



CENTRAL BANK OF LIBERIA

ANNUAL REPORT

2004

JANUARY 1, 2004
TO
DECEMBER 31, 2004

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OBJECTIVES

To maintain price stability and ensure a sound banking and financial system thereby contributing to sustainable economic growth and development.

The Management of the Central Bank of Liberia (CBL) seeks to achieve the objectives of its mission through:

- Preserving the value of the domestic currency and external reserves;
- Pursuing appropriate interest and exchange rate policies;
- Safeguarding the integrity of the financial sector;
- Issuing banknotes and coins to meet the demand of the general public;
- Conducting economic analyses and publishing economic and financial statistics;
- Promoting and supporting the development of financial markets and efficient payment and settlement systems; and
- Advising the Government on economic and financial matters.

In its efforts toward achieving the above-mentioned objectives, the Bank commits itself to providing effective support functions to the economy through a sound banking and financial system, appropriate information system, and the development of competent and qualified staff.

BOARD OF GOVERNORS

- Chairman : Mr. Charles A. Greene
Executive Governor
- Members of the Board
of Governors :
- Mr. Thomas D. V. Hanson
Governor
 - Mr. David K. Vinton
Governor
 - Mr. Nathaniel Barnes
Governor
- Secretary to the Board (Acting) : Mr. Stephen A. Kaizer

MANAGEMENT

- Executive Governor
Elie E. Saleeby
- Deputy Governor
Sande A. Cooper

The Executive Governor and Deputy Governor are appointed by the President of the Republic of Liberia for a term of five (5) years each, subject to confirmation by the Liberian Senate.

| | | |
|---|---|---|
| Executive Director, Administration Department | : | Nathaniel R. Patray, III |
| Executive Director, Comptroller Department | : | James B.A. Dennis |
| Executive Director, Banking Department | : | Joseph K. Acqui, I |
| Executive Director, Supervision Department | : | T. Negbalee Warner, Esq |
| Executive Director, Research, Policy & Planning Department | : | A. Richard Dorley |
| Manager, Administration Division | : | Marie Leigh-Parker |
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| Manager, Accounts Division | : | (Vacant) |
| Manager, Domestic Banking Division | : | Melisa Emeh |
| Manager, Supervision Division | : | Kolli S. Tamba |
| Manager, Research, Policy & Planning Division Responsible for: - National Economy and Fiscal Affairs - Library & Publications | : | (Vacant) |
| Manager, Research, Policy & Planning Division Responsible for: - Money and Financial Markets - Balance of Payments | : | Lawrence M. Yates |
| Manager, Audit Division | : | Moses Yarsiah |
| Manager, Legal Division | : | Cllr. Isaac Wonasue |
| Manager, Corporate Secretary Division and Secretary to the Board of Governors | : | Stephen A. Kaizer |
| Manager, Support Services/Offices of the Executive Governor and Deputy Governor | : | Christine Hoff-Williams |
| Manager, System Administrator & Superintendent Clearing house | : | D. Sheba Brown |
| - Number of Staff | : | 126 |
| - Ownership of Bank | : | 100% State ownership |
| - Exchange Rate Regime | : | Floating/market-based exchange rate regime |

CENTRAL BANK OF LIBERIA ORGANIZATIONAL CHART

LETTER OF TRANSMITAL

CBL/E-GOV/147/2005

January 31, 2005

His Excellency Charles Gyude Bryant
Chairman
National Transitional Government of Liberia (NTGL)
Republic of Liberia
Executive Mansion
Monrovia, Liberia

Dear Chairman Bryant:

In accordance with the Central Bank of Liberia Act of 1999 Part XI Section 49 (1) (a) and (b), I have the honor most respectfully, on behalf of the Board of Governors, to submit herewith, the Annual Report of the activities of the Bank for the period January 1, 2004 to December 31, 2004.

The Annual Report also contains a review of national economic developments under which the Bank operated during the period.

Respectfully yours,

Charles A. Greene
Executive Governor and Chairman
Board of Governors
Central Bank of Liberia

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List of Acronyms

| | | |
|-----|--|------------|
| 1. | Agricultural and Cooperative Development Bank | ACDB |
| 2. | African Development Bank | ADB |
| 3. | Cash Management Committee | CMC |
| 4. | Central Bank of Liberia | CBL |
| 5. | Ecobank Liberia Limited | EBLL |
| 6. | Economic and Financial Bulletin | EFB |
| 7. | Economic Community of West African States | ECOWAS |
| 8. | First Commercial and Investment Bank | FCIB |
| 9. | First International Bank (Liberia) Limited | FIB |
| 10. | Forestry Development Authority | FDA |
| 11. | Global Bank (Liberia) Limited | GBLL |
| 12. | Government of Liberia | GOL |
| 13. | Gross Domestic Product | GDP |
| 14. | International Bank Liberia Limited | IBLL |
| 15. | International Monetary Fund | IMF |
| 16. | Joint Africa Institute | JAI |
| 17. | Liberia Bank for Development and Investment | LBDI |
| 18. | Liberia Financial Statistics | LFS |
| 19. | Liberia Trading and Development Corporation | TRADEVCO |
| 20. | Liberia United Bank Incorporated | LUBI |
| 21. | Monrovia Banking Corporation | ROVIA Bank |
| 22. | Monrovia Consumer Price Index | MCPI |
| 23. | National Housing & Savings Bank | NHSB |
| 24. | National Transitional Government of Liberia | NTGL |
| 25. | National Transitional Legislative Assembly | NTLA |
| 26. | Research, Policy and Planning Department | RPPD |
| 27. | United Nations | UN |
| 28. | United Nations Mission in Liberia | UNMIL |
| 29. | United States of America | USA |
| 30. | West Africa Monetary Agency | WAMA |
| 31. | West African Institute for Financial and Economic Management | WAIFEM |

I. National Economic Developments

1.0 Overview of the Liberian Economy

In 2004, Liberia made gradual progress in its march to economic recovery and political stability through the formulation and implementation of essential macroeconomic policies and consolidation of the peace process. This was occasioned by the prevailing non-violent environment as a result of the presence of the United Nations Mission to Liberia (UNMIL), the increased international support for the country, and the resilience of the people of Liberia. The steady improvement in the macroeconomic management primarily centered around addressing key policy areas, including fiscal consolidation, prudent monetary policy design and a well functioning market-based exchange rate system.

In order to support the rehabilitation, repatriation, resettlement, and reconstruction programs aimed at building the foundation for a sustainable long-term economic growth after a 14-year war, the international community pledged a substantial amount of money in the tune of US\$520.0 million which it has begun to disburse through international non-governmental organizations and their local collaborating partners. The economy responded less positively to these stimuli as unemployment remained high, recovery slow, and the inflationary pressure continued. This level of performance of the economy was influenced not only by internal forces but by external factors as well. Since 2002, the ban placed by the United Nations on diamonds emanating from the country has yet to be lifted; while additional ban imposed on log exports in July 2003 remained in place. All of these militated against policy measures designed to stimulate the economy for sustained growth and development.

However, the economic outlook and political future of the country appear promising as the international community and well-intentioned Liberians are working in concert in the design of economic policies and the enhancement of the peace process. On the economic front, the economic management team of Government, the International Monetary Fund, and the United States Treasury Department representatives worked jointly in taking steps to ensure improvement in the economy and bring about transparency in the fiscal and monetary operations of the Government. Measures were also taken to strengthen market orientation in formulating monetary policy whereby determination of interest rate would be market-driven with competition among banks encouraged.

On the political front, demobilization, disarmament, and reintegration of former combatants had taken place and declared officially over (of course, pockets of rag-tag arms-bearers are in some rural quarters); while the process for the conduct of free, fair, and transparent presidential and legislative elections is on-going. These genuine efforts require the support of all segments of society, including politicians, religious leaders, market people, civil society, technocrats, bureaucrats, business community, academia, and the media. Failure in this direction would induce another perilous decade of destruction and economic collapse.

According to projection by staff of the Ministry of Planning & Economic Affairs, real Gross Domestic Product (GDP) grew by 2.6 percent during the year to US\$406.5 million following a deceleration of the economy in 2003 resulting from the devastation occasioned by the civil war and the additional ban placed by the United Nations on log exports. The rebound in the economy during 2004 was largely influenced by the recovery in the tertiary sector (mainly in commerce, construction, and services) and the resurgence in rubber production.

Performance of the productive sector which includes agriculture, mining, and manufacturing was indeed mixed. The displacement of a large proportion of the farming population, closure of some agriculture-related enterprises, United Nations' ban on diamond and log exports, poor infrastructure, insufficient public electric power-generating system, high cost of imported raw materials, etc. contributed immensely to the level of performance of the sector. Although commercial rubber and fish production rose markedly during the year, production of other agricultural commodities as well as subsistence agriculture remained low primarily due to the aforementioned factors. The relative stability in the exchange rate influenced the general price level, thus leading to an average rate of inflation of 7.8 percent during the year, from 10.4 percent during the preceding year. The partial inactivity of the productive sector continues to exacerbate the problem of high unemployment which is now estimated to be around 75 percent.

During the year, external trade expanded as a result of the prevailing peaceful environment which ensured an uninterrupted economic activity. Although external trade increased, the balance of trade deteriorated far more than the previous year. Trade balance recorded a deficit of US\$233.0 million, from US\$60.3 million registered a year ago. This poor performance was largely an outcome of reduced exports induced by the United Nations sanctions on timber and diamond exports from the Country. Total import payments grew to US\$336.8 million compared to US\$169.7 million in 2003, representing a rise of 98.5 percent. The heightened demand for imports, generally influenced by the influx into the country of people who sought refuge in neighboring countries, and the U.N. operation in Liberia contributed partly to the rise in imports.

The Central Bank of Liberia adopted an expansionary monetary policy during the year in order to provide sufficient liquidity to the economy. The Bank, through a well-designed program, infused a sizeable amount of Liberian dollars into the system. It also abrogated two regulations: the regulation on the determination of interest rate on lending, and the regulation on inter-bank trading. The Liberian banking system consisted of four (4) operating banks including the Central Bank of Liberia. In addition to the banks were a number of non-bank financial institutions, including forex bureaux, credit, savings and “susu “clubs that are actively engaged in financial transactions of substantial volume. A total of 70 forex bureaux were licensed during the year. The liquidation of TRADEVCO commenced during the year with payments to depositors totaling US\$6.5 million and L\$35.9 million. An aggregate amount of L\$57.1 million was paid out to depositors of the Liberian United Bank Incorporated (LUBI) in liquidation.

The aggregate capital of operating commercial banks was recorded at L\$824.0 million during the year. Also, aggregate deposits for the three (3) operating banks stood at L\$3,743 million, an increase of L\$2,105.9 million over the level of deposits recorded for last year. In line with the growing level of economic activities, the volume of banking transactions in the clearinghouse also rose. A total of 9,654 Liberian-dollar checks, valued at L\$842.7 million was cleared, while a total of 31,169 US-dollar checks with a value of US\$180.9 million was also cleared. Due to the expansionary monetary policy pursued by the Bank, currency in circulation increased by 35.5 percent to L\$1,908.5 million, from L\$1,408.7 million in the preceding year.

Money supply registered a substantial increase of L\$1,220.0 million or 48.7 percent over the level recorded in 2003. The Bank's expansionary policy during the year largely influenced the growth in money supply. Similarly, overall liquidity or broad money also rose during the year to L\$4,687.1 million, from L\$2,940.6 million recorded in 2003.

Commercial banks' aggregate credit to the economy increased also during the year. Steady improvement in the economy, especially the rebound in the construction and the service sectors is a causative factor influencing the rise in overall credit to the economy. Sectoral distribution of loans and advances indicates that the "Others" sector which comprises the Government of Liberia, the Central Bank of Liberia among others, accounted for a significant share of 68.0 percent. Of the total loan portfolio of commercial banks for the year, Government accounted for 25.6 percent; while the Central Bank accounted for 27.7 percent.

Movements in the interest rates were mixed during the reviewed period. The average lending and personal loan rates declined slightly, while the average mortgage, certificate of deposits and Time deposit rates increased minimally with the average savings rate showing a decline at the end of the year. During the year, the movements in the exchange rates were relatively stable due to, among other things, the introduction of the CBL foreign exchange auction, the UN cash payments to disarmed fighters, increased remittances to the country, resuscitation of business establishments, etc.

During the reviewed period, the Bank began the conduct of a foreign exchange auction in July in consultation with the IMF. As the first of its kind, the auction is intended to maximize the proceeds of Government's sale of United States currency to the commercial banks and the public through a competitive and transparent means. The Bank and the Ministry of Finance agreed to conduct the auction with the Ministry of Finance providing the funds. The auction encountered a hurdle of inadequate funding, thus bringing it to a standstill for two months-October and November. As at December 31, 2004, a total of US\$3.8 million was sold through the auction since the commencement of the program.

During the year, no new tax law was enacted. The major instrument for the conduct of fiscal policy was the new tax code enacted by the Liberian National Legislature in 2000 together with the Cash Management Committee constituted by the Chairman of the NTGL. The mandate of the Cash Management Committee is to formulate payment policies based on cash plans by government agencies in keeping with cash position of government. Total revenue collected during the year under review amounted to L\$3,408.0 million, which is 36.3 percent more than the collection of 2003. This level of revenue collection can be attributed to the improved security condition which generated renewed confidence in the national economy with the establishment of a number of commercial businesses in Monrovia and other "liberated" cities which contributed to the increase in revenue collection. Of the overall revenue, tax revenues represent 80.2 percent, while non-tax (Maritime) revenue accounts for 19.8 percent. Taxes (except for petroleum sales levy) and maritime fees increased during the year. No revenue was reported by the FDA due to the United Nations sanctions imposed on log exports since 2003.

Government expenditure for the year under review grew by 38.6 percent to L\$3,613.6 million, from L\$2,606.3 million in 2003. Of the aggregate expenditure, recurrent expenditure accounts for 82.9 percent, while development expenditure represents 17.1 percent. Analysis exhibits that expenditure exceeded revenue by 6.0 percent during the year primarily due to huge spending by Government on General Administration.

The approved budget for the fiscal year 2004-2005 totaled L\$4,000.0 million (an equivalent of US\$80.0 million). It was a cash-based budget and accounted for about 19.7 percent of the estimated GDP for 2004. When disaggregated, the recurrent component of the budget is 89.0 percent, while the development component accounts for 11.0 percent.

Liberia's debt stock at the end of the year under consideration stood at US\$3,390.2 million. This level of recorded debt was 2.7 percent higher than that of 2003. Accrued interest on the debt was 43.4 percent, while the principal represents 56.6 percent. Of the total debt, the external component amounted to US\$3,010.1 million, or 88.8 percent. The current level of the debt is 4.0 percent higher than the level recorded in the previous year. The domestic component of the debt stock was recorded at US\$380.1 million. This represents 11.2 percent of the national debt stock and was 6.8 percent less than the level recorded for 2003. The reduction was a result of some minimum payments made by Government against arrears of civil servants' salaries and to other domestic creditors.

1.1 Performance of the National Economy

(A) Domestic Production

Following the deterioration of the economy in 2003 primarily due to the renewed civil war which intensified and engulfed the whole country, the economic situation during 2004 made a modest improvement consequent on the cessation of armed hostilities in August 2003. It was estimated by staff of the IMF in concert with the Liberian authorities that real GDP would rebound by as much as 2.6 percent in 2004 with the revitalization of construction, commerce, and services. However, agricultural production and manufacturing output were substantially affected by the massive displacement of rural population and destruction of machinery and business houses during the civil war. In addition to the civil war, the United Nations ban on diamond and timber exports, low technical, institutional and administrative capacities, poor infrastructure, and economic mismanagement also contributed enormously to the economic malaise.

**Table 1: Liberia: Sectoral Origin of Gross Domestic Product (GDP)
At 2000 Prices
(2002 - 2004)
(In Millions US\$)**

| Sector | 2002 ** | 2003 ** | 2004 ** |
|--|----------------|----------------|----------------|
| AGRICULTURE | 231.18 | 226.47 | 232.35 |
| Fishing and Others | 0.15 | 0.14 | 0.15 |
| Rubber | 48.39 | 47.40 | 48.63 |
| Coffee | 0.09 | 0.09 | 0.09 |
| Cocoa | 0.30 | 0.30 | 0.31 |
| Rice | 56.95 | 55.79 | 57.24 |
| Cassava | 46.47 | 45.52 | 46.70 |
| Others | 78.83 | 77.23 | 79.24 |
| FORESTRY | 99.02 | 97.00 | 99.53 |
| Logs & Timber | 65.00 | 63.67 | 65.33 |
| Charcoal & Wood | 34.02 | 33.33 | 34.20 |
| MINING | 0.34 | 0.33 | 0.34 |
| Iron Ore | - | - | - |
| Gold | 0.23 | 0.23 | 0.24 |
| Diamond | 0.10 | 0.10 | 0.10 |
| MANUFACTURING | 18.34 | 17.97 | 18.45 |
| Tertiary | 70.49 | 69.06 | 70.85 |
| Trade, Hotels, etc. | 17.53 | 17.18 | 17.62 |
| Electricity | 1.31 | 1.28 | 1.31 |
| Water | 8.01 | 7.84 | 8.05 |
| Construction | 11.18 | 10.95 | 11.24 |
| Communications and Transportation | 0.39 | 0.38 | 0.39 |
| Insurance and Other Financial Institutions | 10.09 | 9.89 | 10.14 |
| Shipping | 0.33 | 0.33 | 0.33 |
| Government Services | 17.19 | 16.83 | 17.27 |
| Other Services | 4.35 | 4.26 | 4.37 |
| NGOs | 0.11 | 0.11 | 0.11 |
| Total | 419.37 | 410.83 | 421.51 |
| Less: | 14.98 | 14.68 | 15.06 |
| Depreciation | 11.42 | 11.8 | 11.47 |
| Bank Charges | 3.57 | 3.49 | 3.59 |
| Net (Value Added) GDP | 404.39 | 396.15 | 406.45 |

*** These are projections based on the results of the National Accounts Survey conducted in 2002*

Source: Ministry of Planning and Economic Affairs, Monrovia, Liberia

(a) Agriculture

The performance of the agriculture sector (which also includes forestry and fishery) was dismal due to the massive displacement of farming population, continued closure of agriculture-related enterprises, ban on log exports by the United Nations, poor state of roads, lack of basic farm inputs, etc.

(i) Rubber

Because of the difficulty in obtaining actual production data for rubber, export data are used to represent production since there is no known domestic use for rubber latex. During the year under review, a total of 88,381 metric tons of rubber was produced. This level of production is 61.1 percent more than the production of the preceding year. The increase in production is explained generally by the existing peaceful environment created by the international community through the United Nations Peacekeeping Mission to Liberia. Matched against the production of 2002, current rubber production declined by 4.4 percent (Table 2 & Chart 1).

**Table 2: Key Agricultural Production
(2002 - 2004)**

| Commodity | Unit | 2002 | 2003 | 2004 |
|------------------|----------------|-------------|-------------|-------------|
| Rubber | Mt. | 92,442 | 54,845 | 88,381 |
| Cocoa | Mt. | 1,540 | 1,120 | 4,192 |
| Coffee | Mt. | 405 | - | - |
| Fish | Kg. | 403,380 | 266,000 | 857,100* |
| Round Logs | M ³ | 1,363,861 | 548,446* | - |
| Sawn Timber | M ³ | 15,372 | 1,979* | - |

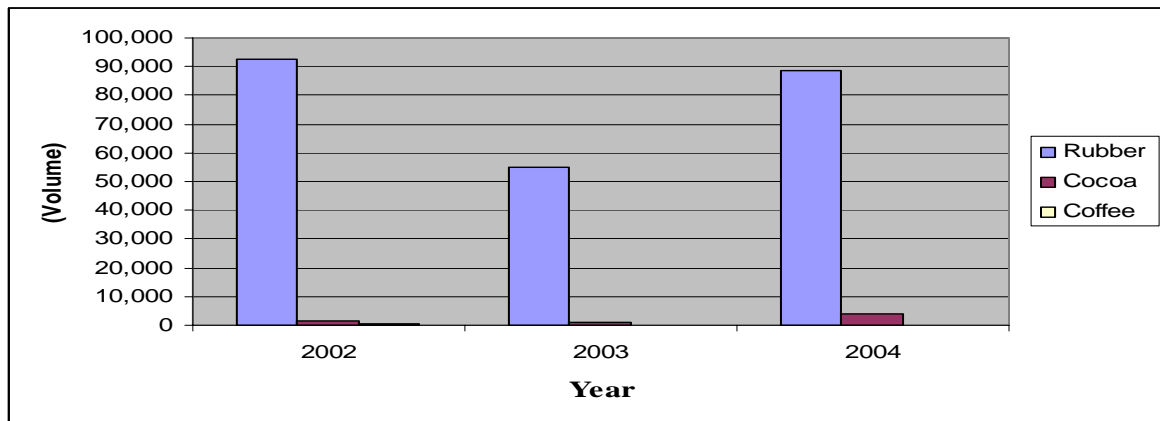
* *Estimates*

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

(ii) Cocoa and Coffee

Cocoa production during the year totaled 4,192 metric tons compared to 1,120 metric tons produced in 2003. The 274.3 percent increase in production is attributed to the prevailing peaceful environment which has created the condition for uninterrupted productive activity in areas declared safe by the UN Peacekeeping mission in the country. Production level of 2004 was 172.2 percent more than that of 2002. No coffee production data were available for the year as coffee producing areas are yet to resume productive activity.

**Chart 1: Production of Rubber, Cocoa and Coffee
(2002 - 2004)
(In Metric Tons)**



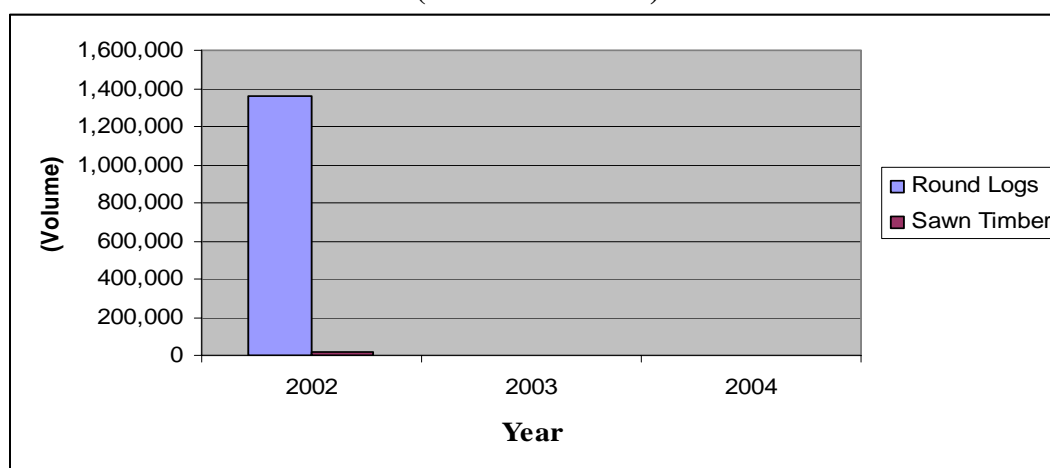
(iii) Fish

An estimated total of 857,100 kilograms of fish was caught during the year, a 222.2 percent increase in volume of fish caught when compared to the output of 2003. The increased volume of fish output was generally a result of the peaceful environment which enabled businesses and individuals to engage in productive activities. Output of the year rose by 109.1 percent when matched against the output of 2002.

(iv) Round Logs

In 2003, the United Nations Security Council imposed a ban on the exports of logs from Liberia because it was believed that the earnings from logs were not benefiting the people of the country but used to finance wars in the West African sub-region. Since the UN ban, log-production in Liberia generally ceased.

**Chart 2: Production of Round Logs and Sawn Timber
(2002 - 2004)
(In Cubic Meters)**



(b) Mining (Diamond and Gold)

Diamond mining came to a halt since May 2001 following the imposition of a ban by the United Nations on Liberia's diamond exports. With the ban on diamond, gold production remains the only mineral mining activity in the country. Gold production during the year increased to 3,552 ounces, from 2,115 ounces mined in 2003. The 67.9 percent rise in gold production is a direct outcome of the switching of resources from diamond to gold mining. Gold produced this year is 163.1 percent more than the production of 2002 (Table 3).

**Table 3: Key Mining Output
(2002 - 2004)**

| Commodity | Unit | 2002 | 2003 | 2004 |
|-----------|-------|-------|-------|-------|
| Diamond | Carat | 0 | 0 | 0 |
| Gold | Ounce | 1,350 | 2,115 | 3,552 |

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

(c) Manufacturing

The manufacturing sector, whose contribution to the economy is 9.4 percent of estimated GDP for 2004, produces commodities intended mainly for domestic consumption, with few for exports. Commodities produced within the sector include: cement, beverages, chemical products, wood-based materials, and processed food items. There are a number of factors that inhibit the growth of this sector amongst which are high cost of imported raw materials, insufficient public electric-generating capacity, and low domestic demand. It must be stressed that the high cost of generating power is a major drawback.

(i) Cement

A total of 121,059 metric tons of cement was manufactured during the year, from 41,827 metric tons produced in 2003. The increase in production is attributed to the prevailing peaceful situation in the country that ensured continued economic activity throughout the year. Output of the year grew by 189.4 percent more than the output of 2002.

(ii) Beverages

During the year, a total of 15.8 million liters of beverages was manufactured, from 7.7 million liters produced in 2003. This dramatic increase of 105.2 percent is explained partly by the peaceful festive season which heightened the demand for beverages during the period. Of the aggregate production, alcoholic beverages constitute 40.5 percent; while, non-alcoholic beverages represent 59.5 percent. Alcoholic beverages produced during the year included 4.4 million liters of beer, 0.3 million liters of spirit, and 1.7 million liters of stout; while non-alcoholic beverages manufactured consisted of 8.9 million liters of soft drinks and 0.5 million liters of malta. Current production of beverages surpassed the production of 2002 by 77.5 percent (Table 4).

**Table 4: Key Manufacturing Output
(2002 - 2004)**

| Commodity | Unit | 2002 | 2003 | 2004 |
|------------------------------|-------------|-------------|-------------|-------------|
| Cement | Mt. | 53,662 | 41,827 | 121,059 |
| Beverages | Liter | 8,864,951 | 7,724,154* | 15,463,113 |
| Paint | Gal. | 12,980 | 5,934* | 31,540 |
| Nail | Kg. | 52,450 | 47,186* | 78,450 |
| Candle | Kg. | 708,899 | 282,787* | 557,814 |
| Chlorox | Liter | 154,992 | 73,656 | 380,202 |
| Rubbing Alcohol | Liter | 87,178 | 21,635 | 201,137 |
| Mattresses | Pcs. | 4,660 | 2,340* | 48,178* |
| Deep Well Water ¹ | Gal. | 25,813,127 | 32,890,137 | 60,415,605 |
| Finished Water ² | Gal. | 315,592,930 | 283,898,370 | 432,521,479 |

** Estimates*

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

Note: ¹Water from drilled wells

² Water from the treatment plant in White Plains

(iii) Paint (oil and water)

Paint output during the year increased by 25,606 gallons when matched against the output of the preceding year. A total of 31,540 gallons of paints was manufactured compared to 5,934 gallons produced in 2003. The resurgence of the construction sector contributed significantly to the rise in paint production. When compared to the production level of 2002, current paint production rose by almost 143.0 percent.

(iv) Nail

Output of nail recorded an increase of 31,264 kilograms during the period under review, from 47,186 kilograms in the previous year to 78,450 kilograms. The revitalization of the construction sector contributed to the growth in nail output. When matched against the production of 2002, nail output for the year rose by 26,000 kilograms.

(v) Candle

Candle output also grew during the year by 97.3 percent to 557,814 kilograms, from 282,787 kilograms in 2003. The general lack of public electricity and the rising cost of petroleum products contributed to the increased production of candle as it provides light for homes and retail businesses. When compared to 2002, output of the year reduced by 21.3 percent.

(vi) Chlorox

Chlorox output registered an increase of 306,997 liters when compared to the production of 2003. Production of the year totaled 380,656 liters, 416.8 percent more than that of the previous year. The un-interruption of production primarily due to the peaceful atmosphere coupled with the heightened demand for the commodity explained the increased production of chlorox. When matched against the production of 2002, production of the year grew by 225,661 liters.

(vii) Rubbing Alcohol

Output of rubbing alcohol rose markedly by 179,502 liters during the year, from 21,635 liters in 2003 to 201,137 liters. The growing demand for the commodity because of its various uses, contributed to the increase in production during the year. Production during the year under review exceeded the output of 2002 by 113,959 liters.

(viii) Mattresses

During the year, estimated output of mattresses totaled 48,178 pieces. This is 45,838 pieces more than the output of 2003. There are a number of factors that influenced the level of production including high demand stimulated by the influx of returnees, resettlement of internally displaced people to their original places, peaceful environment which ensured an un-interrupted production, etc. When compared to 2002, the production level of the year rose by 43,518 pieces.

(ix) Water Supply

The quantity of water supplied during the year increased to 492.9 million gallons, from 316.8 million gallons supplied in 2003. This rise in supply of 55.6 percent is a direct result of population increase which created the demand for more safe-drinking water. The supply of water during the year exceeded the supply level recorded in 2002 by 44.4 percent.

(B) Consumption of Petroleum Products

The consumption of petroleum products in the year rose by 26.5 million gallons to 45.8 million gallons, from 19.3 million gallons consumed in 2003. The increase in consumption of petroleum products is indicative of the growing economic activities taking place in the country due to the prevailing peaceful environment. Besides, the high level of consumption is also a concrete evidence of the wide use of private generators by individuals and private business entities to provide electricity. Of the total consumption during the year, gasoline represents 34.5 percent; diesel, 48.0 percent; kerosene, 1.3 percent, and Jet fuel, 16.3 percent. Current consumption level is 55.3 percent higher than the level in 2002 (Table 5).

**Table 5: Consumption of Petroleum Products
(2002 - 2004)**

| Commodity | Unit | 2002 | 2003 | 2004 |
|------------------|-------------|-------------------|-------------------|-------------------|
| PMS (Gasoline) | Gal. | 10,067,157 | 6,259,801 | 15,782,598 |
| AGO (Diesel) | Gal. | 18,334,626 | 11,746,353 | 21,995,730 |
| ATK (Kerosene) | Gal. | 201,201 | 406,868 | 636,076 |
| Jet – A1 | Gal. | 902,048 | 884,679 | 7,433,543 |
| Total | | 29,505,032 | 19,297,701 | 45,847,947 |

Source: Ministry of Finance, Monrovia, Liberia

(C) Seaport Developments

A significant proportion of external (merchandise) trade is directed through the seaports of the country. Data on seaport operations show a downward trend since 2001, especially as the seaports throughout the country with the exception of the Freeport of Monrovia are closed. However, this trend was reversed during 2004. The total number of vessels that berthed at the Freeport of Monrovia increased markedly to 417, with Summer Deadweight Tons (actual carrying capacity of a vessel) of 4,783,516. Compared to vessel traffic in 2003, the number of vessels that anchored at the Freeport of Monrovia rose by 223. The volume of cargoes freighted by the vessels totaled 1,373,934 metric tons, a 152.5 percent rise over the volume of cargoes of 544,237 metric tons freighted in 2003. Increased relief imports to address the needs of the displaced people largely contributed to the rise. The increase in vessel traffic and volume of cargoes transported during the year indicate the growing level of economic and relief activities taking place in the country as a result of the prevailing peace created by the international community and well-meaning Liberians. When matched against vessel traffic in 2002, the vessel traffic in the year increased by nearly 94.0 percent.

Of the aggregate volume of cargoes transported during the year, imports account for 78.1 percent, while exports represent 21.9 percent. The volume of imports rose to 1,072,815 metric tons during the year, from 404,275 metric tons in the preceding year. This growth in imports is indicative of the upsurge in productive activities in the commercial sector.

Total exports through the seaports rose by 115.0 percent to 301,119 metric tons during the year, from 139,962 metric tons in 2003. The increase in the volume of exports is partly a result of increased productive activities in the economy during the year. Compared to 2002, the volume of cargoes freighted for the year rose by 849,257 metric tons.

**Table 6: Vessel Traffic and Cargo Movements
(2001-2004)**

| Year | No. of Vessels | Vessel Weight (SDWT)* | Cargo Tonnage (In Metric Tons) | | |
|------|----------------|-----------------------|--------------------------------|-----------|-----------|
| | | | Exports | Imports | Total |
| 2002 | 215 | 2,845,785 | 169,099 | 355,578 | 524,677 |
| 2003 | 194 | 1,904,531 | 139,962 | 404,275 | 544,237 |
| 2004 | 417 | 4,783,516 | 301,119 | 1,072,815 | 1,373,934 |

Source: National Port Authority (NPA), Monrovia, Liberia

**SDWT=Summer Deadweight Tons – actual carrying capacity of a vessel*

(D) Employment

One of the economic problems that the National Transitional Government of Liberia inherited is unemployment. As the labor market enlarges with the graduation of young men and women from academic and vocational institutions, enterprises that should have absorbed the rising labor force were forced to close due to insecurity and dwindling private and public sector investment. Basically, the partial dormancy of the productive sector occasioned by the just-ended 14-year civil war and its aftermath, has heightened the rate of unemployment.

As a result, a significant percentage of the unemployed population, as a matter of survival, is engaged in informal economic ventures, including road-side vehicle repair, street hawking, street peddling, furniture-making, food kiosk, watch repair, mat-weaving, street-side typing, money exchanging, etc. With the unavailability of official employment statistics due to destruction done to private and public institutions, one can draw a logical conclusion from casual observation that the rate of unemployment was around 75 percent during the year. At the same time, more than 420,000 persons were engaged in informal economic activities. Following the destruction of the war in 2003, the levels of unemployment and self-employment in informal activities have increased tremendously based on conjectural evidence.

(E) Consumer Price Developments

Inflationary pressure in the economy moderated with the average All-Items index of Monrovia Consumer Price Index (MCPI) increasing to 169.3 during the year, from 157.0 in 2003. This shows that the average rate of inflation, measured by the year-on-year change in the All-items index, stood at 7.8 percent compared to 10.4 percent in the 2003 and 14.6 percent in 2002 (Table 7). This reflects declines of 2.6 and 6.8 percentage-points for 2003 and 2002, respectively.

During the first half of the year, the inflationary situation was subdued with the rate of inflation (January – June, 2004) averaging 2.7 percent. The downward spiral of the general price level was influenced generally by the lagged effect of Government's action in which prices of basic commodities (rice, petroleum products) were reduced in late 2003, and appreciation of the domestic currency. The upward movement in the inflation commenced during the second half of the year, driven by the increase in prices of petroleum products, the seasonal rain which impedes the movement of locally-produced commodities because of bad road condition, and hoarding of the nation's staple food (rice) by some unscrupulous business houses. Additionally, there was a recent replacement survey conducted by the staff of the Bank's Research Department and the Ministry of Planning & Economic Affairs in which commodities in the national consumer basket not available on the Liberian market at the time were replaced by their closest substitutes. The quality of data generated by the Monrovia Consumer Price Index as a result of the survey improved tremendously, thus making the rate of inflation to reflect the true movement of the general price level. As an outcome of these developments, the rate of inflation for the last half of 2004 averaged 12.8 percent.

The Food sub-group which has the highest group weight in the Monrovia Consumer Price Index, registered a decline of 17.5 percentage-points, from 27.0 percent in 2003 to 9.5 percent during the year. The steady restoration of peace to the country, the supply of relief food to the displaced, and the gradual resuscitation of subsistence production contributed, by and large, to the decline in the food inflation.

Despite the marked reduction in the fuel & light sub-index during first six (6) months of 2004, the average rate of change in the sub-index recorded an increase of 42.9 percent during the year, from 0.7 percent in 2003. The rise in prices of petroleum products during the latter part of the year is largely responsible for the increase in the Fuel & Light sub-index. Personal Care & Health Services sub-index declined to negative 7.2 percent, from 3.3 percent in the preceding year, a reduction of negative 10.5 percentage points. The supply of medications free of charge and the nominal fees for medical services influenced the decline in the sub-index.

The decline in the rate of inflation from a double-digit of 10.4 percent in 2003 to a single-digit of 7.8 percent is attributed to a number of causative factors including the partial restoration of peace to the country, the supply of relief items (food, medications) and services, gradual revival of subsistence agricultural production, relative stability in the exchange rate of the domestic currency to the United States currency, etc.

**Table 7: Monrovia Consumer Price Index
(2001 - 2004)
(May 1998=100)**

| Components | Yearly Average Indices | | | | | Rate of Change | | |
|------------------|------------------------|-------|--------------|--------------|--------------|----------------|-------------|------------|
| | Weights | 2001 | 2002 | 2003 | 2004 | 2002 | 2003 | 2004 |
| All Items | 100 | 124.7 | 142.2 | 157.0 | 169.3 | 14.6 | 10.4 | 7.8 |
| Food | 34.4 | 97.7 | 111.0 | 140.9 | 153.8 | 13.7 | 27.0 | 9.5 |
| Drinks & Tobacco | 5.7 | 121.9 | 140.1 | 160.0 | 180.3 | 15.4 | 14.5 | 13.0 |
| Fuel & Light | 5.0 | 135.3 | 155.5 | 154.4 | 217.6 | 15.1 | -0.7 | 42.9 |
| Clothing | 13.8 | 112.2 | 119.1 | 121.2 | 128.7 | 6.3 | 1.8 | 6.2 |
| Household Goods | 6.1 | 136.6 | 158.8 | 161.9 | 174.1 | 17.7 | 2.0 | 7.5 |
| Personal Care | 11.4 | 209.5 | 258.9 | 266.8 | 247.7 | 28.5 | 3.3 | -7.2 |
| Rent | 14.9 | 130.2 | 131.2 | 131.5 | 156.1 | 0.8 | 0.2 | 18.7 |
| Miscellaneous | 8.7 | 117.7 | 152.2 | 173.3 | 176.4 | 30.0 | 14.5 | 1.9 |

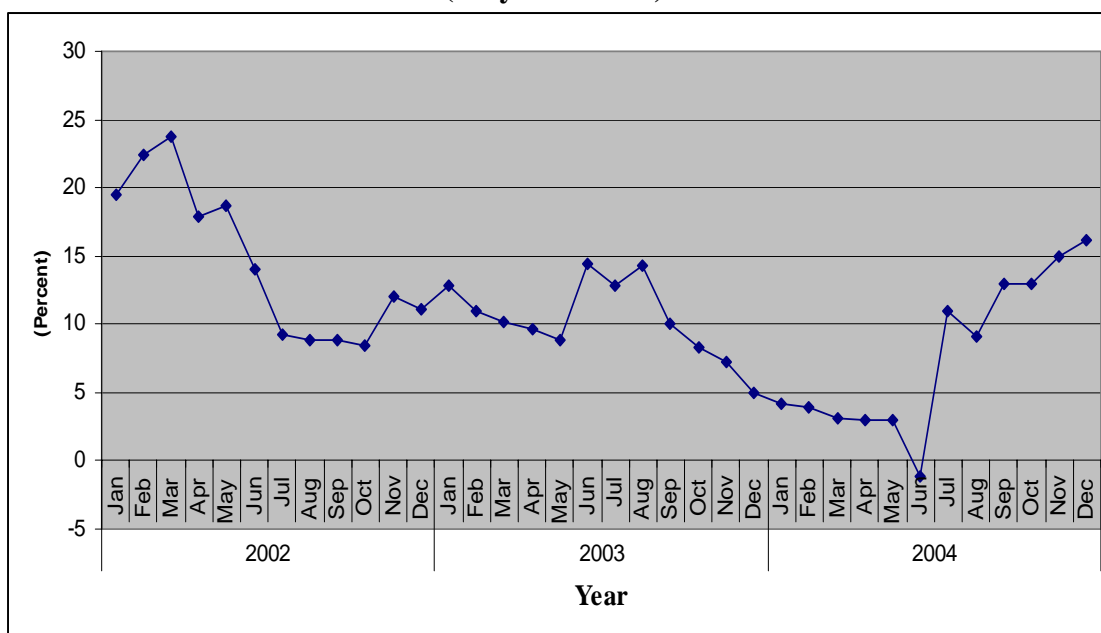
Source: Central Bank of Liberia, Monrovia, Liberia

**Table 8: Year-On-Year Rate of Inflation
(2002 – 2004)
(May 1998=100)**

| Month | 2002 | 2003 | 2004 |
|----------------------------------|-------------|-------------|------------|
| January | 19.5 | 12.8 | 4.2 |
| February | 22.4 | 11.0 | 3.9 |
| March | 23.8 | 10.2 | 3.1 |
| April | 17.9 | 9.7 | 3.0 |
| May | 18.7 | 8.9 | 3.0 |
| June | 14.0 | 14.4 | -1.1 |
| July | 9.3 | 12.8 | 11.0 |
| August | 8.8 | 14.3 | 9.1 |
| September | 8.8 | 10.0 | 12.9 |
| October | 8.5 | 8.3 | 13.0 |
| November | 12.0 | 7.2 | 14.9 |
| December | 11.1 | 5.0 | 16.1 |
| Average Rate of Inflation | 14.6 | 10.4 | 7.8 |

Source: Central Bank of Liberia, Monrovia, Liberia

**Chart 3: Year-On-Year Rate of Inflation
(January, 2002 – December, 2004)
(May 1998=100)**



II. FOREIGN TRADE

2.0 Merchandise Trade

The external trade sector of the Liberian economy was very active during the current reporting period. This was due in part to the relative peaceful security environment that prevailed in the country. Notwithstanding this improvement in trading activities, the United Nations' ban on certain key export commodities (i.e. logs and diamond) remained enforced during the year 2004.

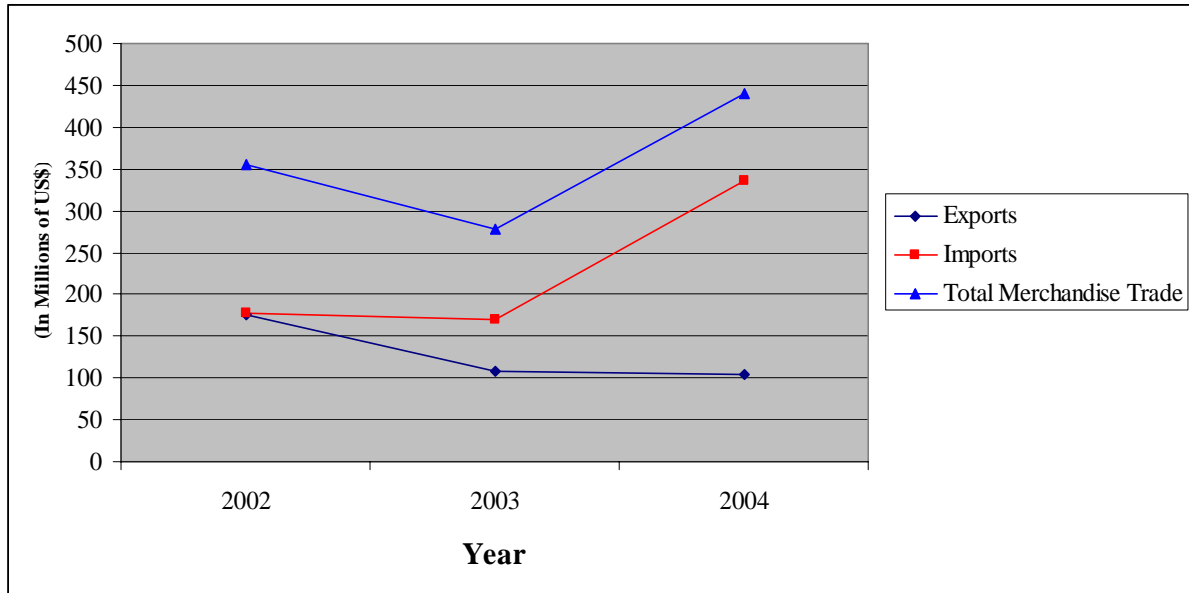
**Table 9: Foreign Trade
(2002 - 2004)
(In Millions US\$)**

| Year | Exports | Imports | Trade Balance | Total Merchandise Trade |
|-------------|----------------|----------------|----------------------|--------------------------------|
| 2002 | 176.1 | 178.2 | -2.1 | 354.3 |
| 2003 | 108.9 | 169.7 | -60.8 | 278.6 |
| 2004 | 103.8 | 336.8 | -233.0 | 440.6 |

Sources: Ministries of Commerce & Industry, Finance, and the Forestry Development Authority, (FDA)

Following the disruption in economic activities as a consequence of the intensification of hostilities in 2003, which among other factors, resulted to the reduction in total merchandise trade (i.e. exports plus imports), total trade made a substantial turnaround in 2004. The value of total trade recorded for the year was US\$440.6 million, compared to US\$278.6 million registered for the previous year (Table 9 & Chart 4). Moreover, this value of total trade was the highest in four years. This 58.1 percent expansion for the current period was solely on account of a significant rise in import payments as export receipts plunged during the period under review. The growth in import activities is reflective of the opening up of the country to the international community coupled with the rise in consumer and investor confidence following the conclusion of the disarmament exercise.

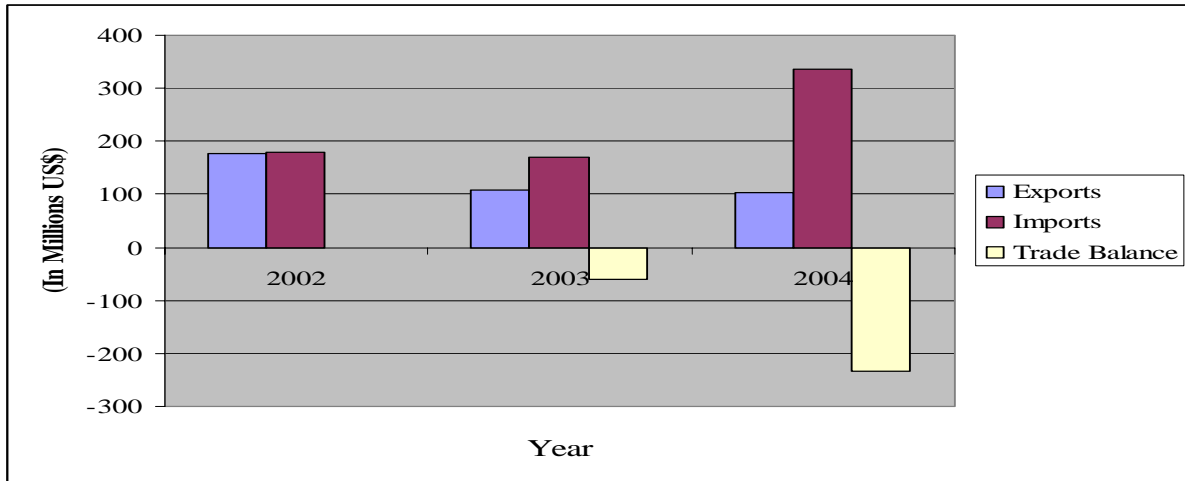
**Chart 4: Exports, Imports, and Total Merchandise Trade
(2002 - 2004)
(In Millions US\$)**



The growing mismatch between export receipts and import payments has resulted to the growing deficit in the country's trade account. As a matter of fact, the trade balance has been in a deficit position in the last five years. With very limited export commodities, coupled with heightened import demand to facilitate reconstruction, investment and other economic activities, the net trade position is understandably negative.

Accordingly, for the year 2004, net trade registered a deficit of US\$233.0 million, from a deficit of US\$60.8 million recorded a year earlier and US\$2.1 million in 2002. For the reporting period, this represents a worsening of the trade balance by US\$172.2 million or 283.2 percent (Table 9 & Chart 5).

**Chart 5: Exports, Imports, and Trade Balance
(2002 - 2004)
(In Millions US\$)**



2.1 Merchandise Exports

The sluggish performance of exports recorded during 2003 was further sustained during the current reporting period. The value of merchandise exports recorded during the year is its lowest level in four years.

The dismal performance of export activities can be ascribed to a number of factors, prominent among which include the international ban on certain major export commodities (logs and diamond), poor state of infrastructure (road networks), smuggling, etc. Besides, export activities in some areas (iron ore mining) are yet to resume.

**Table 10: Commodity Composition of Exports
(2002-2004)
(In Millions US\$)**

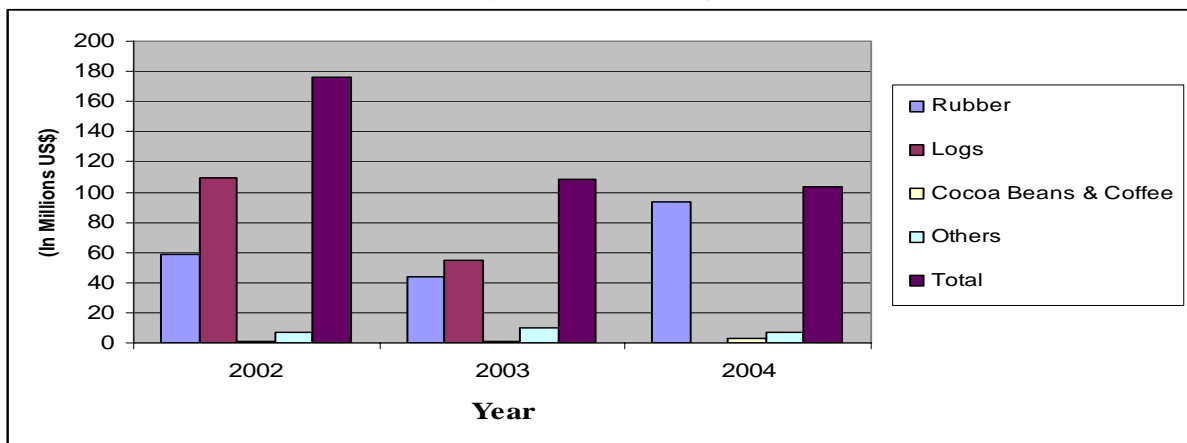
| Commodity | 2002 | 2003 | 2004 |
|----------------------|--------------|--------------|--------------|
| Rubber | 59.1 | 43.9 | 93.4 |
| Logs | 109.9 | 54.6 | - |
| Cocoa Beans & Coffee | 0.6 | 0.9 | 3.4 |
| Others | 6.5 | 9.5 | 7.0 |
| Total | 176.1 | 108.9 | 103.8 |

Source: Ministries of Commerce & Industry and the Forestry Development Authority, (FDA), Monrovia, Liberia

The narrowness of the export base has led to rubber now emerging as the single primary export commodity in the country. Rubber exports more than doubled in value, from US\$43.9 million recorded in 2003 to US\$93.4 million in 2004, representing an increase of 112.8 percent (Table 10 & Chart 6). This can be attributed to the intensification of rubber activities in the country as a result of the proliferation of rubber buying entities following the disarmament exercise and the gradual opening-up and accessibility of certain parts of the country.

The total receipt from cocoa beans and coffee had been less than US\$1.0 million for the last two years now. However, receipt from cocoa exports made a significant recovery during 2004 as there was no coffee export reported. It amounted to US\$3.4 million in the reporting period, compared to a combined receipt of US\$0.9 million from cocoa beans and coffee recorded in the previous year (Table 10 & Chart 6). The rise can be ascribed to the relative normalcy in the country which afforded firms the opportunity to increase their operations. Consequently, the number of cocoa exporting firms has now increased from three to five. Conjectural evidence seems to reveal massive smuggling activities at the country's borders, particularly with the Ivory Coast. With the intensification of hostilities in Ivory Coast (World's largest cocoa producer), producers of the commodity are likely to move their produce to the nearest borders for sale. The commodity is then re-exported by domestic cocoa-oriented firms.

**Chart 6: Commodity Composition of Exports
(2002-2004)
(In Millions US\$)**



Developments in the “other commodities” category during the preceding year contrasted sharply with those of the year under review. While export earnings from this category were on an increase in 2003, they took a downward movement in 2004. Receipts from these non-traditional export commodities i.e. scrap metals, charcoal, palm oil, sawn timber, etc. amounted to US\$7.0 million in the reporting period, compared with US\$9.5 million recorded for 2003 (Table 10 & Chart 6). This reduction also reflects the low-level activities in the logging sector as there was no exportation of sawn timber due to the current international embargo on logs.

Proceeds from iron ore stocks are also included in the “other commodities” category. Exportation of these stocks resumed in the latter part of the review year. Earnings from these stocks accounted for 78.6 percent of total receipts to this category.

A disaggregation of total export receipts for the year revealed that rubber exports accounted for 90.0 percent. Receipts from “other commodities” and cocoa beans accounted for 6.7 percent and 3.3 percent, respectively.

2.2 Exports by Country of Destination

The principal markets for the country’s exports shifted slightly during the reporting period. The direction of the country’s exports was the United States of America and Belgium, jointly accounting for 90.9 percent.

**Table 11: Exports by Country of Destination
(2002 – 2004)
(In Millions US\$)**

| Country | 2002 | 2003 | 2004 | % distribution of exports by country of destination, 2004 |
|--------------------------|--------------|--------------|--------------|--|
| Hong Kong | - | 41.2 | - | - |
| USA | 52.7 | 34.1 | 63.7 | 61.4 |
| Belgium | - | - | 30.6 | 29.5 |
| China | - | - | 5.5 | 5.3 |
| France | 90.0 | 16.3 | 1.7 | 1.6 |
| Other European Countries | 26.7 | 11.4 | 1.1 | 1.1 |
| Other Countries | 6.7 | 5.9 | 1.2 | 1.2 |
| Total | 176.1 | 108.9 | 103.8 | 100.0 |

Source: Ministry of Commerce and Industry, Monrovia, Liberia

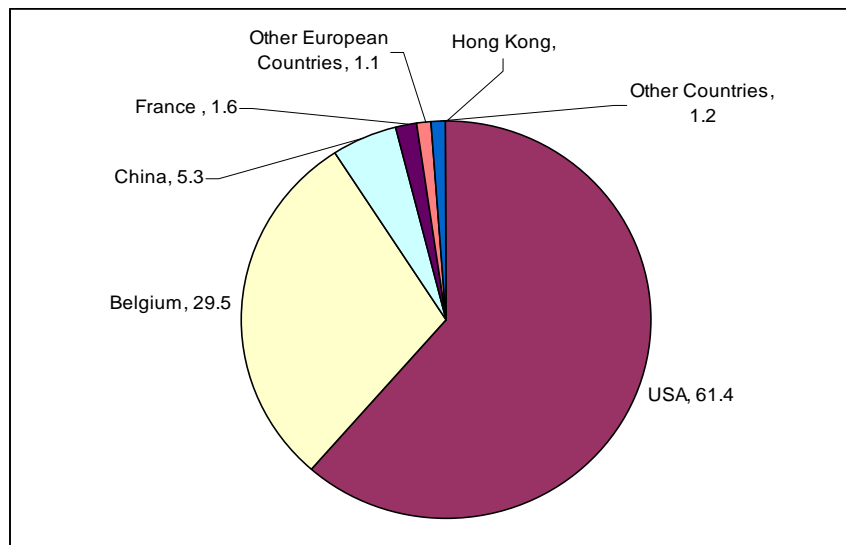
Export proceeds from the USA increased from US\$34.1 million in 2003 to US\$63.7 million in 2004 (Table 11 & Chart 7). About 67.0 percent of receipts from the sale of rubber during the year is included in this amount.

Belgium, which has not been a strong trading partner in previous years made a significant mark during the reporting period. The country accounted for the second larger share (29.5 percent) of Liberia's export market. Exports to Belgium were predominantly rubber, representing 32.0 percent of total rubber exports.

The relevance of France and Hong Kong as major export markets, as reported in 2003 was reversed in 2004. This was primarily on account of the international embargo on the log exports. As was reported, these countries are the principal markets for logs emanating from Liberia. With the enforcement of U.N. sanctions on the commodity, the countries' expenditures on exports from Liberia substantially reduced.

As of the latter part of 2004, China has emerged as a major trading partner. Exports to China, which were basically iron ore, amounted to US\$5.5 million, accounting for 5.3 percent of Liberia's export by country of destination in 2004.

Chart 7: Percentage Distribution of Exports by Country of Destination (2004)



2.3 Merchandise Imports

After plunging in 2003, the value of total import payments made a significant recovery in 2004. The turnaround was made possible as a result of heightened demand for imports which culminated into the increase in import payments to all major import categories except crude materials. The increase in demand for imports was mainly influenced by massive return of refugees coupled with the need to provide basic social services after the cessation of hostilities. Total import payments recorded in 2004 amounted to US\$336.8 million compared to US\$169.7 million in 2003 and US\$178.2 in 2002, representing increases of 98.5 percent and 89.0 percent, respectively (Table 12 and Chart 8).

**Table 12: Commodity Composition of Imports
(2002 – 2004)
(In Millions US\$)**

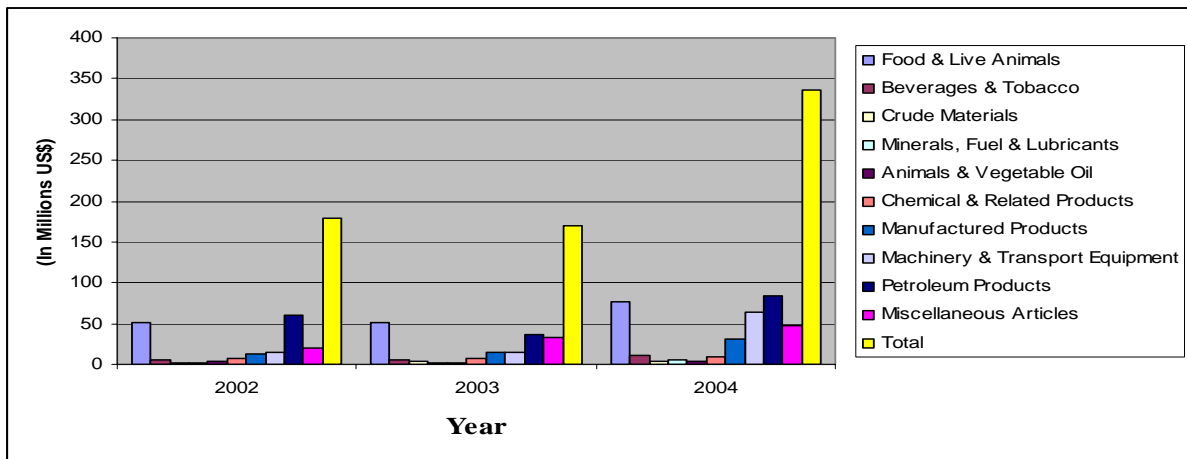
| Category | 2002 | 2003 | 2004 |
|---------------------------------|--------------|--------------|--------------|
| Food & Live Animals | 51.1 | 50.7 | 77.4 |
| Beverages & Tobacco | 5.6 | 5.5 | 11.5 |
| Crude Materials | 2.0 | 3.6 | 2.9 |
| Minerals, Fuel & Lubricants | 1.6 | 1.3 | 5.4 |
| Animals & Vegetable Oil | 2.8 | 2.5 | 3.4 |
| Chemical & Related Products | 7.5 | 6.8 | 8.9 |
| Manufactured Products | 12.1 | 14.9 | 31.7 |
| Machinery & Transport Equipment | 14.4 | 14.8 | 63.3 |
| Petroleum Products | 60.5 | 37.1 | 84.5 |
| Miscellaneous Articles | 20.6 | 32.6 | 47.8 |
| Total | 178.2 | 169.7 | 336.8 |

Source: Ministries of Commerce & Industry and the Forestry Development Authority, (FDA), Monrovia, Liberia

After slightly declining in 2003, import payments to the Food and Live Animals category rose sharply by US\$26.7 million or 52.7 percent, from US\$50.7 million to US\$77.4 million during the period under review. This rise was on account of increased demand for food items following the war and the gradual return of refugees and internally displaced individuals to their places of domicile.

Increased payments were also recorded in the Manufactured Products and Machinery & Transport Equipment categories. Payments to Manufactured Products amounted to US\$31.7 million compared to US\$14.9 million in 2003. Similarly, expenditures on Machinery and Transport Equipment more than quadrupled to US\$63.3 million in 2004 from US\$14.8 in 2003. Rise in payments to these capital goods categories is reflective of enhanced investment activities. The gradual improvement in investment in the country was largely due to increased investor and consumer confidence given the relative conducive security environment that prevailed in the country during the year.

**Chart 8: Commodity Composition of Imports
(2002 – 2004)
(In Millions US\$)**



The increase in payments to the Machinery and Transport Equipment category was also followed by increased expenditures on Petroleum Products. Expenditures on the two categories are usually positively correlated as Petroleum Products keep the wheels of industry moving. Accordingly, consistent with increase in payments to the Machinery and Transport Equipment category, import payments for Petroleum Products also rose concurrently by more than two-folds, from US\$37.1 in 2003, to US\$84.5 million at the end of the reviewed period.

For the third consecutive year, import payments to the Miscellaneous Articles category assumed an upward momentum. Payments to this category was US\$47.8 million in 2004, compared to US\$32.6 million in 2003. The 46.6 percent rise was mainly on account of enhanced humanitarian and relief activities by the international community in most part of the country.

A disaggregation of total import payments revealed that Petroleum Products accounted for the dominant share of 25.1 percent, followed by Food and Live Animals (23.0 percent), Machinery and Transport Equipment (18.8 percent), Miscellaneous Articles (14.2 percent) and Manufactured Products (9.4 percent).

III. MONEY, BANKING, AND EXCHANGE RATE DEVELOPMENTS

3.0 Monetary Policy

During the year 2004, the Central Bank of Liberia made tremendous efforts at carrying out its general mandate of maintaining a sound financial system in an environment characterized by a multiplicity of social and economic problems. However, with the assistance of the IMF, the Bank strategized to overcome some of the impediments. The absence of a capital market, inadequacy of monetary instruments, and the hybrid nature of the currency regime are some of those problems that the Bank must address under the technical assistance program; the implementation of some of the programs commenced in 2004. To strengthen the Bank's foreign reserve position, it adopted an expansionary monetary policy during the year under review.

The basis to adopt an expansionary monetary policy stems from the fact that the system was largely deemed illiquid thus making the domestic currency highly appreciated. This was also necessitated by the fact that the country was characterized by an immediate post conflict situation. The Bank therefore decided to provide adequate liquidity to the system through a planned program of currency infusion. During the reviewed period, the Bank rescinded two regulations including the regulation on the determination of interest rate on lending and the regulation concerning inter-bank trading.

3.1 Banking Developments

The Liberian Banking System has remained small comprising of four operating banks, including the Central Bank of Liberia. The Bank issued two provisional licenses to the following: (1) Global Bank (Liberia) Limited (GBLL) with an Italian ownership and (2) First International Bank (Liberia) Limited (FIB) owned by Nigerian investors. Arrangements are being concluded for the issuance of final licenses. There are also a number of non-bank financial institutions including forex bureaux, credit, saving and "susu" clubs that are actively involved in financial transactions. Although these transactions are done informally, it is believed that the volume is substantial. The total number of licensed forex bureaux as at December 31, 2004 was seventy (70). There is, however, a good number of unlicensed forex bureaux operators found in major business areas, markets, street corners and entertainment places.

The liquidation process culminating into actual payments to depositors of TRADEVCO began during the period under review. The total amounts paid to depositors as at December 31, 2004 were US\$6.5 million and L\$35.9 million. The outstanding claims in US and Liberian dollars are US\$2.0 million and L\$8.6 million, respectively. The liquidation of the Liberian United Bank Incorporated (LUBI) continued during the year under review. The total claims paid to depositors as at December 31, 2004 amounted to L\$57.1 million.

The aggregate capital of the operating commercial banks stood at L\$824.0 million as at December ending, 2004. Similarly, aggregate bank deposits for the 3 operating banks rose to L\$3,743.0 million as at December 31, 2004, from L\$2,940.6 million recorded at December ending, 2003. The increase in total banks' deposits depicts the frequent use of the banking system by the international community to facilitate the UN peacekeeping operations in the country.

Activities in the commercial banks were heightened in 2004 as evidenced by the volume of transactions in the clearinghouse. A total of 9,654 Liberian dollars checks with a value of L\$842.7 million was cleared, while a total of 31,169 US dollar checks with a value of US\$180.9 million was also cleared. When compared to 2003, there were only 4,248 Liberian-dollar checks with a value of L\$292.5 million, and 13,392 US-dollar checks with value of US\$54.6 million.

3.2 Monetary Developments

(A) Currency in Circulation

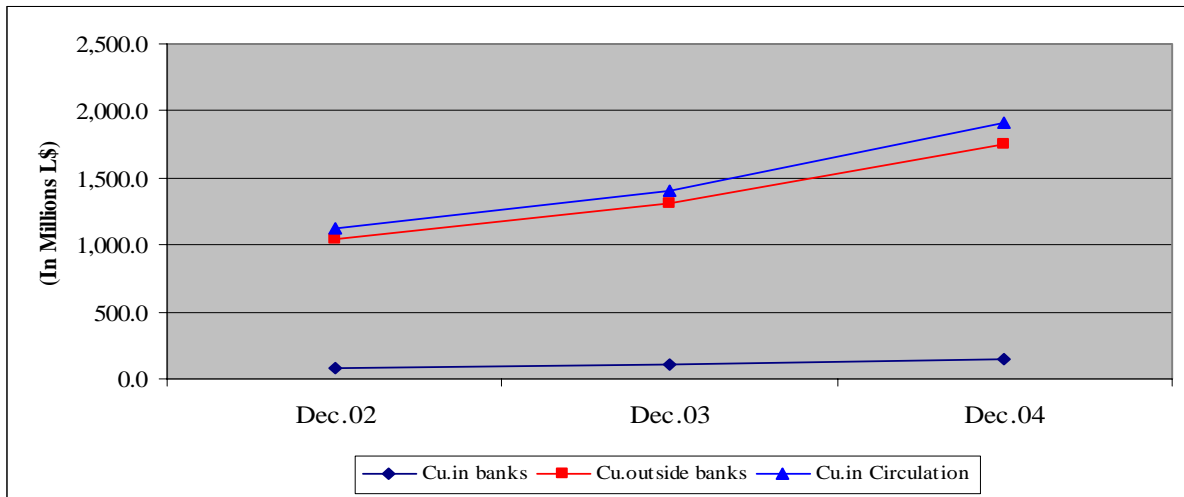
During the year 2004, currency in circulation rose by L\$499.8 million or 35.5 percent, from L\$1,408.7 million as at December ending, 2003 to L\$1,908.5 million as at December ending, 2004. When viewed against 2002, there is a substantial increase of L\$784.7 million or 69.8 percent. The increase in currency in circulation has its roots in the monetary expansion program intended to build a viable foreign reserve position of the Bank. This led to the increase in the stock of money by 39.0 percent during the year. The increase in currency in circulation was influenced by both currency outside banks and vault cash. Vault cash rose by 46.1 percent to L\$153.6 million at December ending, 2004, from L\$105.1 million recorded at December ending, 2003. In the same vein, currency outside banks rose by 34.6 percent to L\$1,754.9 million at December ending, 2004, from L\$1,303.6 million recorded at December ending, 2003 (Table 13 & Chart 9).

**Table 13: Currency in Circulation
(2002 – 2004)
(In Millions L\$)**

| End of Period | Currency in banks | Currency outside banks | Currency in circulation |
|-------------------------------|-------------------|------------------------|-------------------------|
| | (1) | (2) | (1+2=3) |
| 4 th Quarter, 2002 | 78.8 | 1,045.0 | 1,123.8 |
| 4 th Quarter, 2003 | 105.1 | 1,303.6 | 1,408.7 |
| 4 th Quarter, 2004 | 153.6 | 1,754.9 | 1,908.5 |

Source: Central Bank of Liberia, Monrovia, Liberia

**Chart 9: Currency in Circulation
(2002 – 2004)
(In Millions L\$)**



(B) Money Supply (M1)

Money supply (M1) or narrow money, comprising currency outside banks and demand deposits, recorded a substantial rise of L\$1,220.0 million or 48.7 percent to L\$3,726.8 million as at December 31, 2004, from L\$2,506.8 million recorded at December ending, 2003. There is a further increase of 57.7 percent when viewed against the corresponding period of 2002.

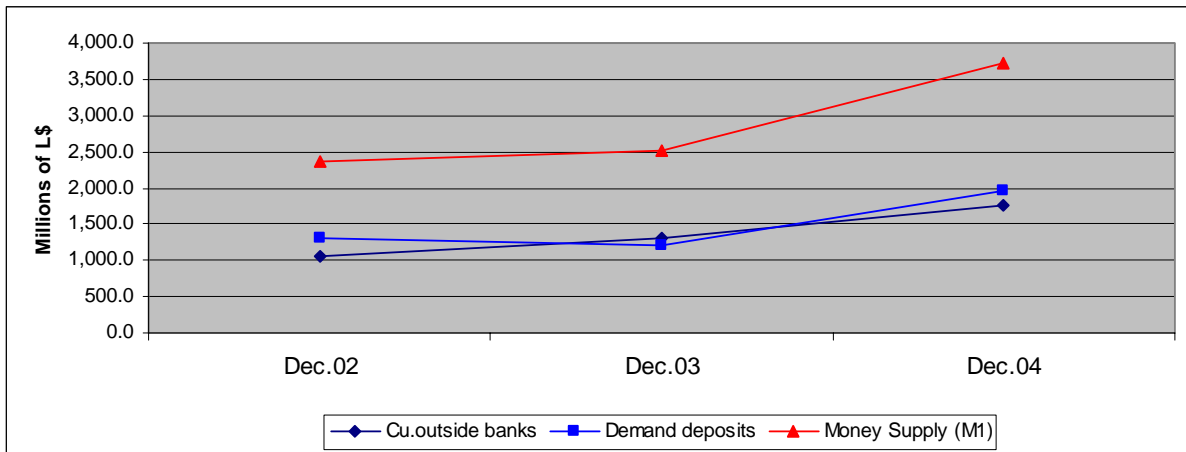
The overall increase in money supply for the reviewed period was largely influenced by the monetary expansion program of the Bank. Consequently, currency outside banks recorded an increase of 34.6 percent or L\$451.3 million while demand deposit increased by 63.9 percent or L\$768.7 million in absolute terms, for the review period (Table 14 & Chart 10).

**Table 14: Money Supply and Broad Money
(2002 – 2004)
(In Millions L\$)**

| End of Period | Currency Outside Bank | Demand Deposits | Money Supply M1 (1+2) | Savings Deposits | Time Deposits | Quasi Money (4+5) | Broad Money (M2) |
|---------------|-----------------------|-----------------|-----------------------|------------------|---------------|-------------------|------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (3+6) |
| Dec. 2002 | 1,045.0 | 1,318.2 | 2,363.1 | 470.6 | 64.8 | 535.4 | 2,898.5 |
| Dec. 2003 | 1,303.6 | 1,203.2 | 2,506.8 | 433.6 | 0.3 | 433.9 | 2,940.6 |
| Dec. 2004 | 1,754.9 | 1,971.9 | 3,726.8 | 956.0 | 4.2 | 960.3 | 4,687.1 |

Source: Central Bank of Liberia, Monrovia, Liberia

**Chart 10: Money Supply
(2002 – 2004)
(In Millions L\$)**

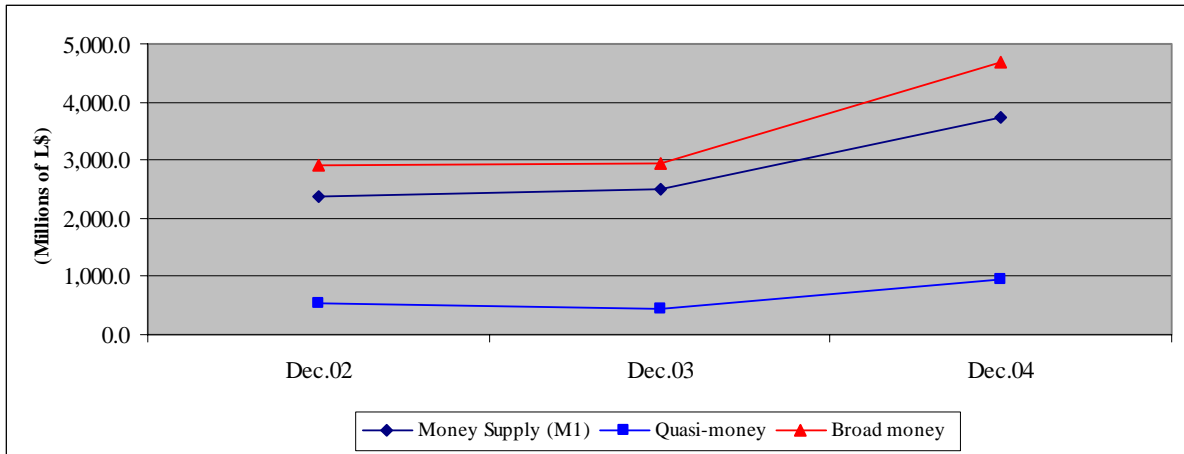


(C) Broad Money (M2)

Broad money (M2) or overall liquidity recorded a marked increase of 59.4 percent to L\$4,687.1 million as at December ending, 2004, from L\$2,940.6 million recorded at December ending, 2003. When viewed against December of 2002, a 61.7 percent increase is recorded (Table 14 & Chart 11).

The increase in overall liquidity was influenced by money supply (M1) as well as quasi-money. The Bank's program of building a strong foreign reserve position led to the issuance of new banknotes during the period under review.

**Chart 11: Broad Money
(2002 – 2004)
(In Millions L\$)**



3.3 Commercial Banks' Loans and Advances

The commercial banks' total outstanding loans and advances to all economic sectors stood at L\$2,479.2 million as at December ending, 2004. There was an absolute increase of L\$470.3 million or 23.4 percent when compared to the preceding year of 2003. Similarly, when the level of outstanding loans and advances is compared to the level recorded for 2002, there is also an absolute increase of L\$84.7 million or 3.5 percent (Table 15).

The increase in total commercial banks' loans and advances for the reviewed period was largely influenced by activities taking place in all sectors except mining and quarrying which has been dormant for the past few years. The overall increase in total commercial banks' loans and advances to the various sectors of the economy was made possible generally by the relative peace that prevailed in 2004. The sectoral distribution of loans and advances showed that the "other" sector, which comprises the Government, the Central Bank of Liberia, among others, accounted for 68.0 percent of total credits in 2004. This portfolio was increased by L\$126.3 million or 8.1 percent when compared to 2003. The Government accounted for 25.6 percent, while the Central Bank of Liberia accounted for 27.7 percent of total loans and advances for the year under review.

The trade, hotel and restaurant sector which accounted for 19.1 percent of total credits, increased its credits by 136.1 percent to L\$474.5 million at December ending, 2004, from L\$201 million recorded at December ending, 2003.

The agriculture sector accounted for 8.0 percent of total credits in 2004 and its portfolio was increased by L\$13.3 million to L\$197.4 million, from L\$184.2 million recorded at December ending, 2003.

The remaining sectors also recorded increases in their respective portfolios. The construction sector accounted for 2.3 percent of total credits and it recorded a slight increase of 13.1 percent in its portfolio, to L\$58.0 million at December ending, 2004.

The transportation, storage and communication sector accounted for 1.8 percent of total loans and advances and it showed an increase in credits of 854.0 percent to L\$45.7 million at December ending, 2004.

The manufacturing sector which accounted for less than 1.0 percent of total credits showed a marked increase in its portfolio; from L\$7.4 million recorded at December ending, 2003, its total credits increased to L\$16.9 million at December ending, 2004.

**Table 15: Commercial Banks' Loans by Economic Sector
(2002-2004)
(In '000 L\$)**

| | Dec. 2002 | | Dec. 2003 | | Dec. 2004 | |
|----------------------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | | % Dist. | | % Dist. | | % Dist. |
| 1. Agriculture | 193,463 | 8.1 | 184,170 | 9.2 | 197,425 | 8.0 |
| 2. Mining & Quarrying | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 3. Manufacturing | 15,810 | 0.7 | 7,355 | 0.4 | 16,906 | 0.1 |
| 4. Construction | 28,005 | 1.2 | 51,306 | 2.6 | 58,015 | 2.3 |
| 5. Trans., Storage & Comm. | 8,947 | 0.4 | 4,795 | 0.2 | 45,745 | 1.8 |
| 6. Trade, Hotel & Rest. | 210,061 | 8.8 | 201,000 | 10.0 | 474,497 | 19.1 |
| 7. Other | 1,938,161 | 80.9 | 1,560,259 | 77.7 | 1,686,562 | 68.0 |
| Total | 2,394,447 | 100.0 | 2,008,886 | 100.0 | 2,479,150 | 100.0 |

Source: Central Bank of Liberia, Monrovia, Liberia

3.4 Interest Rates

With the exception of average time deposit rate, mortgage rate and average rate on CDs which showed slight increase of 1.1 percentage points, 1.4 percentage points and 0.1 percentage point, respectively; the remaining rates showed declines.

The average lending rate fell slightly by 0.3 percentage point, from 17.49 percent at December ending, 2003 to 17.20 percent at December ending, 2004. The personal loan rate followed similar trend; it declined by 0.1 percentage point to 12.90 percent at December ending, 2004, from 12.99 percent recorded at December ending, 2003 (Table 16).

**Table 16: Interest Rates
(2002-2004)**

| | Dec-02 | Dec-03 | Dec-04 |
|-------------------------|---------------|---------------|---------------|
| Avg. Lending Rate | 16.94 | 17.49 | 17.20 |
| Avg. Personal Loan Rate | 14.34 | 12.99 | 12.90 |
| Avg. Mortgage Rate | 12.00 | 10.95 | 12.00 |
| Avg. Time Deposit Rate | 6.00 | 4.56 | 6.00 |
| Avg. Savings Rate | 6.00 | 5.22 | 3.00 |
| Avg. Rate On CDs | 5.00 | 4.92 | 5.00 |

Source: Central Bank of Liberia, Monrovia, Liberia

3.5 Exchange Rates

During the year under review, the movements in the exchange rate were less volatile. For the first four (4) months (January – April) of 2004, the end-of-period exchange rate was stable at L\$54.50 per US dollar. The trend changed in May when it assumed a depreciated posture and went from L\$56.50 per US dollar to L\$58.50 per US dollar in August. From September to December, it fluctuated between L\$54.50 and L\$50.50 per US dollar. It, however, stabilized at L\$54.50 per US dollar in December.

Despite its stable posture during most part of the year, the exchange rate however depreciated when viewed against the rate recorded at the end of December 2003. It rose from L\$50.50 per US dollar at December ending, 2003 to L\$54.50 per US dollar at December ending, 2004, a depreciation of 1.9 percent. When viewed against the corresponding period of 2002, it however showed a high degree of appreciation. From L\$65.00 per US dollar recorded at December ending, 2002, the exchange rate appreciated by 16.2 percent to L\$54.50 per US dollar at December ending, 2004 (Table 17).

**Table 17: Exchange Rates: L\$/US\$
(2002-2004)**

| | Dec-02 | Dec-03 | Dec-04 |
|------------------------------------|---------------|---------------|---------------|
| Market Rate: End of Period Average | 65.00 | 50.50 | 54.50 |
| Market Rate: Period Average | 56.76 | 46.64 | 52.28 |

Source: Central Bank of Liberia, Monrovia, Liberia

The stability experienced in the exchange rate during 2004 was due to a number of factors including:

- ❖ The relatively peaceful environment created by the international community and the UN operation throughout the country including disarmament of combatants, resettlement of displaced people, and the use of appreciable amount of US dollars to carry out their operations.
- ❖ Resuscitation of business establishments in and around Monrovia as well as in other parts of the country which have been declared safe by the UN peacekeeping troops.
- ❖ Increased competition in the foreign exchange market as the number of officially registered forex bureaux increase.
- ❖ The implementation of the foreign exchange auction program by the Central Bank of Liberia which began in July of 2004.
- ❖ Increased level of remittances to the country. For the period January – November, 2004, a total of US\$430.9 million was recorded as inward remittance while US\$383.8 million represented outward remittance, resulting to a net inflow of US\$47.1 million.
- ❖ Monitoring of daily exchange rate by the Central Bank of Liberia to ensure that no unscrupulous forex bureaux operators or business establishments manipulate the exchange rate to the detriment of the public.

3.7 The Auction Program

In consultation with the International Monetary Fund, the Bank began the implementation of a foreign exchange auction program in July of 2004. This program, being the first foreign exchange auction conducted by the Central Bank of Liberia was intended to maximize proceeds of GOL's sale of US dollars through the use of a transparent mechanism. The Bank and the Ministry of Finance agreed to conduct the auction and the funding would come from the Ministry. Thirteen (13) auctions were conducted and a total of US\$3.8 million was purchased by commercial banks and foreign exchange bureaux at various auction rates. Proceeds there from were credited to GOL's Payroll Account-LD.

The auction program encountered a problem of funding as early as in August. In order to keep the program on course, the Bank funded it with the understanding that the Ministry of Finance would repay. The program is still in place and is expected to be in operation for about a year, after which an assessment will be conducted to ascertain as to whether or not it should be continued.

The program is generally considered as one of the factors that brought about the relative stability in the exchange rate for most part of the year under review. In addition, operation of the United Nations Mission in Liberia with huge amount of cash outlay for various activities such as disarmament of former combatants, resettlement of displaced people, implementation of quick-impact projects, etc., can also be seen as an explanatory factor, for the stability of the rate during the year.

IV. Fiscal Developments

4.0 Fiscal Policy

As was the case of the previous year, there was no enactment of new tax laws during the year 2004. However, implementation of provisions of the New Tax Code of Liberia passed into Law by the National Legislature in 2000 remained the major focus of the Fiscal Authority. Coupled with this was the constitution of a Cash Management Committee (CMC) by the Chairman of the National Transitional Government of Liberia (NTGL) during the period under review. The mandate of the Committee was to promulgate payment policies based on cash plans submitted by government agencies in keeping with the cash position of the government at all times during the year. The objective of the Cash Management Committee is to ensure proper management of government's finances in the context of transparency, efficiency and accountability. Revenue collection during the year under review improved considerably largely as a result of the centralization of all Government accounts at the Central Bank of Liberia.

4.1 Government Finances

(A) Revenue

The aggregate revenue collected for the year under review totaled L\$3,408.0 million (or US\$68.2 million at a conversion of L\$50 to US\$1). This amount is L\$908.1 million or 36.3 percent more than the total revenue generated during the year 2003. This positive performance was generally a result of the relatively improved security condition that prevailed throughout the country due to the UN operation. Since the deployment of the UN peacekeeping troops in Liberia beginning in 2003, there has been a proliferation of new business establishments in and around Monrovia as well as in other cities and towns in a number of counties and these businesses have been contributing to government's revenue generating efforts.

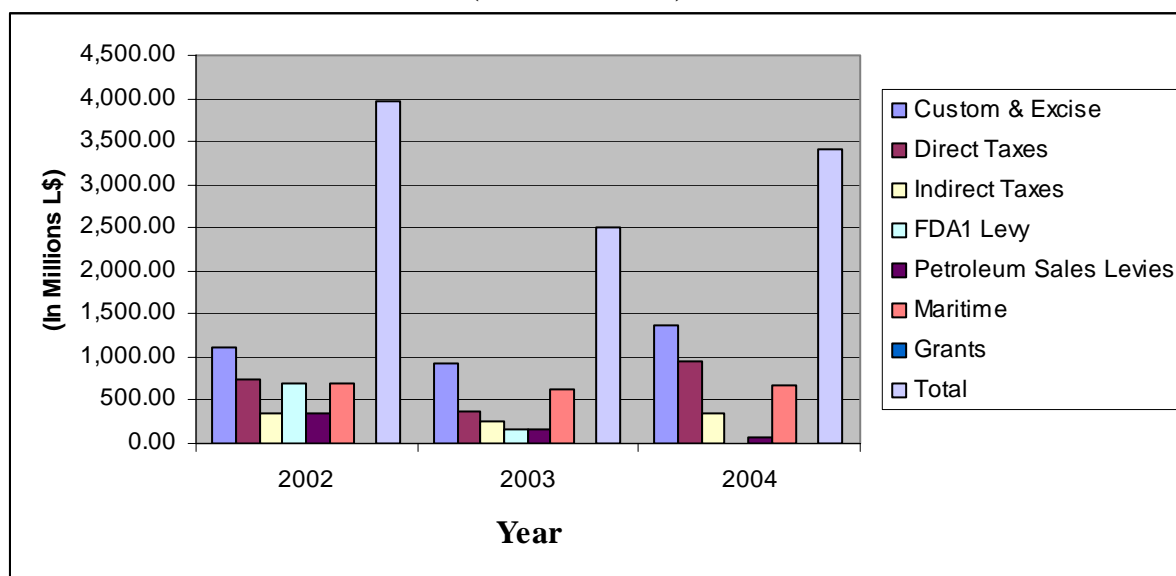
**Table 18: Government of Liberia Revenue by Sources
(2002-2004)
(In Millions L\$)**

| Revenue Sources | 2002 | 2003 | 2004 |
|------------------------|----------------|----------------|----------------|
| Custom & Excise | 1,124.7 | 918.5 | 1,365.1 |
| Direct Taxes | 752.0 | 364.0 | 947.6 |
| Indirect Taxes | 342.8 | 261.4 | 358.5 |
| FDA ¹ Levy | 707.0 | 156.5 | 0.0 |
| Petroleum Sales Levies | 347.9 | 170.5 | 60.5 |
| Maritime | 685.3 | 629.0 | 676.3 |
| Grants | - | - | 0.0 |
| Total | 3,959.7 | 2,499.9 | 3,408.0 |

¹ Forestry Development Authority (FDA)

Source: Ministry of Finance, Monrovia, Liberia

**Chart 12: Government of Liberia Revenue by Sources
(2002-2004)
(In Millions L\$)**



Total revenue collected for the current year accounts for about 16.8 percent of the estimated GDP of US\$406.5 million for 2004. Of the aggregate revenue, tax revenues account for L\$2,731.7 million or 80.2 percent while non-tax revenue (Maritime fees) accounts for L\$676.3 million or 19.8 percent. A disaggregation of total revenue by sources shows that the Custom & Excise Tax category accounts for 40.1 percent; Direct Taxes, 27.8 percent; Indirect Taxes, 10.5 percent; Petroleum Sales Levy, 1.8 percent; and maritime fees, 19.8 percent (Table 18 and chart 12). Except for Petroleum Sales Levy, revenue from all other sources increased during the year when compared to 2003. Custom and Excise, Direct Taxes, Indirect Taxes, and Maritime fees showed increases of 48.6 percent, 16.0 percent, 37.1 percent and 7.5 percent, respectively, during the period under consideration (Table 18 & Chart 12). No revenue was reported by FDA due to UN sanction on logs exports from Liberia. As it has been for the past few years, no grants were recorded for the reporting period.

(B) Expenditure

Total outlay by Government for the year 2004 amounted to L\$3,613.6 million (or US\$72.3 million at a conversion of L\$50 to US\$1). When compared to 2003, total government spending in 2004 increased considerably by L\$1,007.3 million or 38.6 percent, from L\$2,606.3 million in 2003. Aggregate expenditure for the year accounts for about 17.8 percent of the Gross Domestic Product (GDP) estimated for 2004 (Table 19 & Chart 13).

The recurrent component of the total expenditure for the year was recorded at L\$2,995.8 million or 82.9 percent while the development component totaled L\$617.8 million, representing 17.1 percent of total expenditure. Of the total recurrent expenditure, the General Administration category accounts for 55.0 percent, Social & Community Services, 18.8 percent, Economic Services, 4.2 percent, and GOL Special Commitment, 22.0 percent.

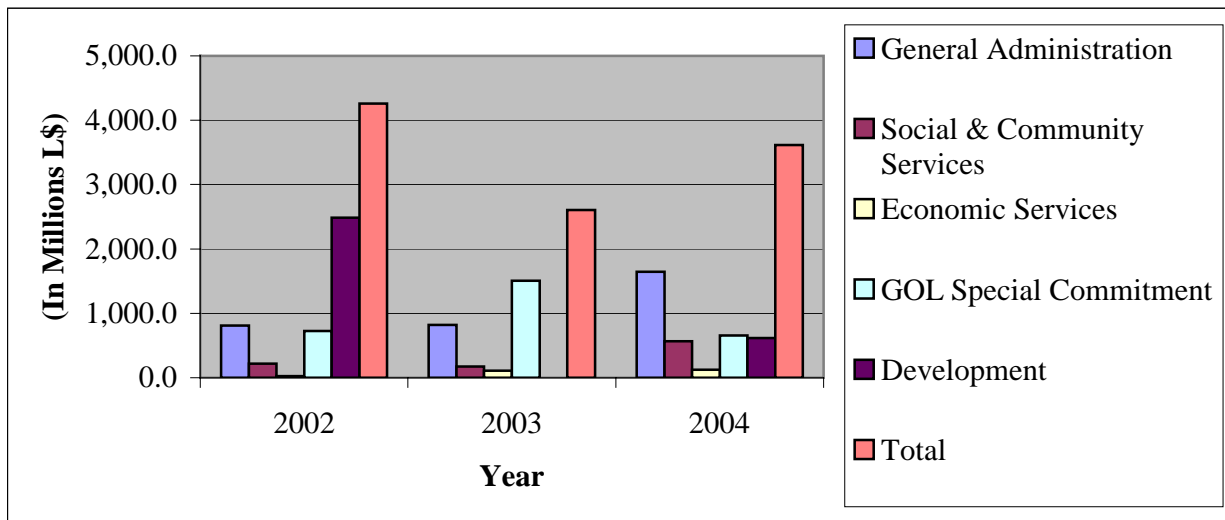
Except for the GOL Special Commitment category of expenditure which showed a decline of 15.6 percent for the period under review, all categories of expenditure recorded increases for the year when compared to 2003 (Table 19 & Chart 13).

**Table 19: Government of Liberia Expenditure by Category
(2002-2004)
(In Millions L\$)**

| Expenditure Category | 2002 | 2003 | 2004 |
|-----------------------------|----------------|----------------|----------------|
| General Administration | 811.2 | 819.6 | 1,647.4 |
| Social & Community Services | 217.7 | 172.0 | 564.5 |
| Economic Services | 23.2 | 108.7 | 125.7 |
| GOL Special Commitment | 725.2 | 1,506.0 | 658.2 |
| Development | 2,483.0 | - | 617.8 |
| Total | 4,260.3 | 2,606.3 | 3,613.6 |

Source: Ministry of Finance, Monrovia, Liberia

**Chart 13: Government of Liberia Expenditure by Category
(2002-2004)
(In Millions L\$)**



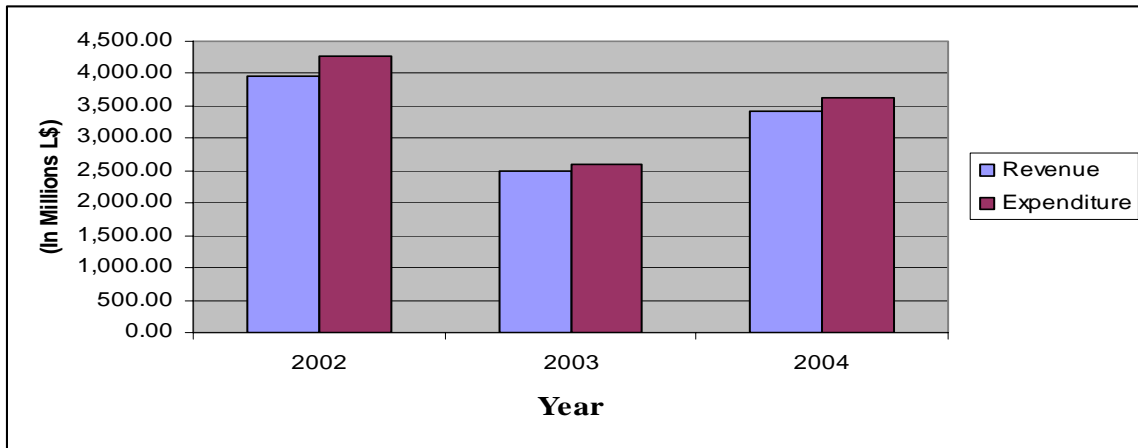
Annual recordings of revenue and expenditure for the period under review show that expenditure exceeded revenue by L\$205.6 million or 6.0 percent. Generally, the increase was largely influenced by government's huge spending on General Administration (Table 20 & Chart 14).

**Table 20: Government of Liberia Revenue and Expenditure
(2002 – 2004)
(In Millions L\$)**

| | 2002 | 2003 | 2004 |
|-------------|-------------|-------------|-------------|
| Revenue | 3,959.7 | 2,499.9 | 3,408.0 |
| Expenditure | 4,260.3 | 2,606.3 | 3,613.6 |

Source: Ministry of Finance, Monrovia, Liberia

**Chart 14: Government of Liberia Revenue and Expenditure
(2002 – 2004)
(In Millions L\$)**



(C) Budget Performance

(i) National Budget: 2003/2004

For the fiscal year 2003/2004, there was no approved budget as a result of the war that persisted in almost all parts of the country in 2003. However, the amounts of L\$2,730.2 million and L\$2,573.0 million represented total revenue and expenditure for the period July 2003-June, 2004, respectively.

(ii) National Budget: 2004/2005

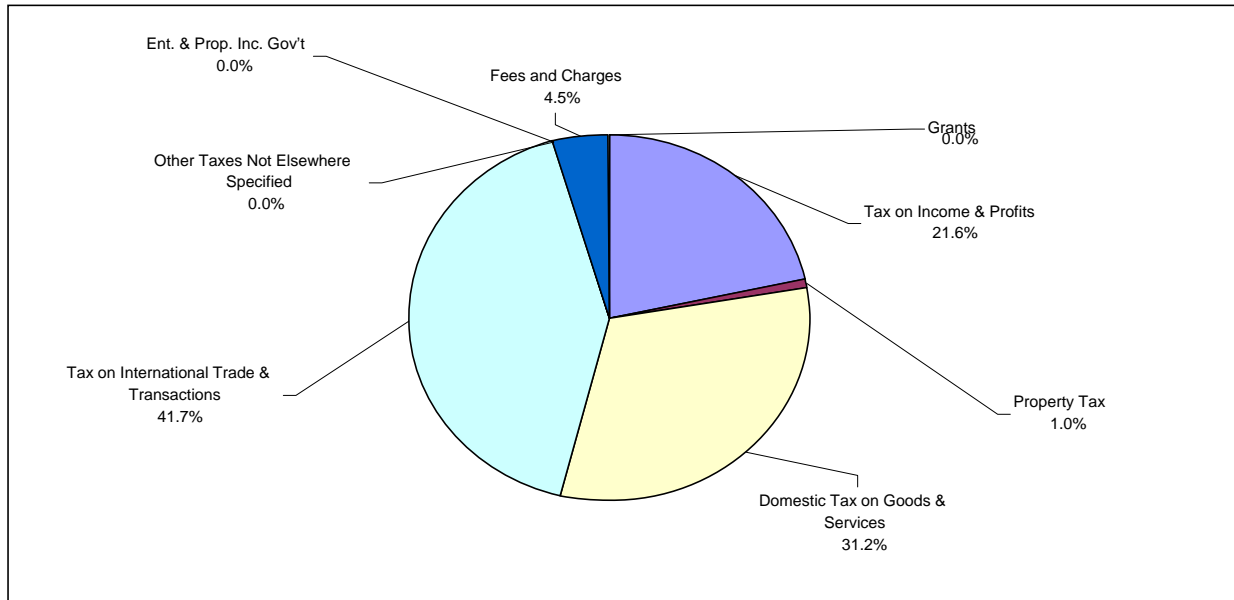
The NTLA approved a budget of L\$4,000 million (US\$80.0 million when converted at L\$50 to US\$1) for the fiscal year 2004/2005. This budget represented 19.7 percent of the projected GDP for 2004. Operationally, the budget was considered to be a cash-based budget and was expected to be implemented in that manner. However, at the end of the year, total revenue generated fell short of what was projected and aggregate expenditure surpassed actual revenue by L\$205.6 million. As Government creditworthiness had eroded over the years, it found it difficult to finance the deficit through domestic or external borrowing. Some proportion of the public domestic debt, including civil servants' salary arrears was left to accumulate. Projected revenue for the budget showed that tax on income and profits would generate 21.6 percent of total revenue; tax on international trade and transactions, 41.7 percent; domestic tax on goods & services, 31.2 percent; fees and charges, 4.5 percent; and property tax, 1.0 percent (Table 21 and Chart 15).

**Table 21: Summary of Sources of Projected Government Revenue
(2004/2005)
(In Millions L\$)**

| Revenue Category | 2004/2005 Projected Revenue | % Share of National Budget |
|---|--|---|
| Tax on Income & Profits | 864.0 | 21.6 |
| Property Tax | 40.0 | 1.0 |
| Domestic Tax on Goods & Services | 1,249.0 | 31.2 |
| Tax on International Trade & Transactions | 1,667.5 | 41.7 |
| Other Taxes Not Elsewhere Specified | - | - |
| Ent. & Prop. Inc. Gov't | - | - |
| Fees and Charges | 179.5 | 4.5 |
| Grants | - | - |
| Total | 4,000.0 | 100.0 |

Source: Bureau of the Budget, Monrovia, Liberia

**Chart 15: Summary of Sources of Projected Government Revenue
(2004/2005)
(In Millions L\$)**



When the budget is disaggregated, the recurrent component constitutes about L\$3,558.7 million or 89.0 percent and the development component, L\$441.3 million or 11.0 percent.

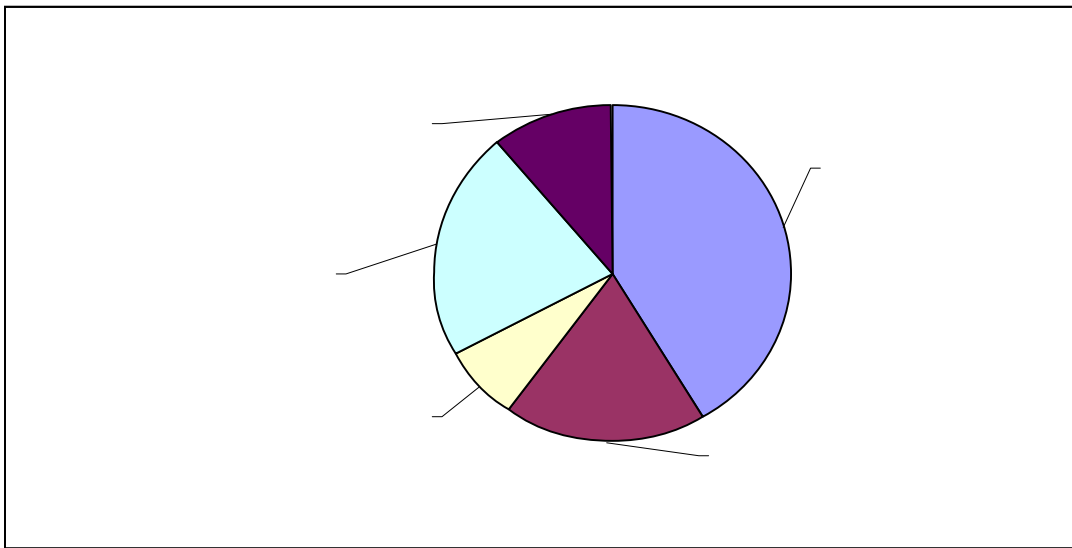
A sectoral distribution of the budget shows that the General Administrative Services sector was allotted an amount of L\$1,651.7 million or 41.3 percent of the budget, followed by General Government, L\$880.2 million (22.0 percent); Social and Community Services, L\$745.3 million (18.6 percent); Government development programs, L\$441.3 million (11.1 percent); and Economic Services Sector, L\$281.5 million (7.0 percent) (Table 22 and Chart 16).

**Table 22: Sectoral Summary of the National Budget
(2004/2005)
(In Millions L\$)**

| Sector | 2004/2005 Projected Expenditure | % Share of National Budget |
|---------------------------------|--|-----------------------------------|
| General Administration Services | 1,651.7 | 41.3 |
| Social & Community Services | 745.3 | 18.6 |
| Economic Services Sector | 281.5 | 7.0 |
| General Government | 880.2 | 22.0 |
| Public Capital Expenditure | 441.3 | 11.1 |
| Total | 4,000.0 | 100.0 |

Source: Bureau of the Budget, Monrovia, Liberia

**Chart 16: Sectoral Summary of the National Budget
(2004/2005)
(In Millions L\$)**



Of the aggregate revenue generated during the year under review, L\$1,727.2 million or 50.7 percent was mobilized during the first half (January - June) of the year (the last six months of the 2003/2004 fiscal year); while the remaining L\$1,680.8 million or 49.3 percent was generated during the second half (July – December) of the year (the first six months of the fiscal year 2004/2005). Accordingly, the amount of L\$1,899.20 million or 52.6 percent of the total expenditure recorded for 2004 was expended during the first half of the year; while L\$1,714.40 million or 47.4 percent represented total spending of the Government for the second half of the year under review.

V. PUBLIC DEBT MANAGEMENT

5.0 Public Debt

At the end of the year 2004, the aggregate debt stock of Liberia was estimated at US\$3,390.2 million. This amount is 2.7 percent higher than the level recorded for 2003. Of the total debt stock, aggregate accrued interest is about US\$1,471.6 million or 43.4 percent while the principal represents US\$1,918.6 million or 56.6 percent. In terms of percentage of the GDP of Liberia for the period under review, the national debt stock now accounts for about 834.0 percent of the estimated GDP of US\$406.5 million. The debt stock comprises of two major categories – the external and domestic (Table 22 & Chart 16).

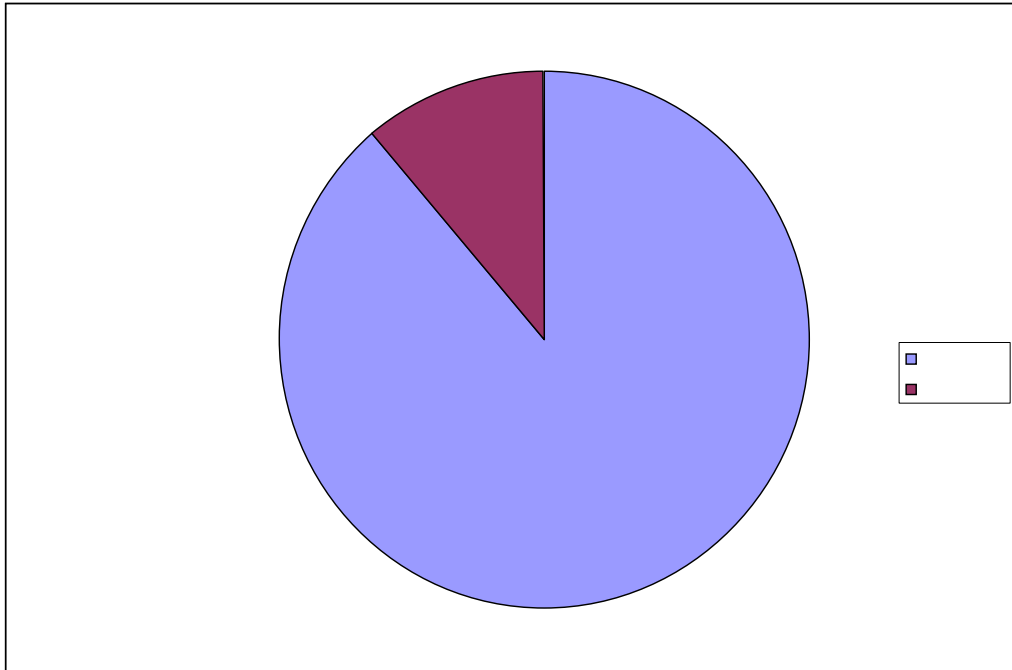
**Table 23: Summary of Liberia's Public Debt by Creditor
(As at December, 2004)
(In Millions US\$)**

| EXTERNAL DEBT | 2003 | 2004* | | | % Dist. Of Total Debt Stock by Creditor |
|----------------------------|----------------|----------------|------------------|----------------|---|
| | | Principal | Accrued Interest | Total | |
| Multilateral | 1,470.0 | 706.6 | 778.6 | 1,485.2 | 43.8 |
| Bilateral | 824.2 | 507.8 | 362.7 | 870.5 | 25.7 |
| External Banks' Credit | 559.0 | 312.9 | 300.1 | 613.0 | 18.1 |
| Suppliers' Credit | 40.7 | 41.4 | - | 41.4 | 1.2 |
| Sub-Total | 2,893.9 | 1,568.7 | 1,441.4 | 3,010.1 | 88.8 |
| Domestic Debt | 407.9 | 349.9 | 30.2 | 380.1 | 11.2 |
| Sub-Total | 407.9 | 349.9 | 30.2 | 380.1 | |
| Total Stock of Debt | 3,301.8 | 1,918.6 | 1,471.6 | 3,390.2 | 100.0 |

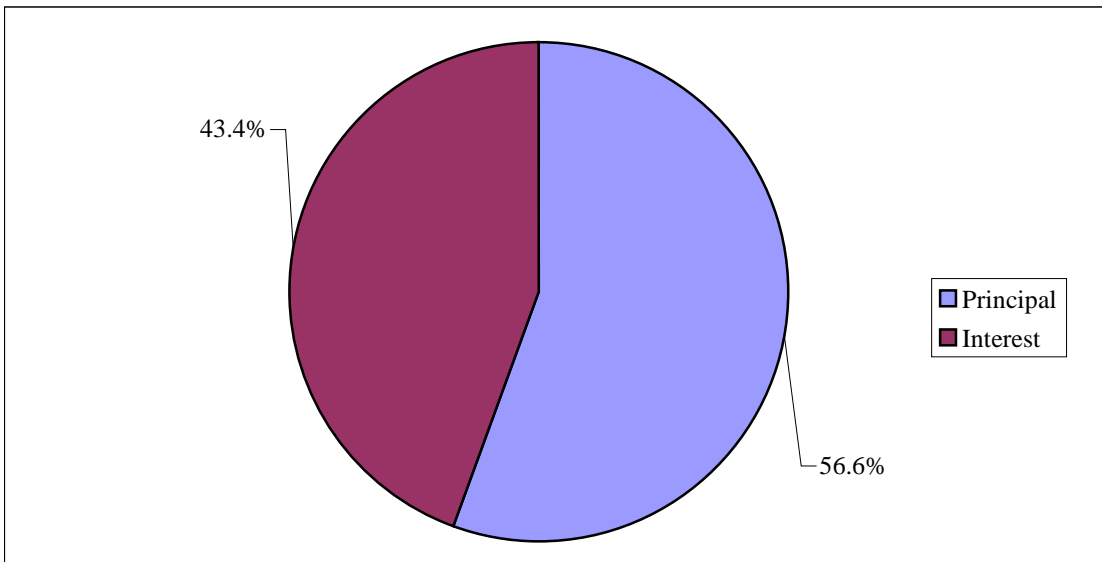
* *Figures are estimates*

Source: Financial Institutions, Public Corporations, Government Ministries, Central Bank of Liberia (CBL)

**Chart 17: Percentage Distribution of National Debt by Category
(As at December, 2004)**



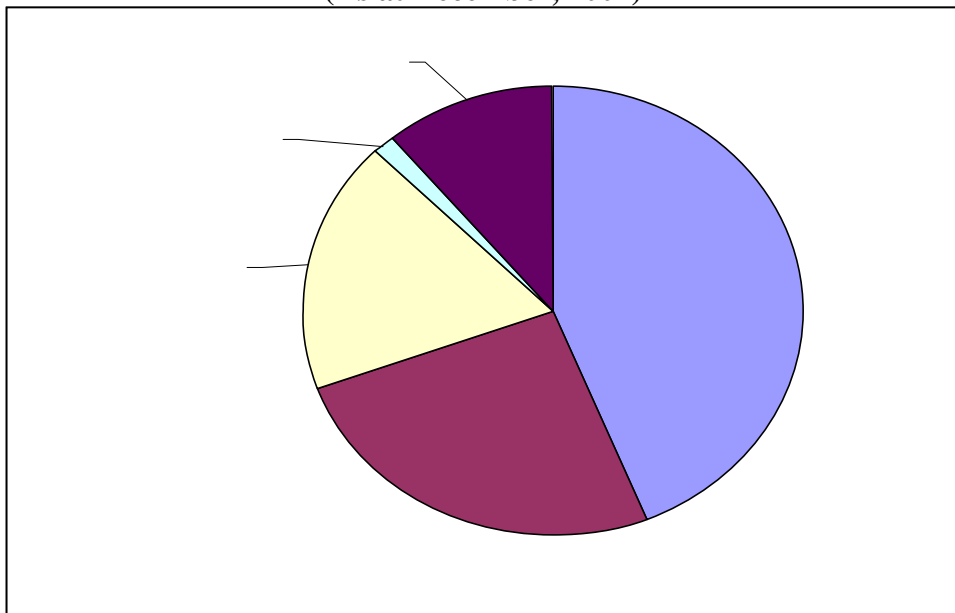
**Chart 18: Percentage Distribution of National Debt by Principal and Interest
(As at December, 2004)**



5.1 External Debt

The external component of the national debt stock is estimated at US\$3,010.1 million inclusive of the accrued interest of US\$1,471.6 million. It represents about 88.8 percent of the total public debt. It increased by 4.0 percent over the level recorded at the end of 2003. The major external creditors include multilateral and bilateral, which now jointly account for US\$2,355.7 million or 78.3 percent of total external debt, and 69.5 percent of the aggregate debt stock. External banks and suppliers' credits totaled US\$654.4 million or 21.7 percent of the total external debt, and 19.1 percent of the aggregate debt (Chart 19).

**Chart 19: Percentage Distribution of Total Debt Stock by Creditor
(As at December, 2004)**



5.2 Domestic Debt

As at December ending, 2004, total domestic debt of the government was recorded at US\$380.1 million, representing 11.2 percent of the national debt stock (Table 22 & Chart 16). It reduced by 6.8 percent when compared to the level recorded for the year 2003. The reduction was generally a result of some minimum payments made by the Government (e.g. salary arrears due civil servants) during the year. Domestic creditors of the government include, among others, the erstwhile National Bank of Liberia (the amount involved is

payable to the Central Bank of Liberia), commercial banks and suppliers. Included in the domestic debt also is the value of the 1981 Government of Liberia (GOL) Saving Bonds which are yet to be redeemed.

The Government is exerting every effort to address the problem of its domestic debt. As it is in the case of the IMF, minimum payments are being made by government against its domestic debt. It is envisaged that payments of government's domestic debt and arrears will be regularized which would help rebuild public confidence, enhance efforts at economic recovery, and contribute towards sustainable growth and development. The government is implementing a program that would entail the establishment of a verifiable and comprehensive data base for equitable settlement of its debt.

5.3 The Debt Burden

The magnitude of Liberia's public debt threatens efforts aimed at national reconstruction and economy recovery. Over the years, the Government had been unable to significantly service its debt. The situation has been compounded by the civil war that lasted for about 14 years. The war created an environment of economic dysfunctionality. The real sector of the economy became dormant and remained essentially moribound during the year under review with imports surpassing exports. Most socio-economic variables still indicate deteriorating condition as Liberia enters a new political era when general and presidential elections are expected in October of 2005. The sluggish performance of the economy continues to contribute to government's inability to meaningfully service its debt obligations. However, in spite of the financial difficulties facing the government, it is making monthly token payments to the International Monetary Fund and to some domestic creditors.

VI. REPORT ON ACTIVITIES OF THE CENTRAL BANK OF LIBERIA

6.0 Administration

(A) Board of Governors

The Board of Governors of the Central Bank of Liberia for the year 2004 consisted of Mr. Elie E. Saleeby, Executive Governor and Chairman of the Board who later resigned and was replaced by a member of the Board, Mr. Charles A. Greene, as Acting Executive Governor. Mr. Greene was subsequently confirmed as Executive Governor during the latter part of the year in review. Other members of the Board consisted of Mr. Nathaniel Barnes, Mr. Thomas D.V. Hanson, and Mr. David K. Vinton.

(B) Management

Although there was a change of governorship of the Bank during the year, the management remained generally focused in its efforts to rebuild the substantially lost confidence in the banking system and to improve transparency and accountability. In this regard, the bank, in collaboration with the IMF, initiated a number of policy measures in the areas of monetary operation and banking supervision, e.g. reserve requirement, interest rate, inter bank trading, foreign exchange auction, etc. Implementation of most of the short and medium term policy measures initiated by the management of the Bank in the latter part of 2004 will begin in early 2005.

The management embarked upon a restructuring exercise of the Bank during the year under review. The objective of the exercise was to downsize the Bank and make it operationally efficient and effective.

(C) Human Resource Development and Organizational Matters

The year 2004 ended with 124 employees, excluding the Executive Governor and his deputy. This number of employees is less by 79 persons when compared to the level recorded for 2003. During the year, 22 persons were employed; 8 employees dismissed; 3 resigned and 1 died. Also, 3 staff members were promoted, and 3 transferred. The drastic decline in the number of employees was necessitated by a restructuring exercise with the aim of downsizing and substantially automating the operations of the Bank. This led to the outsourcing of the Security Unit, dissolution of the Corporate Secretary Section and the termination of services of four of the contractors employed at the Bank.

Employees affected under the restructuring exercise were categorized as follows: Statutory retirement (4), voluntary retirement (50), severance (24).

i. Local Training

Four sections of the In-house computer training program for Bank staff were conducted offering courses in Window Basics, Word, Excel and Access.

ii. Foreign Training

Four of the employees who were pursuing graduate degrees returned with MBA/MA in various disciplines. Those who returned are Messrs Augustine Ngafuan, James Wilfred, Micheal Ogun and Mrs. Juah Feika.

Official Foreign Travel

During the year under review, there were a number of foreign trips made on behalf of the Bank. The Acting Executive Governor attended meetings of the West Africa Monetary Agency (WAMA), the West African Institute for Financial and Economic Management (WAIFEM), the Board of Governors of the West African Central Banks and the joint Annual meetings of the World Bank and the International Monetary Fund (IMF), in Senegal, Guinea, Ghana and the United States of America, respectively. Also during the year, three executive directors and one manager went to the Bank of Sierra Leone on a fact-finding mission for the establishment and implementation of the Central Bank of Liberia Foreign Exchange Auction Program.

Employees' Loan

A six-member staff loan committee was instituted to oversee the operation of the employees' loan scheme. At the end of the year, staff loan balance amounted to US\$150,344.23 with a total of 79 persons still in loan. Loans provided to employees amounting to US\$2,325.70, are dormant. Loans granted were of various categories: salary advance, short-term and long-term loans and were granted upon the fulfillment of guidelines governing staff loans.

6.1 Comptroller's Office

(A) Income Statement

(i) Income

The un-audited Consolidated gross income of the Bank for 2004 was recorded at L\$370.5 million. Interest Income constituted 69 percent of total consolidated income, Fees & commission, 3 percent, commission on notes importation, 15 percent, Encashment & Disbursements charges, 10 percent, and other income accounted for the remaining 3 percent.

(ii) Expenditure

The Bank's total consolidated expense for the year under review amounted to L\$386 million. The break down of this expense is as follows: personnel cost, 32 percent; Board fees and related expenses, 9 percent; Occupancy, 7 percent; Professional services, 2 percent; Office expense, 3 percent; Travel, 5 percent; Vehicle running cost, 2 percent; Depreciation, 4 percent; Amortization, 22 percent; and Other expenses, 14 percent.

(iii) Net Profit

The Bank incurred a consolidated net loss of L\$15.5 million for the year under consideration. When compared to 2003, the net consolidated income of the reviewed year decreased by L\$0.5 million or 3 percent.

(B) Balance Sheet

(i) Assets

The un-audited Consolidated total assets of the Bank for the year was L\$68.0 billion. Current Assets accounted for 81 percent of total assets broken down as follows: Cash and Short-term Funds, 1.3 percent; Due from the Government of Liberia, 1.2 percent; Advances and overdraft to local banks, 0.13 percent; Accounts receivable, 0.3 percent; Prepaid expenses, 0.03 percent; IMF Accounts, 78 percent; Current accounts in temporary overdrafts, 0.03 percent and Other current assets, 0.04 percent. Non-current Assets represented 19 percent of total assets which is also broken down as follows: Non-Current Assets Due from the Government, 17.70 percent; Prepaid and Deferred expenses, 0.3 percent; investment in real estate, 0.01 percent and Net Fixed Assets, 1 percent.

(ii) Liabilities

The un-audited consolidated total liabilities was L\$58.0 billion. Total liabilities constituted 85 percent of total equities broken down as follows: Liberian Monies in Circulation (stock), 3 percent of total equities; Due to Local Commercial Banks, 1.5 percent; Due to Foreign Banks, 1 percent; Non-Bank Deposits, 0.01 percent; Accounts Payable, 0.3 percent; Due to Government of Liberia, 0.02 percent; IMF Accounts, 78 percent; Other current liabilities, 0.12 percent, and Long-term Commercial Bank Loan, 1.05 percent.

(iii) Shareholders' Equity

The net residual interest in the un-audited consolidated equities is L\$10 billion which is 15 percent of total equities. The shareholders' equity is sub-divided into Capital, representing 10 percent of total equities, and General Reserves, 5 percent.

6.2 Banking Department

A. Sections and Staffing

The Banking Department is composed of the Office of the Executive Director for Banking and three sections- Domestic Banking, Rural Banking and International Banking. The Domestic Banking Section is currently the only section that is fully operational. During the period under review, concerted efforts were exerted to enhance the operations of the International and Rural Banking Sections.

(i) Domestic Banking Section

The Domestic Banking Section was staffed by thirty (30) persons who were supervised by the Domestic Banking Manager. The staffing level was augmented by the addition of seven (7) new tellers who were trained and significantly contributed to the successful operation of the section.

During the year, the Bankmaster banking package continued to be the primary software in use. It has helped to reduce transaction processing time and enabled the staff to maintain real-time processing capabilities by accessing account balances and generating reports at any point in time.

(ii) Rural Banking Section

In consonance with the plan to enhance the payments system outside the metropolitan area of Monrovia, a committee was constituted to explore the possibility of establishing payment centers in Margibi, Grand Bassa and Bong counties during the review year.

During the latter part of the year, the Rural Banking Section began to take shape. In this regard, a Manager was appointed to spearhead the organizational tasks. Sites in the targeted counties have been identified, premises leased, renovation works commenced and tellers recruited for this venture. The sites identified are in Buchanan, Grand Bassa County, Gbarnga, Bong County and Kakata, Margibi County and it is expected that full operation of those centers will begin early 2005.

(iii) International Banking Section

For the most part, this section remained dormant during 2004. Its functions were performed by the Executive Director for Banking and the Manager of Domestic Banking. These officers supervised the Telex/Swift and the limited correspondent banking operations that took place.

In August of the year under review, the Central Bank of Liberia's former account at Banca Nazionale del Lavoro, S.P.A. (BNL), was closed and balances transferred to the Branch Banking & Trust Company (BB&T), Charlotte, North Carolina, U.S.A.

B. Relationship with Customers

The Banking Department has two prime categories of customers, namely:

1. The Government of the Republic of Liberia
2. Domestic financial institutions

During the year under review, the National Transitional Government of Liberia (NTGL) promulgated Executive Order # 2 which required that all GOL Revenues be deposited at the CBL for better fiscal management, transparency and accountability.

Also, in December 2004, the Central Bank of Liberia resumed payment of civil servants' salaries. In order to facilitate this process, an Annex was opened on Carey Street at the Cassell Building which formerly housed the Rovia Bank. Prior to this development, GOL civil servants' salaries were paid through the Liberian Bank for Development and Investment (LBDI).

a. Revenue Collection

A positive result of Executive Order # 2 was that revenue collection for the GOL in both United States and Liberian dollars registered a considerable boost in the year 2004 compared to 2003. United States dollar revenue collection increased from a cumulative total of US\$17.3 million in 2003 to US\$64.3 million in 2004, an increase of 272 percent. Concurrently, Liberian dollar revenue collection also grew by 162 percent, from L\$84.2 million to L\$220.8 million. Maritime Revenue for the year under review amounted to US\$12.6 million or 20 percent of the total US dollar revenue.

b. Foreign Exchange Transactions

(i) GOL Payroll Account

During the year under review, CBL converted US\$12.9 million to Liberian dollars, an equivalent amount of L\$690.1 million at an average exchange rate of L\$53.4:US\$1 on behalf of the Government. Of the U.S. dollar converted, a total of US\$3.8 million was auctioned while the US\$9.1 million was bought by CBL to directly strengthen its foreign reserves position. The Liberian dollar proceeds were used to fund GOL payroll. The amount allocated to civil servants' payroll was L\$532.2 million for the 12 months of 2004 and one month arrears of 2003.

(ii) Other Exchanges

In addition to GOL foreign exchange transactions, a number of exchanges were also handled for other entities and individuals. This category of transaction amounted to US\$132,376.00, an equivalence in Liberian dollars of L\$7.1 million, at an average exchange rate of L\$55:US\$1.

During the year, the CBL continued to import United States dollar banknotes on behalf of commercial banks. For the review period, a total of US\$125.1 million was imported on behalf of the commercial banks. Since the inception of CBL in 1999, importation of USD banknotes and exportation of mutilated banknotes were done through CPR Billets in Paris. Unfortunately, due to the increase in cost, Management sought for other cheaper means and engaged the services of Travelex Global and Financial Services Limited of London in December, 2004. Of the total amount imported during the year, the Bank imported US\$92.1 million through CPR Billets while US\$33.0 million was imported through Travelex.

c. Clearing House Operations

During the year under review, a total of 9,654 checks with a total value of L\$842.7 million were presented and cleared compared to 4,248 checks with a value of L\$292.5 million in 2003, a growth of 127 percent in the number of checks handled. Concurrently, the number of US dollar checks cleared increased to 31,169 with a total value of US\$180.9 million in year 2004, from 13,392 checks with a value of US\$54.6 million in 2003, a growth of 133 percent in terms of the number of checks cleared.

d. International Monetary Fund (IMF)

During the year under review, a total of US\$650,000.00 was transferred to the IMF on behalf of the Government of Liberia. The amount represented the monthly token payments of US\$50,000 the Government is making towards its indebtedness to the IMF.

e. Maritime Funds

In July of the year 2002, the CBL became the custodian of the Maritime funds transferred by Riggs National Bank, Washington, D.C. to the CBL offshore account at Banca Nazionale del Lavoro, S.P.A. (BNL). This exercise continued in 2004 through CBL offshore account at Branch Banking & Trust Company (BB&T), Charlotte, North Carolina, U.S.A. From January to December 2004, a total of US\$12.6 million was received on behalf of government.

6.3 Banking Supervision Department

A. On-Site Inspection

During the year 2004, the On-site Examination Section of the Department conducted all required examinations (both Credit and Routine/Full-Scope as well as Target Examinations) of the three operating banks in keeping with the Financial Institutions Act (FIA) of 1999. The banks examined were the Liberian Bank for Development and Investment (LBDI), International Bank Liberia Limited (IBLL), and Ecobank Liberia Limited (EBLL).

B. Off-Site Surveillance

The year under review reflects a significant improvement in the quality of reports submitted by commercial banks to the CBL. In addition to generating regular internal reports on the condition and performance of the banking system from the returns submitted by banks, the Department also constructed the Monthly Financial Soundness Indicators and Liquidity Reports for the banking system, copies of which are submitted to the International Monetary Fund (IMF) on a regular monthly basis. During the year, the Department amended some returns for the purpose of ensuring clarity, uniformity, and full disclosure of information submitted by commercial banks to the CBL.

C. New Regulations Issued

- (i) Regulation #CBL/SD/01/2004 for the Determination of Interest Rate: This Regulation replaced Regulation #CBL/SD/02/2002 on Permissible Interest Rate. Unlike the former Regulation, the current Regulation requires the determination of interest rate to be influenced by market forces. The Regulation, however requires that no banking institution shall take, receive or charge an effective rate of interest greater than twenty-five percent per annum within two years from the date of the issuance of this Regulation, which was on July 27, 2004.
- (ii) Regulation #CBL/SD/02/2004 for Reserve Requirement: This Regulation replaced Regulation # CBL/SD/14/2001 for Reserve Requirement. The Regulation adjusted the reserve requirement of commercial banks to 22% for both United States and Liberian dollars from 18% for United States dollar and 50% for Liberian dollar.
- (iii) Regulation #CBL/SD/03/2004 for Money Remittance Service Entities: The purpose of this regulation is to bring within the regulatory authority of the Central Bank of Liberia, as required by the FIA of 1999, money remittance service providers. The regulation is also meant to ensure integrity and transparency in Money Remittance Service business.

D. Issuance of Supervisory and Regulatory Directives

The Department also issued several directives during the year. Key among the directives were:

- (i) Directive lifting restriction on inter-bank trading/transactions: The directive was issued to allow banks to conduct inter-bank trading/transactions between and among themselves in forex exchange and bank balances, as well as to lend to one another. The directive was meant to form part of CBL's efforts at developing an inter-bank market and to strengthen the financial system, but without prejudice to regulatory concerns about the safety and soundness of the financial system.

- (ii) Directive on Foreign Exchange Exposure of the Commercial Banks:
As a preliminary regulatory measure to the development of a full regulation on the management of banks' foreign exposure, the Regulation sets a limit of net open position of a bank at 10% of its net worth.
- (iii) Directive terminating Monthly Service Charges on Savings Account:
The directive terminated the practice of charging monthly service charges on savings deposits by operating banks.
- (iv) Directive requiring commercial banks to develop and submit to the CBL their Know Your Customer (KYC) Policies: In its efforts to enhance the integrity of the banking system, all banks were required to develop and submit to the CBL their KYC Policies. The policies were requested from the banks to enable the CBL to determine the adequacy of the banks' KYC policies in line with international standards and/or best practices.

E. Licensing

(i) New Banks

During the period under review, the Department issued provisional licenses to two (2) new banks: (1) Global Bank (Liberia) Limited (GBLL) with Italian ownership and (2) First International Bank Liberia Limited (FIB) owned predominantly by Nigerian investors. The two banks are expected to be issued final licenses in early 2005 upon fulfilling the requirements of the provisional license.

(ii) Forex Bureaux

The Department issued both provisional and final licenses to a number of forex bureaux during the year under review. The licenses were given to forex bureaux that met the licensing requirements. A total of seventy (70) forex bureau operators were licensed. Also, the Department conducted a block-mapping exercise with the objective of ensuring an equitable distribution or dispersion of forex bureau services to all parts of Monrovia.

F. Banks (In-Liquidation)

(i) LUBI (In-Liquidation)

The liquidation payout continued during the year. The liquidation contract between Pannell Kerr Foster (PKF) and the Central Bank of Liberia was terminated and the liquidation activities reverted to the Bank Supervision Department. Two (2) LUBI (In-Liquidation) staff were retained to assist the Receivership & Liquidation Section with the on-going liquidation. Claims settlement and loan recovery, in spite of legal persuasion, are slow. However, resources are adequate to pay the remaining claims. The Department is considering the possibility of paying-off all remaining claims to depositors and creditors. The remaining claims on the bank total L\$29,164,865. Loans outstanding are US\$883,648 and L\$27,080,926. Available resources are US\$68,803 and L\$35,760,348.

(ii) TRADEVCO (In-Liquidation)

Tradevco closed its doors to the public in June 2003 as a result of the civil crisis. The bank filed to the CBL for voluntary liquidation, which was approved upon the signing of an MOU between Tradevco Management and the CBL on September 27, 2004. Liquidation commenced on October 28, 2004 with funding provided by Tradevco. The remaining claims on the bank total US\$814,814 and L\$9,086,102. Loans outstanding are US\$2,251,240 and L\$4,254,682. Available resources are US\$120,028 and L\$4,601,785. The voluntary liquidation was interrupted when the Debt Court closed down the Tradevco premises for failure of its Management to pay the full claim of Brasilia Travel Agency.

G. Closed Banks

There are two (2) categories of closed banks as follows:

- (1) Voluntarily closed banks comprise ROVIA Bank, FTIBC, Dutch Bank, NHSB and ACDB. The two (2) latter banks are Government-owned.

None of the above banks has made concrete efforts at meeting the requirements for reopening. However, discussions are on-going with the shareholders of ROVIA for payments of remaining deposit claims and possible reopening.

- (2) Involuntary closed banks include FCIB and Meridien. Discussions are on-going with the shareholders of FCIB for possible reopening, while for Meridien Bank, the matter still remains in court.

H. Collaboration with International Supervisory Bodies

In its efforts to strengthen the supervisory system of the CBL and to also ensure that the supervisory system meets international standards, the Department participated in the 10th Annual Meeting of the Committee of Banking Supervisors of West & Central Africa held in Abuja, Nigeria, from September 8 to 10, 2004. The Conference, among other things, discussed the need for greater harmonization in the supervisory systems of member countries in line with international best practices.

I. Technical Assistance

The Department received very valuable technical assistance from the IMF through its technical advisor who was in constant contact with the Department both during the Fund's Mission to the Country and from the Fund's Headquarters in Washington DC. The Department also received technical assistance from the U.S. Department of Treasury through its resident advisor attached to the Department. With the assistance of the two (2) advisors, the Department was able to successfully develop a comprehensive Bank Restructuring Policy. The Bank Restructuring Policy is purposed to address the peculiar condition of the Liberian banking system involving both operating and non-operating banks.

6.4 Research, Policy and Planning Department

The Research, Policy and Planning Department (RPPD) is charged with the responsibility to conduct research and provide the Management of the Bank with essential research information relevant for the formulation and implementation of sound monetary and financial policies conducive to the balanced growth of the national economy. In the execution of its mandate, the Department carries out collection, verification, processing and analyses of financial and economic data.

The RPPD consisted of four sections, namely National Economy, Library & Publications, Fiscal Affairs, Money & Financial Market, and Balance of Payments.

During the year under review, the Department carried out, among other things, the following activities:

(A) Publications

The Department produced three major publications during the year. They include the Liberia Financial Statistics (LFS), the Economic and Financial Bulletin (EFB) and the Annual Report.

The Liberia Financial Statistics which is a bi-monthly publication contains basic macroeconomic and financial data on the real, monetary, fiscal and foreign trade sectors. Six editions of the LFS were produced during the year. The Economic and Financial Bulletin, a quarterly production provides a sectoral analysis of the economy. Four editions of the Economic and Financial Bulletin covering the four quarters of the year were produced and published. The 2004 Annual Report was also produced during the year. The Department continued to follow the standardized methodology of the International Monetary Fund (IMF) for the compilation of monetary and financial statistics. Accordingly, monthly compilation of the monetary survey was carried out and submitted to the IMF.

(B) Surveys

The Department carried out the daily survey of the foreign exchange market. This involved monitoring the daily exchange rates between the US dollar and the domestic currency. Movements in the exchange rate were analyzed periodically and the appropriate report made available to the management of the Bank.

The Department also intensified its close collaboration with the Ministry of Planning and Economic Affairs (MPEA) in the monthly collection and computation of the Consumer Price Index (CPI). Monthly analyses of the Index and determination of the inflation rate were also carried out during the year 2004. Additionally, the Department and the MPEA conducted a survey for the replacement of obsolete commodities in the consumer basket. The commodities were replaced by their closest substitutes which improved the quality and reliability of the inflation rates.

(C) Compilation and Analysis of Monthly Remittances

During the year, the Department also carried out compilation of inflows and outflows of US dollars. The Department collected and analyzed weekly remittances (in-bound and out-bound) of US dollars through the banking system (including Western Union and Money Gram branches). The purpose of the exercise was to have some idea as to how much US dollars is coming into, and taken out of the system.

(D) Ad-Hoc Assignments

The Department produced topical papers on the exchange rate and other relevant economic and financial issues of the day. Prominent among the ad hoc assignments during the year was the introduction of the foreign exchange auction program which is handled by the Department.

6.5 Management Information System Division

Since the restructuring of the Management Information System (MIS) Division of the Bank during 2002 – 2003, the operational efficiency of the Division has improved

Computers and Related Peripherals

The Management of the Central Bank of Liberia purchased 10 computers, 6 printers and 11 UPS during the period under review. The equipment were distributed among the various departments on the basis of their individual needs.

The Bank terminated the Internet Service contractual agreement with Datatech for its failure to live up to the terms of said agreement. The Bank entered into an agreement with another provider called SWITCH-IT. The Bank purchased and installed the relevant Internet equipment as recommended by the SWITCH-IT. As at December ending 2004, the services had not been fully restored as SWITCH-IT claimed to be carrying out testing and trouble shooting exercises. The system is expected to be operational by early next year.

Microsoft System and Application

The Bank has standardized Microsoft products for operating systems and office application software. The products include windows 2000 server, windows 2000 professional and windows XP professional for operating systems and office 2000 for office applications. However, during the year, the Management undertook to upgrade the 2003 version of these software. The upgrading of the application was, however, not effective due to the single user license application software purchased by the Bank. The vender was requested to set up the license to at least fifty (50) users. The upgrading is expected to be completed by mid 2005. The Management also implemented an intra-office mailing system using Microsoft exchange. The system worked for few months after its installation. However, due to the change of the IP address system from static to dynamic, this mailing system could not work effectively.

A. Bankmaster

During the period under review, the Bank continued to utilize Bankmaster release 6 to carry out core banking operations. However, there was an attempt by the Bank's Management at the request of the vendors, to upgrade the software to release 7 but this was not successfully done, citing incompleteness of the software sent to the Bank by the vendors. The vendors promised to resolve the problem during the coming year, 2005.

B. Swift

Another software purchased by the Bank and currently in use is the SWIFT. This application provides the electronic money transfers from the remitting bank to other banks around the world. This was upgraded to SWIFTNET Link during the year, ranging from X.25 to IP protocol. The Bank also purchased the VPN box and the modem to complete the migration process. These were installed but their usability was somehow limited due to a continuous disruption of the telephone lines from the Liberia Telecommunications Corporation (LTC). However, the SWIFT providers in Lebanon have agreed to configure the system as Voice Over IP. To facilitate this, the Bank is presently in the process of sending its IP address to the providers.

C. Website

The MIS Division, in collaboration with Blue Sea Web Designers, designed the Bank's website. This project was completed and tested during the year. Two staff of the Bank are undergoing training for the day-to-day operation of the website.

D. Others

During the latter part of the year, the Bank set up a new payment facility at the former Rovia Bank, now called CBL-Annex. The location is linked to the main building by wireless radio. Tellers have been assigned there for processing of transactions using the Bankmaster software and database located in the main building via above connectivity.

The Computer Literacy Program for the staff provides capacity-building and productivity enhancement. Participants are trained in areas of computer operations and application of Microsoft office packages (Windows Basic, Word, Excel and Access). Training was conducted by the Division in the Training Center of the Bank with ten (10) computers.

During the year under consideration, the End-User Training & Support Unit of the MIS Division had only two training programs. Phase one started in June, 2004. This program had five sections; Windows Basic, Word, Excel, Access and Special Word section for staff of the Clearing House Section. The duration of the program was eight (8) weeks with each section being conducted for an hour three (3) times weekly. There were thirty-three (33) participants for the section. The second section started in September and there were forty participants.

6.6 Corporate Division

During the year, the Division carried out the following activities:

- ❖ Participated in Board and Administrative meetings. As Secretary to the Board of Governors, the Divisional head partly participated in a number of Board meetings organized in 2004. Minutes from these Meetings and other Meetings with the commercial banks were compiled and kept by Division.

- ❖ Received guests on behalf of the CBL. The Division received all local and international visiting dignitaries to the Bank. Prominent among those visiting the Bank during the year were IMF Missions and CBL's external consultants.
- ❖ Published the In-House Information Bulletin. The Division also serves as the public relations arm of the Bank. As such, it published in the local dailies, documentaries and commentaries on relevant issues concerning the Bank. The Division also provided rebuttals and rejoinders on certain misconceptions of operations and activities at the Bank.

In its periodic bulletin, the Corporate Division informs the general staff of activities at the Bank. Particularly, during the year, the Division published bulletins on staff promotions.

6.7 Legal Division

During the period under review, the Legal Division handled several matters among which were the following;

- ❖ The Legal Division continued to give advice in the liquidation process of the Liberian United Bank Inc. (LUBI) even as the exercise is now being conducted at the Bank.
- ❖ In the debt matter of Brasilia Travel Agency against Tradevco, the Legal Division responded to a garnishment issued by the debt court. The response consisted appearances by the bank whereupon the court order payment of the Brasilia debt on behalf of Tradevco from funds of Tradevco deposited with ECOBANK for the liquidation and payout process.
- ❖ The General Counsel, along with the Executive Director for Banking Supervision, traveled to Washington to meet, and did meet with representative of Tradevco for the purpose of having Tradevco to settle its obligations to local depositors in view of the cessation of its operation in Liberia. This meeting was followed by one in Accra where the parties reached an understanding upon which liquidation agreement was consummated and the liquidation process subsequently started.

- ❖ The Bank is pursuing the matter of Meridian versus MAHA for debt of over a million dollars owe to Meridian in seizure by Maha. This matter came up again in the Supreme Court during the year and the Legal Division prepared the briefs for argument during hearing now placed on docket for next term of the Supreme Court.

- ❖ The Central Bank was brought into an action as statutory possessor of Meridian to defend a suit brought against Meridian and its associated companies (Meridian Properties Inc., Madison Insurance, etc.) for alleged unpaid legal fees. In the wake of defense, the Legal Division filed a motion sequestration and obtained the court order whereby rents from the Meridian Property (ies) invested in the Meridian Bank are thereupon set aside for safety pending the determination of the debt action and in consideration of the fact that the Bank under seizure has many stockholders whose interest may be injured if the money is not protected.

The Legal Division, in conjunction with the Banking Supervision Department, drafted a number of regulations among which are the following:

- a) Regulations concerning the maintenance of required reserves for bank financial institutions
- b) Regulation for the licensing and Supervision of money remittance entities
- c) Regulation concerning interest rate determination, among others.

During the year, the Division prepared the following agreements/contracts on behalf of the Bank for various services provided:

Service Provider

Services Provided

| | |
|---|------------------|
| 1. West Africa Architects Construction Engineer (WAACE) | Renovation |
| 2. Aries Security Service | Security Service |
| 3. Saah Fayia | Maintenance |
| 4. Ecobank Liberia Limited | Credit Facility |

6.8 Internal Audit Division

Consistent with the CBL Act, Section 46(2), continuous and regular audits of the CBL were conducted in accordance with internationally (generally) accepted auditing standards. Those standards require that the internal Audit Division plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audits included examining on a test basis, evidence supporting the amounts and disclosures in the Bank's financial statements. The audit also included assessing the accounting principles used and significant estimates made by the Accounting Division, as well as evaluating the overall financial statement presentation. The annual audit for the year 2004 is in progress and is being carried out in keeping with CBL's approved internal audit manual and the Act of 1999 that established the Bank.

Further, in keeping with the Bank's Act of 1999, the Bank's accounts were reviewed on a continuous and regular basis, bringing to the attention of management, weaknesses or any errors in the accounts, which warranted correction through opinions and recommendations. In all the audit activities throughout the year 2004, no fraud or operational malpractices were discovered. The Bank's system of accounting has proved successful over the years. During the year under review, the Division produced daily and monthly reports, all geared toward the achievement of the Bank's objectives.

Peer Review of Audit Procedures

Bearing Point

A three-man team of accountants and auditors from Bearing Point, an American Accounting firm was contracted by United States Agency for International Development (USAID) to undertake a peer review of audit procedures for the Central Bank of Liberia.

The peer review of audit procedures took into consideration those of the Internal Auditing Standards, Central Bank of Liberia and Pannel Kerr Foster (PKF), the CBL's External Auditors.

Between August 12 and September 15, 2004, a comprehensive report was produced by the team, pointing out the weaknesses and strengths of the both CBL and PKF audit procedures and practices. Corrective measures recommended by Bearing Point were instituted.

Ernest & Young

While the peer review of audit procedures and practices progressed, Ernest & Young, a European Union (EU) selected auditing firm of Accountants and Auditors, arrived in the country on September 5th and commenced a full-scope audit (organizational and financial) of CBL on September 6, 2004. The EU audit report has not yet been made available to the CBL.

VII. RELATIONSHIP WITH INTERNATIONAL FINANCIAL INSTITUTIONS

Following the cessation of hostilities and the subsequent ushering in of the National Transitional Government of Liberia, the country's international image made some improvement. Consequently, the country maintained its membership with the leading international financial institutions, such as the Bretton Woods Institutions and other regional and sub-regional financial bodies.

7.1 International Monetary Fund

Liberia is indebted to the IMF and the amount involves now constitutes about 50.1 percent of total multilateral debt and 24.7 percent of total external debt. Failure to service its obligation to the Fund led to the suspension of Liberia's voting and related rights in early 2003. Notwithstanding, and given the difficult state of affairs, the country has continued to make some modest payments to the Fund. During the review year of 2004, an amount of about US\$600,000.00 was paid to the Fund as interest payments.

Despite some strain in the relationship occasioned by non-payment of its obligations to the IMF, the country continues to benefit from some programs of the Fund. For example, Consultation IV Discussions were held during the year. A short-term Balance of Payments Technical Assistance Program was also conducted during the year while a staff of the CBL's Research Department attended the Fund's Monetary and Financial Statistics course in Washington, D.C. During the review period, the country also participated in the Joint IMF-World Bank Meetings in an observer status.

7.2 World Bank

Relations with World Bank Group were even less active. Apart from participation in the Annual Meeting of the Fund and the Bank as mentioned above, there was no significant contact between the country and the Bank. Obligation to the World Bank was recorded at about US\$399.6 million, representing 13.3 percent of total external debt and 26.9 percent of total multilateral obligations.

7.3 Regional and Sub-Regional Organizations

During the review period, the Central Bank of Liberia also maintained contacts with some regional and sub-regional bodies. Some of the institutions include the African Development Bank (ADB), Economic Community of West African States (ECOWAS), West African Monetary Agency (WAMA), Joint Africa Institute (JAI), West African Institute for Financial and Economic Management (WAIFEM), among others. The CBL attended meetings and courses offered by some of these institutions. The country's long-standing obligations to these institutions have generally become obstacles to any meaningful participation of the CBL in the programs of these institutions. For example, the CBL's representation at the WAMA meetings was limited to an observer status largely due to the substantial amount owed by the CBL to the organization. The CBL had not paid its contributions to WAMA and WAIFEM for some years now. Additionally, due to the inability to pay its annual contributions to WAIFEM, prospective beneficiaries of WAIFEM programs from the CBL are required to pay concessional fees.

VIII. PROSPECTS

During the year under consideration, the Bank endeavored to carry out its function and responsibilities under difficult economic and social condition that prevailed in the country as a result of 14 years of war that brought about social, economic and political devastation upon the Liberian nation.

Although there is now relative improvement in the general security, social and economic condition of the country under the administration of the NTGL with the assistance of the United Nations and the international community, the economy continues to be plagued by a multiplicity of social and economic problems. The real sector of the economy generally remains in a state of dormancy; developments in the external sector have generally been unfavorable for Liberia for years now; basic social services remain inadequate; and the financial sector is small with the overall activities of the banking system not adequate to satisfy the needs of the economy.

Although the Bank operated in a fragile financial system during the year, its principal monetary policy objective remained the maintenance of exchange rate stability, and by extension, price stability, so as to maintain a low inflationary environment conducive for economic growth and development. Despite difficulties encountered in its effort to maintain a sound banking system, the Bank endeavored to maintain growth of broad money generally in line with developments in the economy.

For the year 2005, it is expected that there will be appreciable level of improvement in the banking system in particular, and the financial sector in general. With the disarmament of combatants officially completed, U.N. peace keeping troops deployed in all parts of the country and general and presidential elections slated for October 2005, the economic outlook and political future of Liberia appear promising as the international community and well-meaning Liberians work together to bring about genuine peace and economic recovery to the country.

During 2005 and beyond, and in consonance with the thinking of the IMF, the Central Bank of Liberia intends to put in place a number of policy measures that will improve the capacity of the Bank and strengthen the financial sector with the view to bringing about greater efficiency, transparency and accountability in the banking system.

Measures being contemplated for implementation with technical assistance from the IMF and other international bodies (e.g. The American Treasury Department) will include, among others, development of a monetary policy framework paper which will outline relevant monetary policy and related issues for the formulation and implementation of appropriate policies. Such issues will include a liquidity monitoring system, adjustment in the base and maintenance periods of the commercial banks' reserve requirement, a standing credit facility for commercial banks at the Bank, introduction of short-term securities, interbank foreign exchange market, liquidity forecasting, bank restructuring, vigorous banking supervision, improving payment and settlement system throughout the country, introduction of rural banking, etc.

The Bank also intends to enhance the operation of a liberal financial environment through the implementation of appropriate policy measures that will ensure free entry and exit without undermining the financial system. Accordingly, continuous policy dialogue with major economic actors and other stakeholders will be encouraged with a view to achieving the objective of the Bank.

STATISTICAL ANNEX

**Table A-1: Liberia: Sectoral Origin of Gross Domestic Product (GDP)
At 2000 Constant Prices
(2002 - 2004)
(In Millions US\$)**

| Sector | 2002 ** | 2003 ** | 2004 ** |
|--|----------------|----------------|----------------|
| AGRICULTURE | 231.18 | 226.47 | 232.35 |
| Fishing and Others | 0.15 | 0.14 | 0.15 |
| Rubber | 48.39 | 47.40 | 48.63 |
| Coffee | 0.09 | 0.09 | 0.09 |
| Cocoa | 0.30 | 0.30 | 0.31 |
| Rice | 56.95 | 55.79 | 57.24 |
| Cassava | 46.47 | 45.52 | 46.70 |
| Others | 78.83 | 77.23 | 79.24 |
| FORESTRY | 99.02 | 97.00 | 99.53 |
| Logs & Timber | 65.00 | 63.67 | 65.33 |
| Charcoal & Wood | 34.02 | 33.33 | 34.20 |
| MINING | 0.34 | 0.33 | 0.34 |
| Iron Ore | - | - | - |
| Gold | 0.23 | 0.23 | 0.24 |
| Diamond | 0.10 | 0.10 | 0.10 |
| MANUFACTURING | 18.34 | 17.97 | 18.45 |
| Tertiary | 70.49 | 69.06 | 70.85 |
| Trade, Hotels, etc. | 17.53 | 17.18 | 17.62 |
| Electricity | 1.31 | 1.28 | 1.31 |
| Water | 8.01 | 7.84 | 8.05 |
| Construction | 11.18 | 10.95 | 11.24 |
| Communications and Transportation | 0.39 | 0.38 | 0.39 |
| Insurance and Other Financial Institutions | 10.09 | 9.89 | 10.14 |
| Shipping | 0.33 | 0.33 | 0.33 |
| Government Services | 17.19 | 16.83 | 17.27 |
| Other Services | 4.35 | 4.26 | 4.37 |
| NGOs | 0.11 | 0.11 | 0.11 |
| Total | 419.37 | 410.83 | 421.51 |
| Less: | 14.98 | 14.68 | 15.06 |
| Depreciation | 11.42 | 11.8 | 11.47 |
| Bank Charges | 3.57 | 3.49 | 3.59 |
| Net (Value Added) GDP | 404.39 | 396.15 | 406.45 |

** These are projections based on the results of the National Accounts Survey conducted in 2002

Source: Ministry of Planning and Economic Affairs, Monrovia, Liberia

**Table A-2: Key Agricultural Production
(2002-2004)**

| Commodity | Unit | 2002 | 2003 | 2004 |
|-------------|----------------|-----------|----------|----------|
| Rubber | Mt. | 92,442 | 54,845 | 88,381 |
| Cocoa | Mt. | 1,540 | 1,120 | 4,192 |
| Coffee | Mt. | 405 | - | - |
| Fish | Kg. | 403,380 | 266,000 | 857,100* |
| Round Logs | M ³ | 1,363,861 | 548,446* | - |
| Sawn Timber | M ³ | 15,372 | 1,979* | - |

** Estimates*

Sources: Ministry of Planning & Economic Affairs, forestry Development Authority, (FDA); Ministry of Commerce & Industry, Liberia Produce marketing Corporation (LPMC), Monrovia, Liberia

**Table A-3: Key Manufacturing Output
(2002 - 2004)**

| Commodity | Unit | 2002 | 2003 | 2004 |
|------------------------------|-------|-------------|-------------|-------------|
| Cement | Mt. | 53,662 | 41,827 | 121,059 |
| Beverages | Liter | 8,864,951 | 7,724,154* | 15,463,113 |
| Paint | Gal. | 12,980 | 5,934* | 31,540 |
| Nail | Kg. | 52,450 | 47,186* | 78,450 |
| Candle | Kg. | 708,899 | 282,787* | 557,814 |
| Chlorox | Liter | 154,992 | 73,656 | 380,202 |
| Rubbing Alcohol | Liter | 87,178 | 21,635 | 201,137 |
| Mattresses | Pcs. | 4,660 | 2,340* | 48,178* |
| Deep Well Water ¹ | Gal. | 25,813,127 | 32,890,137 | 60,415,605 |
| Finished Water ² | Gal. | 315,592,930 | 283,898,370 | 432,521,479 |

** Estimates*

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

Note: 1 Water from drilled wells

2 Water from the treatment plant in White Plains

**Table A-4: Consumption of Petroleum Products
(2002 - 2004)**

| Commodity | Unit | 2002 | 2003 | 2004 |
|--------------------------|------|-------------------|-------------------|-------------------|
| PMS (Gasoline) | Gal. | 10,067,157 | 6,259,801 | 15,782,598 |
| AGO (Diesel) | Gal. | 18,334,626 | 11,746,353 | 21,995,730 |
| ATK (Kerosene) | Gal. | 201,201 | 406,868 | 636,076 |
| Jet – A1 | Gal. | 902,048 | 884,679 | 7,433,543 |
| Total | | 29,505,032 | 19,297,701 | 45,847,947 |
| Percentage change | | | -34.6% | 137.6% |

Source: Ministry of Finance, Monrovia, Liberia

**Table A-5: Yearly Average Indices and Rate of Change
(2001 - 2004)
(May 1998=100)**

| Components | Yearly Average Indices | | | | | Rate of Change | | |
|------------------|------------------------|--------------|--------------|--------------|--------------|----------------|-------------|------------|
| | Weights | 2001 | 2002 | 2003 | 2004 | 2002 | 2003 | 2004 |
| All Items | 100 | 124.7 | 142.3 | 157.0 | 169.3 | 14.6 | 10.4 | 7.8 |
| Food | 34.4 | 97.7 | 111.0 | 140.9 | 153.8 | 13.7 | 27.0 | 9.5 |
| Drinks & Tobacco | 5.7 | 121.9 | 140.1 | 160.0 | 180.3 | 15.4 | 14.5 | 13.0 |
| Fuel & Light | 5.0 | 135.3 | 155.5 | 154.4 | 217.6 | 15.1 | -0.7 | 42.9 |
| Clothing | 13.8 | 112.2 | 119.1 | 121.2 | 128.7 | 6.3 | 1.8 | 6.2 |
| Household Goods | 6.1 | 136.6 | 158.8 | 161.9 | 174.1 | 17.7 | 2.0 | 7.5 |
| Personal Care | 11.4 | 209.5 | 258.9 | 266.8 | 247.7 | 28.5 | 3.3 | -7.2 |
| Rent | 14.9 | 130.2 | 131.2 | 131.5 | 156.1 | 0.8 | 0.2 | 18.7 |
| Miscellaneous | 8.7 | 117.7 | 152.2 | 173.3 | 176.4 | 30.0 | 14.5 | 1.9 |

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A-6: Commodity Composition of Exports
(2002 - 2004)
(In Millions US\$)**

| Commodity | 2002 | 2003 | 2004 |
|----------------------|--------------|--------------|--------------|
| Rubber | 59.1 | 43.9 | 93.4 |
| Logs | 109.9 | 54.6 | - |
| Cocoa Beans & Coffee | 0.6 | 0.9 | 3.4 |
| Others | 6.5 | 9.5 | 7.0 |
| Total | 176.1 | 108.9 | 103.8 |

Source: Ministries of Commerce & Industry and the Forestry Development Authority, (FDA), Monrovia, Liberia

**Table A-7: Commodity Composition of Imports
(2002 - 2004)
(In Millions US\$)**

| Category | 2002 | 2003 | 2004 |
|---------------------------------|--------------|--------------|--------------|
| Food & Live Animals | 51.1 | 50.7 | 77.4 |
| Beverages & Tobacco | 5.6 | 5.5 | 11.5 |
| Crude Materials | 2.0 | 3.6 | 2.9 |
| Minerals, Fuel & Lubricants | 1.6 | 1.3 | 5.4 |
| Animals & Vegetable Oil | 2.8 | 2.5 | 3.4 |
| Chemical & Related Products | 7.5 | 6.8 | 8.9 |
| Manufactured Products | 12.1 | 14.9 | 31.7 |
| Machinery & Transport Equipment | 14.4 | 14.8 | 63.3 |
| Petroleum Products | 60.5 | 37.1 | 84.5 |
| Miscellaneous Articles | 20.6 | 32.6 | 47.8 |
| Total | 178.2 | 169.7 | 336.8 |

Source: Ministries of Commerce & Industry and the Forestry Development Authority, (FDA), Monrovia, Liberia

**Table A-8: Commercial Banks' Loans by Economic Sectors
(2002 - 2004)
(In '000 L\$)**

| | Dec-02 | | Dec-03 | | Dec-04 | |
|---------------------------------------|------------------|-------------|------------------|-------------|------------------|-------------|
| | | % | | % | | % |
| 1. Agriculture | 193,463 | 8.1 | 184,170 | 9.2 | 197,425 | 8.0 |
| 1.1 Rubber | 4,708 | 0.2 | 4,905 | 0.2 | 3,216 | 0.1 |
| 1.2 Forestry | 187,910 | 7.9 | 168,759 | 8.4 | 158,329 | 6.4 |
| 1.3 Fishing | 572 | 0.0 | 8,919 | 0.4 | 10,961 | 0.4 |
| 1.4 other | 273 | 0.0 | 1,587 | 0.1 | 24,920 | 1.0 |
| 2. Mining & Quarrying | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2.1 Iron Ore | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2.2 Quarrying | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 3. Manufacturing | 15,810 | 0.7 | 7,355 | 0.4 | 16,906 | 0.7 |
| 4. Construction | 28,005 | 1.2 | 51,306 | 2.6 | 58,015 | 2.3 |
| 4.1 Mortgage Loans | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 4.2 Home Improvement | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 4.3 Other | 28,005 | 1.2 | 51,306 | 2.6 | 58,015 | 2.3 |
| 5. Trans., Storage & Comm. | 8,947 | 0.4 | 4,795 | 0.2 | 45,745 | 1.8 |
| 5.1 Transportation | 7,842 | 0.3 | 4,048 | 0.2 | 31,211 | 1.3 |
| 5.2 Storage | 1,105 | 0.0 | 746 | 0.0 | 836 | 0.0 |
| 5.3 Communication | 0 | 0.0 | 0 | 0.0 | 13,697 | 0.6 |
| 6. Trade, Hotel & Rest. | 210,061 | 8.8 | 201,000 | 10.0 | 474,497 | 19.1 |
| 6.1 Diamond trade | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 6.2 Other trade | 187,539 | 7.9 | 191,188 | 9.5 | 464,241 | 18.7 |
| 6.3 Hotels | 21,705 | 0.9 | 9,409 | 0.5 | 10,204 | 0.4 |
| 6.4 Restaurants | 817 | 0.0 | 404 | 0.0 | 52 | 0.0 |
| 7. Other | 1,938,161 | 80.9 | 1,560,259 | 77.7 | 1,686,562 | 68.0 |
| 7.1 Services | 45,773 | 1.9 | 20,823 | 1.0 | 44,356 | 1.8 |
| 7.2 Personal | 69,539 | 2.9 | 86,528 | 4.3 | 133,025 | 5.4 |
| 7.3 GOL | 863,966 | 36.1 | 570,473 | 28.4 | 633,976 | 25.6 |
| 7.4 Central Bank of Liberia | 859,247 | 35.9 | 616,488 | 30.7 | 687,011 | 27.7 |
| 7.5 Public Corporations | 86,913 | 3.6 | 44,903 | 2.2 | 156,678 | 6.3 |
| 7.5 Other | 12,723 | 0.5 | 221,045 | 11.0 | 31,516 | 1.3 |
| TOTAL | 2,394,447 | 100 | 2,008,886 | 100 | 2,479,150 | 100 |

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A-9: Money Supply and Broad Money
(December 2002 to December 2004)
Liberian and United States Dollars
(In Millions L\$)**

| | 2002 | 2003 | 2004 |
|---|---------|---------|---------|
| | Dec. | Dec. | Dec. |
| MONEY | 2,898.5 | 2,940.6 | 4,687.1 |
| M1 | 2,363.1 | 2,506.8 | 3,726.8 |
| CURRENCY OUTSIDE BANKS (MA) L\$ | 1,045.0 | 1,303.6 | 1,754.9 |
| DEMAND DEPOSITS (CoB) | 1,318.2 | 1,203.2 | 1,971.9 |
| United States Dollars component denominated in Liberian Dollars | 1,149.7 | 1,066.3 | 1,788.3 |
| Liberian Dollars | 168.4 | 136.9 | 183.6 |
| TIME AND SAVINGS (CoB) | 535.4 | 433.9 | 960.3 |
| United States Dollars component denominated in Liberian Dollars | 442.2 | 273.9 | 700.1 |
| Liberian Dollars | 93.2 | 160.0 | 260.1 |
| United States Dollar denominated in Liberian Dollars | 1,592.0 | 410.8 | 883.8 |
| Percentage share of United States dollars to Liberian dollars. | 54.9% | 14.0% | 18.9% |
| Exchange Rate | 65.00 | 50.50 | 54.50 |

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A-10: Monetary Survey
(December 2002-December 2004)
(In Millions L\$)**

| | Dec-02 | Dec-03 | Dec-04 |
|---------------------------------------|-------------------|-------------------|-------------------|
| Foreign Assets (Net) | (36,815.7) | (29,704.7) | (44,605.6) |
| Foreign Assets (MA) | 214.0 | 395.7 | 1,019.1 |
| (-) Foreign Liabilities (MA) | 37,072.0 | 30,940.7 | 46,343.6 |
| Foreign Assets (COB) | 669.5 | 895.4 | 1,947.2 |
| (-) Foreign Liabilities (COB) | 627.2 | 55.1 | 1,228.3 |
| Domestic Credit | 54,436.6 | 44,951.2 | 62,311.1 |
| Claims on General Government (Net) | 52,382.9 | 43,027.4 | 60,302.5 |
| Claims on General Government (MA) | 51,588.1 | 42,629.2 | 59,789.0 |
| (-) General Government Deposits (MA) | 46.2 | 294.4 | 63.2 |
| Claims on General Government (COB) | 921.3 | 661.2 | 738.7 |
| (-) General Government Deposits (COB) | 80.3 | (31.4) | 161.9 |
| Claims on Public Corporations (MA) | 0.8 | 0.5 | 0.5 |
| Claims on Public Corporations (COB) | 64.3 | 42.1 | 105.8 |
| Claims on Private Sector (MA) | 44.7 | 55.0 | 100.0 |
| Claims on Private Sector (COB) | 1,064.4 | 1,005.2 | 1,550.9 |
| Claims on Central Bank Of Liberia | 865.5 | 656.8 | 715.6 |
| Claims on NBFIS (MA) | 0.0 | 0.0 | 0.0 |
| Claims on NBFIS (COB) | 14.1 | 164.2 | 251.3 |
| Money | 2,898.9 | 2,941.1 | 4,758.6 |
| Currency Outside Banks (MA) | 1,045.0 | 1,303.6 | 1,754.9 |
| Liberian Currency In Circulation (MA) | 1,123.8 | 1,408.7 | 1,908.5 |
| (-) Currency Holdings (COB) | 78.8 | 105.1 | 153.6 |
| Demand Deposits | 1,318.5 | 1,203.7 | 1,973.3 |
| Demand Deposits (MA) | 0.4 | 0.5 | 1.4 |
| Demand Deposits (COB) | 1,318.2 | 1,203.2 | 1,971.9 |
| Other Deposits | 535.4 | 433.9 | 1,030.4 |
| Other Deposits (MA) | 0.0 | 0.0 | 70.2 |
| Time And Savings Deposits (COB) | 535.4 | 433.9 | 960.3 |
| Restricted Deposit | 0.0 | 933.6 | 451.4 |
| Bonds And Securities (COB) | 0.0 | 0.0 | 0.0 |
| Capital Accounts | 15,299.9 | 12,200.7 | 13,163.3 |
| Capital Accounts (MA) | 13,957.8 | 10,958.3 | 12,123.6 |
| Capital Accounts (COB) | 1,342.1 | 1,242.4 | 1,039.7 |
| Other Items (Net) | (577.9) | (829.1) | (667.8) |
| Unclassified Liabilities (MA) | 1,395.0 | 1,022.7 | 7,512.0 |
| (-) Unclassified Assets (MA) | 2,107.3 | 1,922.1 | 8,051.9 |
| (-) Unclassified Assets (COB) | 316.8 | 345.0 | 366.7 |
| Unclassified Liabilities (COB) | 642.6 | 576.7 | 1,383.1 |
| Commercial Banks Deposits (MA) | 521.8 | 323.3 | 997.3 |
| (-) Reserves (COB) | 666.8 | 568.4 | 1,531.5 |
| Currency Holdings (COB) | 78.8 | 105.1 | 153.6 |
| Liabilities to Central Bank (COB) | 37.0 | 44.3 | 29.9 |
| (-) Claims on Domestic Banks (MA) | 162.1 | 65.9 | 81.1 |
| (-) Unbalanced Items | 0.0 | 0.2 | 3.1 |
| Vertical Check | 0 | (0.0) | (0.0) |

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A-11: Central Bank of Liberia
Unaudited Consolidated Balance Sheet
(2002-2004)
(In '000 L\$)**

| Assets | US\$ (1) | Lib \$ Equiv (2) | Lib\$ (3) | Total 4 = L\$ (2 + 3) |
|--|---------------------|-----------------------------|-----------------------|----------------------------------|
| Current Assets | | | | |
| Cash and Short-Term Funds | 19,769,220 | 1,077,422,493 | 56,228,936 | 1,133,651,429 |
| Due from the Government of Liberia | 6,536,195 | 356,222,644 | 136,828,553 | 493,051,197 |
| Advances and Overdrafts to Local Banks | 568,633 | 30,990,505 | 6,951,318 | 37,941,823 |
| Accounts Receivable | 1,637,099 | 89,221,897 | 106,050 | 89,327,947 |
| Prepaid Expenses | 555,061 | 30,250,845 | 26,645 | 30,277,490 |
| Government of Liberia - IMF Accounts | 0 | 0 | 53,260,781,604 | 53,260,781,604 |
| Current Accounts in Temporary Overdraft | 375,305 | 20,454,129 | 2,035,567 | 22,489,696 |
| Other Current Assets | -141,604 | -7,717,409 | -751,708 | -8,469,117 |
| Total Current Assets | 29,299,910 | 1,596,845,103 | 53,462,206,965 | 55,059,052,068 |
| Non-Current Assets | | | | |
| Due from the Government of Liberia | 212,862,601 | 11,601,011,741 | 918,318,621 | 12,519,330,362 |
| Prepaid and Deferred Expenses | 4,302,888 | 275,076,831 | 1,714,909 | 276,791,740 |
| Investment in Real Estate | 82,306 | 3,256,245 | 4,074,130 | 7,330,375 |
| Fixed Assets Net | 9,434,321 | 383,200,389 | 479,635 | 383,680,024 |
| Total Non-Current Assets | 226,682,116 | 12,262,545,207 | 924,587,295 | 13,187,132,501 |
| Total Assets | 255,982,026 | 13,859,390,310 | 54,386,794,259 | 68,246,184,569 |
| Liabilities and Equity | | | | |
| Current Liabilities | | | | |
| Liberian Monies in Circulation | 0 | 0 | 1,962,725,454 | 1,962,725,454 |
| Due to Local Commercial Banks | 15,655,577 | 853,228,945 | 217,095,895 | 1,070,324,841 |
| Due to Foreign Banks | 7,155,476 | 389,973,456 | 0 | 389,973,456 |
| Non-Bank Deposits | 77,076 | 4,200,619 | 656,297 | 4,856,916 |
| Accounts Payable | 4,022,389 | 219,220,188 | 5,907,607 | 225,127,795 |
| Due to State-owned enterprises | 1,469 | 80,060 | 0 | 80,060 |
| Due to Government of Liberia | 271,058 | 14,772,665 | 27,636,971 | 42,409,636 |
| Due to International Monetary Fund (IMF) | 0 | 0 | 53,260,781,604 | 53,260,781,604 |
| Other Liabilities | 1,400,832 | 76,345,341 | 3,265,953 | 79,611,294 |
| Total Current Liabilities | 28,583,877 | 1,557,821,275 | 55,478,069,780 | 57,035,891,056 |
| Non-Current Liabilities | | | | |
| CBL Obligations to TRADEVCO | 13,122,000 | 715,149,000 | 0 | 715,149,000 |
| Total Non-Current Liabilities | 13,122,000 | 715,149,000 | 0 | 715,149,000 |
| Equity | | | | |
| Capital | 196,004,159 | 7,716,834,225 | -300,504,632 | 7,416,329,593 |
| Reserves | 18,271,991 | 3,869,585,809 | -790,770,889 | 3,078,814,921 |
| Total Equity | 214,276,150 | 11,586,420,034 | -1,091,275,521 | 10,495,144,514 |
| Liabilities & Equity | 255,982,026 | 13,859,390,310 | 54,386,794,259 | 68,246,184,569 |
| Vertical Check | 0 | 0 | 0 | 0 |

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A-12: Liberian Dollar Exchange Rate – Period Averages
(January – December, 2002)
(Liberian Dollars Per US Dollar)**

| Period | Large bills¹ | | | Small bills² | | | Average⁴ |
|---------------|--------------------------------|----------------|---------------------------|--------------------------------|----------------|---------------------------|----------------------------|
| | Buying | Selling | Middle³ | Buying | Selling | Middle³ | |
| 2002 | | | | | | | |
| January | 51.62 | 52.62 | 52.12 | 45.77 | 48.46 | 47.12 | 49.62 |
| February | 54.00 | 55.00 | 54.50 | 50.00 | 51.00 | 50.50 | 52.50 |
| March | 56.42 | 57.46 | 56.94 | 50.46 | 51.46 | 50.96 | 53.95 |
| April | 59.72 | 60.72 | 60.22 | 54.04 | 55.04 | 54.54 | 57.38 |
| May | 61.21 | 62.85 | 62.03 | 55.83 | 58.15 | 56.99 | 59.51 |
| June | 66.68 | 68.08 | 67.38 | 58.50 | 60.52 | 59.51 | 63.45 |
| July | 69.92 | 71.46 | 70.73 | 60.00 | 65.00 | 62.50 | 66.62 |
| August | 70.00 | 71.46 | 70.73 | 60.00 | 65.00 | 62.50 | 66.62 |
| September | 69.48 | 70.50 | 69.99 | 60.00 | 65.00 | 62.50 | 66.25 |
| October | 61.26 | 62.52 | 61.89 | 54.26 | 58.26 | 56.26 | 59.07 |
| November | 55.04 | 56.04 | 55.54 | 50.00 | 55.00 | 52.50 | 54.02 |
| December | 56.20 | 57.32 | 56.76 | 50.00 | 55.00 | 52.50 | 54.63 |
| Q1 | 54.01 | 55.03 | 54.52 | 48.74 | 50.31 | 49.53 | 52.02 |
| Q2 | 62.54 | 63.88 | 63.21 | 56.12 | 57.90 | 57.01 | 60.11 |
| Q3 | 69.80 | 71.10 | 70.45 | 59.96 | 64.63 | 62.29 | 66.37 |
| Q4 | 57.50 | 58.63 | 58.06 | 51.42 | 56.09 | 53.75 | 55.91 |
| Year | 60.96 | 62.16 | 61.56 | 54.06 | 57.23 | 55.65 | 58.60 |

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

1. US dollar bank notes of denomination 5 and higher.

2. US dollar bank notes of denominations 1 and 2.

3. Average of buying and selling rates.

4. Average of middle rates for large and small bills.

**Table A-13: Liberian Dollar Exchange Rate – Period Averages
(January – December, 2003)
(Liberian Dollars Per US Dollar)**

| Period | Large bills¹ | | | Small bills² | | | Average⁴ |
|---------------|--------------------------------|----------------|---------------------------|--------------------------------|----------------|---------------------------|----------------------------|
| | Buying | Selling | Middle³ | Buying | Selling | Middle³ | Middle |
| 2003 | | | | | | | |
| January | 64.96 | 66.35 | 65.65 | 50.00 | 55.00 | 52.50 | 59.08 |
| February | 62.35 | 63.37 | 62.86 | 50.00 | 55.00 | 52.50 | 57.68 |
| March | 60.54 | 61.73 | 61.14 | 50.25 | 55.17 | 52.71 | 56.92 |
| April | 62.48 | 63.94 | 63.21 | 50.20 | 55.06 | 52.63 | 57.92 |
| May | 65.70 | 66.91 | 66.31 | 55.52 | 57.78 | 56.65 | 61.48 |
| June | 70.04 | 71.52 | 70.78 | 58.88 | 63.10 | 60.99 | 65.89 |
| July | 72.00 | 73.21 | 72.61 | 60.00 | 64.57 | 62.29 | 67.45 |
| August | 55.75 | 56.75 | 56.25 | 47.50 | 52.50 | 50.00 | 53.13 |
| September | 56.55 | 57.55 | 57.05 | 49.09 | 54.09 | 51.59 | 54.32 |
| October | 45.56 | 46.69 | 46.13 | 38.13 | 43.13 | 40.63 | 43.38 |
| November | 43.36 | 44.50 | 43.93 | 34.60 | 39.60 | 37.10 | 40.52 |
| December | 46.07 | 47.20 | 46.64 | 35.74 | 40.74 | 38.24 | 42.44 |
| Q1 | 62.62 | 63.81 | 63.22 | 50.08 | 55.06 | 52.57 | 57.89 |
| Q2 | 66.07 | 67.46 | 66.77 | 54.87 | 58.65 | 56.76 | 61.76 |
| Q3 | 61.43 | 62.50 | 61.97 | 52.20 | 57.05 | 54.63 | 58.30 |
| Q4 | 45.00 | 46.13 | 45.56 | 36.16 | 41.16 | 38.66 | 42.11 |
| Year | 58.78 | 59.98 | 59.38 | 48.33 | 52.98 | 50.65 | 55.02 |

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

1. US dollar bank notes of denomination 5 and higher.

2. US dollar bank notes of denominations 1 and 2.

3. Average of buying and selling rates.

4. Average of middle rates for large and small bills.

**Table A-14: Liberian Dollar Exchange Rate – Period Averages
(January – December, 2004)
(Liberian Dollars per US Dollar)**

| Period | Large bills ¹ | | | Small bills ² | | | Average ⁴ |
|-------------|--------------------------|--------------|---------------------|--------------------------|--------------|---------------------|----------------------|
| | Buying | Selling | Middle ³ | Buying | Selling | Middle ³ | |
| 2004 | | | | | | | |
| January | 52.81 | 54.19 | 53.50 | 42.41 | 47.41 | 44.91 | 49.20 |
| February | 54.00 | 54.97 | 54.48 | 40.00 | 45.00 | 42.50 | 48.49 |
| March | 54.00 | 55.00 | 54.50 | 42.59 | 47.59 | 45.09 | 49.80 |
| April | 54.04 | 55.04 | 54.54 | 45.19 | 50.19 | 47.69 | 51.12 |
| May | 55.12 | 56.15 | 55.63 | 51.15 | 55.19 | 53.17 | 54.40 |
| June | 56.35 | 57.40 | 56.88 | 51.54 | 55.31 | 53.42 | 55.15 |
| July | 57.59 | 58.63 | 58.11 | 55.00 | 56.00 | 55.50 | 56.81 |
| August | 58.00 | 59.00 | 58.50 | 55.00 | 56.00 | 55.50 | 57.00 |
| September | 55.52 | 56.52 | 56.02 | 52.69 | 55.54 | 54.12 | 55.07 |
| October | 51.62 | 52.69 | 52.15 | 45.35 | 49.62 | 47.48 | 49.82 |
| November | 51.83 | 52.73 | 52.28 | 45.00 | 50.00 | 47.50 | 49.89 |
| December | 51.78 | 52.78 | 52.28 | 45.93 | 50.46 | 48.19 | 50.24 |
| Q1 | 53.60 | 54.72 | 54.16 | 41.67 | 46.67 | 44.17 | 49.16 |
| Q2 | 55.17 | 56.20 | 55.68 | 49.29 | 53.56 | 51.43 | 53.56 |
| Q3 | 57.04 | 58.05 | 57.54 | 54.23 | 55.85 | 55.04 | 56.29 |
| Q4 | 51.74 | 52.73 | 52.24 | 45.42 | 50.03 | 47.73 | 49.98 |
| Year | 54.39 | 55.42 | 54.91 | 47.65 | 51.53 | 49.59 | 55.25 |

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

1. US dollar bank notes of denomination 5 and higher.
2. US dollar bank notes of denominations 1 and 2.
3. Average of buying and selling rates.
4. Average of middle rates for large and small bills.

**Table A-15: Government of Liberia Revenue by Sources
(2002 - 2004)
(In Millions L\$)**

| Revenue Sources | 2002 | 2003 | 2004 |
|--------------------------|----------------|----------------|----------------|
| Custom & Excise | 1,124.7 | 918.5 | 1,365.1 |
| Direct Taxes | 752.0 | 364.0 | 947.6 |
| Indirect Taxes | 342.8 | 261.4 | 358.5 |
| FDA ¹ Levy | 707.0 | 156.5 | 0.0 |
| Petroleum Sales Levies | 347.9 | 170.5 | 60.5 |
| Maritime | 685.3 | 629.0 | 676.3 |
| Grants | - | - | 0.0 |
| Total | 3,959.7 | 2,499.9 | 3,408.0 |
| Percentage change | | -36.9% | 36.3% |

¹ Forestry Development Authority (FDA)

Source: Ministry of Finance, Monrovia, Liberia

**Table A-16: Government of Liberia Expenditure by Category
(2002 - 2004)
(In Millions L\$)**

| Expenditure Category | 2002 | 2003 | 2004 |
|-----------------------------|----------------|----------------|---------------|
| General Administration | 811.2 | 819.6 | 1,647.4 |
| Social & Community Services | 217.7 | 172.0 | 564.5 |
| Economic Services | 23.2 | 108.7 | 125.7 |
| GOL Special Commitment | 725.2 | 1,506.0 | 658.2 |
| Development | 2,483.0 | - | 617.8 |
| Total | 4,260.3 | 2,606.3 | 3613.6 |
| Percentage change | | -38.8% | 38.6% |

Source: Ministry of Finance, Monrovia, Liberia