CENTRAL BANK OF LIBERIA
ANNUAL REPORT
2009

JANUARY 1, 2009

TO

DECEMBER 31, 2009

CENTRAL BANK OF LIBERIA

Office of the Executive Governor

January 20, 2010

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

Honorable Ladies and Gentlemen:

In accordance with part XI Section 49(1) of the Central Bank of Liberia (CBL) Act, 1999, I have the honor on behalf of the Board of Governors and Management of the Bank to submit, herewith, the Annual Report of the Central Bank of Liberia to the Government of Liberia and the Legislature for the period January 1 to December 31, 2009.

Sincerely yours,

J. Mills Jones

P.O. BOX 2048, cnr WARREN 'n CAREY ST's, MONROVIA, LIBERIA
TEL.: (231) 226-991, FAX: (231) 226-144, TELEX: 44215

MISSION AND OBJECTIVES

MISSION STATEMENT

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

OBJECTIVES

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

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

BOARD OF GOVERNORS

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

John G. Bestman
Board Member

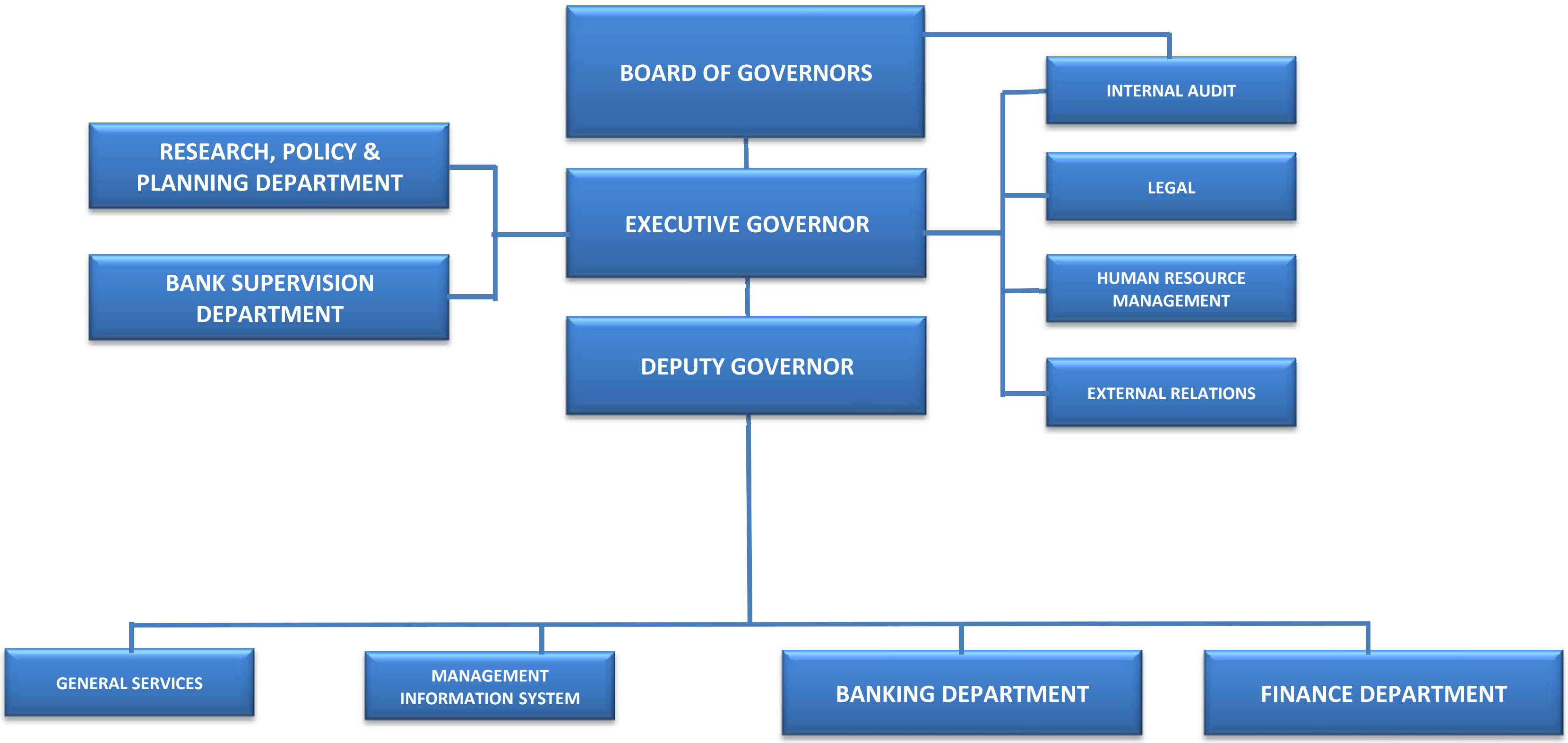
David K. Vinton
Board Member

Mildred Reeves
Board Member

Betty J. Saway
Board Member

Samuel W. Thompson
Deputy Governor

ORGANIZATIONAL CHART



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Acronyms Used

AACB	-	Association of African Central Banks
ABLL	-	Access Bank Liberia Limited
AfDB	-	African Development Bank
AIG	-	America International Group
ARC	-	American Refugee Committee
ATM	-	Automatic Teller Machine
BOP	-	Balance of Payments
BRAC	-	Building Resources Across Communities
CAR	-	Capital Adequacy Ratio
CBL	-	Central Bank of Liberia
CBN	-	Central Bank of Nigeria
CC	-	Compliance Committee
CCNA	-	Cisco Certified Network Associate
CDs	-	Certificate of Deposits
CEBSA	-	Central Bank of Liberia Staff Association
DRF	-	Debt Relief Facility
ECOWAS	-	Economic Community of West African States
FATF	-	Financial Action Task Force
FIs	-	Financial Institutions
FIU	-	Financial Intelligence Unit
GBLL	-	Global Bank Liberia Limited
GDP	-	Gross Domestic Product
GIABA	-	Inter-Governmental Action Against Money Laundering
GoL	-	Government of Liberia
GTBLL	-	Gauranty Trust Bank Liberia Limited
HCPI	-	Harmonized Consumer Price Index
HIPC	-	Heavily Indebted Poor Countries
IC	-	Investment Committee
IDA	-	International Development Association

IFC	-	International Finance Corporation
IFRS	-	International Finance Reporting Standards
IMF	-	International Monetary Fund
IOU	-	I Owe You
KYC	-	Know Your Customer
LBA	-	Liberia Bankers' Association
LBDI	-	Liberia Bank for Development and Investment
LEAP	-	Local Enterprises Assistance Program
LEDFC	-	Liberian Enterprise Development Finance Company
LIFS	-	Launch or an Inclusive Financial Sector
LISGIS	-	Liberia Institute of Statistics and Geo-Information Services
MCPI	-	Monrovia Consumer Price Index
MDRP	-	Monetary Data Reporting Procedure
MFIs	-	Microfinance Institutions
MIS	-	Management Information Services
MMPRC	-	Money Management and Policy Review Committee
MoF	-	Ministry of Finance
MOU	-	Memorandum of Understanding
NDA	-	Net Domestic Assets
NFA	-	Net Foreign Assets
NGO	-	Non-Governmental Organization
NPLs	-	Non-Performing Loans
ODA	-	Overseas Development Assistance
OPEC	-	Organization of Petroleum Exporting Countries
PCCF	-	Post-Conflict Countries Facility
PRGF	-	Poverty Reduction Growth Facility
RBS	-	Risk Based Supervision
SAM	-	School of Applied Microfinance
SD	-	Supervision Department
SDR	-	Special Drawing Rights
SMEs	-	Small Medium Enterprises

SMS	-	Short Message Service
UN	-	United Nations
UNCDF	-	United Nations Children Development Fund
UNDP	-	United Nations Development Programme
UNIFEM	-	United Nations Development Fund for Women
USA	-	United States of America
WAIFEM	-	West African Institute for Financial and Economic Management
WAMA	-	West African Monetary Agency

HIGHLIGHTS: 2009

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<td>THE MACROECONOMY
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GDP grew by about 4.6 percent in 2009.
The average rate of inflation in 2009 was 7.2 percent, against 17.5 percent in 2008.
In November, the cabinet adopted a debt management strategy framework, which aims at resolving the country’s debt overhang principally based on the Heavily Indebted Poor Countries (HIPC) Initiative.
Liberia bought back US$1.6 billion of its commercial debt. The buy-back was made possible through the assistance of the World Bank’s Debt Relief Facility (DRF).

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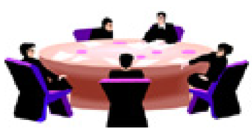
<td>BANKING STABILITY
</td>
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Key areas of the balance sheet and prudential ratios of the banking sector showed improvement. Shareholders’ funds increased by 80.8 percent; deposits, by 32.9 percent; loans, by 43.8 percent; and total assets, by 33.1 percent. Capital adequacy ratio (CAR) rose by 28.4 percent; total credit to the private sector as a ratio of GDP increased by 15.5 percent; and the ratio of non-performing loans (NPLs) to gross loans was 13.8 percent.

The Board approved the risk-based supervisory
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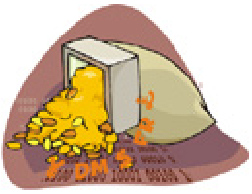
	(RBS) framework, a proactive supervisory regime, compared with the compliance-based supervisory approach. • The CBL signed an MoU with the Central Bank of Nigeria (CBN) relating to the sharing of supervisory information and enhanced cooperation in the area of bank supervision.
CBL FINANCIAL MANAGEMENT 	• The CBL's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The Bank transitioned to the IFRS in 2008.
GOVERNANCE 	• The Board of Governors agreed on a mechanism for the supervision and regulation of the insurance sector; amended the Single Obligor Limit Regulation for credit extension to borrower from 15.0 percent to 20.0 percent; and adopted an investment strategy to maximize income for the Bank and approved the establishment of a Board Investment Committee. The Board also approved work on developing a framework for the introduction of T-bills as an additional monetary policy instrument. • The Money Management and Policy Review Committee (MMPRC) adopted measures to improve the conduct of the foreign exchange auction; developed a liquidity monitoring framework; and agreed on strategy to improve

	the policy environment for enhancing the provision of microfinance services to a larger segment of the population.
RESERVES 	• As at end-December 2009, the CBL's net foreign reserves position rose to US$269.0 million, from US$49.4 million at end-December 2008, due mainly to an increase in holdings of Special Drawing Rights (SDRs).
EXCHANGE RATE STABILITY 	• The Liberian dollar exchange rate depreciated by 7.1 percent to L$67.81/US$1.00 at end-December, 2009, from L$63.29/US$1.00 at end-December 2008. • In order to help stabilize the Liberian dollar exchange rate, especially during the last half of 2009, the CBL increased the sale of US dollars by an additional US$7.4 million.
MICROFINANCE 	• AccessBank — the Microfinance bank — was granted a license in January 2009. The bank's deposits grew from US$28,000 in January 2009 to US$1,131,000 at end-December 2009 and from L$4,000 to L$26,444,000 for the same period. Its loan portfolio increased from US$35,000 at end-January 2009 to US$1,961,000 at end-December 2009, and from L$173,000 in February 2009 to L$1,055,000 at end-December 2009. • The Microfinance Investment Committee (IC),

	chaired by the CBL, approved a grant of US$300,000 to LEAP for on lending to its clients. • There was a significant increase in microfinance activities, especially outside of Montserrado County. The main providers of service in other counties included the Local Enterprise Assistance Programme (Leap) and the American Refugee Committee (ARC)/ Liberty Finance.
PAYMENTS SYSTEM 	• The level of financial innovation improved during the year with the introduction of such products as debit cards, ATMs and SMS banking. • Commercial banks began the encashment of GoL civil servants' salary and allowance checks subject to approved guidelines.
TECHNOLOGICAL IMPROVEMENTS 	• The Bank upgraded technology to improve data security for check encashment.
ANTI-MONEY LAUNDERING 	• Staff of the Legal Section and Supervision Department participated in several workshops and seminars to acquaint themselves with latest developments in the global fight against money laundering. An assessment of Liberia's compliance with the recommendation of the FATF and UN Convention and Resolutions against money laundering is slated for September, 2010.

PUBLICATIONS 	• In November, the maiden edition of the CBL's Newsletter was introduced. The Newsletter, a bi-monthly publication, highlights developments in the economy in general and the banking sector, in particular. • The IMF resumed the publication of Liberia's Balance of Payments (BoP) statistics in its 2009 Balance of Payments Statistical Yearbook (BOPSY). • The CBL continued with the publication of the Economic and Financial Bulletin, the Liberia Financial Statistics, the Fact Sheet on key economic and financial indicators, and other papers on topical issues.
ENGAGEMENT WITH THE LEGISLATURE AND OTHER STAKEHOLDERS 	• The CBL continued its engagement with the Senate and House Committees on Banking and Currency by apprising them of developments in the macroeconomy and the financial system. The Bank also advised the Government on economic and financial policies as part of the Government's Economic Management Team (EMT). • The Bank increased dialogue with the Liberian Bankers Association with a view to ensuring a stable and sound banking sector. Also, as part of its communication strategy, the CBL issued the 2009 Policy Statement to the Government and the public.

Foreword by the Executive Governor

The global financial crisis and economic meltdown affected the Liberian economy through a number of channels, including job losses in the export sector, slowdown in foreign direct investment and inflows of workers' remittances, and the weakening of the exchange rate. However, the economy grew by about 4.6 percent in 2009, although lower than the 7.1 percent increase in 2008. During the same period, global output declined, reflecting mainly the recession in the developed countries. For sub-Saharan Africa, output grew by 1.3 percent, down from 5.5 percent in 2008. The continued rise in Liberia's GDP took place against the background of a relatively stable macroeconomic environment. Inflationary pressures moderated, reflecting the decline in the international prices of fuel and food. The Government's adherence to prudential fiscal policy and the efforts of the Central Bank towards maintaining exchange rate stability also contributed to this stable environment. However, the continued high current account deficit remains a problem, requiring more concerted efforts to increase production for both exports and local consumption. Given the recovery of the global economy from recession, the growth prospects of the domestic economy are favorable. GDP is projected to grow at 7.7 percent in 2010.

Available data indicate that employment in both the formal and informal sectors rose during the year; but the unemployment level remains high. This means that policy measures must be strengthened aimed at increasing investment in areas that would stimulate private sector activity, such as in agriculture, forestry and construction. In this connection, both foreign direct investment and investment by Liberian entrepreneurs will be essential for a more accelerated turn around in the employment picture, an approach that is being supported by the government.

Efforts by the CBL to enhance the soundness and efficiency of the banking system in Liberia continued in 2009. The minimum capital requirement was increased to US$8.0 million at end-December, 2009 and will further increase to US$10.0 million by end-2010. Many of the commercial banks were already above the minimum requirement by end-2009. The balance sheet of the banking sector expanded in all key areas, and there was improvement in key prudential ratios. There were also improvements in corporate governance, risk management practices, and internal controls.

The number of commercial banks increased from 6 to 8, with the starting of operations of AccessBank Liberia Limited (ABLL), the Microfinance Bank, and Guaranty Trust Bank Liberia Limited (GTBLL). Meanwhile, the branch banking network increased further from 28 branches as at end-December 2008 to 55 in 2009. The licensing of AccessBank to focus on microfinance is in keeping with the CBL's objective of improving access to financial services by those with low-income and the economically active poor. The number of active borrowers benefiting from microfinance services further increased from 32,286 in 2008 to 34,636 during 2009.

The CBL took a decision to step up its mode of supervision from the traditional Camels-based approach to Risk-based supervision (RBS). To undertake the task, capacity is being built within the CBL, with technical assistance from the IMF. We believe that this move will put the supervisory regime of the CBL on par with other central banks and strengthen investor confidence in the banking system. Our supervisory stance was also enhanced through a number of directives and guidelines issued to commercial banks during the year, including a directive on the introduction of financial products and services, a directive concerning supervisory intervention, and guidelines for the management of foreign exchange risk exposure and placements by commercial banks.

The banking sector continued to make a significant contribution to the recovery of the economy. Total credit to the private sector as a percentage of nominal GDP increased to 15.5 percent during 2009, compared with 11.6 percent in 2008 and 9.3 percent in 2007. Total employment in the banking sector also increased. In helping to address the credit needs of the economy, the CBL has increased the single obligor limit from 15 percent to 20 percent, while encouraging banks to engage in more loan syndications in order to share the risks for larger transactions. However, the public should be aware that the banks in Liberia are operating in a difficult credit environment characterized by a poor credit culture, which the CBL is seeking to address. In this connection, the CBL supports the establishment of a fast-track commercial court to speedily deal with debt recovery cases.

I want to thank all our partners who have worked with us to move the Bank and the economy forward in 2009. Also, special thanks and appreciation go to the Board of Governors and staff of the Bank for their support and commitment.

J. Mills Jones
Executive Governor

Chapter I: Developments in the Global Economy

1.1 Global GDP growth

According to the IMF estimates, global GDP in 2009 shrank by 0.8 percent, driven primarily by slowdown in economic activities in advanced economies. The contractions were particularly pronounced in Japan and the UK; in both countries, GDP growth fell by 5.3 percent and 4.8 percent, respectively. However, emerging and developing economies registered a modest growth of 2.0 percent. China posted an impressive 8.5 percent growth, which was just enough to sustain the level of economic development in China. Sub-Sahara Africa's growth was recorded at 1.5 percent. The IMF projects global growth to reach 3.9 percent in 2010; driven by robust public policies across advanced and many emerging economies that supported aggregate demand and eliminated fears of a global depression. In advanced economies, the IMF projects that growth will be markedly slow through much of 2010, with unemployment rising until later in the year. Annualized growth is projected to be 2.1 percent, following a contraction of 3.2 in 2009.

For emerging economies, growth is forecast to be around 6.0 percent in 2010, up from 2.0 percent in 2009; this rebound will be led by China, India and a number of emerging Asian economies. In sub-Saharan Africa, growth is projected to rise over 4.0 percent in 2010 (Table 1).

Table 1: The Global Economy
(Percentage change, Year over year)

	Real GDP Growth			
			IMF Projections	
	2007	**2008**	**2009**	**2010**
World	5.2	3.0	-0.8	3.9
Advanced economies	2.7	0.5	-3.2	2.1
US	2.1	0.4	-3.9	2.7
Euro	2.7	0.6	-4.2	1.0
Japan	2.3	-1.2	-5.3	1.7
UK	2.6	0.5	-4.8	1.3
Emerging & Developing Economies	8.3	6.0	2.0	6.0
China	13.0	9.0	8.5	10.0
Africa	6.3	5.3	1.8	4.2
Sub-Sahara	7.0	5.7	1.5	4.3
Liberia	9.4	7.1	4.6	7.7
Memorandum				
World trade volume (Goods & Services)	7.3	2.8	-12.3	6.0
Imports				
Advanced economies	4.7	0.5	-12.2	5.5
Emerging & dev'ping economies	13.8	8.8	-13.5	7.1
Exports				
Advanced economies	6.3	1.8	-12.1	5.9
Emerging & dev'ping economies	9.8	4.4	-11.6	6.1

Source: IMF,WEO Update January 2010

1.2 GLOBAL INFLATION

During the year under review, global inflation pressures continued to subside against the backdrop of a weakened global economy. In July 2009, global inflation moderated on a year-on-year basis to 1.0 percent, down from more than 6.0 percent a year earlier. Headline inflation, beginning in May, 2009, remained below zero percent, as oil prices stayed far below their 2008 levels. Core inflation eased to 1.2 percent, down from over 2.0 percent a year earlier.

Headline and core inflation in emerging economies subsided considerably, dropping to 4.2 percent in July and 0.4 percent in June, respectively. However, developments were dissimilar across countries, with inflation falling mainly in emerging Asia and less so elsewhere.

Global inflation is expected to ease in 2010, with inflation in advanced economies projected to be around 1.0 percent; while in emerging economies, inflation is projected to be about 5 percent. Inflation outlook for sub-Saharan African countries remains good. It is projected that only a handful of sub-Saharan countries will experience double digits inflation.

1.3 Commodity Market

World commodity prices, after collapsing during the latter half of 2008 generally stabilized in early 2009 and subsequently staged a strong rally in the second quarter, in spite of the generally high inventories that resulted from constrained demand through the global recession. A recovery this strong at such an early stage in global industrial product goes counter to past experience.

Experience shows that in previous global downturns, commodity prices typically continued to plummet into the early phases of recovery or rose at rates far below the increases recorded in recent months. Oil prices, which recorded substantial rises early in previous recoveries, are an exception. During the year under review, the price of crude oil increased by around 80 percent, from the level in 2008 as traders were encouraged by signs that the global economy was recovering, with the euro-zone, Japan and the United States escaping a fierce recession.

Between January–October, 2009, the average weekly London International Financial Futures Exchange (LIFFE) of cocoa averaged £1,839.04, compared with £1,422.15 over the same period in 2008. At end October, 2009, the price of the commodity stood at £2,172.20, representing a strengthening of 63.0 percent on a year on year basis and 22.5 percent from end-2008 price. The rise in cocoa prices was associated with tight supply outlook, which was stimulated by the uncertainty surrounding cocoa harvest in Ivory Coast, the world's largest producer of the commodity.

The prices of gold sparkled during the year under consideration, reaching a record peak of US$1,226.56 per ounce at the start of December. Historically, gold would be expected to suffer against the backdrop of improved economic prospects and low inflation expectations. However, several market factors changed and these helped spur the rise in the prices of gold, including strong investment flows, the depreciation of the US dollar, global policy uncertainty, and lower sale of gold by central banks.

Between January to October 2009, the price of gold increased by 21.3 percent to US$1,046.10 per ounce, with considerable fluctuations being registered over the period. The average weekly price during this period was US$941.85 per fine ounce, against US$886.57 over the same period in 2008.

The demand prospects for commodities now depend largely on growth in emerging and developing countries, on account of robust increase in their market shares. Furthermore, commodity demand in these economies is more income-elastic than in advanced economies.

Selected Currency Movements

The depreciation of the US dollar, which began in the second quarter of the year continued unabated in the fourth quarter. Between January and October, 2009, the dollar depreciated cumulatively by 9.2 percent, 8.3 percent and 0.7 percent against the Euro, British Pound and the Japanese Yen, respectively. The fall in the value of the dollar can be ascribed to the widening of the US trade deficit; large fiscal deficit, and a global recovery that has removed the 'safe haven' bid from the dollar, among others.

TABLE 2: MOVEMENTS OF SELECTED CURRENCIES AGAINST THE US DOLLAR (Percent)

	Advanced Economies			Emerging Market & Developing Economies								
	Euro	Pound	Yen	Rupee	Won	Yuan	Real	Dong	Sole	Ruble	Rand	Peso
	Euro zone	UK	Japan	India	S. Korea	China	Brazil	Vietnam	Peru	Russia	S. Africa	Chile
Monthly Changes (Percent)												
2008												
Jan	-1.0	2.5	-4.1	-0.2	1.3	-1.8	-0.7	-0.2	-1.1	-0.4	2.5	-4.1
Feb	-0.3	0.3	-0.6	1.0	0.1	-1.0	-2.6	-0.4	-1.4	0.1	9.3	-2.5
Mar	-5.0	-1.9	-5.9	1.3	3.9	-1.3	-1.2	-0.1	-3.3	-3.2	4.3	-5.3
Q1 Cum.(%)	**-6.3**	**0.8**	**-10.6**	**2.1**	**5.3**	**-4.1**	**-4.4**	**-0.7**	**-5.9**	**-3.5**	**16.1**	**-11.9**
Apr	-1.5	1.1	1.9	-0.5	0.7	-1.1	-1.2	1.3	-2.2	-0.8	-2.8	1.2
May	1.2	0.8	1.6	5.1	4.9	-0.4	-1.7	0.4	2.0	0.8	-1.8	5.2
Jun	0.0	0.0	2.5	1.8	-0.3	-1.0	-2.5	2.2	3.2	-0.3	4.2	5.4
Q2 Cum (%)	**-0.2**	**1.8**	**6.0**	**6.3**	**5.2**	**-2.5**	**-5.4**	**3.8**	**3.0**	**-0.3**	**-0.5**	**11.9**
Jul	-0.5	-0.0	-2.4	-0.0	-1.6	-0.9	-1.7	1.6	-1.8	-1.2	-4.2	0.7
Aug	-1.2	-0.9	0.7	0.5	3.2	0.2	1.6	-1.1	2.1	3.9	1.1	3.6
Sep	-2.2	1.2	-3.8	6.0	8.2	-0.2	11.5	0.1	2.3	4.4	5.0	3.3
Oct	-1.7	0.7	-1.0	6.5	16.5	-0.0	20.6	0.5	3.7	4.6	20.0	17.1
2008:Y-t-d (%)	**-12.0**	**3.6**	**-11.2**	**21.4**	**36.9**	**-7.5**	**22.1**	**4.2**	**3.4**	**7.8**	**37.6**	**24.6**
2009												
Jan	1.8	2.7	-1.2	0.4	-0.4	-0.3	-3.6	2.4	1.2	12.8	-0.2	-4.2
Feb	3.5	0.3	2.9	1.1	6.1	-0.0	0.5	-0.0	2.6	12.7	0.7	-2.7
Mar	-2.0	1.7	5.5	3.9	0.7	0.0	-0.2	0.4	-1.8	-3.4	-0.4	-2.2
Q1 Cum (%)	**3.4**	**4.8**	**7.1**	**5.3**	**6.3**	**-0.3**	**-3.3**	**2.8**	**2.0**	**22.1**	**0.1**	**-9.1**
Apr	-1.1	-3.7	1.0	-2.3	-7.9	-0.1	-4.8	1.3	-2.9	-3.1	-9.9	-1.6
May	-3.4	-4.7	-2.3	-3.0	-5.9	-0.1	-6.3	-0.0	-3.0	-4.8	-6.7	-2.9
June	-2.5	-5.6	0.1	-1.6	0.6	0.2	-5.1	0.1	-0.1	-2.6	-3.8	-2.8
Q2 Cum (%)	**-7.0**	**-14.1**	**-1.2**	**-6.9**	**-13.2**	**-0.0**	**-16.2**	**1.4**	**-5.9**	**-10.5**	**-20.4**	**-7.3**
Jul	-0.5	-0.0	-2.4	1.5	-0.1	-0.0	-1.3	0.1	0.6	1.5	-1.0	-1.7
Aug	-1.2	-0.9	0.7	-0.2	-1.6	0.0	-4.5	-0.1	-2.0	0.5	-0.1	1.3
Sep	-2.2	1.2	-3.8	0.0	-2.3	-0.1	-1.5	0.2	-1.4	-3.2	-5.6	0.2
Oct	-1.7	0.7	-1.0	-3.4	-3.1	-0.0	-4.4	0.2	-1.2	-4.1	-0.2	-0.8
2009:Y-t-d (%)	**-9.2**	**-8.3**	**-0.7**	**-3.7**	**-14.0**	**-0.4**	**-31.3**	**4.6**	**-7.9**	**6.3**	**-27.2**	**-17.4**

Note: Positive (+) refers to depreciation and negative (-) appreciation

Source: IMF

Chapter II: Governance

2.1 The Board of Governors

As stipulated in the 1999 Act establishing the Central Bank of Liberia, the powers of the Bank are vested in the Board of Governors, which consists of the Executive Governor, who is also the Chairman of the Board, and 4 Non –Executive Governors. The Board has the power to make, alter or repeal by-laws, regulations and orders for the purpose of giving effect to the provisions of the Central Bank of Liberia Act.

The Board of Governors and the Deputy Governor are appointed by the President of the Republic of Liberia subject to confirmation by the Liberian Senate. The Executive Governor and Deputy Governor are appointed for a term of 5 years each, and are both eligible for reappointment once. The 4 Non-Executive Governors are appointed on a staggered-term basis from 4 years to 1 year. They are also eligible for reappointment for a fixed period of 5 years.

The Board is responsible for formulating policies necessary for the achievement of the Bank's principal objective which is to achieve and maintain price stability in the Liberian economy. In so doing, the Board devises and pursues policies designed to:

- Preserve the purchasing power of the national currency;
- Promote internal and external equilibrium in the national economy;
- Encourage the mobilization of domestic and foreign savings and their efficient allocation for productive economic activities;
- Facilitate the emergence of financial and capital markets that are capable of responding to the needs of the national economy; and
- Foster monetary, credit and financial conditions conducive to orderly, balanced and sustained economic growth and development.

In addition, the Board is responsible to ensure effective and efficient operation of the banking system in accordance with the New Financial Institutions Act of 1999.

2.2 Committee of the Board

The Board has an Audit Committee which assists it in ensuring that appropriate and adequate accounting procedures and internal controls are established, as well as ensuring compliance with such standards and statutory requirements. Part of the Committee’s mandate is to engage with the Bank’s external auditor to discuss the Bank’s financial reporting and other relevant issues as they relate to prudent management of the Bank’s resources.

During the year, the Committee reviewed the quarterly reports of the Internal Auditor and made recommendations to the Board for consideration. It approved the engagement of an external auditor to undertake an IMF Safeguard Assessment of the Monetary Data Reporting Procedure (MDRP) of the CBL and reviewed the draft report for approval by the Board. The Committee also reviewed the engagement of the external auditor to conduct the annual Statutory audit of the CBL for 2009 as well as the 2010 audit plan of the external auditor which the Committee recommended to the Board for further consideration and approval.

2.3 Major Issues Considered by the Board

In accordance with its work program for the year, the Board considered the following major issues:

- In its efforts to make monetary policy management more effective from the perspective of multiple policy instruments, the Board approved the commencement of work on developing a Treasury bill (T-bill) market for the introduction of a short-term marketable financial instrument. This would eventually set the pace for the creation of a capital market and help to make the interest rate become an effective policy instrument in controlling the supply of money to the economy and establishing the foundation for the determination of a yield curve in the financial system.

- As part of its mandate to ensure financial sector stability, the Board approved the adoption of the Risk-Based Supervision (RBS) approach to replace the current

Compliance-Based Supervision Approach. This RBS approach is premised on the identification of the primary risks affecting a financial institution and the evaluation of the significance of those risks for the financial institution in question. This is expected to go a long way in promoting sound management of risks in individual financial institutions in Liberia, which shall, in turn, contribute to healthy competition and greater stability of the financial system – a key precondition to sustained economic growth in the country – and allows the CBL to more efficiently employ scarce resource.

- Amended the Prudential Regulation on Asset Classification to enable commercial banks to engage in microfinance lending in support of the Government's Poverty Reduction Strategy (PRS),

- Amended the Single Obligor Limit regulation for credit extension to any borrower by a commercial bank from 15 percent to 20 percent of its regulatory capital to finance essential and readily marketable commodities.

- Adopted an investment strategy to maximize income to the Bank and approved the establishment of a Board Investment Committee,

- Approved the granting of a Provisional License to First Afriland Asian American Bank in line with CBL's policy to expand and diversify the banking system and emphasis was placed on the commitment of First Afriland Asian American Bank to direct a significant share of its resources towards agricultural financing.

- Considered the need for capacity building in the banking sector and, accordingly, approved the establishment of a Banking Institute in collaboration with the Liberia Bankers Association to be housed at the CBL Training Center in order to help build capacity of the banking sector.

- Considered the need to develop a regulated capital market and agreed that the CBL should assume a leading role in this endeavor.

- Considered the issue of a fast-track court for the expeditious enforcement of commercial contracts as this was important for improving the credit environment and that the CBL should closely work with other stakeholders for the actualization of such a venture.

2.4 Communication with Stakeholders

The Management of the CBL benefited from consultations with the Banking and Currency Committees of the National Legislature. The Committees were briefed on the national economy in general and the performance of the banking system in particular. Monthly Fact Sheets containing major macro-economic data, Quarterly Financial and Economic Bulletin were provided to members of the Legislature, Ministries, Public Corporations, universities, international organizations in Liberia and the general public. The Management of the Bank also held periodic consultations with the President of Liberia, in keeping with its mandate to serve as economic advisor to the Government of Liberia.

In order to strengthen and effectively coordinate activities of the financial system, the CBL continued to engage the Liberia Bankers Association. Such engagements helped the CBL to explain its policies to the banking community and get cooperation on regulatory measures that were being put in place.

The Foreign Exchange Bureau Association also featured in the CBL's strategy of having a broad-based consultative approach. The meetings with members of this Association provided an opportunity to further address some of the problems in the foreign exchange market and bring the foreign exchange bureaux more into the financial system.

2.5 Key Internal Committees

The key internal committees of the Bank during 2009 remained the Money Management and Policy Review Committee (MMPRC), the Compliance Committee (CC), and the Banking Reform Committee (BRC).

The MMPRC continued its work aimed at providing prudent policy direction for the Bank. Major issues discussed by the Committee included finding out ways of improving the conduct of the foreign exchange auction for greater impact on the exchange rate, setting the pace for the development of a liquidity monitoring framework which is now being used to monitor liquidity in the banking sector, taking measures to improve the policy environment for enhancing the provision of microfinance services to a larger segment of the population, and issues regarding the introduction of a Treasury-bill market in the Liberian financial system.

The CC deliberated on a number of issues affecting the individual banking institutions as highlighted from various on-site examination reports and the quarterly banking developments reports. The appropriate remedial actions were taken to correct weaknesses in the individual banks in a timely manner. There were a series of meetings held between the CBL and the Liberian Bankers Association (LBA) with a view to developing options and strategies for addressing a number of problems of the banking system including the high volume of non-performing loans in the system. The Committee also held discussions with the International Finance Corporation (IFC) on moving forward the process of the establishment of a fast-track commercial court for the expeditious adjudication of commercial cases.

The BRC held several deliberations on emerging issues arising from the quarterly off-site surveillance report, the Liberia Bankers Association (LBA), the public and the global environment with the aim of formulating appropriate regulatory policies. The outcome of these deliberations led to the formulation and revision of several new regulations and guidelines. Some of these regulations and guidelines were issued during the year while others are still in the development stage.

Among the issues deliberated by the Committee were the establishment of a banking college to enhance the human capacity needs in the banking sector and consultation with banks for the adoption and implementation of the International Financial Reporting Standards (IFRS) to promote uniform accounting standards in the banking sector. The Committee was also actively engaged with other stakeholders on issues regarding the ongoing efforts aimed at reforming the insurance sector.

Chapter III: Operations of the CBL

3.1 Risk Management and Audit

The risk and internal audit environment at the CBL was enhanced during the course of 2009 through a systematic and disciplined approach to risk assessment, control and governance.

During the year under review, the CBL launched a program of continuous risk assessment of all functional areas and activities of the Bank, which resulted into a regular update of the CBL's audit risk environment. Activities were then monitored on the basis of their associated risks to ensure effective management and mitigation of identified risks. Also, the CBL began initiating discussions with central banks in the sub-region to establish an internal audit peer review mechanism that will help ensure that best practices and common experiences are shared to further strengthen the effectiveness of its internal audit function. A visit of staff from the CBL's Internal Audit Section to the Bank of Sierra Leone was a result of this endeavor.

During the year, quarterly audit reports were submitted to the CBL Board of Governors Audit Committee, summarizing audit issues, risks, recommendations and management actions taken. Internal Audit met at least twice with the Audit Committee every quarter to discuss the quarterly audit reports and audit work plans.

3.2 Fiscal Agent for the Government

Pursuant to Part II Section IV, Sub-section VI of the CBL Act of 1999, which mandates the Bank to act as fiscal agent for the Government, the CBL continued to assist the Government in the collection of revenue during the year under consideration. The Ministry of Finance (MoF), in collaboration with the CBL, opened the Freeport of Monrovia Tax Center (One-Stop-Shop) for easy and convenient payment of taxes. Also, the CBL, on behalf of the Government, remitted timely payments and transfers to international financial institutions, diplomatic missions and other institutions abroad.

Payments System Modernization Project

The level of financial innovation has been improving with the introduction of new financial products such as debit cards, ATMs, and SMS banking. These developments are part of the CBL's efforts geared towards the modernization of the national payments system.

During the year under review, the CBL approved the request of 2 banks to launch financial products including the use of VISA card and other proprietary products. Two other institutions were also given approval by the CBL to use debit cards for their ATMs and Point of Sale (POS).

At the request of the CBL, commercial banks operating in Liberia are now encashing GOL civil servants salary and allowance checks subject to approved guidelines and procedures. This is based on an MoU signed amongst the CBL, commercial banks and the MoF. As a result, long queues at the CBL for the purpose of salary checks encashment have been reduced.

Commercial banks now have branches in 9 of the 15 counties, making it easier for civil servants to cash checks in addition to providing other banking services to residents of these counties. The CBL payment center in Margibi County closed during the year, with the county being serviced by 3 commercial banks. In counties where there are no permanent payment centers or commercial banks, mobile teams are sent to those counties for a period of 2 weeks usually after the 15th of each month for the purpose of checks encashment. With some of the commercial banks creating new products, including debit and credit cards, and the expected introduction of a treasury bills market, the CBL hopes to move Liberia from a predominantly cash-based economy to the use of more financial instruments.

Foreign Exchange Auction

The foreign exchange sale auction remains the readily available policy instrument to the CBL in affecting domestic monetary condition. The CBL weekly foreign exchange auction continued during the year with increased intervention in the market by the CBL to help stabilize the exchange rate. In 2009, the CBL sold a total of US$36.1 million through the auction, representing US$10.1 million more than the US$26.0 million sold as at end-December, 2008.

3.3 CBL Accounting and Finances

The CBL's financial statements for the second year are being prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are currently being audited by PricewaterhouseCoopers-Ghana, the Bank's external auditor. The 2009 audit was conducted as scheduled, consistent with the provisions of Section 50 of the CBL Act.

Income and Expenditure

- The CBL's un-audited Income Statement for the year ended 2009 revealed gross income of L$2,549.4 million compared with L$1,126.3 million in 2008. The increase in gross income was mainly due to exchange rate valuation adjustment.

- The main drivers of expenditure in 2009 were costs relating to the recruitment of more staff to meet up with increased responsibilities of the Bank. Total expenditure for the year including actuarial loss on defined benefit pension plan amounted to L$503.2 million, compared with L$634.6 million in 2008. The decrease in expenses was due to a decline in other operating expenses.

- The Bank's net comprehensive income for 2009 was L$2,046.2 million.

Financial Position

- The CBL's un-audited Statement of Financial Position recorded total assets of L$133,147.3 million for the year ended 2009 compared with L$108,837.4 million in 2008. This 22.3 percent increase was mainly due to allocation of SDRs by the IMF. There was also an increase in CBL liquid assets. Excluding the IMF, approximately 52.0 percent of total assets are represented by claims on the Government of Liberia. The loans are currently performing based on a memorandum of understanding (MOU) signed in 2007 between the CBL and the Government of Liberia.

- The CBL's un-audited total liabilities at year-end 2009 amounted to L$121,637.5 million compared with L$99,199.4 million in 2008. The increase in liabilities of L$22,438.1 million was mainly attributed to increase in IMF related liabilities and in GoL and commercial banks deposits.

- The CBL's un-audited total owners' equity at year-end 2009 was L$11,509.8 million compared with L$9,146.3 million in 2008, on account of increased net profit.

The Budget

- The CBL implemented a balanced budget in 2009 as agreed with the IMF under the Poverty Reduction Growth Facility Program. The budget was based on interest income on placements made abroad and on loans and advances to GoL as well as service fees and commission. Income was constrained by the decline in interest rate on the Bank's foreign deposits as a result of the global financial crisis.

- The Bank reported a net Foreign Reserves position of US$269.0 million for the year ended December 31, 2009, up from US$49.4 million in 2008. The increase of US$219.6 million was mainly due to an increase in the holdings of Special Drawing Rights (SDRs) of the country through a special SDR allocation by the IMF.

3.4 Supervisory and Regulatory Activities

Like previous years, the supervisory strategy of the CBL remained focused on 2 comprehensive on-site examinations of each bank, complemented by a robust off-site surveillance system.

During 2009, the CBL issued a number of new guidelines, regulations and directives to strengthen the banking sector. They include (1) Directive on the introduction of financial products and services for commercial banks (CBL/SD/001/2009), (2) Directive on expansion and closure of bank's branches and or windows (CBL/SD/002/2009), (3) Guidelines for the management of credit reference at the Central Bank of Liberia (CBL/SD/003/2009), (4) Guidelines for the management of foreign exchange risk exposure and placements by commercial banks (CBL/SD/004/2009), and (5) Directive concerning Supervisory Intervention (CBL/SD/005/2009). There are a number of new directives, regulations, and guidelines that were developed during the year intended to improve the integrity of the banking sector; for example, the code of ethics for employees of commercial banks and guideline on due diligence for recruitment of new staff in the banking system. The Bank also received technical assistance from the World Bank to update the "Know Your Customer" (KYC) regulation and supervision of money laundering and terrorist financing and draft a legal framework for the establishment of a full-fledged credit reference bureau.

The CBL continued its engagement with other stakeholders regarding the establishment of a fast-track commercial court in Liberia to improve the enforceability of financial contracts. Significant progress was made in this regard with the International Finance Corporation (IFC) of the World Bank Group. The CBL and the IFC drafted finance-leasing regulations as part of the effort. Copies of the draft regulations have been circulated to relevant key players for their review and inputs.

The IFC, in conjunction with the CBL, has arranged a visit to Ghana by the Legal Counsel of the CBL, the Chief Justice of the Republic of Liberia, the Chairman of the Law Reform Commission, the President of the Liberia National Bar Association, etc., to find out facts about Commercial courts for the purpose of establishing similar courts in Liberia. Experienced drafters of commercial law are being evaluated for hiring to review and finalize the draft Commercial Code of Liberia. The lawyers being evaluated include lawyers from Liberia, Ghana, Uganda and Kenya.

An important step towards enhancing supervisory oversight of the banking sector was the signing of an MOU with the Central Bank of Nigeria (CBN) to promote supervisory cooperation and exchange of information as well as collaborate in crisis management relating to banking organizations operating in both countries.

With technical assistance from the IMF, the CBL has begun preparatory work towards shifting its supervisory approach from the current rule or compliance-based approach to a risk-based approach. This shift is expected to put the Bank's supervisory regime on par with other countries. In this regard, an advisor provided by the IMF conducted risk-based training with the staff of the Supervision Department and will continue to do so in 2010. Additionally, the Advisor, along with the staff of the Supervision Department, has developed the necessary frameworks and guidelines to implement the Risk-Based approach. The CBL also started discussions with the commercial banks and the Liberia Institute of Certified Public Accountants regarding the adoption and implementation of the International Financial Reporting Standards (IFRS) to promote uniform accounting standards for all banks.

Pursuant to its mandate as provided under the Act of the CBL and the new Financial Institutions Act of 1999, the CBL began consultations with UNDP, the Ministry of State, and insurance operators on the way forward for the regulation and supervision of the insurance sector. The Bank played an important role in the review of the draft legal framework and the stakeholder validation session held in October 2009. The CBL believes that timely consensus should be reached among the key stakeholders on a practical solution to the institutional set up for the regulation and supervision of the insurance industry.

The CBL continued with its supervision of the non-bank institutions, including licensed forex bureaux, money remittance institutions, and the Liberian Enterprise Development Finance Company (LEDFC). Discussions were held with the shareholders of LEDFC to restructure the company in order for it to play a more meaningful role in catering to critical sectors of the economy, such as SMEs. The CBL also developed a draft regulatory framework for non-bank financial institutions, which will be finalized and issued in 2010.

3.5 Research and Publications

During 2009, the CBL continued the publication of the Quarterly Financial and Economic Bulletin, the Liberia Financial Statistics, and the Monthly Fact Sheet on key macroeconomic and financial indicators. Also, the CBL introduced the publication of a Newsletter covering activities of the CBL and the banking system as well as other macroeconomic issues.

The regular monitoring of the foreign exchange market continued and for the first time, a business enterprise survey was carried out as part of additional balance of payments information. The CBL continued the monitoring of price developments in the economy with a view to helping ensure broad stability in the general price level through its foreign exchange auction program.

The CBL resumed the publication of Liberia’s Balance of Payments (BOP) Statistics during the year under review after 21 years. In August of 2009, the CBL submitted the country’s balance of payments statistics to the IMF which was published in its 2009 Balance of Payments Yearbook.

3.6 Information Technology (IT)

During the year, the CBL embarked on a project aimed at mitigating the risk to the Posting Unit system, especially the recycling of GoL checks. To this end, an assessment was done and appropriate application was developed, which replaced the previous software for the posting of checks. The new software has more security features for data integrity and processing controls. The software was completed and deployed to the Permanent Payment Centers in the various counties during the year and within the Bank's Posting Unit.

In upgrading the CBL's IT system, plans are underway to install a Hot-Site backup system for the Bank, which is in line with the disaster recovery strategy and will help to facilitate the automatic backup of information from the production site to the backup unit on real-time and online basis. The benefit is substantial in terms of cost saving. The CBL has begun the process that will eventually lead to automation of the clearing system to real-time so that check clearing can be done two or three times a day to enable customers clear checks in one day's time.

3.7 Human Resources Management

At end-December 2009, the number of employees of the CBL stood at 222, from 145 in 2008, indicating a 53.1 percent increase. Of the total number of employees, 63 were fixed-term employees, which increased by 16 during the year under review. The overall growth in the level of employment was a result of increased responsibilities of the various Departments and Sections of the CBL including the Research, Bank Supervision, Banking and Finance Departments, as well as the Audit, Human Resources Management and the General Services Sections.

Capacity Building

The Management of the CBL continued to prioritize capacity building through the year under review. A total of 50 of its staff participated in foreign and local training courses, seminars and workshops sponsored by WAIFEM, ECOWAS, IMF, Federal Reserve Bank of New York, Central Bank of Nigeria (CBN) and the CBL in various aspects of central bank operations. Foreign training courses attended included Certified Cisco Network Administration (CCNA);

Bank Examiner Foundation; External Vulnerability; Liquidity Management; Operational Risk Management and International Audit; Optimizing Reserve and Foreign Exchange Management for Income Generation; New Financial Environment; International Financial Reporting Standard (IFRS); Computer Applications in Accounting, Audit and Financial Management; Financial Programming and Policies; Market, Credit and Liquidity; Risks and Insurance 101 & RBS Soft Skills; Fundamentals of Budgeting; Foreign Exchange Auction Observation; Multilateral Surveillance Mechanism Database; Econometric Modeling for Inflation Targeting; Advanced Banking Supervision; Risk-Based Supervision; and Risk Management and the Financial Crisis. Local training courses conducted included Payment Systems Development for a Post Conflict Economy and a Professional Accountancy Certification Examination Preparatory Course.

In furtherance of the CBL's policy on human capacity development through knowledge transfer, staff returning from short-term foreign training courses, are encouraged to conduct workshops on topics and related issues covered in such courses for other staff at the Bank.

3.8 Relations with International Institutions

During the reporting period, the bilateral relations between the CBL and international institutions continued to grow in strength with mutual commitment towards the achievement of the goal of the 2009 Program agreed with the International Monetary Fund (IMF). In this spirit, the IMF completed the third appraisal of Liberia's performance in the implementation of its Economic and Financial Program supported by the Poverty Reduction and Growth Facility (PRGF).

Regular transmission of the country's Monetary Survey to the IMF was carried out consistent with agreement with the IMF under the PRGF program. Also, questionnaires from international financial and other regional institutions such as the IMF, World Bank, African Development Bank, etc, were responded to by the CBL during the year.

3.9 Regional and Sub-Regional Organizations

In 2009, the CBL continued to maintain strong ties with regional and sub-regional organizations through engagements at meetings, seminars, workshops and short-term training courses organized by the West African Monetary Agency (WAMA), the West African Institute for Financial and Economic Management (WAIFEM), the West African Monetary Institute (WAMI), the Association of African Central Banks (AACB) as well as the Joint Africa Institute (JAI).

Questionnaires from ECOWAS, WAIFEM, and African Development Bank (AfDB) on macroeconomic issues were completed with the requested information/data and submitted to the above-mentioned institutions during the year.

3.10 Anti-Money Laundering

The Bank participated in the Assessment of Ghana's compliance with the recommendation of the Financial Action Task Force (FATF) and UN Convention and Resolutions against money laundering and terrorist financing. This assessment exercise is conducted in all countries of West Africa by GIABA, the World Bank and the International Monetary Fund (IMF) and other partners concerned in the fight against money laundering. Liberia is scheduled to be evaluated in September 2010. Areas of concern for the forthcoming evaluation include the comprehensive Anti Money Laundering Law, legislation that addresses the enforceability of anti- money laundering and terrorist financing, and the establishment of the Financial Intelligence Unit (FIU).

During the year, the CBL, on behalf of the Government of Liberia, applied for Liberia to become a full-fledged member of the West African Monetary Zone (WAMZ). Liberia's application was endorsed by the Committee of Governors and the Convergence Council of the WAMZ and is expected to be forwarded to the heads of state of the WAMZ for final approval.

Chapter IV: Developments in the Liberian Economy

4.1 Price Developments

Inflationary pressures moderated in the 12-month period up to December 2009 with consumer price inflation averaging 7.4 percent, from an average double-digit rate of 17.5 percent in 2008. The slowdown in the upward movement in general prices, characterized by single-digit inflation in 2009, was influenced by the domestic pass-through effects of the relative low oil and food prices on the world market.

Table 3: Year-on-Year Rate of Inflation
(2007 – 2009)
(December, 2005 = 100)

	2007	**2008**	**2009**
January	12.0	16.5	6.4
February	13.0	14.8	7.0
March	11.2	14.3	6.9
April	13.5	11.7	7.8
May	10.1	19.2	7.7
June	12.5	22.0	7.6
July	12.6	21.3	7.3
August	9.9	26.5	4.9
September	12.7	20.0	8.0
October	8.6	18.6	8.2
November	9.5	15.5	7.8
December	11.7	9.4	9.7
Average Rate	**11.4**	**17.5**	**7.4**

Source: Liberia Institute of Statistics and Geo-Information Services (LISGIS), and the Central Bank of Liberia ,Monrovia, Liberia

Chart 1: Year-on-Year Rate of Inflation
(2007 – 2009)
(December, 2005 = 100)

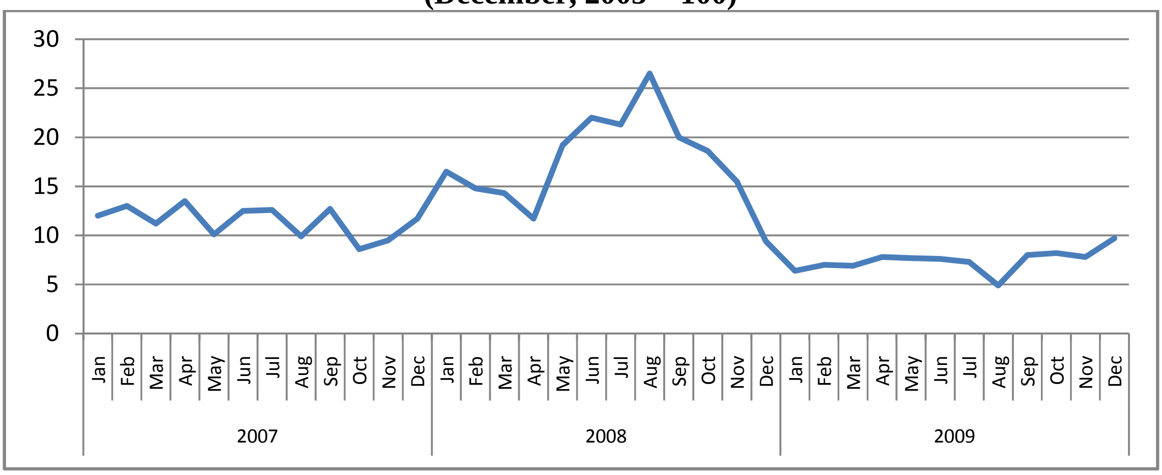


Table 4: Liberia: Harmonized Consumer Price Index (HCPI)
12 Month Percent Changes by Major Groups
(December 2005=100)

MAJOR GROUPS	WEIGHT	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
FOOD AND NON-ALCOHOLIC BEVERAGES	45.20	5.21	5.92	5.84	7.36	1.61	0.56	0.14	-4.24	1.85	2.26	3.06	4.25
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	3.03	3.25	6.93	10.53	10.71	8.39	11.91	14.96	22.38	20.21	16.21	14.13	13.32
CLOTHING AND FOOTWEAR	7.75	15.55	13.37	11.89	10.19	16.59	21.35	18.56	22.66	21.46	16.48	12.76	12.31
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	12.00	-0.37	-0.14	-1.51	-0.75	-3.11	-3.37	-2.14	-3.83	-5.56	-1.52	-2.12	-1.02
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE	5.25	16.08	13.87	19.69	20.87	36.36	36.54	38.76	29.09	22.55	21.20	17.94	35.35
HEALTH	3.91	0.00	0.00	1.99	4.05	3.70	3.01	4.05	4.05	4.05	4.05	4.05	4.05
TRANSPORT	6.11	26.28	22.78	25.23	23.91	-6.17	-6.17	-4.74	-4.73	-3.81	-3.50	-2.64	1.55
COMMUNICATION	1.53	-2.63	-2.50	0.39	-2.26	-2.35	1.01	1.21	1.39	1.34	1.21	0.73	0.72
RECREATION AND CULTURE	3.85	6.76	7.17	-0.66	3.31	4.47	5.96	4.51	4.80	5.21	4.71	3.41	3.40
EDUCATION	3.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RESTAURANTS AND HOTELS	4.64	-0.69	9.60	9.88	10.41	94.70	99.81	89.56	101.61	101.03	99.50	93.72	93.64
MISCELLANEOUS GOODS AND SERVICES	3.53	0.48	1.91	0.49	-1.55	10.01	12.98	14.69	14.37	15.19	13.66	10.62	10.78
GENERAL RATES OF INFLATION	**100.00**	**6.39**	**6.95**	**6.94**	**7.80**	**7.72**	**7.55**	**7.33**	**4.90**	**7.98**	**8.18**	**7.78**	**9.71**
SPECIAL RATES OF INFLATION													
ALL IMPORTED ITEMS	41.73	4.35	6.13	11.04	10.91	6.04	12.20	12.02	11.20	10.48	12.65	12.65	14.14
ALL DOMESTIC ITEMS	58.27	7.79	7.50	4.23	5.70	8.87	5.70	4.23	0.80	6.30	5.94	5.94	6.59
IMPORTED FOOD ITEMS	23.87	4.48	7.77	16.69	16.37	5.39	11.25	12.90	10.46	9.08	12.00	12.00	14.86
DOMESTIC FOOD ITEMS	21.33	5.87	4.27	-3.56	-0.83	-2.02	-9.25	-10.77	-16.36	-4.60	-6.49	-6.49	-5.67
IMPORTED FUEL	2.14	-25.76	-33.61	-30.34	-32.84	-38.23	-36.58	-30.78	-32.70	-29.27	-10.18	-10.18	10.44

Source: Liberia Institute of Statistics and Geo-Information Services (LISGIS), and the Central Bank of Liberia , Monrovia, Liberia

The falling trend in Food inflation and those of Clothing & Footwear; Housing, Water, Electricity, Gas & other Fuels; Furnishing, Household Equipment & Routine Maintenance of the House; Transport and Communication within the consumer basket contributed to the outturn for overall inflation during 2009.

The core inflation, a measure of the underlying inflation, which excludes food and transport showed signs of steady increases during the period with its rate rising from 5.1 percent in January to 17.5 percent in December. This is reflective of the structural problems of the economy such as the state of the Freeport of Monrovia, the main port of entry, the poor state of farm-to-market roads, and other infrastructure which contribute to increasing cost of doing business and the depreciation of the Liberian dollar.

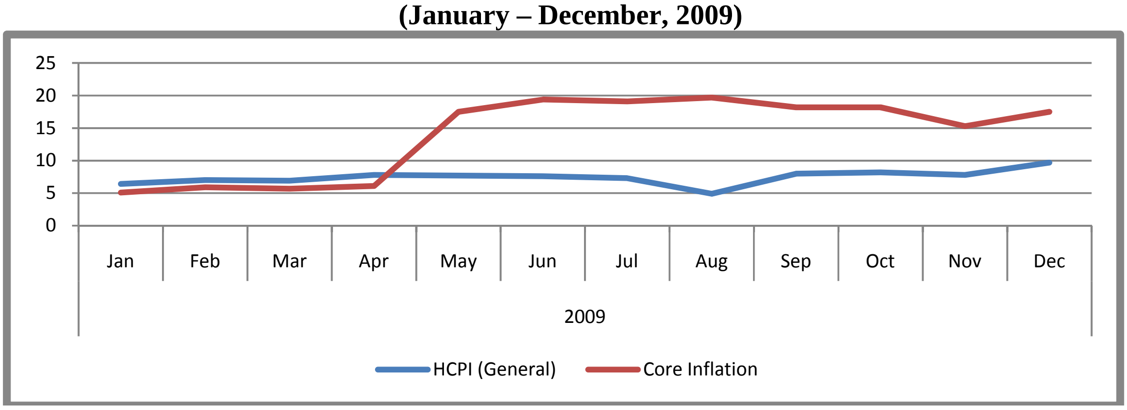
Inflation in 2010 will largely depend on food and oil prices on the global market, the state of domestic infrastructure, and the exchange rate behavior. However, the CBL will continue to monitor market developments, and will remain committed to prudent monetary policy and smoothing out fluctuations in the exchange rate.

Table 5: HCPI and Core Inflation
(In Percent)
(January – December, 2009)

Inflation	2009											
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
HCPI (General)	6.4	7.0	6.9	7.8	7.7	7.6	7.3	4.9	8.0	8.2	7.8	9.7
Core Inflation	5.1	5.9	5.7	6.1	17.5	19.4	19.1	19.7	18.2	18.2	15.3	17.5

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 2: HCPI and Core Inflation
(In Percent)
(January – December, 2009)



4.2 Monetary and Exchange Rate Developments

4.2.1 Monetary Policy Stance

The conduct of monetary policy during the year was geared towards containing exchange rate fluctuation and ensuring low inflation. The weekly foreign exchange auction remained the key available policy instrument used by the CBL to affect domestic monetary condition. During the latter part of the year, the CBL intensified its intervention in the foreign exchange market to help ease the enormous pressure on the exchange rate of the Liberian dollar. In addition to the weekly foreign exchange auction, the introduction of a Treasury-bill (T-bill) market is being earmarked for 2010, which will help to widen policy instruments available to the CBL for prudent monetary policy management.

4.2.2 Monetary Aggregates

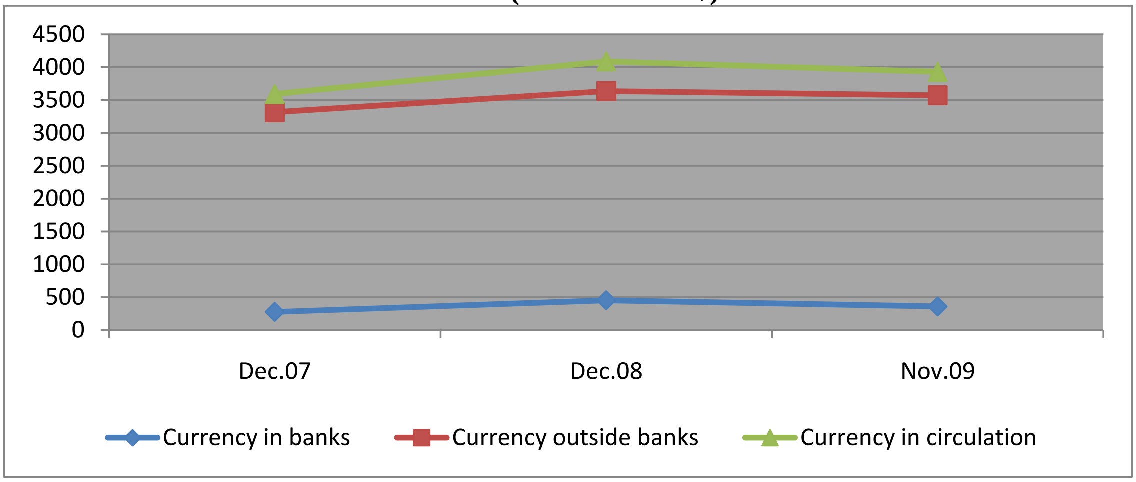
Liberian dollars in circulation in the 11-month period up to November, 2009, totaled L$3,930.9 million, representing a decrease of 3.9 percent, from L$4,090.0 million at end-December 2008. The decrease in Liberian currency in circulation can be mainly attributed to a 21.0 percent decrease in currency in banks, from L$452.9 million at end-December, 2008, to L$357.8 million at end-November, 2009 (Table 6 & Chart 3).

Table 6: Liberian Currency in Circulation
(2007-November 2009)
(In Millions L$)

Period	Currency in banks (1)	Currency outside banks (2)	Currency in circulation (1+2)=(3)
Dec.07	276.9	3,317.4	3,594.4
Dec.08	452.9	3,637.1	4,090.0
Nov.09	357.8	3,573.1	3,930.9

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 3: Liberian Currency in Circulation
(2007 – November 2009)
(In Millions L$)



In the 11-month period up to November, 2009, Money Supply (M1), narrowly defined, amounted to L$15,863.0 million, representing a 24.4 percent increase over the L$12,748.0 million recorded for 2008. The expansion in money supply demonstrates the CBL's response to the need for additional liquidity in the system to facilitate the level of economic activities currently taking place in the economy. The 34.9 percent rise in the level of demand deposits to L$12,290.0 million at end of November of the review period, from L$9,111.0 million at end of 2008, was the major driving force behind the expansion in money supply (Table 7 & Chart 4). Also, quasi money or time & Savings deposits rose by 41.7 percent to L$5,926.0 million, from L$4,183.0 million at end 2008.

Chart 4: Money Supply (M1)
(In Millions L$)
(2007 – November 2009)

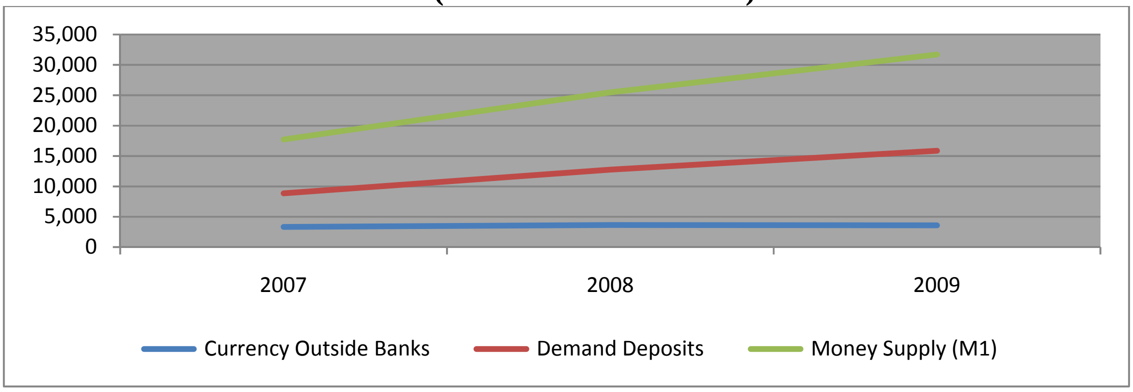


Table 7: Money Supply and its Sources
(December 2007-Noveber 2009)
(In Millions L$)

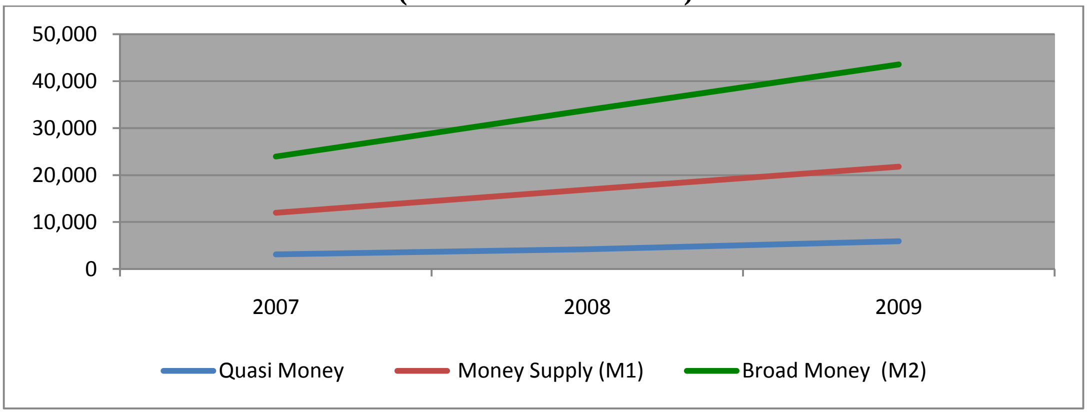
		Dec-07	Dec-08	Nov-09	Year-on-year: (Percent Changes) Dec-08	Nov-09
1	**Money Supply (M2) (1.1 + 1.2.1)**	**11,977**	**16,931**	**21,789**	*41.4*	*28.7*
	1.1 Money Supply (M1)	8,859	12,748	15,863	*43.9*	*24.4*
	1.2 Currency outside banks	*3,317*	*3,637*	*3,573*	*9.6*	*-1.8*
	1.3 Demand deposits	*5,542*	*9,111*	*12,290*	*64.4*	*34.9*
	1.2.1 Quasi Money [2/]	**3,118**	**4,183**	**5,926**	*34.2*	*41.7*
	Time & Savings deposits	*3,118*	*4,183*	*5,926*	*34.2*	*41.7*
2	**Net Foreign Assets** [3/]	**(43,462)**	**(43,137)**	**(47,187)**	*-0.7*	*9.4*
	Central Bank of Liberia	*(46,653)*	*(48,911)*	*(53,184)*	*4.8*	*8.7*
	Commercial banks	*3,191*	*5,774*	*5,997*	*80.9*	*3.9*
3	**Net Domestic Assets (1 - 2)** [4/]	**55,439**	**60,068**	**68,976**	*8.4*	*14.8*
	3.1 Domestic Credit	**72,323**	**75,573**	**83,719**	*4.5*	*10.8*
	3.1.1 Government (net)	*67,607*	*68,862*	*73,972*	*1.9*	*7.4*
	3.1.2 Pvt. Sector & Other Pub. Sector	*4,716*	*6,711*	*9,747*	*42.3*	*45.2*
	3.2 Other assets Net (3 - 3.1)	*16,885*	*15,505*	*14,743*	*-8.2*	*-4.9*
	Memorandum Items	**21,863**	**29,250**	**34,608**	*33.8*	*18.3*
	1. Overall Liquidity [1/]	11,977	16,931	21,789	*41.4*	*28.7*
	2. Reserve Money	9,886	12,319	12,819	*24.6*	*4.1*
	Currency outside banks	*3,317*	*3,637*	*3,573*	*9.6*	*-1.8*
	Banks Reserves	*6,569*	*8,682*	*9,246*	*32,2*	*6.5*

Source: Central Bank of Liberia, Monrovia, Liberia

1/ Overall liquidity comprises Money Supply (M1) plus Quasi Money in both currencies.
2/ Quasi money comprises time and savings deposits in both currencies.
3/ Net foreign assets converted to L$ at end of period exchange rate.
4/ Net domestic assets comprises broad money minus Net foreign assets

Broad Money or M2 (M1 plus quasi money) rose by 28.7 percent to L$21,789.0 million in the 11-month period up to November 2009, from L$16,931.0 million at end-December, 2008.The growth in broad money during the period was driven by increases in both net foreign and net domestic assets of the banking system. Net foreign assets (NFA) of the banking sector rose by 9.4 percent while net domestic assets (NDA) grew by 14.8 percent in the 11-month period (Table 7 & Chart 5). The rise in NFA was largely on account of reserves build-up by the CBL and increase in the holdings of Special Drawing Rights (SDRs) of the country through a special SDR allocation by the IMF. Also, during the period, the increase in NDA was occasioned by increases in credit to the private sector by 45.2 percent and 7.4 percent rise in credit to Government from the use of the IMF credit & loan facility as provided for under the PRGF Program.

Chart 5: Broad Money (M2)
(In Millions L$)
(2007 – November 2009)



Reserve money slightly rose by 4.1 percent, from L$12,319.0 million at end-December 2008, to L$12,819 million for 2009. The growth in reserve money was mainly due to increase in banks reserves by 6.5 percent.

In terms of percentage share of broad money, the US-dollar component accounted for 71.5 percent while the Liberian dollar portion constituted 28.5 percent for 2009. The US dollar share of broad money increased by 35.2 percent, from L$11,526.1 million at end-December, 2008, to L$15,578.7 million at end-November, 2009, while the Liberian dollar component expanded by 14.9 percent for the same period. This large share of US dollars reflects the high degree of dollarization of the economy (Table 8 & Chart 6).

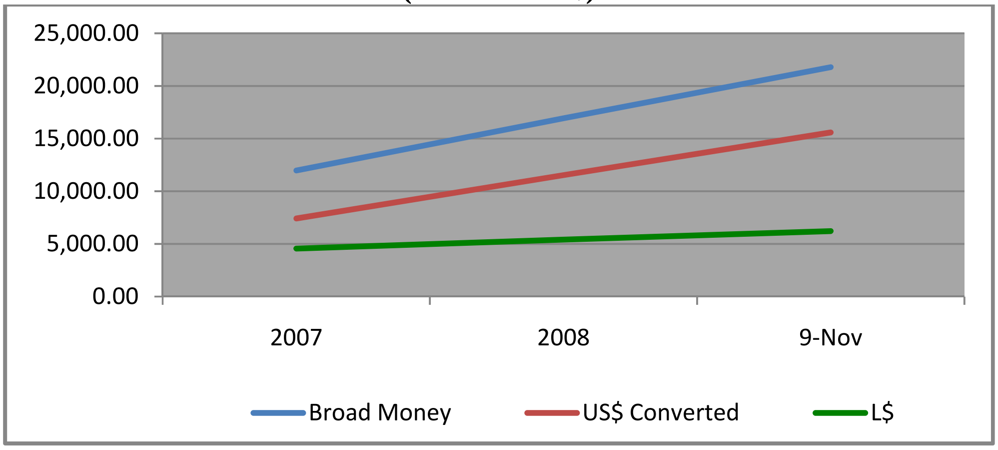
Table 8: Broad Money (M2): Share of US and Liberian Dollars
(2007 –November, 2009)
(In Millions L$)

	2007		**2008**		**November 2009**	
		% Share		**% Share**		**% Share**
Broad Money	11,977.1		16,931.0		21,789.0	
US$ Converted	7,411.5	61.9	11,526.1	68.1	15,578.7	71.5
L$	4,565.7	38.1	5,404.9	31.9	6,210.3	28.5
		100.0		*100*		*100*

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 6: Broad Money (M2): Percentage Share of US and Liberian Dollars

(2007 – November, 2009)
(In Millions L$)



4.3 Exchange Rate Developments

The Liberian dollar exchange rate came under enormous pressure during the most part of 2009, due largely to the global financial crisis and economic meltdown, which led to a reduction in the supply of US dollars to the economy, especially through the slowdown in workers' remittance inflows to Liberia and declines in export earnings. The average exchange rate of the Liberian dollar *vis-â-vis* the United States dollar depreciated by 7.1 percent to L$67.81/US$1.00 at end-December, 2009, from L$63.29/US$1.00 at end-December, 2008 (Table 9 & Chart 7). Also, the end-of-period exchange rate for 2009 stood at L$70.50 per US dollar, from L$64.00 per US dollar at end-December, 2008 (Table 10).

The CBL increased intervention in the foreign exchange market through its foreign exchange auction helped to stabilize the exchange rate. During most part of the last half of 2009, the CBL increased the sales of US dollars by an additional amount of US$7.4 million which significantly contributed to the 6.1 percent appreciation of the value of the Liberian dollar with the exchange rate moving from L$72.75 per US dollar in August to L$68.31 per US dollar at end-December, 2009. On the overall, the exchange rate has remained broadly stable between L$60.00 and L$73.00 per US dollar for the last 3 years.

Table 9: Monthly Averages of Buying and Selling Rates of Liberian Per US dollar (January 2007 – December 2009)

	2007		2008		2009	
	Buying	**Selling**	**Buying**	**Selling**	**Buying**	**Selling**
January	60.57	61.65	62.96	64.00	63.94	64.93
February	60.21	61.13	62.20	63.20	64.00	65.00
March	60.00	61.01	62.00	63.01	64.50	65.35
April	60.40	61.54	62.06	63.08	65.60	66.23
May	61.22	62.17	62.78	63.56	67.46	68.37
June	62.02	63.00	63.00	64.00	69.34	70.30
July	60.77	61.71	63.00	64.00	70.61	71.59
August	61.91	62.91	63.00	64.00	71.67	72.75
September	61.12	62.12	63.00	63.94	71.35	72.44
October	61.13	62.15	63.00	64.00	70.59	71.56
November	59.65	60.67	62.92	63.70	67.36	68.36
December	60.27	61.27	62.81	63.76	67.31	68.31

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 7: Monthly Averages of Buying and Selling Rates of Liberian Dollar Per US dollar (January 2007 – December 2009)

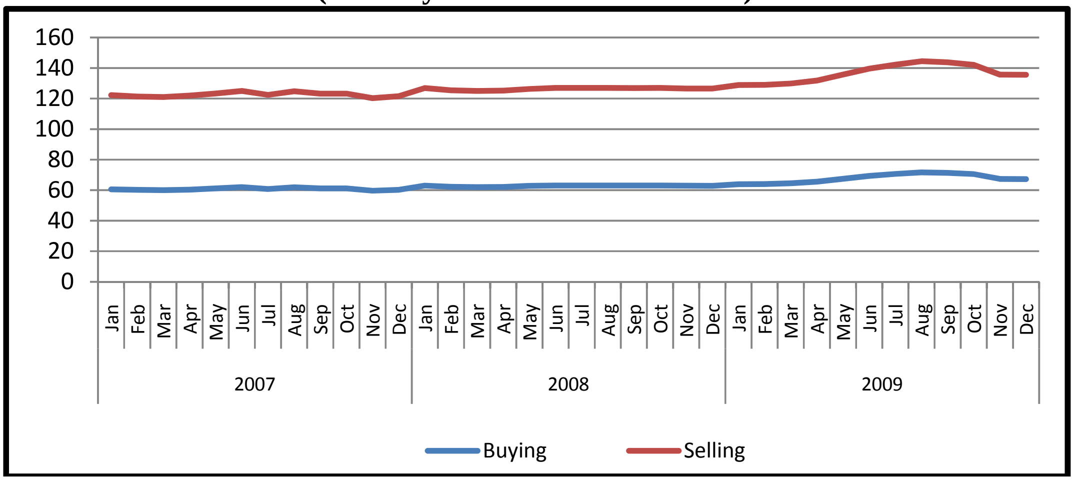


Table 10: Exchange Rates: Liberian Dollars per US Dollar (January 2007 – December 2009)

Exchange Rate	**2007**	**2008**	**2009**
Market Rate: End of Period	62.50	64.00	70.50
Market Rate: Period Average	60.77	63.29	67.81

Source: Central Bank of Liberia, Monrovia, Liberia

4.4 Remittances

Aggregate remittance inflows to the Liberian economy in the 11-month period to November 2009 fell by 25.8 percent, from US$959.1 million at end-December, 2008 to US$711.3 million. Of the total inward transfers through the financial system, the commercial banks, serving as agents for Western Union and Money Gram, accounted for US$702.7 million; while the private money-remittance firms, People Enterprises Incorporated and I.B. Xpress (Liberia) Incorporated, accounted for US$8.6 million. Total outflows for the period under review amounted to US$717.3 million, of which commercial banks accounted for US$710.0 million and the private firms accounted for US$7.3 million (Table 11 & Chart 8).

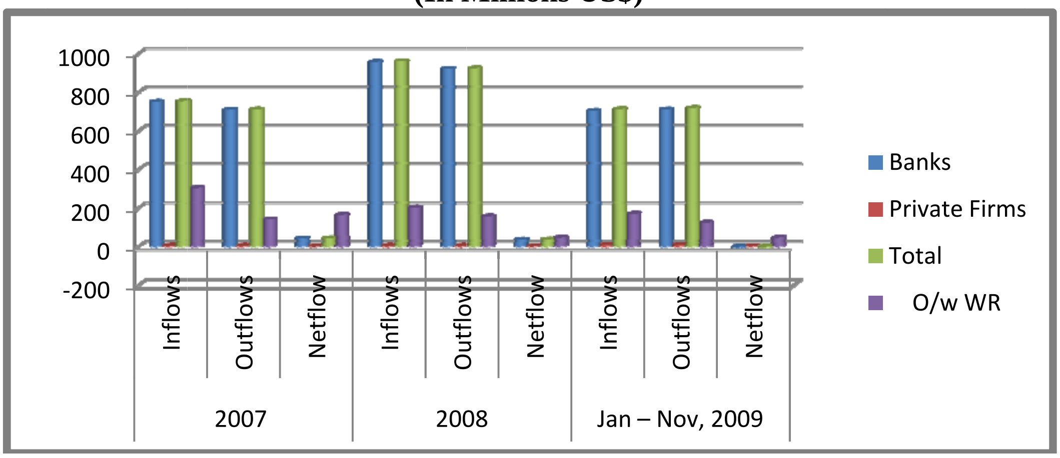
Table 11: Remittances: Inflows and Outflows
(2007 – November, 2009)
(In Millions US$)

	2007			**2008***			**Jan – Nov, 2009**		
	Inflows	**Outflows**	**Netflow**	**Inflows**	**Outflows**	**Netflow**	**Inflows**	**Outflows**	**Netflow**
Banks	749.6	707.6	42.0	955.8	919.9	35.9	702.7	710.0	-7.33
Private Firms	3.2	3.1	0.1	3.3	3.0	0.3	8.6	7.3	1.3
Total	**752.8**	**710.3**	**42.5**	**959.1**	**922.9**	**36.2**	**711.3**	**717.3**	**-6.0**
O/w WR	303.2	139.5	163.7	201.0	156.0	45.6	169.2	123.2	46.0

*** Revised**

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 8: Remittances: Inflows and Outflows
(2007 – November, 2009)
(In Millions US$)



Of the total inward remittances of US$711.3 million recorded in the 11-month period of 2009, inward worker's remittances accounted for US$169.2 million (or 23.8 percent); declining by US$31.8 million, from US$201.0 million at end-December, 2008. The global economic crisis was the primary cause for the fall in workers' remittances into the country.

4.5 Real Sector Performance

The growth of the economy during 2009 was projected at 4.6 percent, from an earlier projection of 12.7 percent. The slowdown in economic activities was mainly due to delay in the resumption of activities in the Mining and Forestry sectors. Foreign direct investment in these areas was lower-than-expected mainly on account of the global economic meltdown, occasioned by weak external demand and low prices for primary commodity exports such as coffee, cocoa, rubber, iron ore, logs and diamond. This affected revenue generation and lower the level of employment in key sectors.

However, there is a favorable outlook for the economy in 2010. The economy is expected to grow at 7.7 percent in anticipation of increased output of timber and food crop in the domestic economy.

Table 12: Liberia: Sectoral Origin of Gross Domestic Product (GDP) at 1992 Constant Prices (2007 – 2009) (In Millions US$)

Sector	2007	2008	2009
Agriculture & Fisheries	210.4	213.8	221.3
Forestry	81.1	97.5	105.4
Mining	0.8	0.8	0.8
Manufacturing	60.8	64.3	62.7
Services	120.9	130.7	140.1
Real Gross Domestic Product	**473.9**	**507.1**	**530.4**

Sources: Liberian Authorities and IMF Staff estimates and projections

Sectoral Review

Performance of the agricultural sector has been improving over the years. The sector grew from US$213.8 million in 2008 to US$221.3 million in 2009, representing an increase of 3.5 percent (Table 12). The growth in the sector has been influenced mainly by the large number of the population engaged in agricultural activities and Government incentive programs relating to the provision of seeds and other farming implements. For 2010, a strong expansion is expected with the continuation of Government's incentive programs and improved extension services.

Table 13: Key Agricultural and Forestry Production (2007 – 2009)

Commodity	Unit	2007	2008	2009
Rubber	MT	135,200.0	87,901.0	62,879.7
Cocoa Bean	MT	2,126.0	3,285.0	5,075.0
Coffee	MT	N/A	124.0	130.0
Sawn Timber	PCS	610,864.0	1,036,879.0	826,094.6

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

Production of rubber in 2009 declined to 62,879.7 metric tons during the year, from 87,901 metric tons in the previous year. The factors that significantly contributed to the slowdown in rubber production include the low price of the commodity on the world market and the ageing of rubber trees (Table 13).

Estimated production of coffee during the year was 130.0 metric tons against 124.0 metric tons produced in 2008, an increase of 4.8 percent. The rise in coffee production signals the steady rise in the number of persons returning to their villages and engaging in productive economic activities. Cocoa production rose by 54.5 percent to an estimated 5,075 metric tons during the year, from 3,285 metric tons in 2008.

Forestry activity is yet to resume fully due to delays in the preparation of forestry sector regulations, following the lifting of the embargo in 2006. However, the production of sawn timber continued during 2009. A total output of 826,095 pieces of sawn timber was produced during the year compared with the production of 1,036,879 pieces in 2008, showing a 20.3 percent decline.

Efforts are being made to revamp the mining sector. An agreement was reached between China Union, a Chinese mining company, and the Government of Liberia for mining of iron ore from the old Bong Mines Company in Bong County. Also, a number of Mineral Development Agreements have been reached between the Government and private mining firms for the development of gold and diamond mines in the country. However, because of low external demand, production of diamond fell from 60,536 carats in 2008 to 36,828 carats in 2009 – a fall of 39.2 percent (Table 14).

Table 14: Key Industrial Output
(2007 – 2009)

		2007	2008	2009
Cement	MT	157,200	94,037	70,584
Beverages	Liter	19,911,496	17,595,586	19,979,814
Paints	Liter	77,980	119,540	211,694
Candle	KG	473,239	289,041	323,200
Chlorax	Liter	526,153	456,534	529,396
Rubbing Alcohol	Liter	297,105	118,964	231,060
Mattresses	PCS	102,802	108,596	47,278
Gold	Ounce	10,014	20,067	16,859
Diamond	Carat	21,700	60,536	36,828
Cement	MT	157,200	94,037	70,584
Finished water	Gal	782,711,379	1,446,029.572	299,664,128

Sources: Liberia Institute for Statistics and Geo-Information Service (LISGIS); Lands, Mines & Energy; Forestry Development Authority (FDA); and Liberia Water & Sewer Corporation (LWSC)

Gold production declined to 16,859 ounces during the year, from 20,067 ounces in the previous year – a decline of about 16.0 percent. The main reason accounting for the decline in gold production was largely due to the shifting of resources from gold to diamond production.

Production of cement declined by 24.9 percent from 94,037 metric tons in 2008 to 70,584 metric tons in 2009. This represents a reduction in output. The decrease was largely due to increased importation of cement by other importers following the liberalization of the cement market. The production of cement by CEMENCO over the years has been constrained inadequate storage facility, which has inhibited its ability to increase production to meet domestic market demand.

Beverage production totaled about 20.0 million liters during the year, compared with 17.6 million liters produced in 2008, a 13.6 percent rise in production. Paint production during the year increased by 77.1 percent to 211,694 liters, from 119,540 liters in 2008 due mainly to increase in construction activities. Output of candle grew to 323,200 kilograms during the year, from 289,041 kilograms in the preceding year due to the lack of electricity in most parts of the country. Total output of chlorox increased by 16.0 percent to 529,396 liters during the review period. Mattresses produced during 2009 totaled 47,278 pieces compared with 108,596 pieces manufactured in 2008. The dramatic decline in the production of mattresses was mainly due to a fire incident, which brought production to a halt for a considerable part of the year.

Employment

Total formal sector employment in the country during 2009 was approximately 124,755 compared with a total of 106,968 in 2008, a percentage increase of 16.6 percent. Of the aggregate number of employment, public sector employment totaled 34,000 persons, while private sector employment stood at 90,755 persons.

Employment in the informal sector, an important contributor to the growing level of economic activities was estimated at 569, 790 in 2009, from 487, 000 in 2008. The rise of 82,790 in the number of persons engaged in informal activities provides a window of opportunity for policy makers to exploit in harnessing potential contribution to growth of economy through the provision of capital and capacity building with a view to mainstreaming informal sector activities into the formal sector.

Table 15: Level of Employment
Total Number of Employees by Sector
(2007 – 2009)

Sector	2007	2008	2009
Public	31,900	47,681	34,000
Private	109,681	59,287	90,755
Total	**141,581**	**106,968**	**124,755**
Informal Sector	480,000	487,000	569,790

Source: Ministry of Labor, Monrovia, Liberia

Of the total formal sector employment, the Agriculture & Forestry sector accounted for 28.0 percent, followed by Social & Community Services, 16.2 percent; General Merchandise,Wholesale & Retail Trade, 8.8 percent; Business Services, 7.6 percent; Transportation & Communication, 4.5 percent; Banking & Insurance, 3.2 percent; Manufacturing, 1.7 percent; Mining, 1.5 percent; and Construction, 1.3 percent.

Table 16: Employment by Industry (2007-2009)

Industry	2007	2008†	2009
Agriculture and Forestry	33,672	22,616	34,882
General Merchandise/Wholesale/Retail Trade	36,633	10,028	10,998
Business Services	9,872	6,231	9,467
Social/Community Services	15,575	9,213	20,160
Manufacturing	5,813	2,215	2,075
Construction	987	390	1,659
Transportation & Communication	2,194	4,984	5,563
Mining	3,290	1,421	1,907
Banking & Insurance	1,645	2,189	4,044
GoL	31,900	47,681	34,000
Total: Formal Sector	**141,581**	**106,968**	**124,755**
Informal Sector	480,000	487,000	569,790*

Estimates ††Revised

Source: Ministry of Labor, Monrovia, Liberia

4.6 External Sector Developments

For the review period, developments in the country's external sector were largely affected by weak external demand and falling international commodity prices.

4.6.1 Merchandise Trade

Total merchandise trade in 2009 was recorded at US$713.2 million against US$1,055.9 million for the previous year, a contraction of 32.5 percent. All components of total trade, i.e. total exports receipts and total import payments contributed to the fall.

The trade deficit in 2009 was recorded at an estimated US$417.2 million, compared with US$571.2 million for 2008, a contraction in the deficit by 26.9 percent (Table 17 & Chart 9). The narrowing of the deficit was largely due to slowdown in economic activities in the domestic economy during 2009 as manifested by declines in both imports and exports, arising from the global economic crisis. The deficit was mainly financed by rising donor assistance and foreign direct investment inflows.

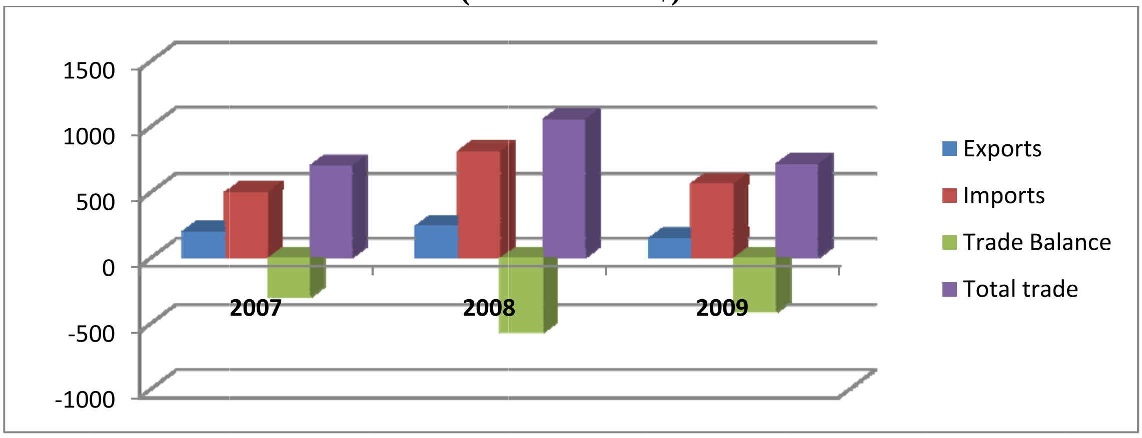
Table 17: Exports, Imports & Total Merchandise Trade (2007 – November, 2009) (In Millions US$)

Year	Exports	Imports	Trade Balance	Total trade
2007	200.2	501.4	-301.2	701.6
2008*	242.4	813.5	-571.1	1,055.9
2009**	148.0	565.2	-417.2	713.2

*Revised **Preliminary

Sources: Ministries of Commerce and Industry (MCI), Land, Mines & Energy (MLME), Forestry Development Authority (FDA) and Firestone, Monrovia, Liberia

Chart 9: Exports, Imports & Total Merchandise Trade (2007 – November, 2009) (In Millions US$)



4.6.2 Merchandise Exports

Estimated export proceeds recorded for 2009 amounted to US$148.0 million, down from US$242.4 million in the previous year. The 38.9 percent reduction can be attributed to a number of factors including slowdown in economic activities in developed countries that are Liberia's trading partners, the narrow export base of the economy, and decline in prices of the country's primary export commodities, particularly rubber.

Export Structure

The narrowness of the export sector is a major impediment to growth in the sector. Earnings from rubber, declined considerably in 2009, contracting from US$206.8 million in 2008 to US$92.4 million during the review period (Table 18 & Chart 10). This can mainly be ascribed to economic slowdown in the major rubber-importing countries, especially the USA and the reduction in the price of the commodity. Rubber accounted for 62.4 percent of total export receipts, the major driver of export receipts.

Export receipts from the minerals (diamond and gold) also contracted during the year. Earnings from diamond dropped by 26.0 percent, from US$10.0 million in 2008 to US$7.4 million in 2009. Export earnings from gold also declined during the year. They registered a decline of 27.8 percent to US$9.6 million, from US$13.3 million in 2008.

Receipts from iron ore deposits also declined during the period. They recorded a decline of 40.0 percent, from US$1.5 million in 2008 to US$0.9 million in 2009. This can be attributed to delay in resumption of full mining activities. At the moment, only deposits of iron ore left after the end of the civil conflict are being exported.

Proceeds from round log exports rose by US$2.0 million to US$2.2 million, from 0.2 million in the preceding year. This low level of receipts was on account of delay in the resumption of active logging activities, as forestry reform measures and signing of concession agreements were yet to be finalized during previous years. However, with the signing of a number of concession agreements during 2009, there is a high prospect for increase in logging activities.
The only export category which recorded a significant increase during the year was the "other commodities" category. Earnings from this category of exports rose by US$24.6 million, from US$7.3 million in 2008, to US$31.9 million in 2009, driven mainly by increase in proceeds from scrap metals.

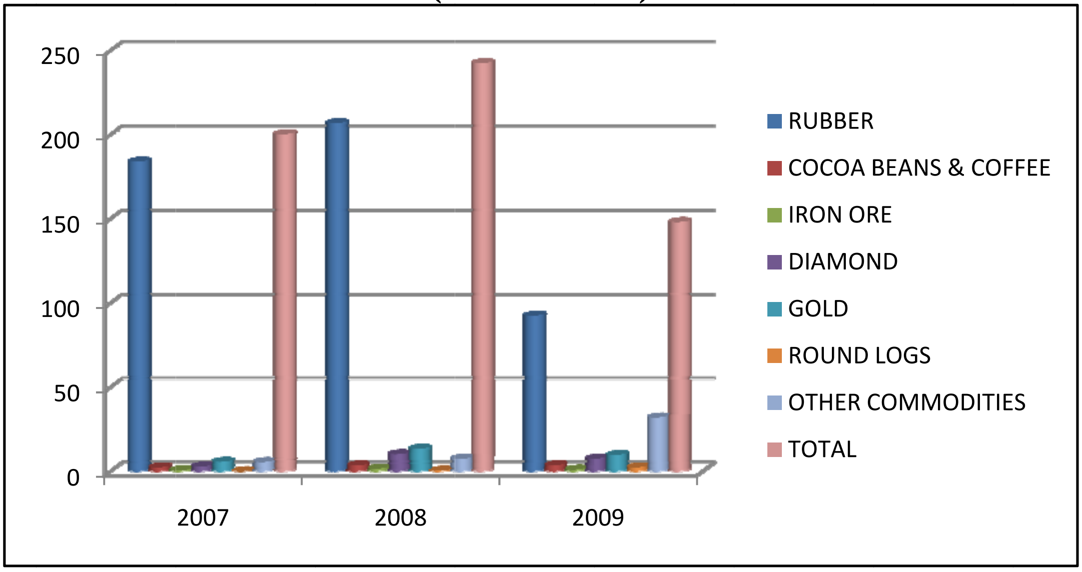
Table 18: Commodity Composition of Exports
(2007 – November, 2009)
(In Million US$)

Commodity composition of exports	2007	2008*	2009**
Rubber	183.9	206.8	92.4
Cocoa beans & coffee	2.2	3.4	3.5
Iron ore	0.5	1.5	0.9
Diamond	2.7	10.0	7.4
Gold	5.5	13.3	9.6
Round logs	0.0	0.2	2.2
Other commodities	5.4	7.3	31.9
Total	200.2	242.4	148.0

**Revised* ***Preliminary*

***Sources:** Ministries of Commerce & Industry and Lands, Mines & Energy, Firestone and Forestry Development Authority (FDA)*

Chart 10: Commodity Composition of Exports
(2007 – November, 2009)
(In Million US$)



4.6.3 Merchandise Imports

Total import expenditures declined from US$813.5 million in 2008 to an estimated US$565.2 for 2009, a reduction of 30.5 percent (Table 19 & Chart 11). The decline in the cost of imports was recorded in all the major import categories. Payments to the Food & Live Animals category, which contains the nation's staple food rice, fell by 21.6 percent. The reduction was mainly on account of increase domestic production and harvesting of rice in the hinterland, particularly Lofa and Bong Counties.

Import payments to the Machinery & Transport equipment category also contracted in 2009. This was largely due to delay in the resumption of logging activities, resulting to decline in the importation of capital goods. Additionally, the global economic crisis led to the scaling down on the operations of Mittal Steel. This led to the slow pace of importation of investment goods, such as yellow machines and others to facilitate mining activities

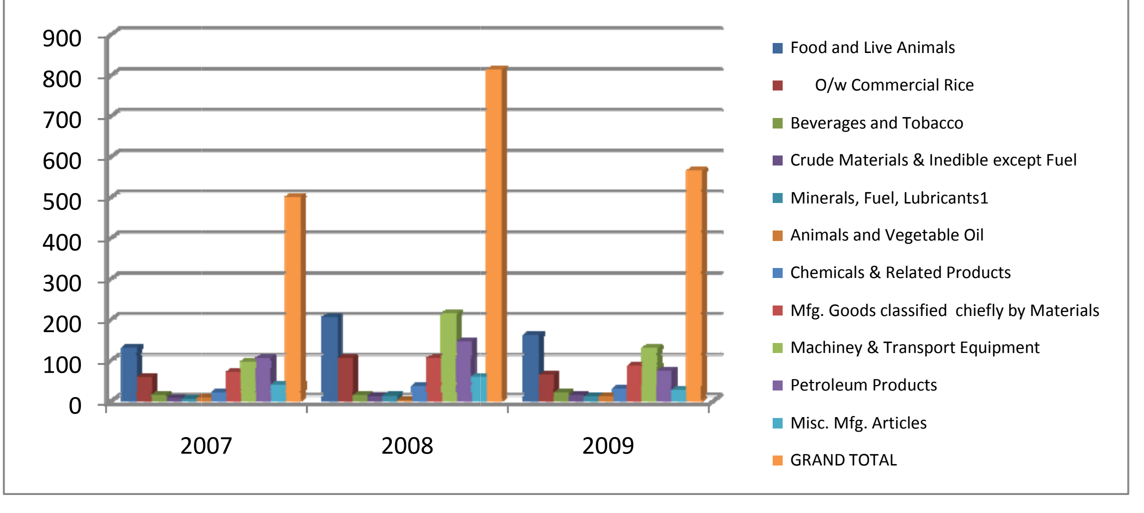
There was also reduction recorded in expenditures on imports of petroleum products. This was attributed to a decline in the price of the commodity on the world market.

Table 19: Commodity Composition of Imports
(2007 – November, 2009)
(In Millions US$)

COMMODITY COMPOSITION OF IMPORTS	2007	2008*	2009**
Food and Live Animals	130.9	206.8	162.1
O/w Commercial Rice	60.0	105.6	63.9
Beverages and Tobacco	15.7	13.9	20.2
Crude Materials & Inedible except Fuel	6.9	12.9	13.8
Minerals, Fuel, Lubricants1	5.7	13.2	10.7
Animals and Vegetable Oil	7.2	2.9	12.3
Chemicals & Related Products	20.4	36.5	29.8
Mfg. Goods classified chiefly by Materials	70.7	104.7	85.8
Machinery & Transport Equipment	97.4	215.2	129.8
Petroleum Products	105.9	147.2	74.1
Misc. Mfg. Articles	40.6	60.1	26.4
GRAND TOTAL	**501.4**	**813.5**	**565.2**

*Revised
**Preliminary
Sources: Ministries of Commerce and Industry (MCI) and Finance

Chart 11: Commodity Composition of Imports
2007 – November, 2009
(In Millions US$)



4.7 National Stock of Debt

The total stock of Liberia's public debt at end-June 2009 was recorded at US$2,695.8 million, of which external debt accounted for US$1,782.0 million (66.1 percent), and domestic debt, US$913.8 million (33.9 percent).

External Debt

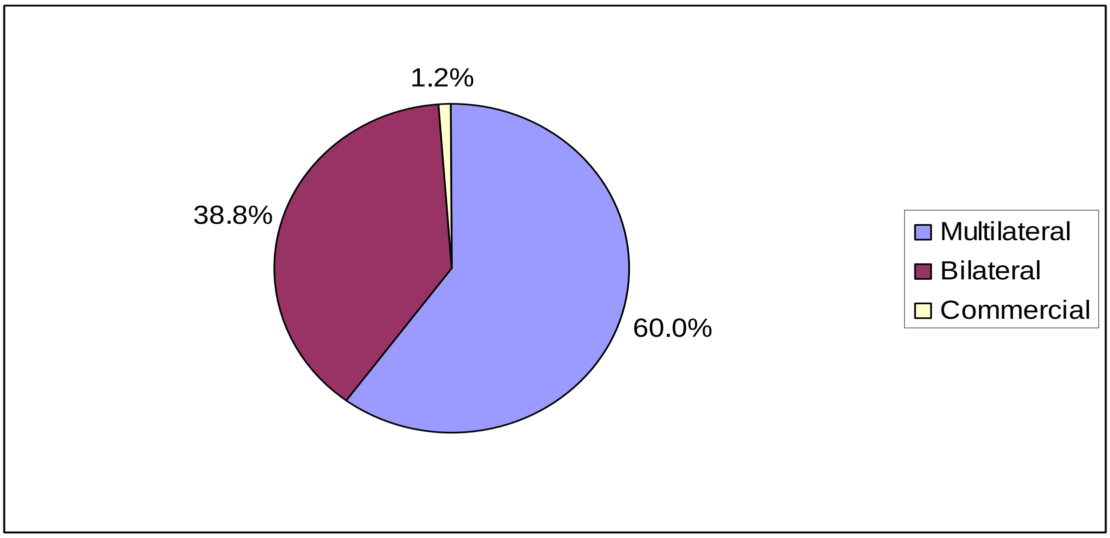
During the year under review, Liberia's total outstanding external debt stock was reduced to US$1,782.0 million, from US$3,163.5 million at end-December 2008 (Table 20 & Chart 12). As at end- June 2009, a composition of the total outstanding external debt showed the following: multilateral, US$1,070.7 million (60.0 percent), bilateral, US$690.8 million (38.8 percent), and commercial, US$20.5 million (1.2 percent).

Table 20: Liberia's External Debt Profile
As at June 30, 2009
(In Millions US$)

Creditors	Jun07	Dec08	Mar09	Jun09
Multilateral	1,619.2	1,052.1	1,024.5	1,070.7
Bilateral	1,457.5	877.6	715.0	690.8
Commercial	1,587.3	1,233.8	1,233.8	20.5
Total Outstanding External Debt	**4,664.0**	**3,163.5**	**2,973.3**	**1,782.0**

Source: Ministry of Finance, Monrovia, Liberia

Chart 12: Percentage Distribution of Liberia's External Debt Profile
(As at June 30, 2009)



Debt Relief

In April 2009, Liberia consummated a buy-back of US$1.2 billion of its commercial debt at a discount of nearly 97 percent off the face value. This buy-back of the country's external debt was made possible through the IDA Debt Reduction Facility. However, most of the remaining commercial debt was deemed untraceable and unenforceable.

In November 2009, the cabinet adopted a debt management strategy framework, which aims to resolve the country debt problem primarily under the Heavily Indebted Poor Countries (HIPC) Initiative.

Domestic Debt

Total domestic debt at end- June, 2009 was recorded at US$913.8 million, of which US$303.9 million was deemed valid, US$317.0 million, contestable, and US$292.5 million rejected. Of the total valid claims, US$263.8 million is owed to financial institutions (FIs). A lion share of this amount, 97 percent, is due to the Central Bank of Liberia.

Table 21: Outcome of Domestic Debt Verification and Discounting (In Millions US$)

	Undiscounted				Discounted
	Valid	Contestable	Rejected	Total	Valid
Financial Institutions	**263.8**	**25.1**	**15.2**	**304.1**	**263.8**
Other	**40.1**	**292.4**	**277.2**	**609.8**	**8.4**
Total	**303.9**	**317.5**	**292.5**	**913.8**	**272.2**

Source: Ministry of Finance, Monrovia, Liberia

Chapter V: Banking Sector Developments

5.1 Overview of the Banking Sector

During the year under review, the performance of the banking sector remained strong. The balance sheet of the sector expanded in all key areas. There were improvements in key prudential ratios such as capital adequacy ratio (CAR), liquidity ratio and the ratio of non-performing loans to total loans. Also, corporate governance, risk management practices, and internal controls were strengthened. Banking services and network further expanded to many parts of the country, thereby increasing access to financial services by larger segments of the population. New financial products such as the Automatic Teller Machines (ATM) and VISA Cards were introduced into the market.

In collaboration with other stakeholders, particularly the Liberia Bankers Association (LBA), the CBL developed a number of new directives, regulations and guidelines intended to strengthen and enhance public confidence in the banking sector.

5.2 The Structure of the Banking Sector

The number of commercial banks increased from 6 in 2008 to 8 in 2009. This increase resulted from the granting of licenses to AccessBank Liberia Limited-The Microfinance Bank (ABLL) and Guaranty Trust Bank Liberia Limited (GTBLL). Global Bank Liberia Limited (GBLL) was acquired 100.0 percent by Bank PHB, Plc, Nigeria. The licensing of Access Bank to focus on microfinance is in keeping with the CBL’s objective of increasing access to financial services by low-income earners and the economically active poor people.

Meanwhile, branch network increased from 28 branches in 2008, to 56 branches at end-December, 2009. Currently, banking services are being offered in 9 of the 15 counties compared with 5 counties in 2008.

The CBL remained committed to its policy of diversifying ownership in the banking sector and to the promotion of Liberian participation in the ownership of the sector. In keeping with this policy, approval was given to 2 banks, LBDI and GTBLL, to sell shares to private Liberians and Liberian entities.

5.3 Financial Performance of the Sector

During the year, the banking sector remained strong as evident by the steady growth in key areas of its balance sheet. Shareholders' funds, deposits, loans and total assets increased by 80.8 percent, 32.9 percent, 43.8 percent and 33.1 percent, respectively. Also, there were improvements in key prudential ratios such as aggregate capital adequacy ratio (CAR), which was 28.4 percent during the year, compared with 21.9 percent at end-December 2008. Total credit to the private sector[1] as a ratio of GDP during 2009 was 15.5 percent compared with 11.6 percent in 2008 and 9.3 percent in 2007. This shows continued improvement in the level of financial intermediation.

The ratio of non-performing loans (NPLs) to gross loans was 13.8 percent during the year, compared with 17.4 percent as at end-December 2008. In spite of these aggregate improvements, the sector's pre-tax profit declined by 18.1 percent, from L$298.3 million in December, 2008, to L$244.2 million at end-November 2009 due to amortization of pre-operating expenses by the new banks and increases in provision on loan losses. Aggregate liquidity ratio was 43.3 percent, compared with 52.1 percent at end-December 2008 on account of an increase in the granting of new credit facilities.

Table 22: Financial Soundness Indicators
(In Percent)
(2008 – November, 2009)

	2008	Nov-2009
Reported Net Capitalization	13.8	18.8
Capital Adequacy Ratio	22.0	28.4
Classified Loans to Total Loans	21.7	16.6
Non-performing Loans to Total Loans	17.4	13.8
Provisions to Classified Loans Net of Interest in Suspense	47.3	63.6
Provisions to Non-performing Loans Net of Interest in Suspense	59.6	77.2
Returns on Assets	0.72	0.2
Returns on Equity	5.4	1.4
Non-interest Income to Total Revenue	66.4	60.8
Net Interest Margin over Average Assets	6.0	6.3
Liquid Assets to Net Assets	55.0	54.2
Net Loans to Deposits	41.1	44.4
Liquidity Ratio	52.1	43.3

Source: Central Bank of Liberia, Monrovia, Liberia

[1] Figures are up to November 2009

5.4 Structure of the Balance Sheet

As shown in Table 23 below, the aggregate balance sheet of the banking sector expanded significantly in 2009, compared with 2008. Deposits, which were the major sources of funding for the sector and the key factor for the growth in the balance sheet, constituted 69.7 percent of total liabilities and shareholders' funds. Aggregate deposits grew by 32.9 percent, from L$13,599.3 million as at December ending 2008 to L$18,077.6 million as at end-November 2009, reflecting increasing level of public confidence in the sector. Total assets increased by 33.1 percent, from L$19,503.5 million at end-December, 2008, to L$25,953.9 million at end-November 2009. The major components of total banking assets were loans and advances, which increased by 43.8 percent, accounting for 34.7 percent of total assets; short term deposits at foreign banks constituted 20.6 percent. Balances at CBL and vault cash balances as at end-November 2009 were 17.8 percent and 10.0 percent of total assets, respectively.

Total capital of the banking sector increased by 80.8 percent, from L$2,595.2 million in 2008 to L$4,691.9 million in 2009. This increase in capitalization was largely due to increase in the minimum capital requirement from US$2.0 million to US$6.0 million. The minimum capital requirement increased to US$8.0 million at end-December 2009. Paid-in-Capital increased by 65.5 percent, from L$2.081 billion in December, 2008, to L$3.443 billion as at the end of November, 2009. The increase was due to injection of additional capital and retention of profits.

Table 23: Balance Sheet of the Banking Sector
(In Thousands L$)
(2008 – November, 2009)

	Dec-08	Nov-09
Assets		
Cash	2,520,541	2,588,006
Balances from CBL Placements	3,434,477	4,613,559
Government Securities	508,800	475,875
Other Investments	203,776	220,253
Loans & Advances	6,261,781	9,005,398
Foreign Assets	4,364,416	5,342,693
Other Assets	2,209,737	3,708,091
Total Assets	**19,503,528**	**25,953,875**
Deposits	13,599,308	18,077,624
Foreign Liabilities		
Other Liabilities	3,309,061	3,184,353
Capital & Reserves	2,595,159	4,611,895
Total Liabilities and shareholders funds	**19,503,528**	**25,953,875**

Source: Central Bank of Liberia, Monrovia, Liberia

5.5 Outlook for the Banking Sector

The outlook for the banking sector, though challenging, is positive. The projected growth rate of 7.5 percent of the economy in 2010 provides enormous opportunities for bank lending to the private sector. This, together with an expected improvement in the credit environment, should help to improve the profitability of the sector.

Going into 2010, the CBL expects the banking sector to play a more positive role in channeling the excess resources in the economy. In this regard, the banks will be expected to provide practical solutions aimed at channeling their excess liquidity towards sustainable growth in the agricultural, mining and manufacturing sectors to support export promotion, import-substitution activities and value-added transformation of critical commodities.

With the adoption of risk-based supervision framework, the sector is expected to be sounder and safer. The adoption of RBS framework, coupled with improved credit environment, will enhance public confidence in the sector and enable the sector to play a more meaningful role in the economy.

5.6 Commercial Bank Credit

Total credit to various sectors of the economy at end-November, 2009 was L$9,006.5 million, L$2,778.7 million more than the level recorded at end-December, 2008 and L$4,755.7 million more than the 2007 level. This shows the level of contribution being made by the banking sector to the recovery of the economy. Credit to the economy is predominantly in US dollars with the US dollar component accounting for 92.8 percent of total credit during 2009 while the Liberian-dollar loan accounted for 7.2 percent (Table 24).

Trade, Hotel & Restaurant accounted for 31.9 percent of total loan, followed by Transportation, Storage & Communication, 14.4 percent; Construction, 11.0 percent; Agriculture, 3.2 percent and Mining & Quarrying, 0.1 percent. The “Other” category comprising individuals and other services-related businesses accounted for 37.8 percent.

Table 24: Commercial Banks' Loans by Economic Sectors
(2007 –November, 2009)
(In Millions L$)

	Dec-07	% Share	Dec.-08*	% Share	Nov.-09	% Share
1. Agriculture	207.3	4.9	317.8	5.1	290.5	3.2
2. Mining & Quarrying	0.0	0.0	23.0	0.4	13.0	0.1
3. Manufacturing	108.9	2.6	184.0	3.0	141.0	1.6
4. Construction	279.0	6.6	551.0	8.8	988.0	11.0
5. Trans., Storage & Comm.	218.4	5.1	736.0	11.8	1,299.0	14.4
6. Trade, Hotel &Rest.	915.8	21.5	1,856.0	29.8	2,871.0	31.9
7. Other	2,521.4	59.3	2,561.0	41.1	3,404.0	37.8
Total	**4,250.8**	**100.0**	**6,227.8**	**100.0**	**9,006.5**	**100.0**

* Revised

Source: Central Bank of Liberia, Monrovia, Liberia

5.7 Interest Rates

Average lending rate declined slightly by 0.06 percentage points to 14.24 percent in the 11-month period to November, 2009, from 14.30 percent at end-December, 2008. Average savings rate fell by 0.11 percentage points to 2.0 percent, from 2.11 percent recorded in 2008; a sign of low incentive by banks towards saving mobilization due to the excess Liberian dollar liquidity in the banking sector. This has further widened the spread between the savings and lending rates, which has the propensity to undermine savings mobilization to meet long-term financing needs of the economy.

Personal loan rate, on average, increased by 0.35 percentage points, to 14.66 percent during the period under review. Mortgage loan rate increased on average by 0.60 percentage points to 14.60 percent compared with 14.00 percent at end-December, 2008. Both the average time deposit rate and average rate on CD'S remained fixed at 4.10 percent and 3.0 percent during the period up to November, 2009 (Table 25).

Table 25: Interest Rates
(2007 –November, 2009)

Rates	2007	2008*	Nov-2009
Avg Lending Rate	14.30	14.30	14.24
Avg Personal Loan Rate	14.90	14.31	14.66
Avg Mortgage Rate	12.00	14.00	14.60
Avg Time Deposit Rate	4.30	4.10	4.10
Avg Savings Rate	2.10	2.11	2.00
Avg Rate on CDs	3.00	3.00	3.00

* Revised

Source: Central Bank of Liberia, Monrovia, Liberia

Chapter VI: Microfinance

During the year, the CBL continued to foster the promotion and development of the Microfinance industry, with a view to integrating it into the formal financial sector. This has implication for the reduction of poverty in Liberia and further ensures provision of sustainable financial services to low-income earners and small- and medium-sized enterprises (SMEs) in the economy. The CBL worked in close collaboration with its international partners in support of the "Launch of an Inclusive Financial Sector (LIFS) Project by undertaking microfinance initiatives in the areas of capacity building for microfinance institutions (MFIs) and the CBL, development of policy and dissemination of sound microfinance principles and best practice.

Microfinance services in Liberia are offered by a number of providers, including commercial banks, credit institutions, NGOs, credit unions, rotating savings and credit associations, such as "susu" groups, and informal credit providers, such as money changers. Unlike last year when most of the services were confined to Monrovia, with intervention in a few other counties, there are more Microfinance clients out of Montserrado County now that the MFIs have widened their outreach into other counties. These services are provided by 2 main MFIs: Local Enterprise Assistance Programme (LEAP) and American Refugee Committee (ARC)/Liberty Finance.

During the review period, 2 new operators started business in the field of microfinance and have already made significant impact on the industry through improved outreach and the delivery of quality services. Building Resources Across the Communities (BRAC) Liberia Microfinance Company Limited (BLMCL) which opened its offices to the public in the middle of 2009 to deliver microfinance services solely to female clients, already has loan portfolio outstanding of US$898,016 at end-September, 2009, representing 37.0 percent of the sector's leading MFIs total outstanding portfolio. BLMCL operates 10 branches in 4 counties, Montserrado, Bong, Margibi and Nimba and had a total of 4,690 active borrowers in September.

AccessBank (Liberia), the Microfinance Bank, which was licensed in January 2009, provides not only loans but also deposit-taking services for the mobilization of savings for low-income earners as well as other services. AccessBank loan portfolio grew by 84.0 percent, from L$17,640.0 million as at March ending 2009 to L$32,522.0 million as at June 30, 2009.

The number of active borrowers benefiting from Microfinance services increased from 32,286 during the last reporting period to 34,636 as at November 30, 2009, representing an increase of 7.3 percent.

Table 26: Leading MFIs Clients based on Gender and Location

Location	Category		Total
	Male	Female	
Montserrado	1,885	12,440	14,325
Margibi	939	5,663	6,602
Bomi	350	2,346	2,696
Bong	584	3,663	4,247
Nimba	440	3,419	3,859
Lofa	378	2,529	2,907
Total	**4,576**	**30,060**	**34,636**

Source: Central Bank of Liberia, Monrovia, Liberia

Table 27: Liberty Finance Clients based on Gender and Location

Location	Category		Total
	Male	Female	
Montserrado	1,082	3,187	4,269
Margibi	361	1,083	1,444
Bong	371	1,115	1,486
Nimba	228	669	897
Total	**2,042**	**6,054**	**8,096**

Source: Central Bank of Liberia, Monrovia, Liberia

Table 28: LEAP Clients based on Gender

Location	Category		Total
	Male	Female	
Montserrado	803	5,372	6,175
Margibi	578	3,876	4,454
Bomi	350	2,346	2,696
Bong	213	1,419	1,632
Nimba	212	1,424	1,636
Lofa	378	2,529	2,907
Total	**2,534**	**16,966**	**19,500**

Source: Central Bank of Liberia (CBL)

Table 29: BRAC Clients based on Gender and Location

Location	Female*
Montserrado	3,881
Margibi	704
Bong	1,129
Nimba	1,326
Total	**7,040**

* The clients include female only.

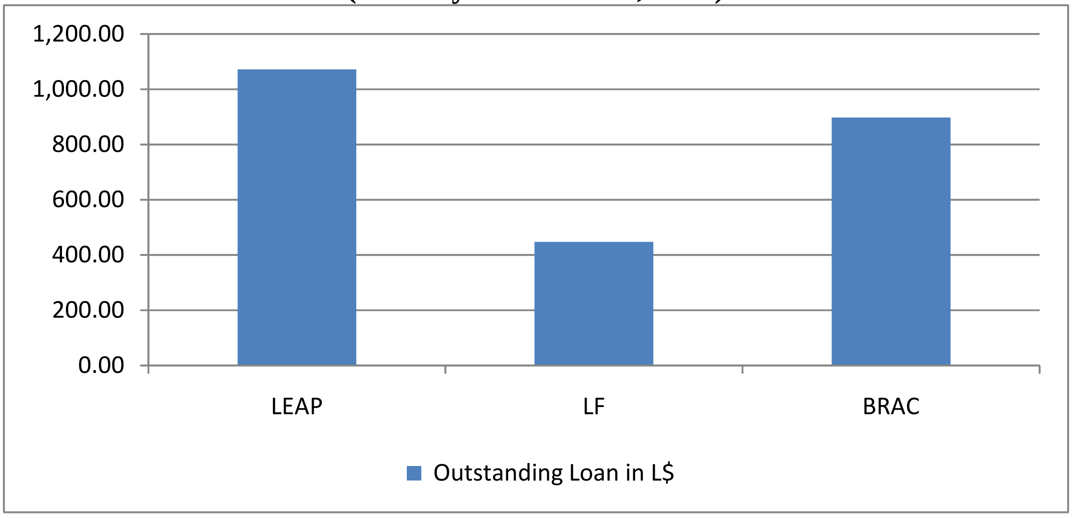
Source: Central Bank of Liberia, Monrovia, Liberia

Table 30: Outstanding Loan Portfolio
(In Thousands L$)

Institution	Loan Outstanding in L$
LEAP	1,072,106
LF	448,191
BRAC	1,310,000

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 13: Outstanding Loan Portfolio
(In Thousand L$)
(January – November, 2009)



During 2009, the Microfinance Investment Committee (IC) chaired by the CBL, provided a grant of US$300,000 to LEAP for on lending to its clients. Of this amount, United Nations Capital Development Fund (UNCDF) provided US$145,000 while United Nations Development Fund for Women (UNIFEM) committed US$155,000 from the Danish Government funds provided through the IC. This Committee provides an opportunity for donors and investors to review and select for approval funding proposals of MFIs, thereby facilitating donor investment in MFIs that are potential market leaders. Other members of the Investment Committee are UNDP, UNCDF and UNIFEM. The Ministries of Finance, Gender & Development and Planning & Economic Affairs are observers.

A pilot Village Savings and Loan Associations (VSLA) training program was launched by the Launch of an Inclusive Financial Sector in Liberia (LIFS) Project in collaboration with the CBL in 2 communities: Gbarma, Gbarpolu County and Rock Hill Community, ELWA Road, Montserrado County, in which a total of 45 women participated. After 7 months of training, the participants were awarded certificates. During the training period, the 2 VSLA groups mobilized amongst themselves, L$8,300.00 and L$10,000.00, respectively, for savings and loan services to their members. The amounts have grown to L$256,675.00 and L$350,000.00, respectively. The scheme is expected to be implemented in other parts of the country, especially in the South-Eastern region, by 2010.

The Microfinance Policy, Regulatory & Supervisory Framework was completed during this reporting period. This document presents a framework for Liberia which guides and enhances the provision of diversified Microfinance services on a sustainable long-term basis for the poor and low-income group. The framework creates a platform for the establishment of Microfinance institutions, improves the CBL's regulatory/supervisory performance in ensuring monetary stability and liquidity management; and provides appropriate machinery for tracking the activities of development partners in the Microfinance sub-sector.

The CBL, in collaboration with the UNDP, awarded certificates to forty-five successful participants of the second phase of the Foundation Course in Microfinance at a program held at the Cuttington University Graduate School in Sinkor. The foundation course is based on the UNCDF Computer Based Instruction. The CBL also collaborated with the UNDP to hold a five-day Business Planning Workshop in the CBL Training Center. A staff of the CBL also attended an international training program at the School of Applied Microfinance (SAM) in Mombassa, Kenya.