CENTRAL BANK OF LIBERIA
ANNUAL REPORT
2013

JANUARY 1, 2013

TO

DECEMBER 31, 2013

CENTRAL BANK OF LIBERIA

Office of the Executive Governor

January 22, 2014

Her Excellency
Madam Ellen Johnson-Sirleaf
PRESIDENT
Republic of Liberia

Madam President:

In accordance with part XI Section 49(1) of the Central Bank of Liberia (CBL) Act of 1999, I have the honor on behalf of the Board of Governors and Management of the Bank to submit, herewith, the Annual Report of the Central Bank of Liberia to the Government of Liberia for the period January 1 to December 31, 2013.

Respectfully yours,

J. Mills Jones

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ACRONYMS USED

AACB	-	Association of the African Central Banks
ABLL	-	AccessBank Liberia Limited
AC	-	The Audit Committee
ACICO	-	Accident & Casualty Insurance Company
AFBLL	-	Afriland First Bank Liberia Limited
AfDB	-	African Development Bank
AGLIC	-	Atlantic Life & General Insurance Company
AICOL	-	African Insurance Corporation of Liberia
AIIC	-	ACTIVA International Insurance Company
AMSCO	-	African Management Services Company
ATM	-	Automated Teller Machine
AUG	-	American Underwriter Group
BCIC	-	Blue Cross Insurance Company
CAR	-	Capital Adequacy Ratio
CBL	-	Central Bank of Liberia
CEAC	-	Capital Express Assurance Company
CGLIC	-	Continental General &Life Insurance Company
CMA	-	Capital Market Act
CNDRA	-	Centre for National Documents and Records Agency
EBID	-	ECOWAS Bank for Investment and Development
EBLL	-	Ecobank Liberia Limited
ECB	-	European Central Bank
ECF	-	Extended Credit Facility
ECOWAS	-	Economic Community of West African States
EPM	-	Economic Policy Management

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

LEAF	-	Loan Extension and Availability Facility
LEDFC	-	Liberian Enterprise Development Finance Company
LRC	-	Law Reform Commission
M&A	-	Ministries and Agencies
MBA	-	Mutual Benefit Assurance
MIC	-	Medicare Insurance Company
MMPRC	-	Money Management and Policy Review Committee
NPLs	-	Non-Performing Loans
OIC	-	OMEGA Insurance Company
PFM	-	Public Financial Management
PIC	-	Palm Insurance Company
PSPSC	-	Payments System Project Steering Committee
RCFIs	-	Rural Community Finance Institutions
RGDP	-	Real Gross Domestic Product
RPPD	-	Research, Policy and Planning Department
SIIC	-	Sky International Insurance Company
SME	-	Small-Medium Enterprises
SRF	-	Standardized Reporting Format
SRIC	-	Secure Risk Insurance Company
TOT	-	Terms of Trade
UBALL	-	United Bank for Africa Liberia Limited
UNMIL	-	United Nations Mission in Liberia
VSLA	-	Village Savings and Loan Associations
WABA	-	West African Bankers Association
WAIFEM	-	West African Institute for Financial and Economic Management
WAMA	-	West African Monetary Agency

WAMI	-	West African Monetary Institute
WAMZ	-	West African Monetary Zone
WB	-	World Bank
WEO	-	World Economic Outlook

FOREWORD BY THE EXECUTIVE GOVERNOR

Despite the challenging macroeconomic environment in 2013, especially the sharp depreciation of the Liberian dollar, the economy grew at an estimated 8.1 percent, and inflation remained in single digit throughout the year, averaging 7.6 percent. To help contain the pressure on the Liberian dollar, the CBL stepped up its intervention in the foreign exchange market with the sale of US$72.3 million through its auction program. The CBL also began the sale of CBL bills, which is the first of its kind, serving as an additional policy instrument in managing Liberian-dollar liquidity.

It is important to note that the CBL's financial inclusion strategy remains on track. In this regard, the CBL's US$5.0 million 3-year term placements with commercial banks to support medium-term lending to Liberian-owned businesses have been redeemed with interest at end-December, 2013. A total of 93 businesses benefited, 31 of which are owned by women; 10 sectors were covered, including fisheries, transportation, woodwork, agriculture, hospitality, and manufacturing. These businesses are employing about 3,000 individuals. The increasing success of the financial inclusion strategy is also evident in the growth of credit unions, which until a few years ago were virtually stagnant in the country. Because of the steps taken by the CBL, we now have 350 credit unions, up from 29 two years ago. The village savings and loan association (VSLA) program is now in all of the 15 counties and comprises 400 associations, mainly dominated by women. So far, over 10,000 women have benefited from being members of these associations, and have told their stories about how access to credit has made a difference in their lives. Recently, the first rural financial institution was established in Karnplay, Nimba County, and is owned by the community. The CBL intends to expand this program in 2014, with pilot projects in a number of other counties where banking services are very limited. These institutions should help to increase economic activities in the areas where they are established, consistent with the Government's Agenda for Transformation.

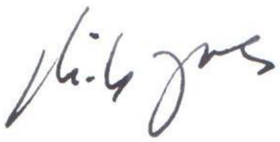
Meanwhile, the CBL's decision to reduce the reserve requirement of commercial banks, besides bringing the Liberian situation in line with what obtains in the region, also is intended to increase loanable funds mainly for domestic food production and value-added activities. The CBL is working with the commercial banks to establish the modalities for the implementation of this program.

It may be useful at this point to stress that the transformation of the Liberian economy in a manner that will lead to sustained, broad-based economic growth with greater equity will depend a lot more on concrete policies aimed at the economic empowerment of the Liberian private sector. This goes to the heart of why the CBL is committed to policies that promote access to finance at all levels of the Liberian economy. For the rural communities, we have seen that microfinance programs help to fight poverty. We have made the point that the Liberian economy is not a zero-sum game: there is room for foreign investors, as well. In fact, cooperation between Liberian entrepreneurs and foreign investors is highly encouraged. We must work collectively to lift the constraints to economic growth and job creation, which will require innovative thinking.

Significant gains continue to be made stemming from the reform of the financial system.Credit to all sectors of the economy grew by 42.5 percent, from L$18,901.5 million at end-December, 2012 to L$26,939.1 million at end-November, 2013.This has supported a more balanced growth of the economy, especially in areas of the agricultural, manufacturing, construction, and services sectors. Total capital of the banking system increased by 24.7 percent, from L$7,402 million to L$9,230 million, and deposits grew by 13.4 percent, from L$43,695 million to L$38,539 million over the same period. It should be noted that while the level of credit has increased, the ratio of non-performing loans to total loans decreased from 22.5 percent in 2012 to 16.7 percent in 2013, due mainly to the stringent policies instituted by the CBL against delinquent borrowers, especially the decision to name and shame delinquent borrowers and prohibit them from the use of the banking system. Moreover, the commercial court, which has been championed by the CBL, is now ensuring the speedy adjudication of cases. For the insurance sector, the reforms have led to improved corporate governance and capitalization. The CBL has issued licenses to 18 companies that met the standards set under the first phase of its reform agenda. Also, the CBL has drafted an Insurance Act that will be submitted to the Legislature for passage into law.

Another major step to strengthen the financial system is the drafting of a comprehensive Anti-Money Laundering Act, working along with other stakeholders at the local and international levels, which has been passed into law by the Legislature. The CBL remains committed to ensuring that the Liberian financial system will not be used for money laundering or terrorist financing.

We extend profound thanks and appreciation to the Government, the Board of Governors, Senior Management and staff of the CBL for their support and dedication to ensuring that the CBL remains effective in carrying out its mandate. Also, we pay special tribute to the late Theophilus T. Bettie, who served as Deputy Governor for Economic Policy for his invaluable services to the CBL and Liberia. Mr. Bettie passed away in November this year while on official duty abroad. May his soul rest in perfect peace.

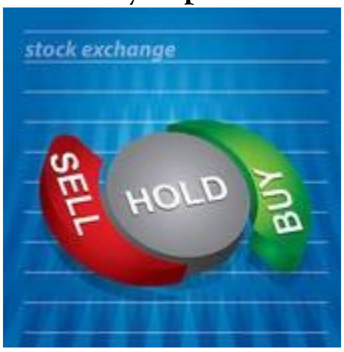


J. Mills Jones

HIGHLIGHTS

World Economy 	Global economic recovery continued during the year, but at a slow pace in the face of challenging diversities and downside risks to growth prospects across regions. Advanced economies strengthened gradually throughout the year, but growth in emerging market economies weakened slightly in response to policy uncertainties in the advanced economies, particularly the US.
Domestic Economy 	Domestic economic growth remained strong with projected real GDP expanding by 8.1 percent in 2013, led by the Mining & Panning sector, which grew by 40.0 percent. The Manufacturing sector recorded a growth of 8.9 percent while the Services and Forestry sectors grew by 8.7 percent and 2.6 percent, respectively. The Services sector remained the largest sector, contributing 46.8 percent of GDP.
Conducive Banking Environment 	The banking industry registered strong growth in its balance sheet in 2013.Total assets rose by 23.7 percent compared with 10.6 percent for 2012. Total capital grew by 14.2 percent compared with 5.8 percent in 2012 and total deposits grew by 26.1 percent against 7.5 percent recorded in 2012. Liquidity position for the sector improved during the year with a 33.6 percent liquidity ratio, 18.6 percentage points above the 15.0 percent minimum requirement.

Exchange Rate Stability 	The average exchange rate of the Liberian dollar vis-à-vis the US dollar depreciated by 12.9 percent to L$81.88/US$1.00 at end-December, 2013, compared with L$72.50/US$1.00 at end-2012 mainly as a result of deteriorating terms of trade (TOT), growing demand for imports and declining net inward remittances.
Performance in Meeting WAMZ Criteria 	The CBL's relationship with its traditional multilateral partners, the IMF, World Bank and the African Development Bank continued during the year. The CBL participated in a number of meetings at international and regional institutions including those of the IMF, World Bank, West African Monetary Zone (WAMZ), the ECOWAS Commission, and the Association of the African Central Banks (AACB). Liberia's performance on the quantitative macroeconomic convergence scale for 2013 was largely satisfactory, sustaining achievements made during 2012. Liberia satisfied 4 convergence criteria, 3 primary and 1 secondary in 2013.
Payments System	A draft Payments System Act was submitted to the Legislature, which when passed into law will provide an appropriate legal framework for the oversight and regulation of the National Payments System in Liberia. The development of the physical infrastructure is still being worked on and completion date is set for February, 2014.

Microfinance 	The SME Credit Stimulus Initiative of the CBL is geared towards providing funds to Liberian-owned businesses at lower interest rates and flexible repayment period. Over 93 different loans were given to major sectors of the economy and those benefited included the Fishery, the Transportation, the Agriculture and the Manufacturing sectors.
Reserve Position of the Bank 	Liberia's reserves at end-December, 2013 stood at US$241 million, from US$258.5 million at end-December, 2012. The decline was due, in part, to increased intervention by the CBL in the foreign exchange market on account of the pressure on the Liberia dollar.
Treasury Operations 	Money market developments took a major step forward in 2013 with the commencement of the GoL Treasury bills (T-bills) Program and the issuance of CBL's note. These will serve as additional policy tools to help manage Liberian-dollar liquidity.
The Non-Bank Financial Sector 	During the year, the CBL continued with efforts aimed at strengthening the legal, institutional, and regulatory framework of the insurance sector and other non-bank financial institutions. In keeping with the road-map issued by the CBL in 2011, 18 companies met the initial requirements and were licensed by the CBL in 2013.

CBL Finances 	The 2013 statutory audit was conducted consistent with the provisions of Section 50 of the CBL Act of 1999. The CBL's un-audited income statement for the year ended 2013 revealed gross operating income of L$911.2 million, compared with L$827.5 million in 2012.
Inflation 	During the year, inflation remained in single digit despite the exchange rate pressure. At end-December 2013, average annual headline inflation slightly increased to 7.6 percent, from 6.9 percent in 2012 due largely to the rise in the prices of imported food items.

MISSION AND OBJECTIVES

MISSION STATEMENT

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

OBJECTIVES

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

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

BOARD OF GOVERNORS
AS AT DECEMBER 31, 2013

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

John G. Bestman
Board Member

David K. Vinton
Board Member

Mildred B. Reeves
Board Member

David M. Farhat
Board Member

CHAPTER I
GOVERNANCE AND ORGANIZATIONAL STRUCTURE

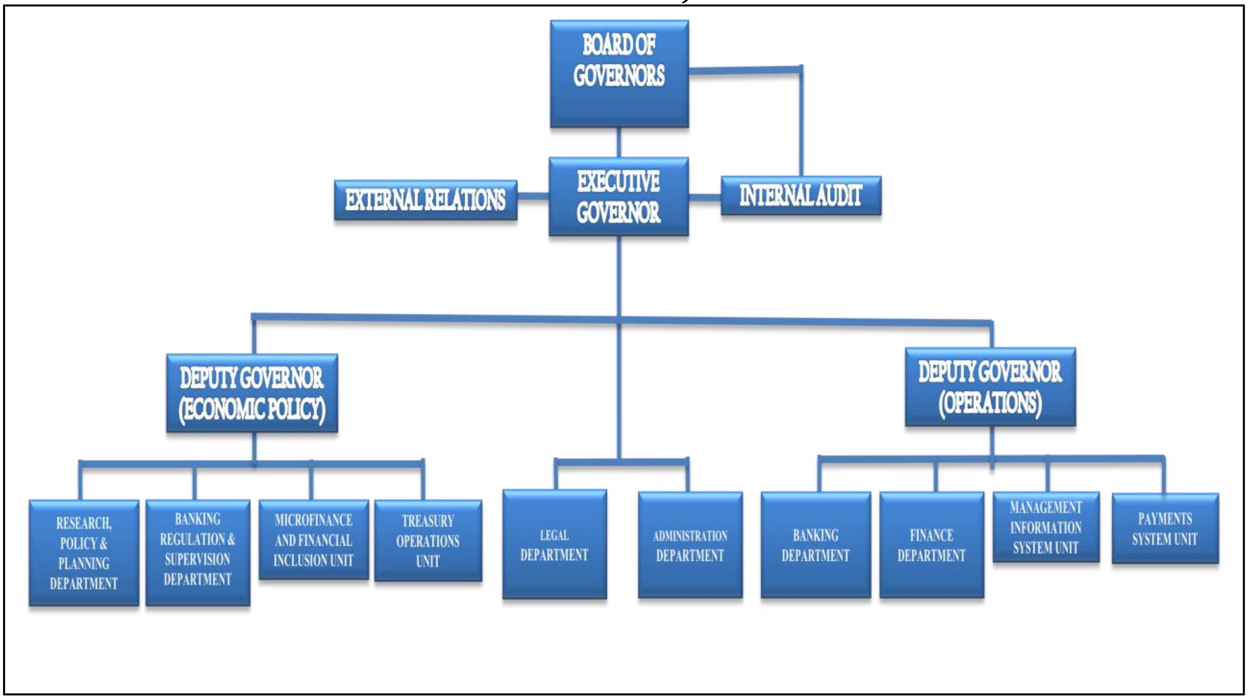
1.1 The Board of Governors

The governing body of the Bank, as stipulated in the Central Bank of Liberia Act of 1999 in Part IV Section 9 is the Board of Governors. It is responsible for the formulation and implementation of the country's monetary policy. The Board of Governors consists of 5 Governors who are appointed by the President of Liberia and confirmed by the Liberian Senate. The Executive Governor runs the day to day activities of the Bank, and Chairs the Board.

As at end-December, 2013, the Board of Governors comprised five governors as listed below:

1. Dr. J. Mills Jones – Executive Governor/Chairman
2. Mr. John G. Bestman – Member
3. Mr. David K. Vinton – Member
4. Mr. David M. Farhat – Member
5. Mrs. Mildred B. Reeves – Member

Chart 1: Organizational Structure
As at December 31, 2013



1.2 Committees of the Board

The Board of Governors is currently composed of two (2) committees: the Audit and Investment Committees. The Audit Committee (AC) has a mandate to ensure quality assurance in the operation and management of the Bank consistent with international best accounting practice and internal controls procedures. On the overall, the AC helps in ensuring that the CBL is in compliance with established accounting and auditing standards and statutory obligations. For the Investment Committee (IC), it has the mandate to assist the CBL in finding innovative investment plans regarding the placement of the Bank's financial resources in line with its investment policy and make recommendations to the Board for approval.

1.3 Policy Decisions by the Board

During 2013, the Board of Governors took the following decisions:

1) approved a policy for the promotion of mobile money services mainly licensing non-bank financial institutions such as subsidiaries of GSM companies to provide mobile money services;

2) approved a policy for the promotion of Rural Finance Institutions in support of financial inclusion for inclusive economic growth and development;

3) approved the implementation of a measure aimed at restructuring of delinquent or non-performing loans (NPLs) in the banking sector, which is intended to help address the problem of NPLs that is negatively impacting the profitability of banks;

4) licensed 18 insurance companies that met the requirements of the first phase of the insurance sector reform, including the minimum capital requirement;

5) endorsed the payment of verified claims on stratification basis to depositors following a vetting exercise of failed/closed banks;

6) approved the issuance of CBL's bills as additional policy instrument to help in liquidity management;

7) approved the appointment of a Chief Risk Officer and development of a Risk Management Framework for the Bank, which is intended to strengthen internal risk management at the CBL; and

8) approved and issued an Anti-Money Laundering Regulation for Financial Institutions to strengthen measures to protect the financial system from being used by criminals and proceeds for criminal activities.

1.4 Internal Committees

The number of internal committees at end-2013 was 3 following the merger of the Compliance and Banking Reform Committees into the Financial Stability Committee (FSC). The Money Management and Policy Review Committee (MMPRC) and the Payments System Project Steering Committee (PSPSC) are the other committees. The MMPRC deliberated on various policy matters aimed at ensuring the realization of the ultimate goal of price stability. The development of the infrastructure upgrade for the National Payments System and other related payments system issues were the main focus of the PSPSC during the period. The FSC deliberated on those issues relating to the soundness and stability of the financial system from the perspective of banks and non-bank financial institutions.

CHAPTER II
THE GLOBAL ECONOMY

2.1 World Output Growth

Amidst challenging diversities and downside risks to growth prospects across regions, global economic recovery continued during the year, but at a slow pace. Advanced economies strengthened gradually throughout the year, but growth in emerging market economies weakened slightly in respond to policy uncertainties in the advanced economies, particularly the United States. Growth momentum in the US economy strengthened during the year, with improved employment and output figures during the second half of the year. This positive trend is projected to continue into 2014.
Similarly, recovery in Japan was robust, but sustainability remains the risk.

As a result of change in policy stance, 2013 witnessed improved signs of sustained economic recovery in the euro zone. However, progress on improving competitiveness and increasing exports was not strong enough to offset the depressed internal demand in periphery countries, given the low recorded growth in the Euro area in 2013. Confronted with these changing conditions, global growth for the year was projected at 2.9 percent in 2013 and expected to rise to 3.6 percent in 2014. Unemployment remained high in many advanced and emerging market economies while commodity prices took a downward spiral throughout the year, affecting investment and growth, especially in commodity-based exporting economies.

According to the October 2013 edition of the World Economic Outlook (WEO), indicators of global growth in the near term projected modest acceleration of activity driven largely by the advanced economies, particularly the United States. This growth impulse was driven mainly by the easing of US fiscal consolidation and its supportive monetary conditions (Table 1).

Improved housing market conditions and increased household wealth along with flexible lending conditions in the US have caused an increase in consumer spending during the year. Assuming these conditions persist, growth prospect will remain favorable and is expected to increase to 2.6 percent at end-2014, from the 1.6 percent recorded in 2013.

However, there were considerable downside risks that persisted including the adoption of a comprehensive fiscal consolidation plan to place public debt on a sustainable path over the medium term and supporting near-term growth along with measures to sustain the high unemployment during the year. Tight monetary conditions as a result of the US Fed's quantitative easing tapering to begin in 2014 will have implication for growth in emerging markets and developing economies, especially in the form of capital flow reversals

Table 1: Growth of Selected Global Output

	Year-on-Year					
			Projections		Difference from July 2013 WEO	
	2011	**2012**	**2013**	**2014**	**2013**	**2014**
World Output	**3.9**	**3.2**	**2.9**	**3.6**	**-0.3**	**-0.2**
Advanced Economies	**1.7**	**1.5**	**1.2**	**2.0**	**0.0**	**0.0**
United States	1.8	2.8	1.6	2.6	-0.1	-0.2
Euro Area	1.5	-0.6	-0.4	1.0	0.1	0.0
Japan	-0.6	2.0	1.2	1.2	-0.1	0.1
United Kingdom	1.1	0.2	1.4	1.9	0.5	0.4
Canada	2.5	1.7	1.6	2.2	-0.1	-0.1
Emerging Markets and Developing Economies	**6.2**	**4.9**	**4.5**	**5.1**	**0.5**	**-0.4**
Central & Eastern Europe	5.4	1.4	2.3	2.7	0.2	-0.1
Developing Asia	**7.8**	**6.4**	**6.3**	**6.5**	**-0.6**	**-0.5**
China	9.3	7.7	7.6	7.3	-0.2	-0.4
India	6.3	3.2	3.8	5.1	-1.8	-1.1
Latin America & the Caribbean	4.6	2.9	2.7	3.1	-0.3	-0.3
Middle East & North Africa	3.9	4.6	2.3	3.6	-0.7	-0.1
Sub-Sahara Africa	5.5	4.9	5.0	6.0	-0.2	0.1
Consumer Prices						
Advanced Economies	2.7	2.0	1.4	1.8	-0.2	-0.1
Emerging Markets and Developing Economies	7.1	6.1	6.2	5.7	0.2	0.1

Source: IMF World Economic Outlook: Oct. 2013 Edition

Confidence in the Euro area slightly improved during the year. Indicators pointed to stability in the periphery and recovery in the core during the latter part of the year. A major improvement was the reduction in the pace of fiscal tightening in major economies in the region. However, unemployment remained high and labor markets remained depressed during the year. Inflation remained below the European Central Bank's (ECB's) medium term objective, which raised concerns about underlying deflationary trends. Moreover, the effects of the externally induced increases in interest rates were limited and partly offset by currency depreciation. Thus, growth in the eurozone settled only at negative 0.4 percent at the close of the year, but is expected to rise to 1.0 percent in 2014.

During the first half of 2013, growth in Developing Asia generally moderated and was weaker than expected largely on account of a more rapid slowdown in China growth pace, which affected industrial activity in much of the region. In India, persistent supply-side constraints led to downward forecast for the region to 6.3 percent, from the 6.9 percent reported in the July 9, 2013 WEO Update. India growth reached 3.8 percent and China however, remained fixed at 7.6 percent.

Growth forecast for emerging market and developing economies was on the downside as a result of tightening of external funding conditions and increasing supply-side constraints. There were new challenges that developed and the appropriate policy mix to mitigate them was the bottleneck. However, similarities in policy priorities in many of these countries yielded positive growth. Growth for the year moderated to 4.5 percent and is expected to increase to 5.1 percent in 2014.

Growth in sub-Saharan Africa remained robust at 5.0 percent in 2013 and is expected to accelerate to 6.0 percent in 2014, reflective of the strong domestic demand in most parts of the region. However, spillovers from sluggish external demand, reversal of capital flows, and declines in commodity prices contributed to weaker growth outcomes in some countries and may remain the major downsides to growth in these economies in the short to medium term. To achieve sustainable and inclusive growth in the medium term, it is expected that governments across the region would deepen structural reforms and give priority to infrastructure investment and social spending.

2.2 Global Inflation

Global inflation was generally subdued during the year. In advanced economies and the US, inflation was forecast at 1.4 percent, respectively, while in the Euro area, it stayed at 1.5 percent. In Japan, it remained neutral while in the United Kingdom it grew to 2.7 percent. However, consistent with slowing activity and stabilizing commodity prices, inflation in emerging market and developing economies was 6.2 percent as forecast by the October 2013 WEO (Table 1).

2.3 Commodity Market

Global prices for major commodity baskets exhibited downward trends in 2013, reflecting weaker demand, mainly from China, and lower growth prospects in the global economy, with both fuel and non-fuel commodity baskets falling below their 2012 annual averages. The fall in commodity prices had major growth-decelerating impacts on commodity-based economies, posing a serious risk to sustained economic growth in these economies.

2.3.1 Oil

Oil price remained relatively stable in 2013, largely as a result of improved supply conditions in North America, particularly the United States. Political uncertainties in the Middle East, particularly Syria, Egypt and Iran, remained the major risk to global oil supply during the year. At end-December, 2013, the price of a barrel of oil settled at US$110.6, from US$109.6 at end-December, 2012, reflecting a marginal increase.

2.3.2 Cocoa

Price differentials for cocoa beans during the year gradually picked up. The market gained momentum during the second quarter as prices of the commodity surged from US$2,294.72 per metric ton to reach a high of US$2,824.54 per metric ton at end-December, 2013. Outlook remains favorable, backed by the recent improvement in advanced economies and the Euro area.

2.3.3 Iron Ore

Iron ore price rose during the first quarter of the year, reaching US$154.64 per metric ton at end-February, 2013. However, weak external demand from emerging market economies, especially China, led to declining prices until midyear when the price of the commodity fell to US$114.82 per metric ton at end-June 2013. However, it gained strength during the start of the third quarter and momentum progressed further with price reaching up to US$136.3 per metric ton at end-November, 2013. However, it declined to US$135.79 per metric ton at end-December. Given the recent developments in the global economy and the movements in prices, outlook for the commodity could further improve in the coming year.

2.3.4 Round Logs

Global price for round logs was hit by the slow recovery in the world economy since the beginning of the year to reach a low of US$294.78 per m^3 in May of 2013. However, prices recovered in the second half of the year as the global economy showed signs of recovery. The price per m^3 of round logs moved above the US$300 mark for succeeding months up to October but declined to US$287.35 per m^3 in December and is likely to remain unstable in the first quarter of 2014.

2.3.5 Rubber

The global price of rubber declined since the start of the year. The international price of the commodity declined from US$3,304.2 per metric ton in January to US$2,810.7 per metric ton at end-June, 2013. The price fall continued throughout the third and fourth quarters, with December price declining to US$2,558.9 per metric ton. Low activity in the manufacturing sector, especially the automobile industry, and weaker industrial input demand from China, largely explained the declining rubber price pattern and will remain the key drivers in the short-to-medium term.

2.4 Implication for the Liberian Economy

Declines in global rubber and iron ore prices pose a major risk to the realization of the growth prospects of the economy. Growth of the Liberian economy was projected at 8.1 percent for 2013, down from the 8.3 percent recorded in 2012. Although growth in the world economy is expected to inch up by 0.7 percentage point in 2014, the Liberian economy is expected to expand but at a slower pace than the level recorded in 2013 given the slowdown in activities in the rubber sub-sector. On the back of prudent monetary policy, stable international oil prices and improved domestic food production, inflation in Liberia remained in single digit in 2013 and will largely remain so in the short-to-medium term if these supportive conditions persist.

CHAPTER III
DEVELOPMENTS IN THE LIBERIAN ECONOMY

3.1 Overview

In 2013, real GDP was estimated at US$896.7 million, reflecting an increase of 8.1 percent, from US$829.6 million recorded in 2012, largely due to improved activities in the Mining & Panning sector. Inflation in 2013 remained in single digit on account of prudent monetary policy, improved domestic food production, easing inflationary pressures in trading partners' economies and stable international oil prices. Average core inflation (inflation excluding food and transport) at end-December, 2013 increased by 1.4 percentage points to 4.4 percent, from 3.0 percent reported at end-December, 2012. Major outputs in the real sector exhibited mixed variations. Production of rubber, round logs and gold recorded declines while iron ore, beverages, diamond, cocoa and cement showed increases.

Credit to the economy at end-November, 2013 increased by 42.5 percent to L$26,939.3 million over the amount recorded in 2012, driven by rising economic activities in the economy. Movements in average interest rates generally show, upward trend during the year. Apart from the average rate on certificate of deposits (CD's rate) which remained stable at end-November, 2013, lending, personal loan, mortgage, time deposits and savings rates recorded increases. Monetary aggregates at end-November, 2013 show, increases with broad money (M2) increasing by 18.0 percent and narrow money (M1) by 21.5 percent.

Liberia's balance of payments (BOP) recorded an overall deficit of US$176.8 million in 2013, from a revised surplus of US$43.7 million for the preceding year. The deterioration was mainly driven by a widening of the current account deficit by 13.2 percent.

Also during the period, the nominal average exchange rate of the Liberian dollar vis-à-vis the US dollar depreciated by 12.9 percent to L$81.88/US$1.00 at end-December, 2013, from L$72.5/US$1.00 at end-2012. Liberia's public debt stock at end-September, 2013 stood at US$578.3 million, indicating an increase of 3.0 percent relative to the level recorded at end-September, 2012.

3.2 GDP Performance

Projected Real GDP for Liberia indicated that the economy expanded by 8.1 percent in 2013, led by the Mining & Panning sector which grew by 40.0 percent. The Manufacturing sector recorded a growth of 8.9 percent while the Services and Forestry sectors grew by 8.7 percent and 2.6 percent, respectively. The estimates show a contraction of 0.7 percent in the growth of the Agriculture sector compared with 1.9 percent in 2012. The share of the Agriculture sector declined, from 31.0 percent in 2012 to 26.0 percent in 2013, with cash crops, mainly rubber, remaining the largest subsector. Mining & Panning, with a share of 16.5 percent, declined in growth to 40.0 percent in 2013, from a record high of 129.1 percent in 2012. The slowdown in the sector was attributable to the decline in the growth rate of iron ore production.

In 2014, real GDP is projected at 6.8 percent, 1.3 percentage points lower than the amount recorded in 2013. The slowdown is expected to be driven mainly by the rising but decreasing rate of production in the mining and panning sector. A detailed sectoral analysis of real GDP performance is presented in Table 2.

Table 2: Sectoral Origin of Gross Domestic Product (GDP)
(At 1992 Constant Prices: 2011-2014)
(In Millions of US$)

Sector	**2011+**	**2012+**	**2013***	**2014****
Agriculture & Fisheries	222.0	226.3	224.7	235.0
Forestry	88.9	90.4	92.8	98.4
Mining & Panning	30.1	68.9	96.5	97.0
Manufacturing	57.7	59.5	64.8	71.6
Services	367.2	384.5	417.9	455.9
Real Gross Domestic Product	**766.9**	**829.6**	**896.7**	**957.9**

Source: Liberian Authority and IMF Staff estimates and projections
*+Revised * Estimate ** Projection*

3.3 Real Sector Performance

Output developments in the Agricultural & Forestry sector were mixed during the year 2013. Rubber production declined by 12.8 percent to an estimated 55,020 metric tons at end-2013, from 63,074 metric tons produced in the preceding year. The decline was largely attributed to a slump in the current global price of the commodity and the extent of replanting in the industry in response to ageing of rubber trees. Rubber output has consistently declined over the last 2 years, though it still remains the second largest contributor to GDP (Table 3).

Cocoa production during the year under review increased by 3.2 percent to 8,337 metric tons, up from 8,082 metric tons reported in the previous year. Similarly, coffee output expanded to 202.0 metric tons at end-2013, from 135.0 metric tons recorded in the preceding year, representing 49.6 percent growth in the commodity. The growth was largely due to gradual maturity of trees previously planted.

Total round logs produced at end-2013 plummeted by 51.1 percent to 104,580 cubic meters, from 213,774 cubic meters recorded in the previous year. Except for 2013, there had been persistent rise in the output of round logs for the last 3 years. The decline in was driven by the reinforcement of Government's moratorium on the exportation of the commodity. Sawn timber output increased by 64.1 percent to an estimated 517,238 pieces at end-2013, from 315,257 pieces recorded in the preceding year.

Table 3: Key Agricultural & Forestry Production (2011-2013)

Commodity	Unit	2011	2012	2013*
Rubber	Mt.	88,318	63,074	55,020
Cocoa Beans	Mt.	26,692	8,082	8,337
Coffee	Mt.	181	135	202
Round Logs	M3	74,107	213,774	104,580
Sawn Timber	Pcs.	331,540	315,257	517,238

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

Cement output was estimated at 181,829 metric tons in 2013, from 121,592 metric tons in the previous year. The increased cement production was due mainly to expansion in production facilities by the local cement producing plant in response to rising activities in the construction sector.

Beverages output grew by 1.1 million liters or 3.9 percent to 29.2 million liters at end-2013, from 28.1 million recorded in 2012 (Table 4).

Table 4: Key Industrial Output (2011-2013)

Commodity	Unit	2011	2012	2013*
Cement	Mt.	80,594	121,592	181,829
Beverages	Liter	30,503,151	28,099,740	29,239,260
Paints	Liter	295,179	354,005	212,226
Candle	Kg	442,575	299,229	163,682
Chlorox	Liter	694,593	681,160	816,800
Rubbing Alcohol	Liter	221,184	198,620	227,901
Mattresses	Pcs.	142,000	108,667	100,704
Gold	Ounce	14,427	20,609	19,298
Diamond	Carat	39,866	34,271	44,334
Iron ore	Mt	386,968	2,369,850	4,698,281
Finished Water	Gal	930,159,178	1,752,158,793	1,809,781,771

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

Production of paint during the year was 212, 226 gallons, down from 354,005 gallons produced in the previous year. The 40.1 percent dramatic decline in the output of paint was partly due to low supply of raw materials.

Candle production at end-2013 was estimated at 163,682 kilograms, 45.3 percent lower than the output level of 2012. The reduction was on account of increased usage of dry cell lamps as major substitute for candles.

Production of chlorox was estimated at 816,800 liters, 135,640 liters or 19.9 percent higher than the level of production a year ago. Growing availability of raw materials was the major factor that accounted for the rise in output. The estimated number of mattresses produced in 2013 fell by 7.9 percent to 100,704 pieces, from 108,667 pieces in 2012. The fall was due to limited supply of raw materials.

Diamond output at end-2013 was estimated at 44,334 carats, reflecting an increase of 10,063 carats or 29.4 percent compared with 2012. The rise in production was a result of expansion in the number of diamond fields. Gold production in 2013 was estimated at 19,298 ounces, from 20,609 ounces in 2012, reflecting a decline of 1,311 ounces or 6.4 percent. The fall was largely a result of decline in the world market price of the commodity.

Iron ore mined in 2013 was estimated at 4,698,281 metric tons, up from 2,369,850 metric tons, reflecting an increase of 2,328,431 metric tons. Improved domestic facilities were the major factors that gave rise to the increased output.

Finished water supplied at end-2013 was estimated at 1.8 billion gallons, indicating an increase of 3.4 percent over the level recorded in 2012. The surge in supply was a direct result of the continuous distribution of water to the city of Monrovia and its environs by the Liberia Water and Sewer Corporation (LWSC).

3.4 Price Development

Despite exchange rate pressure, inflation was contained in single digit. At end-December 2013, average annual headline inflation slightly increased to 7.6 percent, from 6.9 percent in 2012. By origin, domestic inflation decelerated to 6.3 percent at end-December, 2013 from 7.3 percent at end-December 2012, driven mainly by domestic food while imported inflation increased to 9.5 percent at end-December, 2013, from 6.3 percent for the same period in 2012.

The sustained moderate inflation has been a result of prudent and efficient monetary policy, improved performance in domestic food production, easing inflationary pressures in trading partners' economies as well as stable international oil prices.

The underlying inflation which excludes Food and Transport from the overall CPI stood at 4.4 percent at end-December 2013, from 3.0 percent at end-December, 2012. The core inflation outturn in 2013 compared with 2012 was largely driven by increases in alcoholic beverages, tobacco and narcotics to 6.2 percent, from 3.7 percent; communication to 0.6 percent, from 0.2 percent; recreation and culture to 8.6 percent, from 2.9 percent; restaurant and hotels to 7.0 percent, from 2.0 percent; and miscellaneous goods and services to 6.8 percent, from 4.1 percent (Table 5).

Outlook for inflation at end-2014 is expected to remain in single digit. However, this will largely depend on domestic prices, the behaviour of international oil prices, inflationary pressures in trading partners' economies, well-coordinated policies that should mitigate the impact of exogenous shocks as well as the state of domestic infrastructure.

Table 5: Year-on- Year Rate of Inflation
(2011-2013)
(December 2005=100)

	2011	2012	2013
January	4.7	8.9	8.0
February	7.5	10.3	5.5
March	6.5	8.7	8.4
April	7.4	7.7	8.7
May	7.6	6.7	6.5
June	8.8	7.1	7.0
July	10.6	3.6	7.1
August	10.3	4.2	7.5
September	6.2	5.7	8.2
October	10.7	4.8	8.5
November	9.9	7.3	7.0
December	11.4	7.7	8.5
Average	**8.5**	**6.9**	**7.6**

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

Chart 2: Year-on-Year Rates of Inflation
(2011-2013)
(December, 2005=100)

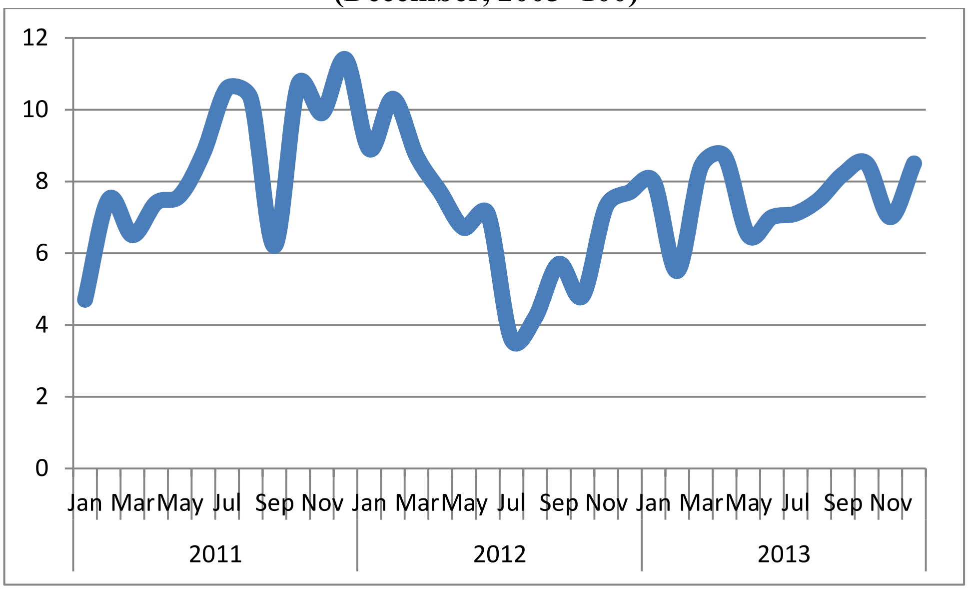


Table 6: Harmonized Consumer Price Index (HCPI) By Major Groups
Year-on-Year Rates of Inflation
(December, 2005=100)

FUNCTION	WEIGHT	13-Jan	13-Feb	13-Mar	13-Apr	13-May	12-Jun	12-Jul	12-Aug	12-Sep	12-Oct	12-Nov	12-Dec
FOOD AND NON-ALCOHOLIC BEVERAGES	45.2	13.37	7.74	13.68	15.01	9.89	11.1	8.79	8.13	9.09	11.62	8.11	7.71
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	3.03	-0.31	2.76	6.32	4.73	3.98	7.8	10.22	10.37	7.34	6.43	6.47	8.04
CLOTHING AND FOOTWEAR	7.75	-0.84	2.41	1.49	-0.06	0.31	2.53	6.18	8.68	8.57	9.5	10.17	10.56
ELECTRICITY, GAS AND OTHER FUELS	12	0.74	-0.21	-0.18	1.02	-0.18	-0.05	-0.76	2.4	2.59	1.29	1.89	0.86
EQUIPMENT AND ROUNTINE MAINTENANCE OF THE	5.25	-2.55	-1.12	-1.22	-5.43	1.37	6.97	12.56	13.86	13.69	7.27	8.9	13.69
HEALTH	3.91	0	0	-3.25	-3.25	0	0	0	0	0	0	2.67	4.76
TRANSPORT	6.11	10.94	10.89	10.52	9.62	8.67	0.25	2.31	2.42	2.77	-2.94	-2.11	14.36
COMMUNICATION	1.53	0.15	0.15	0.15	0.07	0.11	0.15	0.36	0.76	0.94	1.27	1.3	1.4
RECREATION AND CULTURE	3.85	6.7	6.58	6.54	6.59	9.51	8.15	8.96	9.5	14.55	8.06	9.07	9.3
EDUCATION	3.2	0	0	0	0	0	0	0	0	0	0	0	0
RESTUARANTS AND HOTELS	4.64	2.5	2.45	2.35	2.47	3.49	2.23	8.58	10.36	11.08	13.12	13.29	12.55
MISCELLANEOUS GOODS AND SERVICES	3.53	5.38	5.44	5.3	5.31	4.26	3.99	6.26	8.02	10.11	5.74	6.26	15.83
GENERAL RATE OF INFLATION	**100**	**8**	**5.48**	**8.38**	**8.69**	**6.48**	**7.03**	**7.1**	**7.49**	**8.18**	**8.54**	**7.04**	**8.49**
SPECIAL RATES OF INFLATION													
ALL IMPORTED ITEMS	41.73	4.8	7.04	9.14	10.4	6.11	8.3	9.16	12.75	13.31	13.45	9.73	9.79
ALL DOMESTIC ITEMS	58.27	10.25	4.34	7.84	7.48	6.75	6.12	5.65	3.96	4.7	5.25	5.21	7.62
IMPORTED FOOD ITEMS	23.87	7.87	10.31	13.84	16.6	9.47	11.69	10.77	15.7	15.87	17.01	9.79	9.17
DOMESTIC FOOD ITEMS	21.33	18.86	5.21	13.51	13.37	10.32	10.5	6.83	1.35	2.89	6.73	6.51	6.33
IMPORTED FUEL	2.14	3.88	2.14	1.11	-1.66	-4.75	-5.99	0.93	1.33	2.58	2.1	4.32	6.13

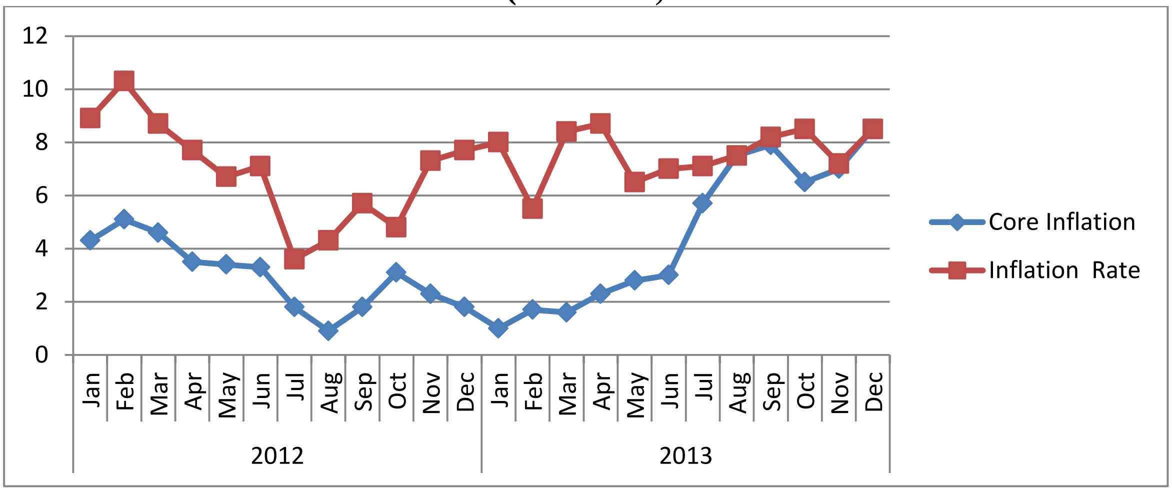
Sources: CBL and LISGIS

Table 7: HCPI and Core Inflation
(In percent)
(2012-2013)

Year	Inflation	Weight	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012	HCPI (Gen)	100	8.9	10.3	8.7	7.7	6.7	7.1	3.6	4.2	5.7	4.8	7.3	7.7
	Core Infl	51.3	4.3	5.1	4.6	3.5	3.4	3.3	1.8	0.9	1.8	3.1	2.3	1.8
2013	HCPI (Gen)	100	8	5.5	8.4	8.7	6.5	7	7.1	7.5	8.2	8.5	7.0	8.5
	Core Infl	51.3	0.9	1.6	1.5	0.8	2	3	5.7	7.5	7.9	6.5	7.2	8.5

Source: CBL and LISGIS

Chart 3: HCPI and Core Inflation
(In Percent)
(2012-2013)



3.5 Monetary Developments

3.5.1 Commercial Bank Credit

On aggregate, credit to all sectors of the economy for the 11-month period up to November, 2013 stood at L$26,939.7 million, reflecting a 42.5 percent growth relative to the level recorded at end-December, 2012. Sectors leading the credit growth were construction, agriculture and transportation, storage & communication, growing by 129.1 percent, 69.0 percent and 63.1 percent, respectively. In terms of credit to the private and public sectors , the private sector received L$26,139.9 million (97.0 percent) and the public, L$799.8 million (3.0 percent). This development reflects greater emphasis given to the private sector as the engine for sustainable economic growth and development (Table 8 & Chart 4).

Table 8: Commercial Banks' Loans by Economic Sectors (2011-November, 2013) (In Millions L$)

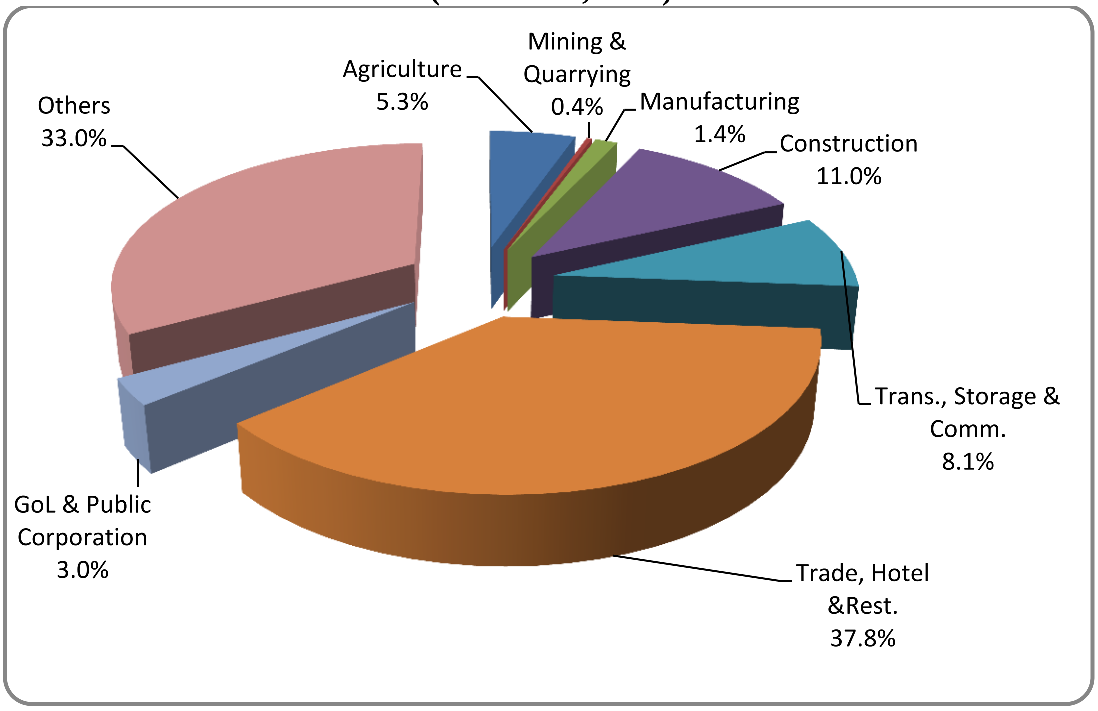
Sector	Dec-11	Share of Total	Dec-12**	Share of Total	Nov-13	Share of Total	Percentage Change (Dec-12 - Nov-13)
Agriculture	748.3	4.6	848.8	4.5	1,434.5	5.3	69.0
Mining & Quarrying	139.6	0.9	114.9	0.6	95.2	0.4	-17.2
Manufacturing	324.1	2	279.2	1.5	376.7	1.4	34.9
Construction	1319	8.2	1,300.5	6.9	2,978.9	11.1	129.1
Trans. Storage & Comm.	1,351.60	8.4	1,337.3	7.1	2,180.7	8.1	63.1
Trade, Hotel & Restaurant	6,662.20	41.2	8,325.7	44.0	10,184.4	37.8	22.3
Others*	5,625.60	34.8	6,695.2	35.4	9,689.3	36.0	44.7
TOTAL	**16,170.30**	**100**	**18,901.5**	**100.0**	**26,939.3**	**100.0**	**42.5**

Source: Central Bank of Liberia, Monrovia, Liberia

****The "Others" Sector comprises loans to Individual, Service Institutions, GoL, Public Corporations, CBL and other institutions not categorized in any sector. However, in the chart below credit to GoL and public corporations are separated from the "others" sector. Since 2012, CBL has not received any loan from the commercial banks.***

*****Revised***

Chart 4: Percentage Distribution of Commercial Banks' Loans by Economic Sectors (November, 2013)



3.5.1 Interest Rates

During the year, movements in average interest rates generally show an upward trend. Apart from the average rate on certificate of deposits (CD's rate) which remained stable at end of the reporting period, lending, personal loan, mortgage, time deposits and savings rates recorded increases (Table 9).

Table 9: Commercial Banks' Interest Rates
(2011 - November, 2013)

COMMERCIAL BANKS RATES	Dec-11	Dec-12*	Nov-13
Avg. Lending Rate	13.85	13.20	13.74
Avg. Personal Loan Rate	11.02	14.04	14.14
Avg. Mortgage Rate	14.03	13.99	14.31
Avg. Time Deposit Rate	3.70	2.90	4.40
Avg. Savings Rate	2.02	2.00	2.01
Avg. Rate on CD'S	3.00	3.00	3.00

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

3.5.2 Monetary Policy Stance

The conduct of monetary policy by CBL continues to be focused on the attainment of broad exchange rate and price stability. To this end, the Bank, in addition to the foreign exchange auction, is now using CBL's notes as additional policy instrument to influence domestic monetary condition.

3.5.3 Monetary Aggregates

Liberian dollars in circulation[1] at end-November, 2013 stood at L$8,600.6 million, reflecting a marginal decline of 0.2 percent, from L$8,614.2 million at end-December, 2012. The fall was largely due to a 1.6 percent slowdown in currency outside banks. Of the total currency in circulation, currency in banks accounted for 16.6 percent, up from 7.5 percent and 15.6 percent at end-2011 and 2012, respectively. The increase in currency in banks over the past years signifies growing public confidence in the banking system.

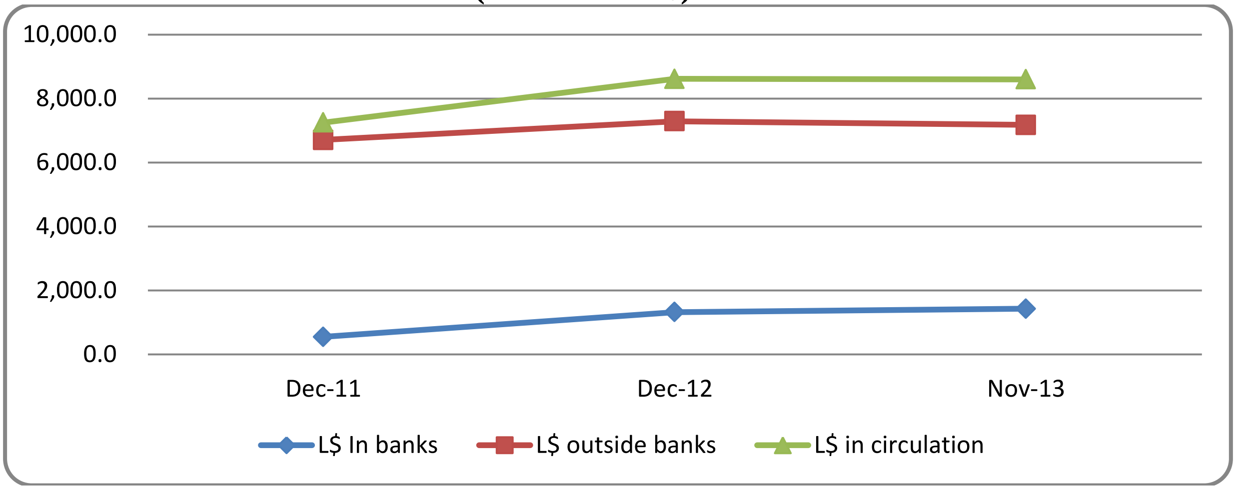
Table 10: Liberian Dollar in Circulation
(2011-November, 2013)
(In Millions L$)

	L$ in Banks	L$ Outside Banks	L$ in Circulation
	A	B	A+B=C
Dec-11	547.3	6,704.3	7,251.6
Dec-12	1,322.9	7,291.3	8,614.2
Nov-13	1,428.3	7,172.3	8,600.6

Source: Central Bank of Liberia, Monrovia, Liberia

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

Chart 5: Liberian Dollars in Circulation (2011-November, 2013) (In Millions L$)



Money supply (M1)[2] totaled L$36,601.1 million during the period, expanding by 21.5 percent compared with L$30,132.7 million reported at end-December, 2012. The expansion was driven by 28.8 percent growth in demand deposits. Quasi money[3] rose by 10.9 percent to L$16,206.6 million, up from L$14,609.7 million at end-December, 2012 on account of 21.6 percent increase in savings and time deposits.

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

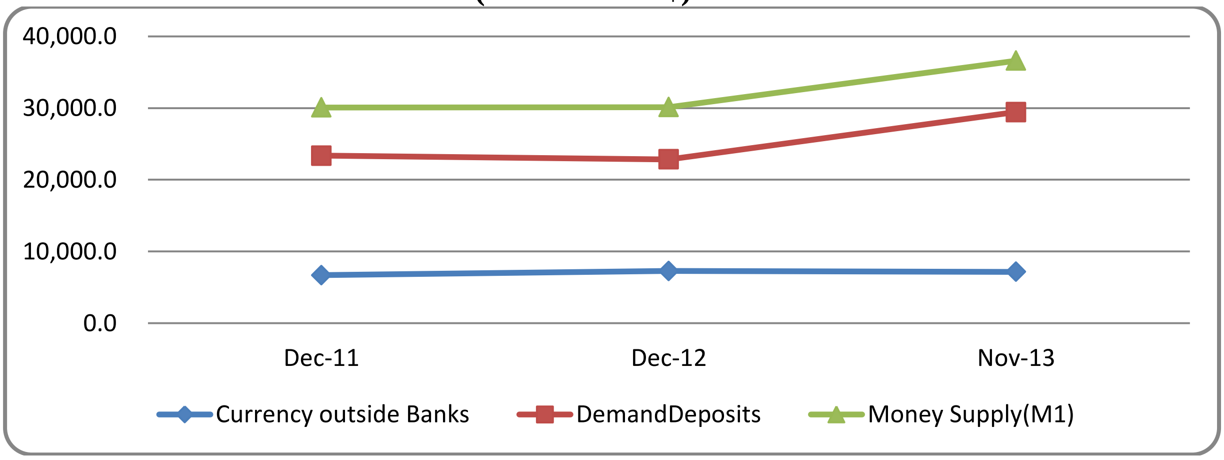
[3]Quasi Money is defined as savings and time deposits in both currencies

Table 11: Money Supply and its Sources
(2011 – November, 2013)
(In Million L$)

	Monetary Aggregates	Dec-11	Dec-12	Nov-13	Percent Change End-2012	Percent Change End-Nov. 2013
1.0	**Money Supply, M2 (1.1 + 1.2)**	**43,398.2**	**44,742.4**	**52,807.8**	**3.1**	**18.0**
	1.1 Money Supply, M1	**30,069.0**	**30,132.7**	**36,601.6**	**0.2**	**21.5**
	1.1.1 Currency outside banks	*6,704.3*	*7,291.3*	*7,172.3*	8.8	-1.6
	1.1.2 Demand deposit [1/]	*23,364.7*	*22,841.4*	*29,428.9*	-2.2	28.8
	1.2 Quasi Money	**13,329.2**	**14,609.7**	**16,206.6**	**9.6**	**10.9**
	1.2.1 Time & Savings deposits	11,355.8	13,273.2	16,141.5	16.9	21.6
	1.2.2 Other deposits [2/]	*1,973.4*	*1,336.5*	*65.2*	-32.3	-95.1
2.0	**Net Foreign Assets**	**26,814.5**	**25,420.0**	**24,247.1**	**-5.2**	**-4.6**
	2.1 Central Bank	17,130.3	16,144.6	14,502.8	-5.8	-10.2
	2.2 Banking Institutions	9,684.2	9,275.4	9,744.4	-4.2	5.1
3.0	**Net Domestic Assets (1 - 2)**	**16,583.8**	**19,322.4**	**28,560.7**	**16.5**	**47.8**
	3.1 Domestic Credit	34,458.6	37,715.5	48,754.4	9.5	29.3
	3.1.1 Government (net)	15,283.3	15,528.0	17,322.9	1.6	11.6
	3.1.2 Pvt. Sector & Other Pvt. Sector	19,175.3	22,187.6	31,431.5	15.7	41.7
	3.2 Other assets Net (3 - 3.1)	17,874.9	18,393.1	20,193.8	2.9	9.8
	Memorandum Items					
	1. Overall Liquidity	43,398.2	44,742.4	52,807.8	3.1	18.0
	2. Reserve Money	29,037.8	30,298.0	28,718.8	4.3	-5.2
	Currency outside banks	*6,704.3*	*7,291.3*	*7,172.3*	8.8	-1.6
	Banks Reserves	*22,333.6*	*23,006.8*	*21,546.5*	3.0	-6.4

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

Chart 6: Money Supply (M1)
(2011–November, 2013)
(In Millions L$)



Broad money (M2)[4], the measure of the overall liquidity in the banking system, grew by 18.0 percent to L$52,807.8 million at end November, 2012, from L$44,742.4 million at end-December, 2012 on the back of a 47.8 percent growth in net domestic assets (NDA). Reserve money shrank by 5.2 percent compared with a 4.3 percent rise in 2012. Reductions in currency outside banks and commercial banks' reserves underpinned the slowdown. The US dollar share of broad money of the review period accounted for 72.5 percent (L$38,310.1 million[5]), reflecting the highly dollarized nature of the Liberian economy (Table11 & Chart 6).

Chart 7: Broad Money (M2)
(2011 - November, 2013)
(In Millions L$)

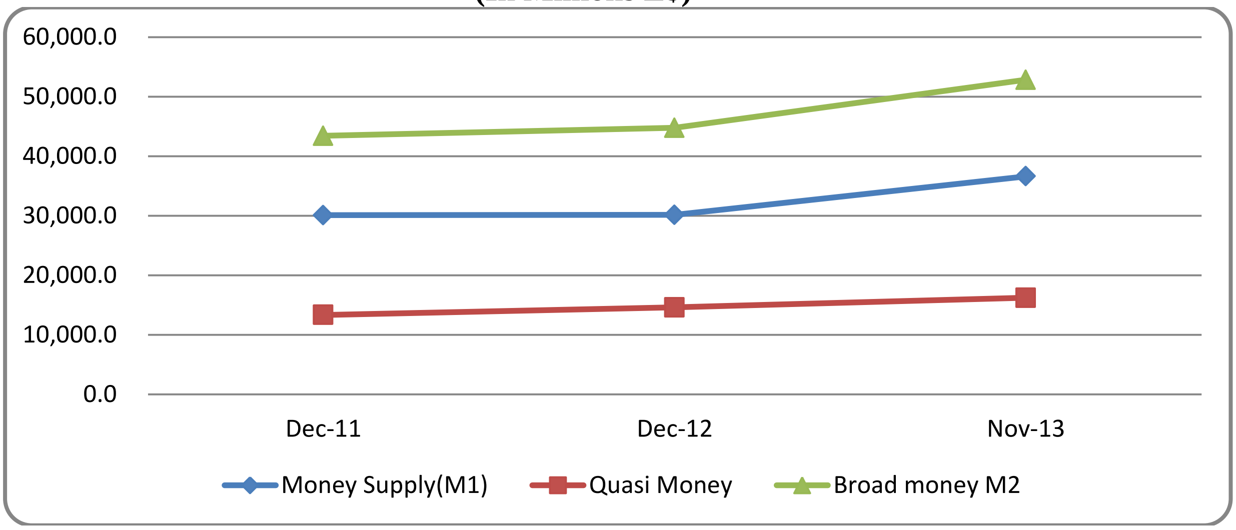


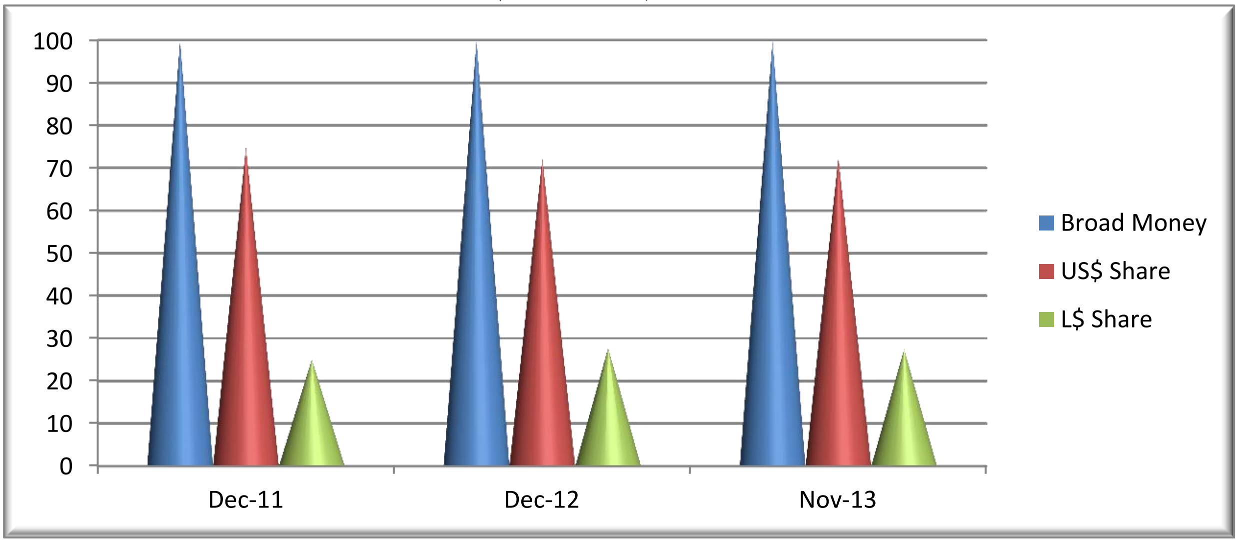
Table 12: Broad Money (M2): Share of US and Liberian Dollars
(2011 - November, 2013)
(In Millions L$)

	Dec-11	Percent Share	Dec-12	Percent Share	Nov-13	Percent Share
Broad Money	43,398.2	100	44,742.4	100	52,807.8	100
US$ Share	32,493.1	74.9	32,301.7	72.2	38,310.1	72.5
L$ Share	10,905.1	25.1	12,440.7	27.8	14,497.7	27.5

Source: Central Bank of Liberia, Monrovia, Liberia

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

Chart 8: Broad Money (M2): Share of US and Liberian Dollars (2011 - November, 2013) (In Percent)



3.5.4 Money Market Developments

The commencement of the GoL Treasury bills (T-bills) Program and the CBL notes in 2013 was a major step in the deepening of money market transactions, which should help to pave the way for the establishment of a capital market. These are additional policy instruments that should enable the CBL to adequately manage Liberian-dollar liquidity. At the moment, participation in both auction programs is limited to commercial banks only and with maturities to 91 days.

3.5.5 GoL T-bills Operation

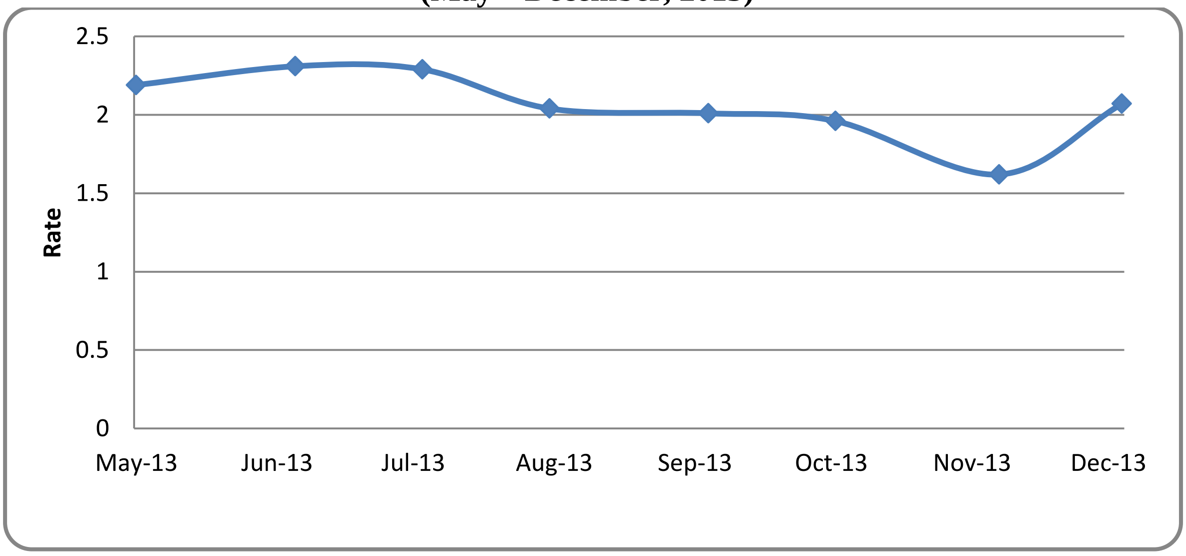
The T-bills operation began in May 2013 and conducted once every month. The total value of L$1,077.0 million in T-bills was issued up to December 5, 2013. The weighted average discount rate (representing the cost for borrowing) averaged around 2.043 percent for a total of 8 auctions being conducted (Table 12 & Chart 8). The low rate is due largely to the high level of excess Liberian-dollar liquidity in the banking system. So far, the amount of L$320.5 million represents outstanding T-bills with L$756.5 million already redeemed.

Table 13: GOL Treasury-bill Auction Details (May – December, 2013) (In Millions L$)

Date	Amount Issued	Value of bid(s) Received	Over/(Under) Subscription	Cut-Off Interest Rate (%)	Weighted Average Discount Rate (%)
5-Dec-13	81.00	120.90	39.90	2.55	2.07
8-Nov-13	160.00	192.00	32.00	2.00	1.62
3-Oct-13	79.50	153.35	73.85	2.05	1.96
5-Sep-13	77.50	92.95	15.45	2.15	2.01
1-Aug-13	149.00	332.50	183.50	2.33	2.04
4-Jul-13	153.00	278.60	125.60	2.55	2.29
6-Jun-13	228.00	338.60	110.60	2.89	2.31
2-May-13	149.00	298.80	149.80	3.00	2.19
Total/Average	**1,077.00**	**1,807.70**	**730.70**	**2.44**	**2.06**

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 9: GOL Treasury-bill Weighted Average Discount Rate (May – December, 2013)



3.5.6 CBL Notes

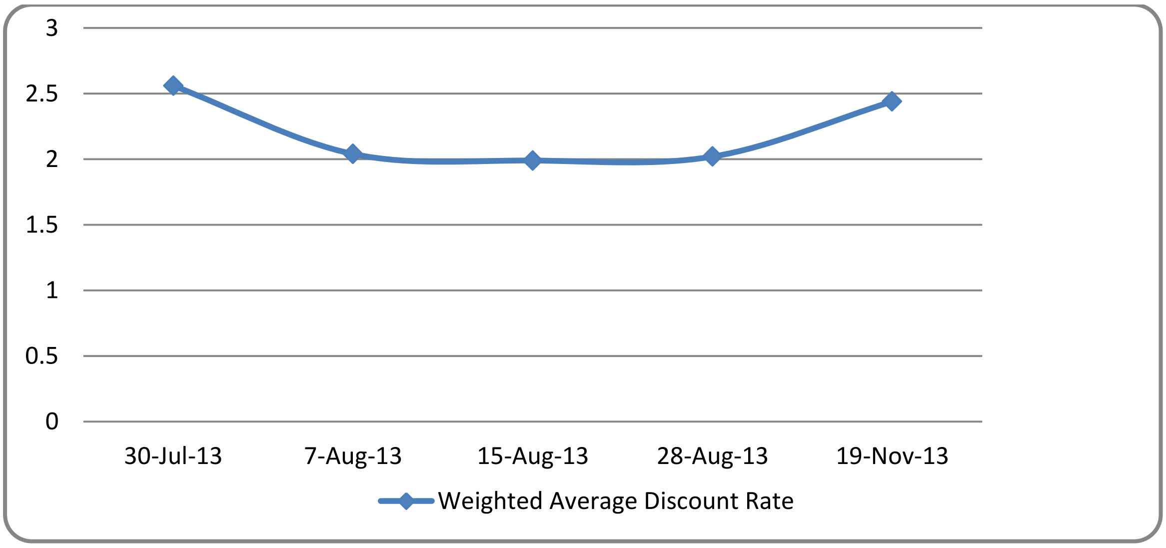
In addition to the foreign exchange (FX) auction, the CBL commenced the issuance of its own notes to help manage Liberian-dollar liquidity during the year. Since its introduction in July 2013, a total of L$2,327.5 million CBL's notes have been issued with an outstanding redeemable balance of L$1,130.0 million at an average discount rate of 2.21 percent (Table 13). The issuance of CBL's notes has been effective in mopping-up a significant portion of the excess Liberian-dollar liquidity in the banking system as reflected by the reduction in the level of oversubscriptions arising from the five successive auctions. A total of L$145.4 million was recorded as oversubscription in the July inaugural edition of the CBL's bills auction, falling to an under-subscription of L$870.0 million in the November 2013 edition.

Table 14: CBL Bills Auction Details
(July – November, 2013)
(In Millions L$)

Date	Amount Issued	Value of bid(s) Received	Over/Under Subscription	Cut Off Rate (%)	Weighted Average Discount Rate
19-Nov-13	1,130.0	1,130.0	(870.0)	3.00	2.44
28-Aug-13	387.5	448.7	61.2	2.21	2.02
15-Aug-13	387.5	478.7	91.2	2.23	1.99
7-Aug-13	269.5	388.4	118.9	2.25	2.04
30-Jul-13	153.0	298.4	145.4	3.00	2.56
Total/Average	**2,327.5**	**2,744.2**	**(453.4)**	**2.54**	**2.21**

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 10: CBL bill Weighted Average Discount Rate
(July – November, 2013)



3.5.7 CBL's Foreign Exchange Auction

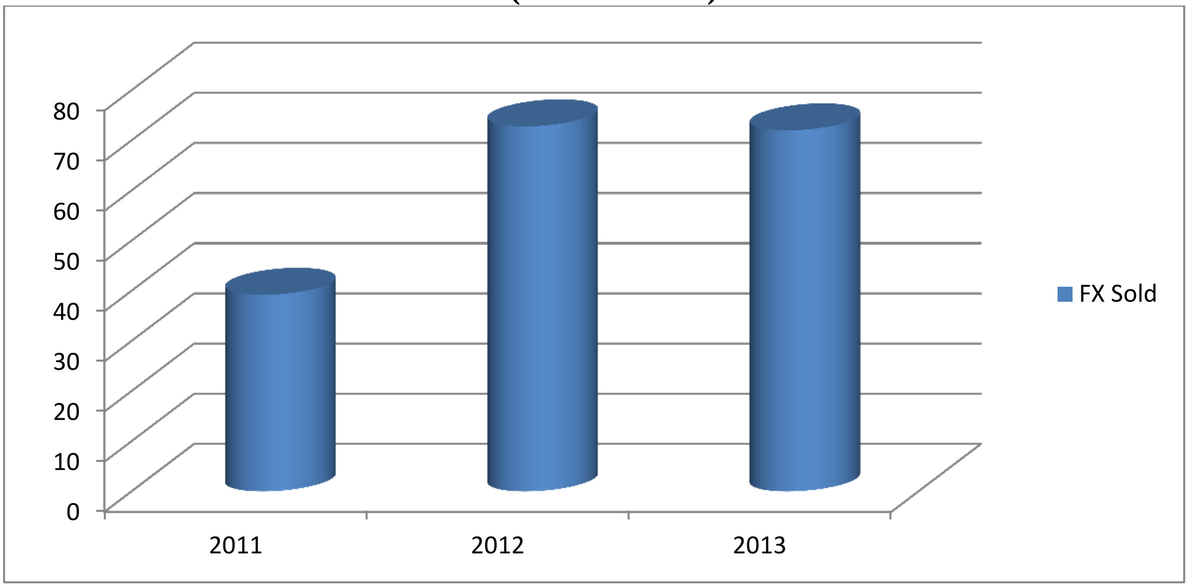
The total amount of foreign exchange sold during the year amounted to US$72.0 million, 1.1 percent down from US$72.8 million sold during 2012 (Table 14 & Chart 15). This level of intervention has helped to reduce the rising rate of depreciation of the Liberian dollar.

Table15: CBL's Foreign Exchange Auction
(2011- 2013)
(In Million US$)

	2011	2012	2013
FX Sold	39.2	72.8	72.0

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 11: Foreign Exchange Auction
(2011- 2013)
(In Million US)

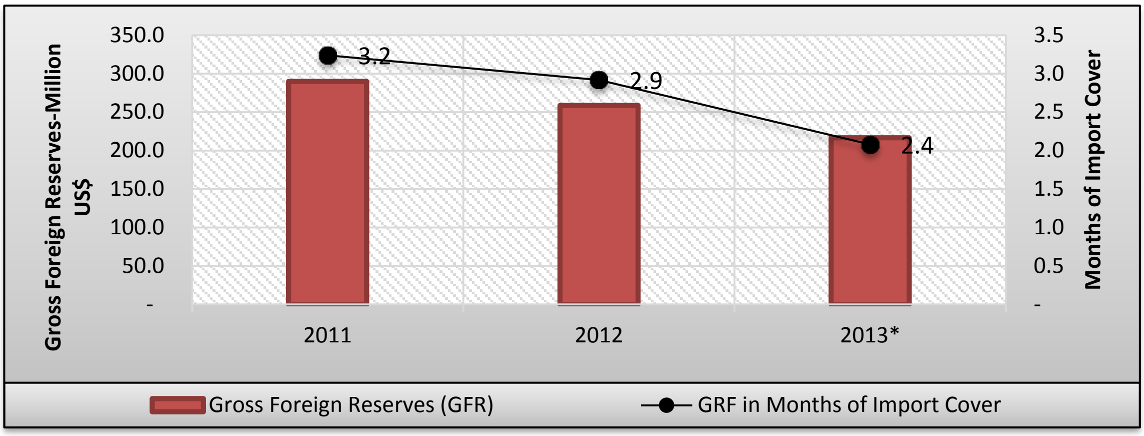


3.6 External Sector Developments

From preliminary statistics, the year ended-December, 2013 recorded an overall trade deficit of US$667.3 million, a 5.6 percent increase over the level recorded at end-December, 2012, largely on account of mixed performances on the external front—improved export performance mainly driven by increased iron ore production relative to recorded level in 2013, but outweighed by increased import payments. Policies and programs aimed at reversing the current trend, mainly through export diversification and value chains development in the agro-sector, must form a cardinal pillar in our national priorities in the short to medium term.

Liberia's gross external reserves position at end-December, 2013 was US$241.0 million from US$258.5 million at end-December, 2012. When measured in months of import cover (excluding iron-ore related imports), Liberia remains below the WAMZ minimum threshold of 3.0 months. From provisional statistics, Liberia's months of import cover declined to 2.4 in 2013 from 2.9 recorded in 2012, mainly on account of continued increase in import payments and slowdown in gross foreign reserves (Chart 12). The CBL remains strongly committed to building the country's foreign reserves while at the same time working to maintain broad exchange rate stability in a highly dollarized economy.

Chart 12: Gross External Reserves & Months of Import Cover: (2011-2013)



*****Preliminary***

3.6.1 Balance of Payments[6]

Provisional overall balance of the Balance of Payments statistics for the year-ended December, 2013 recorded an overall deficit of US$176.8 million, from a surplus of US$43.7 million for the preceding year. The deterioration was mainly driven by a 13.2 percent widening of the current account deficit in view of the economy growing over reliance on imports.

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

Table 16: Provisional Balance of Payments (2011-2013) (In Millions US$)

YEAR	2011*	2012*	2013**	Year-On-Year % Growth 2012-2013 %	Year-On-Year % Growth 2011-2013 %
Current Account Balance	**(996.30)**	**(1,137.29)**	**(1,287.86)**	**13.2**	**29.3**
Current Account Balance, excluding grants	(1,972.8)	(2,094.09)	(1,410.85)	(32.6)	(28.5)
Trade Balance	(677.20)	(632.04)	(667.26)	5.6	(1.5)
Merchandise Exports (FOB)	**367.00**	**444.36**	**543.66**	**22.3**	**48.1**
Iron ore	*22.20*	*117.06*	*327.82*	*180.0*	*1,376.7*
Rubber	226.10	176.80	120.50	(31.8)	(46.7)
Non-Iron Ore & Rubber Exports	118.70	150.50	95.35	(36.6)	(19.7)
Merchandise Imports (FOB)	**(1,044.20)**	**(1,076.40)**	**(1,210.92)**	**12.5**	**16.0**
Oil (Petroleum)	216.90	256.90	275.62	7.3	27.1
Rice	121.80	68.70	88.27	28.5	(27.5)
Machinery & Transport Equipment	250.90	310.90	300.76	(3.3)	19.9
Others	454.60	439.90	546.27	24.2	20.2
Services (Net)	(865.00)	(658.40)	(667.50)	1.4	(22.8)
Receipts	389.30	326.60	240.49	(26.4)	(38.2)
Payments	1,254.30	985.00	107.92	(89.0)	(91.4)
Income (Net)	(687.50)	(943.99)	(633.90)	(32.8)	(7.8)
Investment income (net)	(687.50)	(943.99)	(633.90)	(32.8)	(7.8)
Other Income	-	-	-	-	-
Current transfers (Net)	1,233.40	1,097.14	680.80	(37.9)	(44.8)
Public transfers (net)	*976.5*	956.80	649.70	(32.1)	(33.5)
Grants (net)	*956.3*	115.8	83.13	(28.2)	(91.3)
Private transfers (net)	*256.9*	140.34	31.10	(77.8)	(87.9)
Workers' Remittances (net)	*256.9*	140.34	31.10	(77.8)	(87.9)
Capital & Financial Account	**1,231.10**	**1,871.48**	**1,528.94**	**(18.3)**	**24.2**
Capital Transfers (Net)	-	312.15	133.05	(57.4)	-
Financial Account	1,231.1	1,559.3	1,395.88	(10.5)	13.4
Direct investment in reporting econom	785.3	984.60	1,061.27	7.8	35.1
Portofolio Investment (Net)	-	-	-	-	-
Other Investment (Net)	428.5	547.30	301.29	(44.9)	(29.7)
Trade Credit	512.6	547.3	301.29	(44.9)	(41.2)
Reserve Assets	17.3	27.43	33.32	21.5	92.6
Erros and Omissions	**(1,508.3)**	**(518.7)**	**(315.8)**		
OVERALL BALANCE/1	**(20.30)**	**43.68**	**(176.67)**		
Financing	*20.3*	*(43.7)*	*176.7*		
Changes in Foreign Reserves (millions US$)	*34.2*	*(31.2)*	*(17.5)*		
Memorandum Items					
Annual Nominal GDP (millions US$) Estimate	*1,540.1*	*1,735.3*	*1,977.00*		
Total Merchandise Imports(CIF)/1	*1,060.4*	*1,063.2*	*1,218.0*		
Current Account balance as % of GDP	*64.7*	*65.5*	*65.14*		
Gross External Reserves (millions US$) at end December	*289.7*	*258.5*	*241.0*		
Gross External Reserves in months of import(CIF) Cover/2	*3.3*	*2.9*	*2.4*		

/1 Excluding Iron ore related imports by China Union and ArcelorMittal imports during the year

/2 Excluding Iron Ore related Imports

Sources: Ministry of Commerce & Industry, BIVAC, Firestone Liberia, Ministry of Lands, Mines & Energy, Forestry Development Authority, Central Bank of Liberia, Ministry of Finance

****Revised***

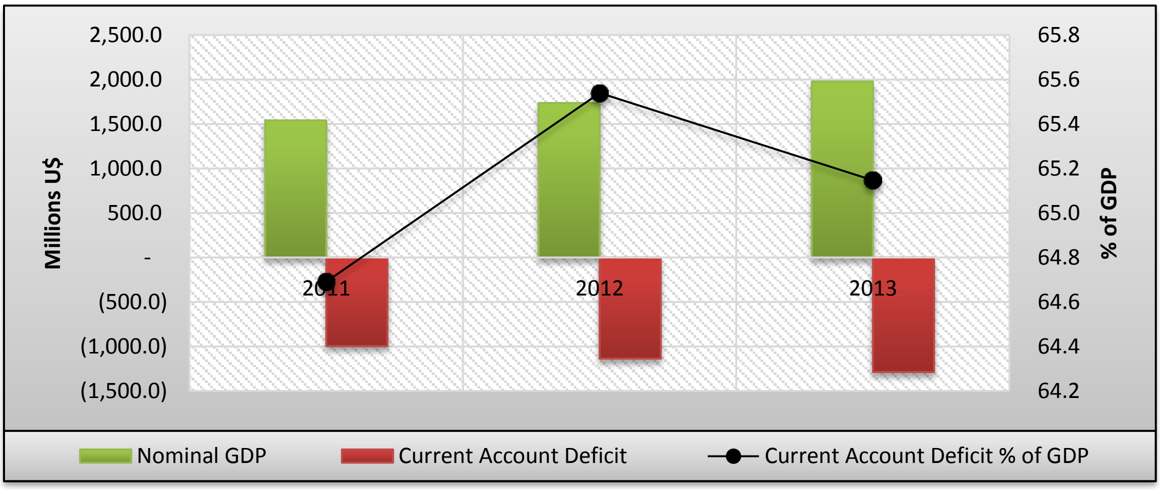
*****Preliminary***

3.6.2 Current Account

The current account deficit rose by 13.2 percent to US$1,288.0 million for the year ended December, 2013, from US$1,137.3 million for the preceding year. This is due to a 5.6 percent deterioration in the trade deficit to US$667.3 million in 2013, from US$632.0 million in 2012. The widening in the trade deficit in 2013 was on account of a 12.5 percent (US$134.5 million) rise in import payments that outpaced a 22.3 percent (US$99.3 million) growth in export receipts recorded in 2013.

The 38.0 percent decline in current transfers, resulting mainly from an 89.3 percent fall in workers' remittances, also contributed to the deterioration in the current account deficit. The current account deficit as a percent of GDP averaged 65.2 percent in 2013, from 65.5 percent and 64.7 percent in 2012 and 2011, respectively (Chart 12).

Chart 13: Trends of Current Account Deficit as Percent of GDP: 2011-2013



3.6.3 Capital & Financial Account

The 18.3 percent fall in the capital & financial account in 2013 was largely on account of a 57.4 percent reduction in net capital transfers and a 44.9 percent reduction in net trade credit. However, provisional statistics on foreign direct investments in 2013 showed a 7.8 percent rise over the level recorded in 2012.

3.6.4 Trade Balance

At end-December, 2013, Liberia's total merchandise trade (on f.o.b basis) grew by 15.4 percent to US$1,754.6 million, from US$1,520.8 million recorded for 2012. Exports and imports accounted for 31.0 percent and 69.0 percent, respectively; from 29.2 percent and 70.8 percent in 2012, respectively.

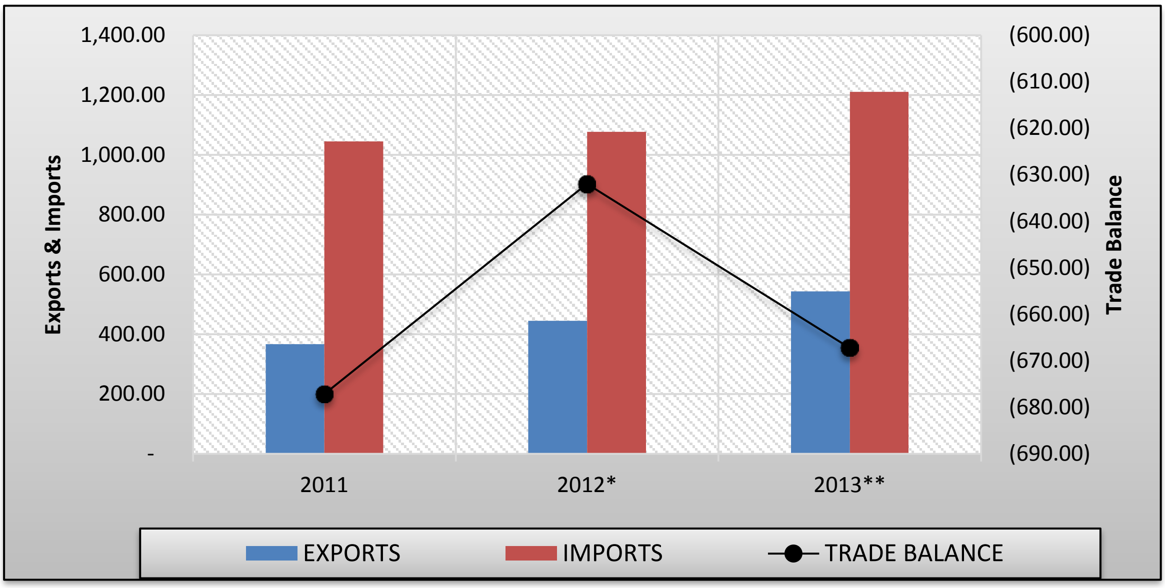
From preliminary statistics, the trade deficit rose by 5.6 percent to US$667.3 million during 2013, from US$632.0 million recorded for 2012, mainly on account of increased import payments in 2013 that outmatched the growth in export receipts (Chart 16).

Table 17: Exports, Imports & Trade Balance
(2011-2013)
(In Million US$)

YEAR	EXPORTS	IMPORTS(f.o.b)+	TRADE BALANCE	TOTAL TRADE
2011	367.0	1,044.2	(677.2)	1,411.2
2012*	444.4	1,076.4	(632.0)	1,520.8
2013**	543.7	1,210.9	(667.3)	1,754.6

Sources: Ministry of Commerce & Industry, BIVAC, Firestone Liberia, Ministry of Lands, Mines & Energy, Forestry Development Authority
+Imports are measured on FOB basis consistent with applications in the Balance of Payments compilation
**Revised*
***Preliminary*

Chart 14: Exports, Imports & Trade Balance
(2011-2013)
(In Millions L$)

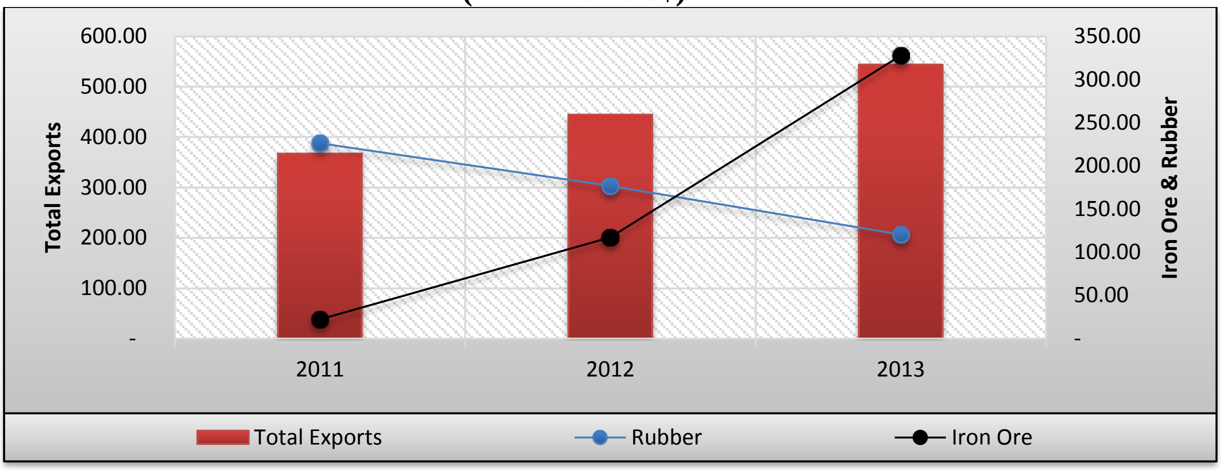


3.6.5 Merchandise Exports

Total merchandise export receipts rose by 22.3 percent to US$543.7 million in 2013, from US$444.4 million earned in 2012, largely on account of a 180.0 percent rise in iron ore export receipts to an estimated US$327.8 million in 2013, from US$117.1 million in 2012

(Table 16). The significant rise in iron ore export earnings in 2013 was driven mainly by increased domestic production and export volumes, despite the declining global price pattern of the commodity throughout the year. Iron ore and rubber accounted for 82.5 percent of total export earnings in 2013, from 66.2 percent in 2012 and 67.6 percent in 2011 (Chart 14).

Chart 15: Trends in Iron Ore & Rubber Compositions of Total Export Receipts 2011-2013
(In Million US$)



Rubber export receipts declined by 31.8 percent to US$120.5 million in 2013, from US$176.8 million in 2012, largely driven by volume and price factors. Throughout the year, rubber production and export volumes trended downward on account of declining price on the global market owing to weak demand for the commodity among emerging markets, mainly China.

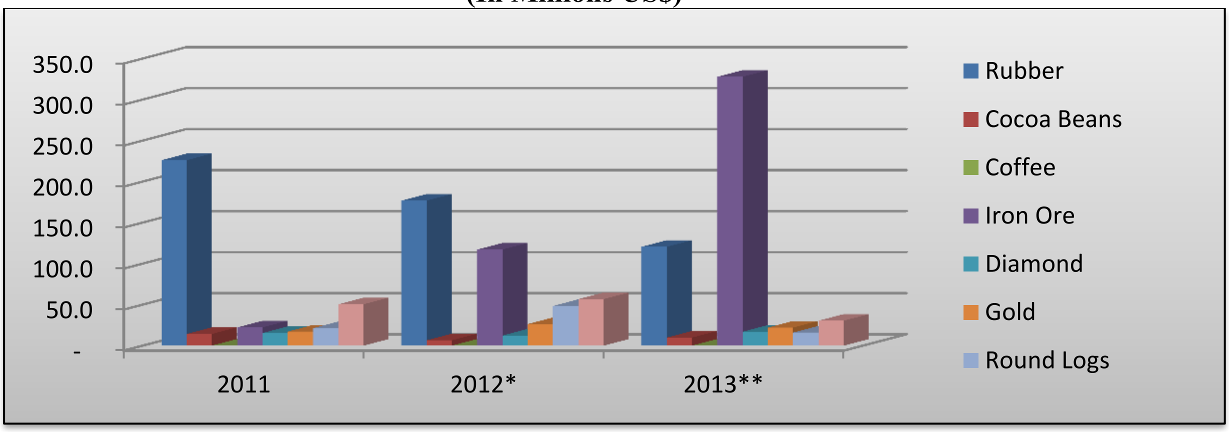
Round logs export earnings fell by 76.1 percent to US$16.0 million in 2013, from US$48.4 million earned in 2012. The ban on the Private User Permit regime and ongoing reforms in the logging sector as well as the global price volatility of logs led to the fall in round log export receipts during 2013. Cocoa beans, diamond, gold and items in the "Others" category contributed US$9.9 million, US$17.0 million, US$22.0 million and US$46.0 million, respectively, to total export earnings in 2013.

Table 18: Commodity Composition of Exports
2011-2013
(In Millions US$)

Commodity Composition of Exports	2011	% Total Exports	2012*	% Total Exports	2013**	% Total Exports
Rubber	226.1	*61.6*	176.8	39.8	120.5	22.2
Cocoa Beans	14.3	*3.9*	6.6	1.5	9.9	1.8
Coffee	0.1	*0.0*	0.08	0.0	0.09	0.0
Iron Ore	22.2	*6.0*	117.1	26.4	312.2	60.3
Diamond	15.4	*4.2*	12.4	2.8	17.0	3.1
Gold	17.2	*4.7*	26.3	5.9	22.0	4.0
Round Logs	21.3	*5.8*	48.4	10.9	16.0	2.9
Other Commodities	50.4	*13.7*	92.0	12.8	46.0	5.6
TOTAL	367.0	*100.0*	444.4	100.0	543.7	100.0

Sources: Ministry of Commerce & Industry, BIVAC, Firestone Liberia, Ministry of Lands, Mines & Energy, Forestry Development Authority
****Revised***
*****Preliminary***

Chart 16: Commodity Composition of Exports
2011-2013
(In Millions US$)



3.6.6 Merchandise Imports

From preliminary statistics, total merchandise import payments at end-2013 grew by 12.5 percent to US$1,210.9 million, from US$1,076.4 million in 2012. Import payments on rice, petroleum products, tobacco & beverages, chemicals & related products and manufactured goods classified chiefly by materials were the key drivers of the increased import payments in 2013 (Table 18).

Despite the stable prices of rice on the global market in 2013, import payments on the commodity rose by 28.5 percent to US$88.3 million, from US$68.7 million in 2012, mainly on account of increased import volume.

Import bills for petroleum products rose by 7.3 percent to an estimated US$275.6 million in 2013, from US$256.9 million in 2012, representing 22.8 percent of total import payments. Like rice, the 22.8 percent growth in petroleum import bills in 2013 was mainly on account of increased import volume compared with the level recorded in 2012 in response to increased economic activities in the economy.

Import payments on tobacco & beverages rose by 79.3 percent to US$100.8 million in 2013, from US$21.5 million in 2012, accounting for 8.3 percent of total import payments in 2013 (Table 18). The rise came mainly from the increased volume of imported beverages during the year.

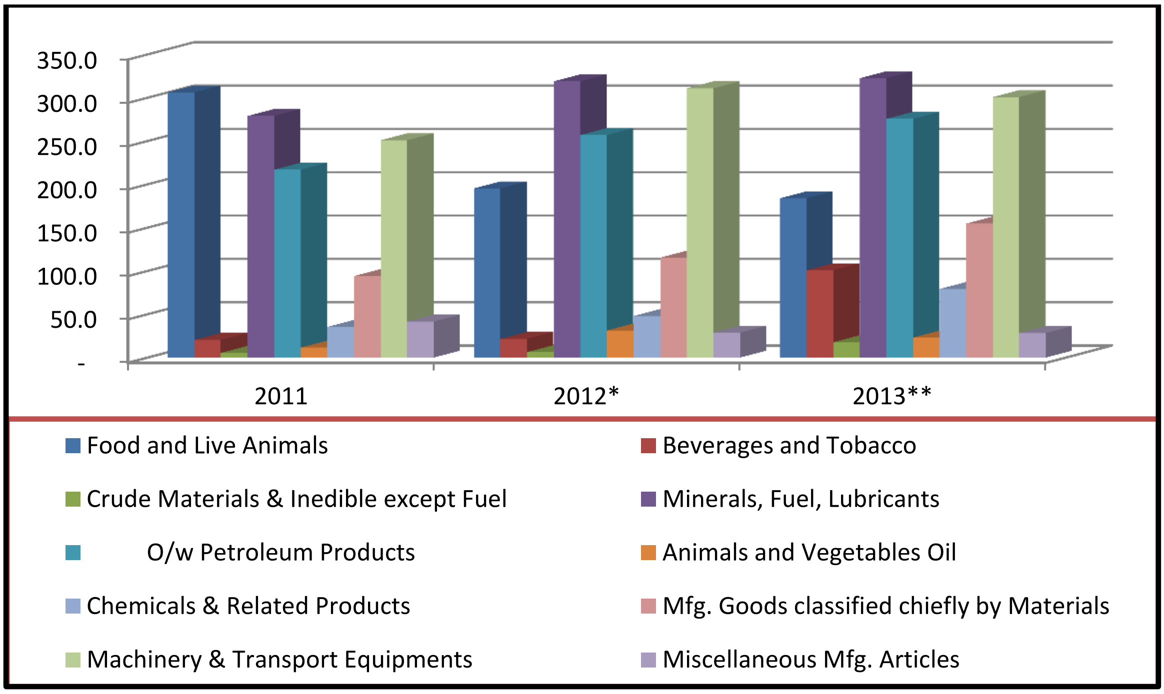
Import bills towards manufactured goods classified chiefly by materials surged by 34.1 percent to US$154.7 million in 2013, from US$115.4 million in 2012 largely driven by increased importation of consumer goods in 2013 compared with 2012.

Table 19: Commodity Composition of Imports (F.O.B)
2011-2013
(In Millions US$)

Commodity Composition of Imports	**2011**	**%of total Imports**	**2012***	**%of total Imports**	**2013****	**%of total Imports**
Food and Live Animals	306.1	*29.31*	195.3	*18.14*	183.91	*15.19*
O/w Rice	121.8	*11.66*	68.7	*6.38*	88.27	*7.29*
Beverages and Tobacco	20.4	*1.95*	21.5	*2.00*	100.84	*8.33*
Crude Materials & Inedible except Fuel	5.4	*0.52*	6.3	*0.59*	17.72	*1.46*
Minerals, Fuel, Lubricants	278.9	*26.71*	318.9	*29.63*	322.50	*26.63*
O/w Petroleum Products	216.9	*20.77*	256.9	*23.87*	275.62	*22.76*
Animals and Vegetables Oil	11.5	*1.10*	31.3	*2.91*	23.07	*1.90*
Chemicals & Related Products	35.4	3.39	48.0	*4.46*	79.18	*6.54*
Mfg. Goods classified chiefly by Materials	94.1	*9.01*	115.4	*10.72*	154.68	*12.77*
Machinery & Transport Equipments	250.9	24.03	310.9	28.88	300.76	24.84
Miscellaneous Mfg. Articles	41.5	3.97	28.8	2.68	28.26	2.33
TOTAL	**1,044.2**	**100.00**	**1,076.4**	**100.00**	**1,210.9**	**100.00**

Sources: Ministry of Commerce & Industry, BIVAC, Ministry of Finance/Customs
***Revised**
****Preliminary**

Chart 17: Commodity Composition of Imports
2011-2013
(In Millions US$)



3.6.7 Direction of Trade

The trade deficit widened in 2013 with the key driver being the country's dependence on imports for almost all its domestic consumption and the reliance on iron ore and rubber based commodity exports whose global prices remain volatile. For the year ended-December, 2013, Asia, Europe and the ECOWAS sub-region accounted for the giant share of Liberia's total trade.

3.6.8 Destination of Exports

Europe's share of Liberia's exports in 2013 amounted to US$188.2 million, accounting for 34.6 percent of total export receipts for the year, from 21.9 percent of total export receipts during the preceding year. The rise in exports towards Europe reflects the ongoing recovery in the Euro zone (Table 19 & Chart 17).

Exports to Asia for the year amounted to US$179.9 million, from US$111.4 million recorded in 2012, accounting for 33.1 percent of total export receipts, from 25.1 percent for the preceding year.

Liberia's intra-regional export trade with its ECOWAS counterparts recorded an improved performance in 2013, with ECOWAS destined exports amounting to US$46.6 million, from US$9.7 million in 2012 and accounted for 8.6 percent of total export receipts in 2013 from 2.2 percent in 2012. The ongoing regional trade policy reforms largely explained the improved export performance.

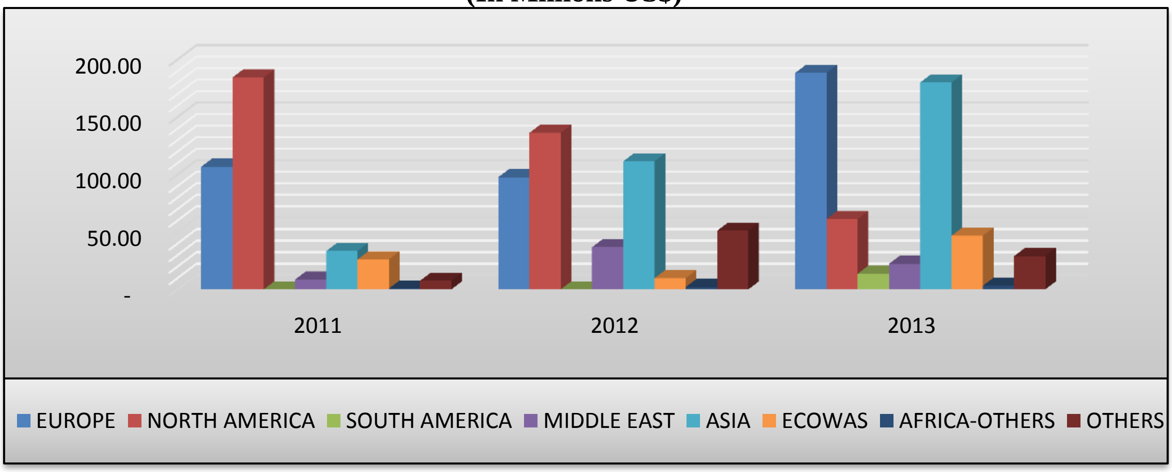
Exports toward North America witnessed a huge decline in 2013 to US$61.2 million, from US$136.1 million in 2012 and US$184.2 million in 2011, accounting for 11.3 percent of total export receipts in 2013 from 30.6 percent in 2012 and 50.2 percent in 2011. Increased export trade towards emerging markets, mainly Asia (China) explained the downward trend in North America's export share.

Table 20: Destination of Exports
2011-2013
(In Millions US$)

REGIONS	2011		2012*		2013**	
	Export Share	% of Total	Export Share	% of Total	Export Share	% of Total
Europe	106.62	29.1	97.47	21.9	188.15	34.6
North America	184.23	50.2	136.12	30.6	61.18	11.3
South America	0.01	0.0	0.04	0.0	13.66	2.5
Middle East	8.53	2.3	36.63	8.2	22.20	4.1
Asia	33.36	9.1	111.36	25.1	179.89	33.1
ECOWAS	26.07	7.1	9.73	2.2	46.62	8.6
Africa-Others	0.70	0.2	2.07	0.5	3.09	0.6
Others	7.48	2.0	50.94	11.5	28.87	5.3
Total	**367**	**100.0**	**444.36**	**100.0**	**543.66**	**100.0**

Sources: Ministry of Commerce & Industry, BIVAC, Firestone Liberia, Ministry of Lands, Mines & Energy, Forestry Development Authority
****Revised**Preliminary***

Chart 18: Destination of Exports
(2011-2013)
(In Millions US$)



3.6.9 Sources of Imports

Asia, Europe and the ECOWAS sub-region dominated Liberia's import trade during 2013. Asian-sourced imports accounted for 42.4 percent (US$513.1 million) of total import payments for the year, from 24.7 percent and 24.8 percent recorded in 2012 and 2011, respectively. Europe's share of Liberia's import payments for the year amounted to US$283.3 million, accounting for 23.4 percent of total import payments, from 19.3 percent and 33.7 percent recorded in 2012 and 2011 respectively (Table 20 & Chart 18).

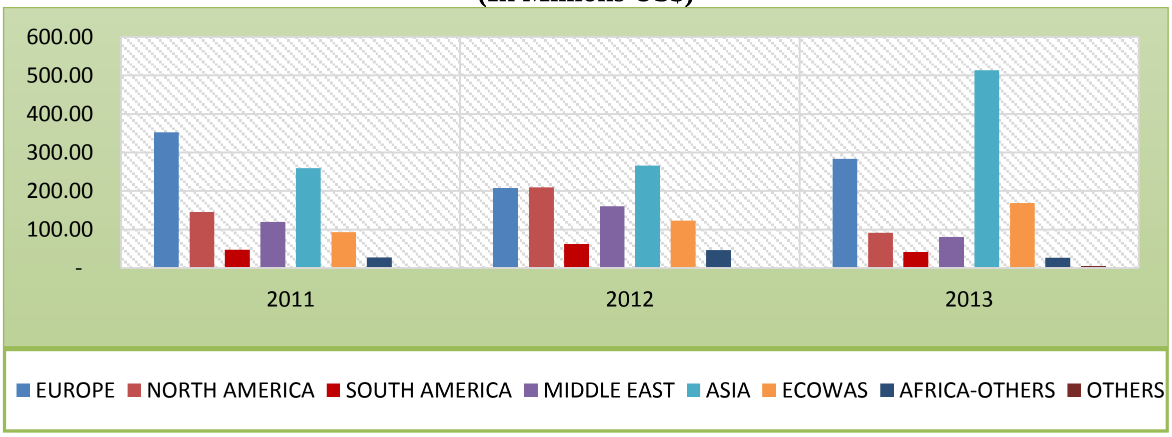
Liberia's import payments to the ECOWAS sub-region rose to US$169.1 million, representing 14.0 percent of total import payments in 2013, from US$122.9 million (11.4 percent) during the preceding year.

Table 21: Sources of Imports
(2011-2013)
(In Millions US$)

REGIONS	2011		2012*		2013**	
	Import Share	% of Total	Import Share	% of Total	Import Share	% of Total
Europe	352.32	**33.7**	207.95	**19.3**	283.29	**23.4**
North America	145.16	**13.9**	209.76	**19.5**	91.84	**7.6**
South America	47.36	**4.5**	62.58	**5.8**	41.77	**3.4**
Middle East	119.63	**11.5**	160.59	**14.9**	81.03	**6.7**
Asia	259.05	**24.8**	265.72	**24.7**	513.08	**42.4**
ECOWAS	92.85	**8.9**	122.94	**11.4**	169.05	**14.0**
Africa-Others	27.84	**2.7**	46.86	**4.4**	26.35	**2.2**
Others	-	-	-	-	4.49	**0.4**
Total	**1,044.20**	**100.0**	**1,076.40**	**100.0**	**1,210.92**	**100.0**

Sources: Ministry of Commerce & Industry, BIVAC, Ministry of Finance/Customs
****Revised***
*****Preliminary***

Chart 19: Sources of Imports
2011-2013
(In Millions US$)



3.7 Exchange Rate Developments

The average exchange rate between the Liberian and the US dollars depreciated by 12.9 percent to L$81.88/US$1.00 at end-December, 2013 compared with L$72.50/US$1.00 at end-2012 (Tables 21 & Chart 20) largely as a result of deteriorating terms of trade (ToT), decline in net inward workers' remittances and rising demand for imports.

Table 22: Market Exchange Rates: Liberian Dollars per US Dollar (2011- 2013)

Market Rate	Dec-11	Dec-12	Dec-13
End-of-Period	72.50	72.50	82.50
Period Average	71.93	72.50	81.88

Source: Central Bank of Liberia, Monrovia, Liberia

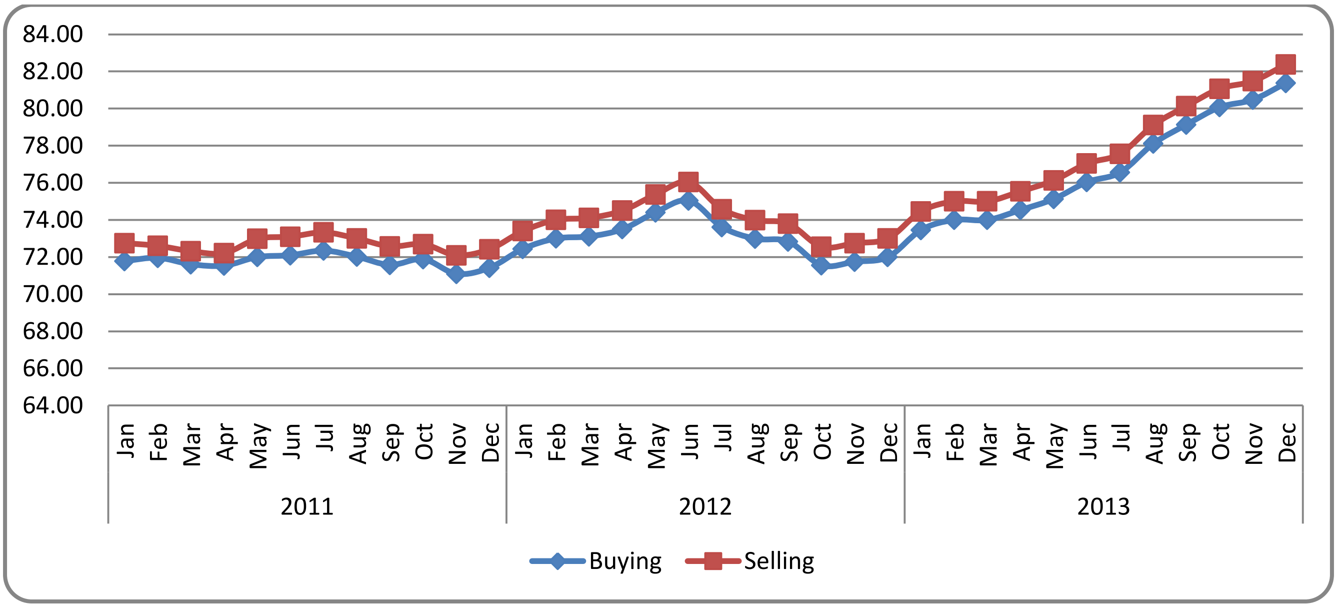
The total demand for foreign exchange through the FX auction was US$373.1 million in 2013, compared with US$145.7 million recorded in 2012. Of the total amount of US$373.1 million demanded in 2013, only US$72.0 million (19.3 percent) was provided by the CBL; resulting into an excess demand of US$301.1 million in 2013. This was translated into the upward pressure on the exchange rate.

Table 23: Monthly Averages of Buying and Selling Rates of Liberian Dollar per US Dollar (2011–2013)

	2011		2012		2013	
	Buying	**Selling**	**Buying**	**Selling**	**Buying**	**Selling**
January	71.79	72.75	72.44	73.40	73.46	74.46
February	71.96	72.60	73.00	74.00	74.00	75.00
March	71.61	72.31	73.11	74.11	74.00	75.00
April	71.54	72.21	73.50	74.50	74.54	75.54
May	72.00	72.98	74.41	75.37	75.13	76.13
June	72.10	73.10	75.04	76.04	76.04	77.04
July	72.35	73.33	73.62	74.58	76.56	77.56
August	72.02	73.00	72.99	73.99	78.11	79.11
September	71.58	72.58	72.84	73.80	79.14	80.14
October	71.88	72.69	71.56	72.56	80.07	81.07
November	71.10	72.10	71.75	72.75	80.48	81.48
December	71.43	72.43	72.00	73.00	81.38	82.38

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 20: Monthly Averages of Buying and Selling Rates of Liberian Dollar per US Dollar (2011–2013)



3.7.1 Workers Remittance

From provisional statistics, net inward workers' remittances for the year declined by 77.8 percent to US$31.1 million, down from US$140.3 million for the preceding year, largely on account of a 41.6 percent fall in inward workers' remittances, outweighing the 27.8 percent decline in outward remittances. The fall in inward-workers' remittances in 2013 was reflective of the huge economic uncertainties that prevailed in advanced economies, particularly the United States, affecting personal consumption and savings decisions. The slump in outward remittances was largely explained by the reduction in the size and operation of the United Nations Mission in Liberia (UNMIL) (Table 24).

Table 24: Remittances: Inflows and Outflows (2011-October, 2013) (In Millions US$)

Workers' Remittances	2011	2012	2013*
Inflows	488.10	508.96	297.4
Outflows	231.20	368.62	266.3
Netflows	**256.90**	**140.34**	**31.1**

Source: Central Bank of Liberia
**Inflows and outflows for December, 2013 are estimates*

3.8 National Stock of Debt

3.8.1 Overview

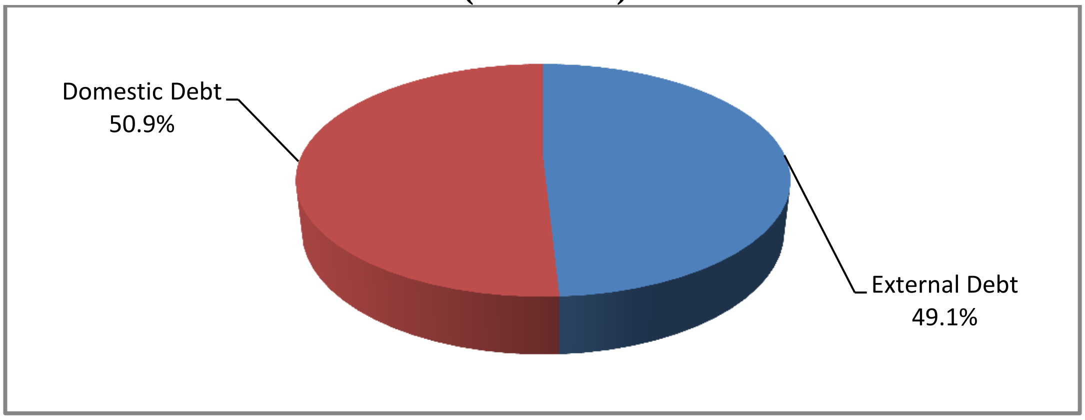
The stock of public debt at end-September, 2013 totalled US$578.3 million (Table 25), representing US$16.8 million (3.0 percent) growth in the country's public debt stock compared with US$561.5 million a year ago. Matched against the level recorded at end-September, 2011, it rose by US$59.3 million (11.4 percent), from US$519.0 million to US$578.3 million at end-September, 2013. The growth was primarily due to increased credits from multilateral sources, and domestic financial institutions.

Table 25: Debt Composition
As at September 30, 2013
(In Millions US$)

Debt Composition	2011	2012	2013
	September	September	September
Total External Debt	238.5	278.3	284.1
Total Domestic Debt	280.5	283.1	294.1
Total Public Debt	**519.0**	**561.5**	**578.3**

Source: Ministry of Finance, Republic of Liberia

Chart 21: Debt Composition
(As at September 30, 2013)
(In Percent)



3.8.2 External Debt

Total stock of external debt at end-September, 2013 amounted to US$284.1 million. Compared to the previous years (2012 & 2011), it grew by US$5.8 million (2.1 percent) and US$45.6 million (19.1 percent), respectively. At end-September, 2013, multilateral and bilateral debts stood at US$161.6 million and US$122.6 million, representing 56.9 percent and 43.1 percent of external debt, respectively.

3.8.3 Domestic Debt

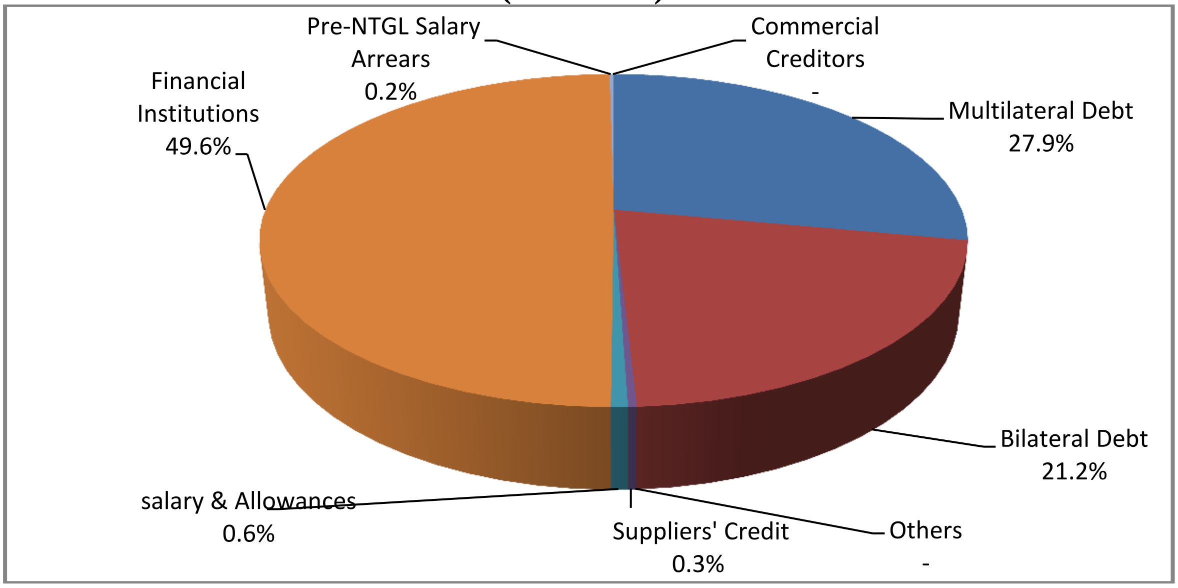
Domestic debt stock at end-September, 2013 amounted to US$294.1 million. Compared to the previous years (2012 & 2011) levels, it rose by US$11.0 million (3.9 percent) and US$13.6 million (4.8 percent), respectively. The growth was mainly attributed to increased credit from domestic financial institutions (which rose from US$269.1 million at end-September, 2011, to US$275.0 million and US$287.2 million at end-September, 2012 and 2013, respectively (Table 25).

Table 26: Liberia's Overall Debt Position
As at September 30, 2013
(In Millions, US$)

Creditors	2011 September	2012 September	2013 September
Multilateral	107.8	143.8	161.6
Bilateral	130.4	134.5	122.6
Commercial Creditors	0.3	-	-
Total External Debt	**238.5**	**278.3**	**284.1**
Suppliers' Credit	3.3	1.9	1.9
Salary & Allowances	5.0	3.7	3.7
Financial Institutions	269.1	275.0	287.2
Pre- NTGL Salary Arrears	-	1.3	1.3
Others	3.1	1.2	-
Total Domestic Debt	**280.5**	**283.1**	**294.1**
Total Public Debt	**519.0**	**561.5**	**578.3**

Source: Ministry of Finance, Republic of Liberia

Chart 22: Debt Disaggregation
As at September 30, 2013
(In Percent)



CHAPTER IV
FINANCIAL SYSTEM DEVELOPMENT

4.1 Overview

The number of licensed and operating banks in the Liberian banking sector in 2013 remained 9 as was the case in 2012. However, commercial banks' branch network around the country rose by 3, from 79 in 2012 to 82 in 2013.

At end-December 2013, the financial sector comprised one development finance company—the Liberian Enterprise Development Finance Company (LEDFC), and 18 licensed insurance companies. The number of registered licensed foreign exchange bureaux also increased from 32 in 2012 to 71 in 2013. There are 19 registered microfinance institutions, 350 credit unions, and 400 village savings and loans associations in the country.

The banking industry witnessed strong growth in its balance sheet in 2013. Total assets rose by 23.7 percent compared with 10.6 percent for 2012. Total capital also grew by 14.2 percent when matched against the 5.8 percent recorded in 2012. Similarly, total deposits grew by 26.1 percent, up from 7.5 percent in 2012. Total loans growth was 42.0 percent compared with 16.5 in 2012. Liquidity for the sector remained strong during the year with a 33.6 percent liquidity ratio, 18.6 percent above the 15.0 percent minimum requirement (Table 28).

4.2 The Banking and Non-Bank Financial Systems

As mentioned above, the nine (9) licensed banks operating in the Liberian banking sector are the Liberian Bank for Development and Investment (LBDI), International Bank Liberia Limited (IBLL), Ecobank Liberia Limited (EBLL), First International Bank (FIBank), Global Bank Liberia Limited (GBLL), United Bank for Africa Liberia Limited (UBALL), Guaranty Trust Bank Liberia Limited (GTBLL), AccessBank Liberia Limited (ABLL) and Afriland First Bank Liberia Limited (AFBLL).

Table 26 below shows the number of bank branches by county. Eleven of the 15 counties now have at least one bank branch. The growth in branch network is evident of the growing confidence in the banking sector and increased economic activities in the country.

Table 27: Expansion of Bank Branches by County (2012 and 2013)

County	Number of Branches	
	2012	**2013**
Montserrado	47	48
Margibi	9	9
Grand Cape Mount	1	1
Grand Bassa	5	6
Sinoe	1	1
Maryland	4	4
Bong	2	2
Nimba	7	7
Lofa	2	2
Grand Gedeh	1	1
Bomi	0	1
Total	**79**	**82**

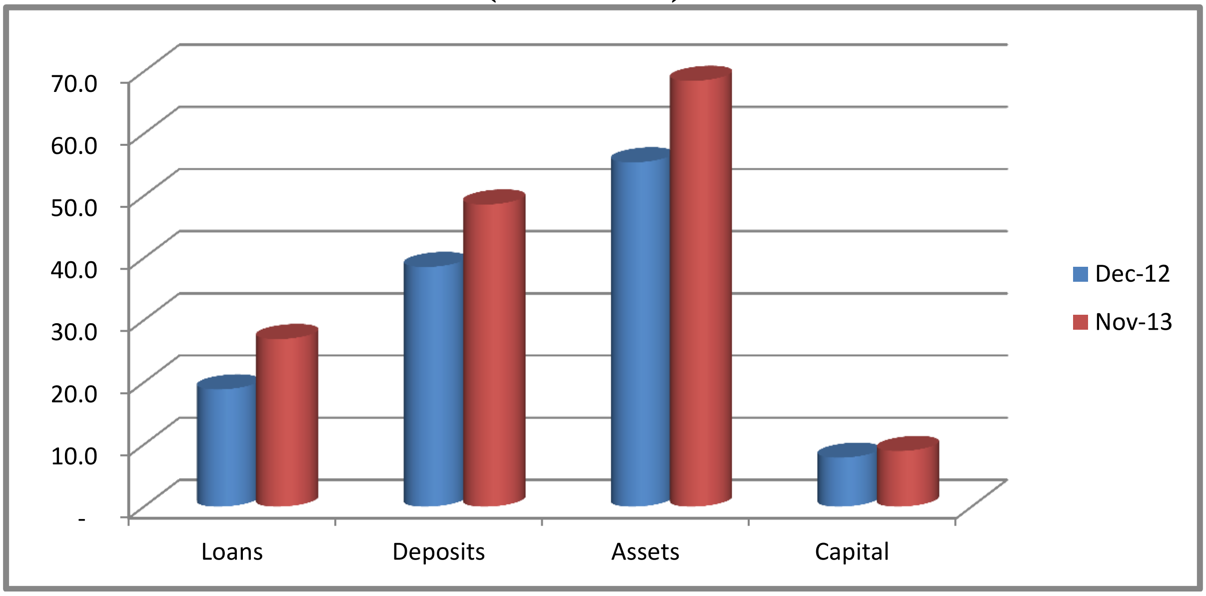
Source: Central Bank of Liberia, Monrovia, Liberia

In addition to policies being implemented by the CBL to expand financial services to the rural parts of the country, the Bank has been working with Afriland First Bank Liberia Limited (AFBLL) to promote the concept of Rural Community Finance Institutions (RCFIs), to be owned and managed by the rural community members who hold shares in the institution. RCFIs are licensed by the CBL to provide all basic financial services including money transfer and payment services, credit extension, and deposit mobilization. In December, 2013, the first RCFI called Gbehley-Geh Rural Finance Institution was established in Karnplay, Gbehley-Geh District, Nimba County, a realization of CBL's objective of promoting financial deepening and improved financial intermediation for a greater segment of the population, especially rural dwellers.

4.2.1 Balance Sheet of the Banking Sector

The performance of the banking sector showed strong growth in the balance sheet of the banks. At end-November, 2013, total assets grew by 23.7 percent to L$68,469 million, from L$55,358 million at end-2012. Similarly, total loans and advances increased by 42.9 percent to L$26,940 million, up from L$18,849 million during the same period a year ago. Additionally, total capital increased by 14.2 percent, from L$7,829 million to L$8,938 million and deposits grew by 26.1 percent, from L$38,532 million to L$48,586 million over the same period.

Chart 23: Balance Sheet of the Banking Sector
(As at November, 2013)
(In Billion L$)



4.2.2 Financial Soundness Indicators

The key financial soundness and performance indicators of the banking sector at end-November, 2013 can be seen in Table 27. The indicators revealed that the sector was stable and contributed towards overall economic growth and development of the country. However, non-performing loans and profitability remained major challenges in the banking sector, which the CBL and the Liberia Bankers Association are working assiduously to address.

Table 28: Industry Financial Soundness Indicators (2012 & 2013)
(In Thousand L$/Percent)

Indicators	30-Nov-12	30-Nov-13
Gross Assets	56,832,662	68,468,863
Net Assets	54,099,561	65,584,982
Net Loans	16,495,915	24,664,453
Deposits	38,792,887	48,586,354
Reported Capital Net of Provisions	7,869,679	8,938,153
In Percent		
Reported Net Capitalization (SSR 32)	14.5%	13.6%
Capital Adequacy Ratio	22.5%	18.3%
Classified Loans to Total Loans (SSR 66)	28.6%	18.3%
Non-performing Loans to Total Loans (SSR 67)	23.0%	14.4%
Provisions to Classified Loans Net of Interest in Suspense (SSR 69)	44.9%	46.1%
Provisions to Non-performing Loans Net of Interest in Suspense (SSR 68)	54.1%	58.8%
Return on Assets (SSR 70)	0.2%	-0.7%
Return on Equity (SSR71)	1.3%	-5.4%
Non-interest Income to Total Revenue (SSR 73)	55.0%	54.8%
Net Interest Margin over Average Assets (SSR 72)	6.9%	6.4%
Liquid Assets to Net Assets (SSR 76)	35.2%	24.9%
Net Loans to Deposits (SSR 75)	42.5%	50.8%
Liquidity Ratio	44.9%	33.6%
Source: Central Bank of Liberia (CBL)		

Source: Central Bank of Liberia, Monrovia, Liberia

The banking sector continues to show strong capital position mirrored by the 2 main capital measures – Capital Adequacy Ratio (CAR) and reported capital net of provisions by continuously supporting lending to the private sector in the country. With respect to total reported capital, the sector recorded an average position of US$12.2 million, which exceeded the minimum requirement of US$10.0 million and represented an increase of 10.8 percent compared with the average capital for 2012. Asset quality, on the other hand, measured by the level of non-performing loans, witnessed a significant improvement, from 22.5 percent in 2012 to 14.4 percent in 2013 due mainly to the stringent policy measures instituted by the CBL against delinquent borrowers in 2013, especially the naming and shaming through publication of non-cooperative delinquent borrowers and barring of such delinquent borrowers from the use of the banking sector.

Gross earnings for the period ended-November, 2013 stood at L$5,633 million and net loss for the same period was L$484.8 million, compared with a net income position for 2012. Return on Equity (ROE) and Return on Asset (ROA) for the same period were negative 5.42 percent and 0.71 percent, respectively, compared with 0.90 percent and 0.12 percent for 2012, respectively.

Liquidity remained on its strong path in 2013 with a ratio of 33.6 percent, which is in excess of the minimum liquidity ratio of 15.0 percent. Also, non-interest income, mainly fees and commissions, constitute the largest portion of the income of the banking sector. Although this percentage has continued to decline over the years, this trend still points to the issues of low-level of intermediation by banks and the problem of NPLs which requires suspension of interest on NPLs thereby shrinking the interest income component of commercial banks.

4.2.3 Developments in The Non-bank Financial Sector

4.2.3.1 Development Finance

As stated earlier, there is only 1 licensed development finance company, Liberian Enterprise Development Company (LEDFC) operating in the financial sector. During the period, the CBL approved the sale of LEDFC by CHF International to Ghana Growth Fund Company (GGFC), a private investment company of Ghana. As part of the sale approval, LEDFC under the new shareholder, GGFC, is required to increase its support to small and medium size Liberian enterprises as well as the mortgage sector.

4.2.3.2 Foreign Exchange Bureaux Operations

The CBL, in collaboration with the Liberia National Police, conducted 3 enforcement exercises during the year which led to a number of illegal foreign exchange operators and dealers leaving the streets and taking steps to organize themselves into formal businesses. At end-November, 2013, the total number of licensed bureaux was 71, reflecting an increase of 55.0 percent over 2012. Fifty of the 71 bureuax are in Category A (i.e. bureaux of higher capital requirement) with 21 in Category B. With this formalization into the mainstream of the financial system, some of the foreign exchange bureaux are now benefiting from mobile money operations and money transfers (Western Union and

MoneyGram) services as sub-agents of the commercial banks. The licensed bureaux also continued to participate in the CBL foreign exchange auction, as major players in the foreign exchange market.

4.2.3.3 Insurance Sector

During the period under review, the CBL continued with efforts aimed at strengthening the legal, institutional, and regulatory framework of the insurance sector. In keeping with the road-map issued by the CBL in September, 2011, 18 companies that met the requirements of CBL were granted licenses to engage in insurance businesses. The licensed companies published in official Gazette issued by the Ministry of Foreign Affairs included: Atlantic Life & General Insurance Company (AGLIC), ACTIVA International Insurance Company (AIIC), Accident & Casualty Insurance Company (ACICO), American Underwriter Group (AUG), Capital Express Assurance Company (CEAC), International Insurance Corporation of Liberia (IICL), Medicare Insurance Company (MIC), Palm Insurance Company (PIC), SAAR Insurance Company (SIC), Secure Risk Insurance Company (SRIC), Sky International Insurance Company (SIIC), OMEGA Insurance Company (OIC), African Insurance Corporation of Liberia (AICOL), Blue Cross Insurance Company (BCIC), Global Trust Assurance Company (GTAC), Continental General & Life Insurance Company (CGLIC), Mutual Benefit Assurance (MBA) and Insurance Company of Africa (ICA).

The CBL, with technical assistance from FIRST Initiative, also drafted a new Insurance Act and several prudential regulations for the insurance sector. There were also several workshops and consultative meetings with stakeholders on the new law and prudential regulations.

It should be stressed that one of the strategic policies of the CBL remains the building of a strong and viable insurance sector. This, CBL believes, will require consolidation/merger among companies that may not have adequate financial and managerial resources to meet the growing demands on the sector. Like in the case of the banking sector, the CBL will also emphasize active Liberian participation in both the ownership and management of these institutions as an important objective of the reform agenda.

4.3 Microfinance Activities

In its drive to provide accessible and affordable credits intended to enhance job creation and sustain economic growth in the country, a number of initiatives were undertaken by the CBL during the course of the year and have continued to improve overtime.

The Small-Medium Enterprises (SME) Credit Stimulus Initiative, which is geared towards providing funds to Liberian owned businesses at lower interest rates and flexible repayment period continued during the year. Over 93 different loans were given to major sectors of the economy and those benefiting from the scheme include Fishery, Transportation, Agriculture and the Manufacturing sectors.

The Loan Extension and Availability Facility (LEAF), which is intended to provide funds directly to Liberian-owned small businesses, continued during the year. Soft loans were provided to non-bank financial institutions, microfinance institutions, credit unions, and village savings and loan associations throughout the country with the sole objective of stimulating economic activities for the creation of sustainable employment and the provision of decent living standards.

Similarly, in an effort to help develop the housing infrastructure in the country, the CBL embarked on its Mortgage Stimulus Initiative intended to provide affordable and long term loans to citizens of the country to build homes of their own. Loans in this category covered new construction, renovation, and home purchases for which repayment ranges from 8 to 10 years.

Recognizing the importance of agriculture sector, the CBL through its Agricultural Stimulus Initiative has been providing loans to farmers for different agricultural production including coffee, cocoa, rubber etc. This initiative has been very strategic and helpful for farmers since gestation period for crop production requires a longer time and these loans are structured on a more relaxed repayment plan than those of the commercial banks.

4.3.1 Promoting the Creation of Rural Community Financial Institutions

Focused on creating an inclusive financial environment through the delivery of financial services to the people of Liberia, the CBL launched the Rural Community Finance Institutions (RCFIs) project based on the Strategy for Financial Inclusion adopted in 2009. The purpose of this strategy is to provide general financial services including saving mobilization, checking accounts, loans, direct deposits, and money transfer services to rural community in order to enhance local investments and boost economic activities in various parts of the country.

The Board of Governors approved the launching of pilot projects in six (6) counties: Nimba, Lofa, Sinoe, Rivergee, Rivercess and Grandkru. Sensitization and stakeholders' consultative meetings were held in these counties. The first RCFI, called Gbehley Geh Rural Community Finance Institution (GGRCFI) was licensed and formally launched by the CBL on December 11, 2013. Under the RCFI project, the CBL and Afriland First Bank Liberia Limited (AFBLL) will provide continuous technical support to these institutions to ensure their success and viability as a more practical and pragmatic means of promoting access to full financial services in the rural areas and in stimulating the rural economy. The overall goal of the CBL is to ensure the establishment of RCFIs throughout the country.

4.4 Outlook for the Financial Sector in 2014

The outlook for the banking sector in 2014 remains positive and the CBL will continue its reform of the financial system to ensure that the operating environment is conducive for doing business supported by improved financial intermediation.

Given the growth projection of the economy, the financial sector, particularly the banking sector, can play an important role through increased lending to the private sector. In this regard, the CBL will be engaged with the Liberian Bankers Association (LBA), the Government and other stakeholders in ensuring the channeling of resources to critical sectors, such as agricultural and value-chain productive sectors and will continue with the promotion of access to credit, especially to Liberian-owned businesses in support of the

Agenda for Transformation in an attempt to ensure that small businesses become active players in promoting shared and sustainable growth and development.

The Bank also sees the insurance sector as an important sector in mobilizing long-term financial resources that can be used to support key sectors and development projects in the economy for facilitating the development of a functioning capital market.

CHAPTER V
INTERNAL DEVELOPMENTS

5.1 Overview

The activities of the CBL during 2013 centered mainly around strengthening of the capacity of staff to meet the current market-skill requirements for the changing work environment. Other areas of focus was the promotion and recruitment of new staff to help meet the growing service delivery demands on the CBL by both the public and the private sectors, enhancing financial system reform, continuing the financial inclusion for inclusive growth strategy of the CBL through enhancing access to finance mainly for Liberian businesses, fostering adherence to best accounting and audit standards, and strengthening communication with stakeholders.

5.2 Human Resources Management

The total number of staff at the CBL in 2013 was 300 during which time 23 new employees were recruited and 27 staff promoted to various middle and senior level positions on account of their dedication and productivity in helping the Bank to achieve its goals and objectives.

In terms of enhancing staff productivity, the Bank continued to train staff in various disciplines intended to enhance capacity for efficient services. There were several training courses that staff benefited including Revenue Collection Management; Banking Operations, Central Bank Account Reconciliations, International Financial Reporting Standards (IFRS), Human Resource Management for Organizational Effectiveness, Financial Management; Banknotes and Currency Management and Forecasting for Central Banks, Balance of Payments Harmonization, Specialize Report Writing, Basic and Intermediate Banking Supervision, and Office Management and Administration.

Additionally, the Bank also granted study leave to 6 of its staff to pursue advance degrees in fields relevant to the operation, management and administration of the Bank. The fields of study include Economic Policy Management (EPM), Development Economics, Law, Public Policy and Statistics.

Also, in order to improve the capacity of the Audit Department, 3 staff were trained in an IT Auditing based on a recommendation from the International Monetary Fund. Additionally, a 4-day training on the use of *Integrated Data Extraction Analysis (IDEA)* software was conducted in Monrovia for the Audit and Supervision Departments to enhance the activities for the coming year.

Additionally, a staff of the Legal Department was granted study leave to pursue advance study (Master of Law) in the United States. In this regard, a legal officer was recruited to augment the staff strength of the Department.

5.3 Banking Operations

Serving as fiscal agent for the Government, the CBL continues to strengthen its capacity to enhance the encashment of the GoL civil servants' salaries and allowance checks in the leeward counties by ensuring adequate network with commercial banks; in addition to its mobile payment approach in a number of counties where there are no commercial banks. Also, the CBL maintains permanent payment structures where there are limited commercial banks to boost liquidity in facilitating Government's check encashment process.

During the period, 2 new revenue collection windows to receive tax payments were opened at the Temple of Justice and the Centre for National Documents and Records Agency (CNDRA). The creation of these two windows brings to 6 the collection centers for the government and signifies a strengthening of the revenue generating capacity of the Government.

Consistent with the Public Financial Management (PFM) Regulations, Section 34.1 Part H.5 and H.6, the CBL is closely working with the Government to facilitate the "DAILY SWEEP" of all sub-accounts of Ministries and Agencies (M&A) into a Consolidated Account. This is intended to enhance the fiscal management of the GoL by ensuring that overall balances of the Government at the CBL can be determined in a timely manner.

5.4 Developments in the Payments System

The CBL considers the modernization of the payments system as an important part of its financial sector reform agenda. Against this backdrop, the CBL in 2012 established a separate unit to spearhead the modernization process, and has been working with its partners to develop the institutional framework that will manage the system and provide oversight functions when it becomes fully operational. As part of the initial reform effort, the CBL drafted a Payments System Act, which was submitted to the National Legislature for passage into law. This new Payments System Act when passed into law will provide the legal framework for oversight and regulation of the National Payments System in Liberia.

5.4.1 Status of Actual Implementation to date

The modernization of the payments system in Liberia requires the development of physical infrastructure. This involves having 2 data centers; primary and disaster recovery sites, which will ensure real time data replication between the two centers. During the year under review, efforts were made to engage the contractors for the infrastructure upgrade of the payments system. Completion of infrastructure and the main solution components has been set for July 2014.

In addition to work being done on the physical infrastructure, the main solution providers also kicked off the project for the Automated Clearing House and Automated Check Processing Solution in June 2013. The launch was intended to meet with the stakeholders and discuss the requirements for the project. Notable progress was made in meeting those requirements.

5.4.2 Status of the National SWITCH Project

The CBL has made substantial efforts towards the establishment of the National Electronic Payments Switch. The implementation of national electronic payments switch is an initiative of the CBL geared towards facilitating the process of promoting its financial inclusion agenda that seeks to enhance access to credit and supports economic development, especially among the rural and unbanked population. The National Switch will also address the issue of interoperability of existing electronic products (ATM, POS, Mobile networks) among banks. Arrangements are underway to commence the actual deployment and installations of the various components in 2014.

5.5 Supervisory and Regulatory Activities

In continuing its efforts at strengthening the operating environment, it can be recalled that the CBL in 2012 issued an official statement urging all delinquent borrowers with outstanding loan obligations that were past due for 180 days or more, to contact banks that they are delinquent in order to reach an agreement on the servicing of their obligations. While some delinquent borrowers took advantage of this opportunity, there were others who failed to cooperate with the process. As a consequence, the CBL gave its full support to the action of the Liberian Bankers Association (LBA) to name and shame non-compliant delinquent borrowers; the first list of non-compliant delinquent borrowers was published in April, 2013 and the second list in December, 2013. In addition to the naming and shaming action, the CBL also issued a directive prohibiting non-compliant delinquent borrowers from accessing financial services from the banking system. The directive further sets the requirements/conditions under which such borrowers would be allowed access to financial services as a means of improving credit culture in the country.

As a result of this action, the data as at end-October, 2013, showed that 92 delinquent facilities were restructured with the total loan value of US$5.644 million and total recoveries amounted to US$1.923 million. While the CBL remains committed to fully supporting these actions, it is important for the banks themselves to take responsibility for enhancing their credit assessment and decisions as a means of ensuring responsible lending behavior.

With respect to the collateral registry, the CBL remains committed to the establishment of a properly functioning collateral registry system. In this regard, significant progress was made in this direction. In addition to the issuance of the Collateral Registry Regulation earlier this year, a Registrar for the Collateral Registry has been appointed to spearhead the implementation and management of the Registry. The establishment of a functional collateral registry will promote access to credit by small and medium businesses that do not have real property to be used for collateral security.

A stakeholders' workshop was organized during the year by the CBL with technical support from the International Finance Corporation (IFC), the implementing partner of this project on the prototype of the registry. Feedbacks were received from various stakeholders regarding development of the infrastructure of the Registry. The stakeholders included the Liberia Bankers Association (LBA), the Liberia National Bar Association, the International Finance Corporation (IFC), Law Reform Commission (LRC), and the Liberia Business Association (LIBA).

In addition to the action taken against delinquent borrowers, which is considered to be the most significant factor negatively impacting the profitability of the system, the CBL also took a number of measures to improve the profitability of the banking system including the following:

- introduce the Government's Treasury bills program to enable banks deploy their excess Liberian dollar cash to enhance their income. The total treasury bills value on the balance sheet of the banks at end-December, 2013 was L$320.5 million;

- encourage and approve syndication among banks to finance high-volume and profitable ventures, which include a loan syndication of US$18.0 million to finance the infrastructure upgrade for Lonestar/MTN;

- reduce both the Liberian-US dollar reserve requirement from 22.0 percent to 15.0 percent, which is intended to free up resources so as to provide additional funding to the banks to be used mainly in certain investment niche of the economy that provides employment opportunities and better rate of return to the banks, such as agriculture; and

- reduce banks' foreign currency deposits placements from 50.0 percent to 40.0 percent in order to free up resources and encourage domestic investment opportunity in the economy.

The CBL also increase the liquidity ratio for banks, from 15.0 percent to 20.0 percent in order to ensure that adequate resources are available in the banks to meet their maturing and contingent obligations.

5.6 Research and Publication

The Research, Policy and Planning Department (RPPD) of the CBL continue to provide technical and analytical reports aimed at informing policy decision-making for monetary policy management. The CBL also collaborated with institutions and partners at the national, regional and global levels relative to policy harmonization and coordination. The Department provided regular updates to senior management on macroeconomic developments including exchange rate, inflation, GDP growth, and the balance of payments situation.

The CBL along with the Liberia Institute of Statistics and Geo-Information Services (LISGIS) jointly conduct the weekly market price survey. The survey covers goods and services in the consumer price index, from which information on price developments in the economy are obtained and published monthly for use by both the public and private sectors. The information is published in the regular monthly Factsheet, the bi-monthly Financial Statistics, the Quarterly Financial & Economic Bulletin and the Newsletter.

In a related development, the CBL published the first full quarterly Balance of Payments statement during the second quarter of 2013. An enterprise survey was held in the last quarter of the year in order to update the various accounts in the BOP and the International Investment Position (IIP). In a similar vein, the CBL also began the compilation of monetary statistics in Standardized Reporting Format (SRF) as recommended by the IMF.

5.7 CBL Accounting and Finances

The CBL's financial statements for the fifth year are being prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are currently being audited by PricewaterhouseCoopers-Ghana, the Bank's external auditor. The 2013 audit was consistent with the provisions of Section 50 of the CBL Act.

5.7.1. Income and Expenditure

- The CBL's un-audited Income Statement as at end-December 2013 revealed gross operating income of L$911.2 million compared with L$827.5 million in 2012, representing an increase of 10.1 percent. The growth in gross operating income was mainly due to an 11.6 percent increase in interest income to L$668.5 million at end-2013, from L$599.1 million recorded at end-2012. Increases in income from fees & commission and other sources also contributed to growth in the gross operating income.

- Total expenditure for the year amounted to L$1,967.7 million, compared with L$1,698.2 million in 2012. This 15.87 percent increase is attributed to increase in operating expenses resulting from the expanding activities of the Bank.

5.7.2. Financial Position

- The CBL's un-audited Statement of Financial Position including IMF related balances recorded total assets of L$80,465.66 million for the year ended 2013 compared with L$74,808.96 million in 2012. This 7.56 percent increase was mainly due to a rise in placements with operating banks, increase in IMF related assets, and increase in property, machinery and equipment. Excluding the IMF, approximately 38.58 percent of total assets are represented by claims on the Government of Liberia.

- The CBL's un-audited total liabilities including IMF related liabilities at year-end 2013 amounted to L$69,102.74 million compared with L$65,327.14 million in 2012. The increase in liabilities of L$3775.6 million was mainly attributed to increase in IMF related liabilities and increase in retirement & benefit obligations, increase in deposits from banks and increase in notes in circulation.

- The CBL's un-audited total owners' equity at year-end 2013 was L$11,362.92 million compared with L$9,481.83million in 2012, on account of increase in assets in 2013.

5.7.3. The Budget

- The CBL implemented the 2013 budget as approved by the Board of Governors. The budget was based on interest income on loans and advances to GOL, interest on placements abroad as well as service fees and commission which were used as sources of income inflows in addition to the bank own resources as budget support. These budget inflows were used to cover the Bank's operating expenses and other non-recurrent and capital expenditures.

- The Bank net Foreign Reserves for the year ended December 31, 2013 was US$262.73 million up from US$238.97 million in 2012. The increase of US$23.76 million was mainly due to increase in the holdings of Special Drawing Rights (SDRs) through loan disbursements by the IMF under the Extended Credit Facility (ECF) program.

5.8 Risk Management and Internal Audit

The CBL continued with the strengthening of the capacity of its staff in order to ensure the Bank's adherence with internationally accepted audit standards. As such, in collaboration with the Audit Department of the Central Bank of Ghana, 6 employees of the CBL were exposed to hands-on training in the standards and practices of the Institute of Internal Auditors (IIA) as well as the International Professional Practice Framework (IPPF).

Additionally, in collaboration with KPMG Ghana, the CBL succeeded in developing an Enterprise Risk Management (ERM) Framework and subsequently established an Enterprise Risk Management Section (ERMS) with the appointment of a Chief Risk Officer as head of the ERMS and the establishment of the Enterprise Risk Management Committee (ERMC) to have oversight of the ERMS and report no less than annually to the CBL's Audit Committee of the Board of Governors on its deliberations, findings and recommendations.

5.9 Legal Services

The CBL, in strengthening the legal and institutional environment to ensure that it remains safe and sound, continued to pursue policies and work in concert with relevant stakeholders, both local and international, to address issues of fraud, default on loans, illicit transactions, among others. In this regard, the CBL, along with other relevant entities of Government, worked to ensure the amendment of the Civil Procedures Law, intended to provide provisional remedies on proceeds of crime; amendment of the Penal Law regarding extortion, environmental crimes and illicit trafficking of human beings and migrant smuggling; enactment of the Fraud Act: mail fraud and fraud by wire, radio, television or other electronic communication; Anti-Money Laundering and Terrorist Financing Act and subsequent establishment of the Financial Intelligence Unit (FIU) of Liberia; Legal Mutual Assistance in Criminal Matters Act; and An Act to Establish Procedures for the Distribution of United Nations List of Terrorists and Terrorist Group; and the validation of several national policies.

Moreover, the CBL, along with national and international stakeholders, embarked on drafting the Insurance Act 2013 which is now before the President for onward submission to the Legislature for enactment into law; the Payments System Act, currently before the Senate for concurrence; and the Capital Market Act (CMA) which is currently being vetted.

5.10 Communication with Stakeholders

The CBL remained highly committed to stronger communication with the public and private sector on macroeconomic developments and activities of the CBL. The CBL consulted with major stakeholders including the Executive arm of Government, the Banking and Currency Committees of the National Legislature, the Bankers Association, the Liberia Business Association, the Foreign Exchange Bureau Association, and Liberia Marketing Association on consensus building and understanding of policy decisions and various initiatives of the CBL intended mainly for private sector development, empowerment of Liberian businesses through increased access to finance, and sustainable job creation through inclusive growth.

In ensuring the availability of adequate information on developments in the economy, the CBL continued to provide the public regularly with various publications on financial and economic developments and also held talk shows to provide better explanation on issues of concerns relating to the economy.

5.11 Central Bank of Liberia Community Outreach Initiatives in 2013

The drive to promote financial inclusion through its Loan Extension Availability Facility (LEAF) continued during the year. On January 31, 2013 in Ganta, Nimba County, the Central Bank of Liberia awarded about L$118.0 million to 262 informal Financial Services Providers, including microfinance institutions, credit unions, Village Savings and Loan Associations (VSLA) and other financial self-help groups from across Liberia.

The LEAF program was attended by officials of Government, the Legislature, representatives from all 15 counties, superintendents and representatives of various groups. LEAF is a framework through which the issue of access to finance is addressed by providing favorable interest rate loans to low income and poor people particularly in the rural area, where there is little or no financial services.

Keen on vibrancy of the performances of loans recipients, the CBL conducted capacity building workshops on the fundamentals of credit union operations and management of credit unions. In collaboration with international partners, the CBL also continued to implement activities towards strengthening the Liberia Credit Union National Association (LCUNA) and improve Credit Unions operations in Liberia. A one-day workshop was held at the Market Place Conference Center in Monrovia on January 4, 2013, on the fundamentals of Credit Union Operations.

Additionally, an Agriculture Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) consultant carried out a three-month assignment to standardize Credit Unions' By-Laws, Policies and Procedures, and finalize the draft of Credit Unions Foundations and West African Credit Unions against Poverty to determine the capacity building and technical assistance needs the project could offer LCUNA.

Moreover, in partnership with LCUNA and funding from Alliance for Financial Inclusion (AFI), the CBL made an assessment of credit unions across the country for purposes of identification, data collection and database management. A National Baseline Survey to collect financial inclusion data was also carried out.

Finally, as part of the overall CBL's outreach initiative, the Central Bank of Liberia Staff Association (CEBSA) also identified with various institutions and organizations during the year. Members of CEBSA visited the TB Annex, Love a Child Orphanage Home and the Ben's Foundation Elementary School where food and non food items were donated. The value of the items distributed amounted to US$6,340.00.

CHAPTER VI
EXTERNAL RELATIONS

6.1 Overview

The CBL's relationship with its traditional multilateral partners, the IMF, World Bank and the African Development Bank continued during the year with regular meetings, trainings, technical assistance, data exchange, and consultations on policy issues relative to financial and macroeconomic developments in the economy. The same was the case for regional institutions like the West African Institute for Financial and Economic Management (WAIFEM), West Africa Monetary Agency (WAMA) and the West African Monetary Institute (WAMI).

6.2 International Monetary Fund and the World Bank

6.2.1 International Monetary Fund

The CBL continued its engagement with the IMF at the level of policy consultation, technical assistance, the new Extended Credit Facility (ECF) program with the Fund, and Article IV consultation with Liberia. The IMF continual technical assistance to the CBL is one of the areas of capacity development helping with the improvement of the quality of research, compilation of monetary, price, and balance of payments statistics as well as financial soundness indicators and other macro prudential analysis.

6.2.2 The World Bank

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

6.3 Regional and Sub-Regional Organizations

The CBL participated in a number of meetings of regional institutions in Africa including those of the West African Monetary Zone (WAMZ), the ECOWAS Commission, and the

Association of the African Central Banks (AACB). The WAMZ is a group of 6 countries that is working for the creation of a single currency monetary program to be launched by the end of 2015. The countries include Liberia, Nigeria, Ghana, Sierra Leone, Guinea and The Gambia.

The mid-year and end-of-year Statutory Meetings of the WAMZ covering the first half and second half of 2012 were held from January 11-18 and July 19-26, 2013, in Abuja, Nigeria and Accra, Ghana, respectively. The meetings were organized by the authorities of the host countries in collaboration with the West African Monetary Institute (WAMI). The objectives of the meetings were, among others, for Governors of Central Banks and Ministers of Finance and Trade of member countries of the WAMZ; intended to review and deliberate on the Macroeconomic Developments and Convergence Reports prepared by WAMI on the performance of the individual economies of the WAMZ, particularly focusing on the status of convergence and compliance with policy harmonization benchmarks as agreed upon in the WAMZ Single Currency Program. All of these efforts seek to indicate the level of preparedness of the member countries for the creation of the common currency.

In attendance of both meetings, were representatives of the member states of the WAMZ, ECOWAS Commission and WAMI. Others attending as observers, included representatives of the West African Institute for Financial and Economic Management (WAIFEM), the West African Monetary Agency (WAMA), the West African Bankers Association (WABA), the ECOWAS Parliament, Union Economique et Monetaire Ouest Africaine (UEMOA), Bank Centrale des Etats de l'Afrique de l'Ouest (BCEAO), ECOWAS Bank for Investment and Development (EBID), Association of African Central Banks (AACB), International Monetary Fund (IMF) and the African Development Bank.

At its 28th and 29th meetings in Abuja and Accra, on January 17 and July 25, 2013, respectively, the Committee of Governors of the Central Banks of the member countries of the WAMZ reviewed and discussed the status of implementation of the Work Program of the WAMZ for the year 2012. The Reports of the 34^{th} and 35^{th} Meetings of the Technical Committee of the WAMZ formed the basis of the Governors' deliberations.

According to both reports, Liberia's performance on the quantitative macroeconomic convergence scale for 2012 was largely satisfactory, sustaining achievements made during 2011. Liberia satisfied 4 convergence criteria, 3 primary and 1 secondary for 2012. The primary criteria were a single digit inflation (7.1 percent), budget deficit/GDP ratio (0.7 percent) and central bank financing of government's budget deficit relative to previous year's tax revenue (0.0 percent). On the secondary criteria, the country satisfied the tax revenue/GDP criterion (23.6 percent). According to the country's medium-term projections, Liberia is expected to achieve all of the four primary convergence criteria during the period 2013-2014.

A comparison of Liberia's performance on the quantitative macroeconomic convergence scale for 2012 indicates that Sierra Leone met a total of 3 convergence criteria, Ghana, 3, Guinea, 4, The Gambia, 5 and Nigeria, 6. At the end of 2013, Liberia again satisfied a total of 4 convergence criteria – 3 primary and 1 secondary – as it did in 2012.

Under the WAMZ single currency program, member countries' macroeconomic performances are reviewed on a bi-annual basis to gauge their levels of preparedness in the lead-up to a single currency in 2015.

Also, the ECOWAS Commission and the AACB held their regular and annual meetings in an attempt to forge the regional integration effort at the regional and continental levelin terms of improved economic activities in regional trade, easier access to market, job creation, and poverty reduction.

6.3.2 The College of Supervisors of the WAMZ

The Central Bank Governors of the WAMZ also met and considered the report of the College of Supervisors of the WAMZ along the mid-year Statutory Meetings of the WAMZ held from January 11-18 and July 19-26, 2013, in Abuja, Nigeria and Accra, Ghana, respectively. In keeping with its charter, the College also met in Accra, Ghana, for its second quarterly meetings, during which key issues relating to financial stability in the Zone were discussed.

Like in previous years, the key financial stability issues discussed by the College include the high non-performing loans in a number of countries, excess liquidity, high interest rates and high operational costs.

The College proffered several policy recommendations aimed at strengthening financial stability and infrastructure in the Zone, which were endorsed by the Committee of Governors.

6.34. Engagement of the CBL with the WAMZ Insurance Integration Initiative

The Central Bank of Liberia (CBL) in its capacity as the regulator of the insurance sector in Liberia has been playing an important role in the WAMZ insurance sector integration initiative. The WAMZ insurance sector integration initiative, which is part of the overall integration of the financial sector of the WAMZ, involves harmonization regulatory and supervisory standards and practices in West Africa.

The CBL sponsored a two-day meeting of the Inaugural Technical Committee for the integration in Monrovia from December 16-17, 2013. The meeting was facilitated by the West African Insurance Companies Association (WAICA) and the West African Monetary Institute (WAMI). Participants included insurance regulators and insurance market operators from the WAMZ.

The key objective of the meeting was to review and subsequently adopt the Draft Charter for the West African Insurance Sector Integration Council (WAISIC) and the Terms of Reference (TOR) for the Technical Committee for the Integration of the Insurance Sector in West Africa. Additionally, the meeting sought to sustain the momentum that was generated during the Initial insurance sector Stakeholders' meeting and the Select Technical Committee meeting in Abuja, Nigeria and Banjul, The Gambia, respectively.