
Mattresses	Pcs.	48,178	68,834	100,402
Deep Well Water ¹	Gal.	60,415,605	63,918,844	54,720,361
Finished Water ²	Gal.	432,521,479	462,168,224	643,436,265

Sources: Ministry of Planning & Economic Affairs and Liberia Water & Sewer Corporation, Monrovia, Liberia

Note: 1 Water from drilled wells

2 Water from the treatment in White Plains

**Table B-6: Consumption of Petroleum Products
(2004-2006)**

Commodity	Unit	2004	2005	2006*
PMS(Gasoline)	Gal.	15,782,598	16,032,724	24,393,372
AGO(Diesel)	Gal.	21,995,730	27,164,836	31,712,089
ATK(Kerosine)	Gal.	636,076	1,962,367	4,266,859
Jet - A1	Gal.	7,433,543	3,467,940	1,989,052
Total	Gals	45,847,947	48,627,867	62,361,372

**Estimates*

Source: Ministry of Finance

**Table B-7:
Employment by Industry
(2004 - 2006)**

Industry	2004	2005	2006*
Agriculture and Forestry	11,100	11,200	12,200
General Merchandise/Wholesale/Retail Trade	42,500	42,700	43,500
Business Services	2,250	2,430	2,475
Social/Community Services	10,500	11,340	12,470
Manufacturing	882	950	1,045
Construction	450	486	535
Transportation	1,300	1,400	1,540
Mining	850	918	1,009
GOL	60,000	64,000	58,500
Informal Sector	420,000	430,000	470,000
Unemployment Rate	75	80	85

**Estimates*

Source: Ministry of Labor

**Table B-8: Year-on-Year Rate of Inflation
(2004 – 2006)
(May 1998 = 100)**

Month	2004	2005	2006
Jan	4.2	15.7	7.2
Feb	3.9	16.1	7.0
Mar	3.1	16.8	6.4
Apr	3.0	15.8	7.4
May	3.0	15.0	8.4
Jun	(1.1)	16.6	6.8
Jul	11.0	4.7	7.0
Aug	9.1	4.6	8.0
Sep	12.9	5.2	7.2
Oct	13.0	8.6	5.8
Nov	14.9	7.4	8.1
Dec	16.1	7.0	8.9
Ave	7.8	11.1	7.3

**Estimates*

Source: Central Bank of Liberia

**Table C – 1: Government of Liberia Revenue by Sources
(2004-2006)
(In Millions L\$)**

Revenue Sources	2004	2005	2006*
Custom & Excise	1,365.10	1,623.10	2,124.9
Direct Taxes	947.60	1,386.90	1,433.9
Indirect Taxes	358.50	535.40	535.9
FDA ¹ Levy	n.a	0.20	n.a
Petroleum Sales Levy	60.50	112.70	139.2
Maritime	676.30	309.70	440.7
Grants	-	-	59.2
Total	3,408.0	3,968.0	4,733.8

**December figures are estimates*

¹*Forestry Development Authority (FDA)*

Source: Ministry of Finance and the Central Bank of Liberia Monrovia, Liberia

**Table C-2: Government of Liberia Expenditure by Category
(2004-2006)
(In Millions L\$)**

Expenditure Category	2004	2005	2006*
General Administration	1,647.40	2,703.40	1,920.50
Social & Community Services	564.50	686.60	772.20
Economic Services	125.70	122.40	153.00
GOL Special Commitment	658.20	315.40	781.10
Development	617.80	208.30	-
Total	3,613.60	4,036.10	3,626.80

**December figures are estimates*

Source: Ministry of Finance and the Central Bank of Liberia, Monrovia, Liberia

**Table C-3: Summary of Sources of Projected Revenue: Fiscal Year
2006/2007
(In US Dollars)**

Revenue Category	2006/2007 Projected Revenue	% Contribution* to National Budget
Tax on Income & Profits	33,708,870.00	25.9
Property Tax	720,000.00	0.6
Domestic Taxes on Goods & Services	21,544,405.00	16.6
Taxes on International Trade	52,996,703.00	40.8
Entrepreneurial & Property Income of Govt.	994,058.00	0.8
Fees & Charges	6,192,224.00	4.8
Extraordinary Revenue	4,761,000.00	3.7
Contingent Revenue	9,000,000.00	6.9
Total	129,917,259.00	100.0

** Numbers may not add up due to rounding.*

Source: Bureau of the Budget, Monrovia, Liberia

**Table C-4: Comparative Sectoral Summary of the Budget
Fiscal Year 2006/2007
(In US Dollars)**

Expenditure Category		Percentage Share of Budget
General Administrative Services	33,557,710	25.8
Security Services	18,106,994	13.9
Social & Community Services	31,047,879	23.9
Economic Services	10,695,533	8.2
Others/Institutions & Entities	36,509,143	28.1
Total	129,917,259	100

Source: Bureau of the Budget, Monrovia, Liberia

**Table C-5: Summary of Expenditure by Category
Fiscal Year 2006/2007
(In US Dollars)**

Expenditure by Object Codes	Appropriated Amount	% Share of Budget
Personnel Expenditure	44,536,790	34.3
Goods & Others Services	39,718,566	30.2
Current Transfers & Subsidies	14,476,517	11.1
Capital Expenditure	18,585,386	14.3
Domestic Debt	11,600,000	8.9
External Debt	1,000,000	0.8
Total	129,917,259	100.0

Source: Bureau of the Budget, Monrovia, Liberia

**Table C-6: Summary of Liberia' Public Debt by Creditor
(As at December, 2006)
(In Millions US\$)**

	2005	2006*			% Dist of Debt Stock by Creditors
		Principal	Accrued Interest	Total	
External Debt					
Multilateral	1,474.1	704.0	790.7	1,494.7	42.0
Bilateral	957.4	572.2	424.6	996.8	28.0
Financial Institutions	648.9	272.3	368.5	640.8	18.0
Suppliers' Credit	44.4	71.0	-	71.2	2.0
Sub-Total	3,124.8	1,619.5	1,583.8	3,203.5	
Domestic Debt	386.1	320.3	36.4	356.7	10.0
Sub-Total	386.1	320.3	36.4	356.7	
Total Stock of Debt	3,510.9	1,939.8	1,620.2	3,560.2	100.0

**December figures are estimates*

Source: Ministry of Finance, Monrovia, Liberia

**Table D-1: Foreign Trade
(2004 – 2006)
(In Millions US\$)**

Year	Exports	Imports	Trade Balance	Total Merchandise Trade
2004	103.8	336.8	-233.0	440.6
2005	131.3	309.9	-178.6	441.2
2006*	180.8	443.8	-263.0	624.6

**Estimates*

Sources: Ministries of Commerce & Industry, Finance, and the Central Bank of Liberia

**Table D – 2: Commodity Composition of Exports
(2004 – 2006)
(In Millions US\$)**

Commodity	2004	2005	2006*
Rubber	93.4	126.7	172.3
Logs	n.a.	n.a.	n.a.
Cocoa Beans & Coffee	3.4	0.3	0.2
Iron ore	-	-	1.0
Others	7.0	4.3	7.3
Total	103.8	131.3	180.8

** Actual data provided for months January to November. However, figures for December were estimated*

Sources: Ministry of Commerce & Industry and the Central Bank of Liberia, Monrovia, Liberia

**Table D-3: Direction of Trade – Exports, FOB
(2004 – 2006)
(In Millions US\$)**

Region	2004	2005	2006*	% distribution of exports by country of destination, 2006
<i>World</i>	<i>103.8</i>	<i>131.3</i>	<i>180.8</i>	<i>100.0</i>
Africa	n.a	0.9	1.2	0.7
ECOWAS	n.a	0.7	0.7	-
Others	n.a	0.2	0.5	-
USA	63.7	96.8	133.3	73.7
Europe	33.4	30.6	42.1	23.3
France	1.7	n.a	n.a	-
Belgium	30.6	28.5	39.2	-
Others	1.1	2.1	2.9	-
Asia	5.5	1.9	2.6	1.4
Hong Kong	n.a	n.a	n.a	-
China	5.5	1.2	n.a	-
Others	n.a	0.7	2.6	-
Others	1.2	1.1	1.5	0.8

** Actual data provided for months January to November. However, figures for December were estimated*

Sources: Ministry of Commerce & Industry and the Central Bank of Liberia, Monrovia, Liberia

Table D-4: Commodity Composition of Imports
(2004– 2006)
(In Millions US\$)

Category	2004	2005	2006*
Food & Live Animals	77.4	68.2	121.4
O/w: Rice		17.2	70.4
Beverages & Tobacco	11.5	8.4	19.4
Crude Materials	2.9	8.0	15.1
Minerals, Fuel & Lubricants	5.4	28.9	15.8
Animals & Vegetable Oil	3.4	2.6	9.3
Chemical & Related Products	8.9	9.2	22.2
Manufactured Products	31.7	27.3	43.8
Machinery & Transport Equipment	63.3	32.6	65.7
Petroleum Products	84.5	91.0	121.9
Miscellaneous Articles	47.8	30.3	9.1
Total	336.8	309.9	443.8

** Actual data provided for the months of January to October. However, figures for November and December were estimated*

Sources: Ministries of Commerce & Industry, Finance and the Central Bank of Liberia, Monrovia, Liberia

Table D-5: Summary of Multilateral Debt
(In “000 US\$)
As at December 31,2006*

Multilateral Creditors	Principal	Interest	Total	Percent Distribution
IMF	324,161.60	421,522.23	745,683.84	49.9
World Bank	210,796.61	191,067.92	401,864.73	26.9
ADB	120,536.61	139,929.77	260,466.38	17.4
Others	48,058.53	38,668.48	86,727.01	5.8
Total	703,553.35	791,188.40	1,494,741.96	100

**December figures are estimates*

Source: Ministry of Finance and the Central Bank of Liberia, Monrovia, Liberia

**Table D-6: Summary of Bilateral Debt
(In '000 US\$)
As at December 31, 2006***

Bilateral Creditors	Principal	Interest	Total	Percent Distribution
USA	260,852.59	166,774.61	427,627.20	42.9
Germany	169,286.42	108,232.30	277,518.72	27.8
Japan	40,650.07	26,138.40	66,788.47	6.7
UK	55,689.48	35,604.74	91,294.22	9.2
Others	101,113.40	32,457.80	133,571.20	13.4
Total	627,591.96	369,207.85	996,799.81	100.0

**December figures are estimates*

Source: Ministry of Finance and the Central Bank of Liberia, Monrovia, Liberia