

CENTRAL BANK OF LIBERIA

ANNUAL REPORT

2005

JANUARY 1, 2005
TO
DECEMBER 31, 2005

Statutory Obligations

In accordance with the Central Bank of Liberia Act of 1999 Part XI Section 49 (1), the Management of the Central Bank of Liberia submits the Annual Report of the Bank to the Government of Liberia and the Legislature for the period January 1, 2005 to December 31, 2005.

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List of Acronyms

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

I. National Economic Developments

1.0 An Overview

During 2005, significant strides that further consolidated the peace process and enhanced economic recovery were made on the political front and in the macro-economic management of the society. With resilience and determination to move forward in the global community, the Liberian people pursued the path of democracy in the year through the holding of presidential and legislative elections in a peaceful environment, signaling the ultimate desire of the people to eschew war and violence for national cohesion and progress. The history-making elections ushered in the first female president and a bicameral legislature. On the economic front, the Governance Economic Management Assistance Programme (GEMAP) initiated by the National Transitional Government of Liberia (NTGL) and Liberia's international partners with the aim of ensuring that the newly-elected Government has the appropriate fiscal capacity to capture revenue needed for development of the country and strengthening Liberian institutions, was made concrete and realistic. The aim is to further reverse decades of deficiencies in economic and financial management. Gradual improvement experienced in the economy during the year was influenced by the elaboration of prudent fiscal and monetary policies underpinned by a market-determined exchange rate system.

As a means of supporting the economic recovery and concretizing the concept of transparency and accountability in managing public resources, the international partners of Liberia and other well-intentioned members of the international community continued their assistance and cooperation in the realization of the national goal. The International Monetary Fund (IMF), the World Bank, United States Treasury Department among others engaged the Liberian Government in the design of prudent monetary and fiscal policies, intended to resuscitate the economy for sustained long-term development.

Despite the promising posture of the economy, there were several factors both endogenous and exogenous that militated against the undertakings. The performance of the economy was undermined by the United Nation's sanctions imposed on diamond and log exports, the slow repatriation of displaced people, the poor state of physical infrastructure, the high level of the national debt stock, and the low level of investment, among others. In spite of these odds, a solid foundation for the economy has been laid to withstand the numerous challenges of the new direction that has been charted for the country.

According to estimates prepared by the staff of the Ministry of Planning & Economic Affairs in conjunction with the staff of the International Monetary Fund (IMF), real Gross Domestic Product (GDP) grew by 9.8 percent during the year (2005) to US\$559.6 million. This depicts a slowdown in growth when viewed against the 21.2 percent growth recorded in 2004.

The downward movement of the rate of growth of the GDP resulted from the slowdown of economic activities due to investor's apprehension that the just-ended elections would have deteriorated to anarchy following years of chaos.

Generally, the performance of the productive sector, which comprises agriculture, mining, and manufacturing was mixed. The construction, service and manufacturing sectors grew moderately, while agriculture production stagnated. There are a number of factors that contributed to the poor performance of the agriculture sector; these include the displacement of large segment of the farming population, United Nation's sanctions on log and diamond exports, general lack of farm tools, and the poor state of physical infrastructure.

The partial dormancy of the real sector worsened the unemployment problem of the Government during the year with the rate of unemployment estimated at 80 percent. Despite the relative stability in the exchange rate, the average rate of inflation stood at a double-digit of 11.1 percent.

During the year, the net trade position showed moderate improvement as the deficit declined by 23.3 percent to US\$178.6 million, from US\$233.0 million in 2004. The improved position was due to increase in export receipts vis-à-vis a decline in import payments.

Merchandise exports registered a 26.5 percent increase to US\$131.3 million, from US\$103.8 million 2004. Import payments, on the other hand, contracted by US\$26.9 million or 8.0 percent. Despite the decline in total payments, payments to Minerals, Fuels & Lubricants, and Petroleum Products showed a moderate rise.

During the year 2005, the monetary authority formulated no new monetary policy, but continued its expansionary monetary policy introduced two years earlier. The Bank issued, amongst others, three key regulations, viz, Regulations on Audit of Banks and Publication of Financial Statements; Regulations Concerning Changes in Authorized capital Stock and the Acquisition of shares, and Regulations on Know Your Costumers.

Banking activities were undertaken during 2005 by six (6) banking houses, including the two newly established banks: Global Bank Liberia Limited (mainly, Italian owned) and the First International Bank (mainly, Nigerian owned). Besides the banking establishments, there were 49 officially licensed foreign exchange bureaux and 97 provisionally licensed during the reporting period. To ensure that public sector employees were paid at their places of work, the Bank opened payment centers in three counties: Kakata (Margibi County), Gbarnga (Bong County), and Buchanan (Grand Bassa County). Civil servants from these counties and the surrounding areas received and encashed their checks at these centers.

Monetary developments showed that currency in circulation expanded to L\$2,379.3 million, from L\$1,908.5 million in 2004, an increase of 24.7 percent. This increase is on account of the rise in currency outside banks and currency in banks. Money supply (M1) (which comprises currency outside banks and demand deposits) rose by 30.7 percent to L\$4,870.9 million, from L\$3,726.8 million in 2004, indicating the Monetary Authority's expansionary monetary policy stance. The expansion in money supply and quasi-money triggered the rise in broad money (M2) (money supply plus quasi-money) by 35.7 percent.

Loans and advances to the economy during 2005 slightly improved by 8.0 percent, from L\$2,479.2 million in 2004 to L\$2,678.6 million. Additional credits to agriculture, mining and quarrying, construction, transportation, storage & communications, and 'others' were responsible for the increase.

During the year, the average lending and average personal loan rates of interest declined by 3.2 and 0.2 percentage-points, respectively. The fall in the lending rates improved moderately the macroeconomic condition for investment. Average savings rate, average rate on Certificate of Deposits, and the mortgage rate remained unchanged during the review period, but average time deposit rate plummeted, falling by 3.2 percentage points. The downward movements of the deposit rates showed that commercial banks were less inclined to mobilize financial resources.

The domestic currency depreciated by 3.7 percent during the year as indicated by the rise in the end of period exchange rate, from L\$54.50 in 2004 to L\$56.50 at the end of 2005. This was partly due to the increase in money supply.

The foreign exchange auction launched since 2004 impacted the exchange rate positively. A total of US\$5.1 million was auctioned to the public through the banking system in 2005. This is US\$1.3 million or 34.2 percent more than the amount sold during the preceding year.

During the year, no new fiscal policy was formulated; however, the New Tax Code enacted into law in 2000 remained the principal instrument for designing fiscal policy measures. The main objective of the Tax Code is to broaden the tax base and improve revenue collection.

The Cash Management Committee (CMC) of Government within the Finance Ministry structure, which was formed by the then National Transitional Government of Liberia (NTGL), promulgated payments policies and designed a number of measures with the aim of ensuring prudent financial management practices. The Committee also conducted a number of workshops intended to acquaint comptrollers of various Government institutions with the new financial rules it had established.

During the year, aggregate revenue of Government amounted to L\$3,968.0 million, indicating a rise of L\$560.0 million over the previous year. Of the amount, tax revenue accounted for 92.1 percent; while, non-tax revenue represented 7.9 percent.

Overall expenditure of Government for the year under review rose by 11.7 percent to L\$4,036.1 million, from L\$3,613.6 million in the preceding year. Of the total expenditure, recurrent expenditure totaled L\$3,827.8 million, representing 94.8 percent; while development (capital) expenditure amounted to L\$208.3 million, accounting for 5.2 percent.

The total debt stock of the country estimated for the reporting period amounted to nearly US\$3,510.8 million. This indicates an increase of 3.6 percent over the stock of debt for 2004. The external component of the debt stood at US\$3,124.8 million, which is nearly 89.0 percent of the overall debt stock; while, the domestic component totaled approximately US\$386.1 million, accounting for about 11.0 percent of the national debt stock.

1.1 Performance of the National Economy

(A) Domestic Production

Based on estimates prepared by the staff of the Ministry of Planning & Economic Affairs (MPEA) in concert with the staff of the International Monetary Fund (IMF), the Real Gross Domestic product (GDP) recorded a growth of 9.8 percent in 2005. The devastation of both social and economic infrastructure (railways, roads, telecommunications, water, and electricity, etc.) and the displacement of the population during the civil war continue to affect greatly the systemic potential to engender meaningful growth of the economy over the foreseeable future. Moreover, the bans placed by the United Nations on the exports of diamond and logs also served as impediment to economic growth.

However, the economy commenced a gradual recovery as a result of collaborative efforts of the Liberian people and the international community and the vast improvement in the general security situation in the country. Driven by the inflow of foreign resources, activities in the manufacturing and service sectors made moderate gains during the year. The effect of U.N. sanction on log exports manifested itself in the dismal performance of the agriculture sector. As the level of investment dwindled during the year, the rate of unemployment remained very high.

Consumer prices showed an upward movement during the year due to the poor state of roads, stagnating subsistence production, high cost of petroleum products, etc.

Table 1: Liberia: Sectoral Origin of Gross Domestic Product (GDP)**At 2000 Constant Prices****(2003 - 2005)****(In Millions US\$)**

Sector	2003	2004	2005
AGRICULTURE	229.1	267.5	290.1
Rubber	42.6	68.9	87.0
Cocoa	0.8	2.9	3.7
Coffee	n.a.	n.a.	0.1
Rice	52.0	82.5	83.5
Cassava	48.4	31.4	32.3
Others	85.3	81.8	83.5
FORESTRY, HUNTING, GATHERING & FISHING	91.9	95.2	99.4
Logs & Timber	53.0	59.3	62.1
Charcoal & Wood	35.0	33.0	34.4
Fishing	1.9	1.7	1.4
Hunting			
MINING & Quarrying	0.3	0.3	0.3
Iron Ore	n.a.	n.a.	n.a.
Gold	0.3	0.3	0.3
Diamond	n.a.	n.a.	n.a.
MANUFACTURING	14.7	25.3	31.9
Cement	5.5	14.6	20.1
Beverages & others	9.2	10.7	11.8
Tertiary	86.1	122.4	139.1
Transportation & Telecommunications	27.3	32.2	37.9
Trade, Hotels, etc.	20.1	22.2	28.3
Construction	8.2	16.5	18.3
Financial Institutions	8.7	10.7	13.0
Energy (Water, Electricity, Gas, etc.)	1.9	3.8	4.4
Government Services	12.6	12.6	23.6
Other Services	7.3	7.3	13.6
Discrepancy	2.8	2.8	3.1
GDP	419.0	507.8	557.6

*Source: Ministry of Planning and Economic Affairs, Monrovia, Liberia***Sectoral Performance****(a) Agriculture**

Performance of the agricultural sector, which represents 52.0 percent of estimated real GDP, declined markedly during the year. The low level of performance was influenced by a number factors including the United Nations' sanction placed on log exports, continued displacement of a large segment of the farming population, closure of agriculture-related enterprises, poor condition of roads, and the general lack of farm implements.

(i) Rubber

For three consecutive years, rubber production has been rising. The volume of rubber produced rose by 4.6 percent during the year to 92,416 metric tons, following a marked increase of 61.2 percent in the previous year. Paramount among the factors that were responsible for the rise in production is the prevailing peaceful environment in the country which has enabled farmers to rehabilitate their rubber farms as well as the establishment of a new rubber purchasing station in the country. Production of the year recorded an increase of 68.5 percent over the production of 2003.

**Table 2: Key Agricultural Production
(2003 - 2005)**

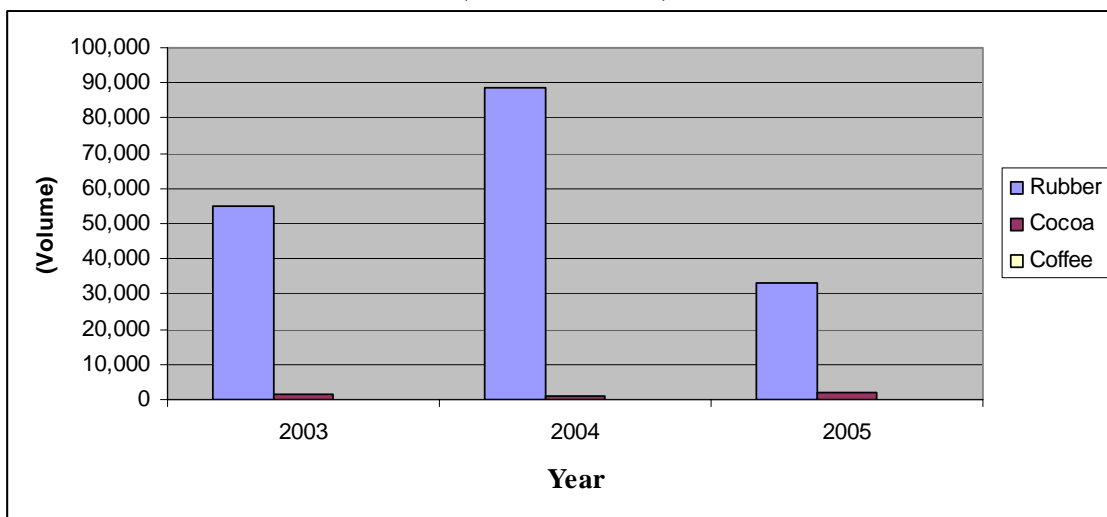
Commodity	Unit	2003	2004	2005
Rubber	Mt.	54,845	88,381	92,416
Cocoa	Mt.	1,540	1,120	2,192
Coffee	Mt.	-	-	-
Fish	Kg.	266,000	857,100	876,869
Round Logs	M ³	548,466	-	-
Sawn Timber	M ³	1,948	-	-

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

(ii) Cocoa and Coffee

Cocoa production grew by 95.7 percent to 2,192 metric tons in 2005. Shifting of a substantial amount of resources from coffee cultivation due to its labor-intensive method of production, was partly responsible for the sharp rise in cocoa production. Comparatively, the production of the year exceeded that of 2003 by 42.3 percent. No production data for coffee were recorded during the year.

**Chart 1: Production of Rubber, Cocoa and Coffee
(2003 - 2005)
(In Metric Tons)**



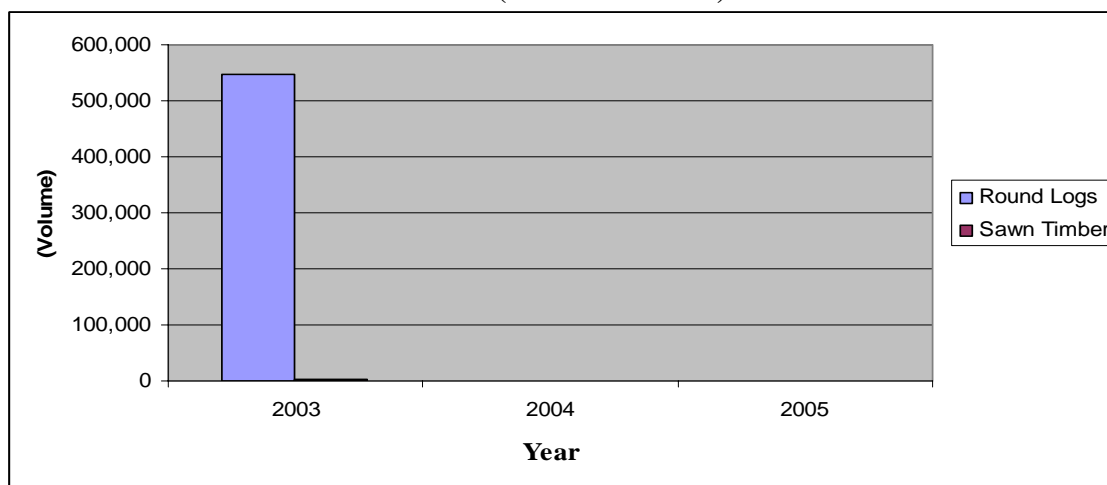
(iii) Fish

The total volume of fish caught during the year increased by 2.3 percent to 876,869 kilograms. The increase in the quantity caught was largely influenced by the growing demand for the commodity, stimulated by the rising population in the country. Moreover, the rise in the quantity caught is also attributed to the entry of new enterprises into the business. Output of the review year rose by 229.7 percent more than that of 2003.

(iv) Round Logs

In 2003, the United Nations imposed sanction on the export of Liberian logs. It was believed that the proceeds from log sale were used to finance instability in the West African sub-region. Since the ban was placed, log production and sawn timber output have generally ceased.

**Chart 2: Production of Round Logs and Sawn Timber
(2003 - 2005)
(In Cubic Meters)**



(b) Mining (Diamond and Gold)

Following the imposition in 2001 of a ban on Liberia’s diamond exports, the mining of diamond has since been halted. As a consequence, gold production is the only mineral mining activity that is on-going in the country.

The total ounces of gold mined during the year declined considerably due to a number of factors, amongst which are: poor state of roads and cross-border trading of gold in the nearby countries without reporting the quantity produced. The quantity of gold mined during the year plummeted to 872 ounces, from 3,552 ounces in 2004 – a decline of 75.5 percent. Current production fell by 58.8 percent when compared to the production of 2003.

**Table 3: Key Mining Output
(2003 - 2005)**

Commodity	Unit	2003	2004	2005
Diamond	Carat	0	0	0
Gold	Ounce	2,115	3,552	872

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

(c) **Manufacturing**

The manufacturing sector, whose contribution to estimated real GDP is 5.7 percent, produces commodities intended mainly for the domestic market with a limited quantity for export. High cost of imported raw materials, inadequate public electricity generating capacity, low domestic demand, and shortage of skilled manpower are some of factors that inhibit the development of the sector. Performance of the sector was indeed strong in the production of cement, paint, rubbing alcohol, mattresses, and water (both Deep Well and Finished Water). The demand for these products continued to rise during the year due to increased activities in the construction and service sectors.

(i) **Cement**

Production of cement expanded to 143,847 metric tons during the year. This is an increase of 18.8 percent over the production of the preceding year. The creation of a peaceful environment through the deployment of the UN peacekeeping force has provided hope for stability, which has stimulated economic activity, especially in the construction sector. Production of the year exceeded that of 2003 by 243.9 percent.

(ii) **Beverages**

Beverage output recorded a decline of 0.6 percent, from 15.5 million liters in 2004 to 15.4 million liters during the year under review. As a way of reducing inventory during the election period, firms producing beverages cut down output, particularly the firm that produce non-alcoholic beverages. They produced during the election period when major customers placed orders for beverages. This precautionary measure pursued by the firms was responsible for the marginal fall in beverage output. Output of the year exceeded that of 2003 by 98.7 percent.

Of aggregate beverages produced, alcoholic beverage accounts for 47.4 percent, while non-alcoholic represents 52.6 percent.

Table 4: Key Manufacturing Output**(2003 - 2005)**

Commodity	Unit	2003	2004	2005
Cement	Mt.	41,827	121,059	143,847
Beverages	Liter	7,724,154	15,463,113	15,393,455
Paint	Gal.	5,934	31,540	168,750
Nail	Kg.	47,186	78,450	50,938
Candle	Kg.	282,787	557,814	390,653
Chlorox	Liter	73,656	380,202	362,505
Rubbing Alcohol	Liter	21,635	201,137	277,323
Mattresses	Pcs.	2,340	48,178	68,834
Deep Well Water ¹	Gal.	32,890,137	60,415,605	63,918,844
Finished Water ²	Gal.	283,898,370	432,521,479	462,168,224

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

Note: ¹Water from drilled wells

² Water from the treatment plant in White Plains

(iii) Paints (oil and water)

During the year, paint production escalated to 168,750 gallons, from 31,540 gallons – an increase of 435.0 percent. The gradual recovery of the construction sector stimulated the production of the product during the year. In comparison, output of the year grew by 162,816 gallons more than the output of 2003. Of overall paints produced, water paint represents 41.5 percent, while oil paint accounts for 58.5 percent.

(iv) Nail

The nail producing firm commenced scaling down production during the year due to stiff price competition from imported nails. The cost of production of nails outpaced the prevailing price, making local production very expensive. As an outcome of the competition, output of nail registered a contraction of 35.1 percent to 50,938 kilograms. This level of output however exceeded that of 2003 by almost 8.0 percent.

(v) Candle

The 30.0 percent contraction in candle production is attributed largely to stiff price competition from imported candle. During the year, output fell to 390,653 kilograms, from 557,814 kilograms in the preceding year. This output level is 38.1 percent less than the output of 2003.

(vi) Chlorox

Output of chlorox recorded a decline of 4.7 percent to 362,505 liters during the year. The fall in production is attributed to the strategy adopted by enterprises in which they scaled down production during the just-ended elections. It was anticipated that the elections would have degenerated into chaos following many years of anarchy.

(vii) Rubbing Alcohol

The uses of rubbing alcohol as cleansing agent and as a medication make it a highly demanded commodity. Consequently, rubbing alcohol production rose to 277,323 liters, from 201,137 in the previous year. The 37.9 percent increase in production is a result of heightened demand for the commodity. Current production increased by 255,688 liters over the production of 2003.

(viii) Mattresses

A total of 68,834 mattresses was produced during the year. This production level is 42.9 percent higher than the production level of 2004. Influencing the rise in production was the demand created as a result of the influx of Liberian returnees to participate in the recent presidential and legislative elections. Viewed against the production of 2003, output of the year expanded by 66,494 pieces.

(ix) Water Supply

The quantity of safe drinking water supplied during the year totaled 526.1 million gallons, exceeding that of the previous year (2004) by 6.7 percent. Increase in population due to the influx of returnees to the country coupled with the intense campaign against cholera and other water-borne infections was responsible for the moderate increase in the quantity of water supplied. When compared to the production of 2003, the production of the year rose by 66.1 percent.

(B) Consumption of Petroleum Products

The quantity of petroleum products consumed in the country during the year increased by 6.1 percent to 48.6 million gallons compared to a rise of 138.5 percent in the preceding year. The increase in consumption of petroleum products is reflected as follows: premium motor spirit (PMS) or gasoline, 1.3 percent; automatic gas oil (AGO) or diesel, 23.6 percent; and Aviation Turbine Kerosene (ATK) or kerosene, 233.3 percent. The only petroleum product that registered a decline during the year was Jet-A1 (Jet-Fuel), which contracted by 52.7 percent. The gradual revival of economic activities, especially in the manufacturing and service sectors, influenced partly the increase in consumption of petroleum products.

**Table 5: Consumption of Petroleum Products
(2003 - 2005)**

Commodity	Unit	2003	2004	2005
PMS (Gasoline)	Gal.	6,259,801	15,782,598	16,032,724
AGO (Diesel)	Gal.	11,746,353	21,995,730	27,164,836
ATK (Kerosene)	Gal.	406,868	636,076	1,962,367
Jet – A1	Gal.	884,679	7,433,543	3,467,940
Total		19,297,701	45,847,947	48,627,867

Source: Ministry of Finance, Monrovia, Liberia

(C) Seaport Developments

Shipping services during the year declined mainly due to the recently held presidential and legislative elections. Merchants and shippers reduced their activities in Liberia simply to observe the outcome of the elections, which they had thought would have deteriorated into violence, given the long years of civil crisis in the country. A total of 312 ships with an overall Summer Deadweight Tons (SDWT) of 3,700,885 tonnes berthed at the Free Port of Monrovia. The number of ships that called at the Free Port of Monrovia declined by 25.2 percent, from 417 vessels in the previous year. Total volume of cargoes exported stood at 200,611 metric tons, while the volume of imports totaled 678,059 metric tons, representing an aggregate of 878,670 metric tons of cargo moved from and into the country. Viewed against the preceding year, cargo movement during the year plummeted by 36.0 percent, but rose by 61.4 percent when compared to the cargo movement of 2003.

**Table 6: Vessel Traffic and Cargo Movements
(2003-2005)**

Year	No. of Vessels	Vessel Weight (SDWT)*	Cargo Tonnage (In Metric Tons)		
			Exports	Imports	Total
2003	194	1,904,531	139,962	404,275	544,237
2004	417	4,783,516	301,119	1,072,815	1,373,934
2005	312	3,700,885	200,611	678,059	878,670

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

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

(D) Employment

Since the 1980s, unemployment has been one of the macroeconomic problems that confronted past governments and even continues to face the present administration. With thousands of men and women graduating from academic and vocational institutions, the number of unemployed in the country rises annually, especially as the level of investment in both the private and public sectors dwindles. Against this background, Government stands out as the single largest employer in the country.

It is because of the magnitude of the unemployment problem that the government in the 1980s elaborated an employment policy, which aims to promote the creation of industrial and commercial employment opportunities with priority accorded labor-intensive, small scale enterprises. However, this policy has yet to be implemented because of the long years of civil war which has ruined the national economy and social institutions.

Some of the major causative factors for the growing rate of unemployment have been the prolonged civil crisis that rendered the productive sector dormant and the growing rural-urban migration. As a matter of survival rather than genuine interest in business, a significant proportion of the unemployed have resorted to informal economic activities. These informal ventures include but not limited to furniture making, food kiosks, street-side vehicle repair, mat-weaving, street-hawking, shoe-repair and watch-repairs. This sector absorbed over 50 percent of the unemployed. In the absence of official statistics, sheer casual observation indicates that the rate of unemployment in the country is estimated to be over 80 percent.

(E) Consumer Price Developments

Price developments in 2005 reflected inflationary pressure which resulted in a double digit rate of inflation. The average All-items of the Monrovia Consumer Price Index (MCPI) for the year stood at 187.6 (May 1998 = 100), indicating an annualized rate of inflation of 11.1 percent, compared to 10.4 percent and 7.8 percent in 2003 and 2004, respectively (Table 7 & Chart 3).

The acceleration in the general price level was attributed to the partial inactivity of the productive sector, increase in prices of petroleum products, depreciation of the domestic currency, etc.

All of the sub-groups of the MCPI contributed to the increase in the general price level, especially the Food, Fuel & Light, Clothing, Personal Care & Health Services, and Miscellaneous Items indices.

With an index of 170.0 (May 1998 = 100), the Food sub-group, which accounts for 34.4 percent of total household expenditure, increased to 10.8 percent, from 9.5 percent in the preceding year. The slow repatriation of displaced farmers, bad state of rural roads, and high transport costs are some of the factors that gave rise to the food inflation. The Fuel & Light index also grew from 42.6 percent in 2004 to 56.1 percent during the year. Increase in international price of crude oil influenced largely the rise in the Fuel & Light index. Personal Care & Health Services index recorded a rise of 4.5 percent during the year against -7.2 percent in previous year. The termination of free treatment in government-run hospitals and health facilities is, by and large, responsible for the increase in the sub-index. The Clothing index rose by 1.0 percentage point to 7.2 percent, from 6.2 percent in 2004.

In order to harmonize price statistics in the sub-region, the Economic Community of West African States (ECOWAS) introduced the United Nations formulated methodology for calculating consumer price index called Classification of Individual Consumption by Purpose (COICOP). ECOWAS sent a consumer price analyst to conduct a workshop to teach consumer price analysts how to design a national consumer basket using COICOP. As a result, a COICOP consumer basket is established and consumer price indices are now determined using COICOP alongside the MCPI. However, the COICOP results are yet to be reported officially.

**Table 7: Monrovia Consumer Price Index
(2003 - 2005)
(May 1998=100)**

Components	Yearly Average Indices					Rate of Change		
	Weights	2002	2003	2004	2005	2003	2004	2005
All Items	100	142.2	157.0	169.3	187.6	10.4	7.8	11.1
Food	34.4	111.0	140.9	153.8	170.0	27.0	9.5	10.8
Drinks & Tobacco	5.7	140.1	160.0	180.3	203.6	14.5	13.0	12.9
Fuel & Light	5.0	155.5	154.4	217.6	339.6	-0.7	42.9	56.1
Clothing	13.8	119.1	121.2	128.7	138.0	1.8	6.2	7.2
Household Goods	6.1	158.8	161.9	174.1	179.0	2.0	7.5	2.8
Personal Care	11.4	258.9	266.8	247.7	236.6	3.3	-7.2	4.5
Rent	14.9	131.2	131.5	156.1	181.1	0.2	18.7	16.0
Miscellaneous	8.7	152.2	173.3	176.4	191.4	14.5	1.9	8.5

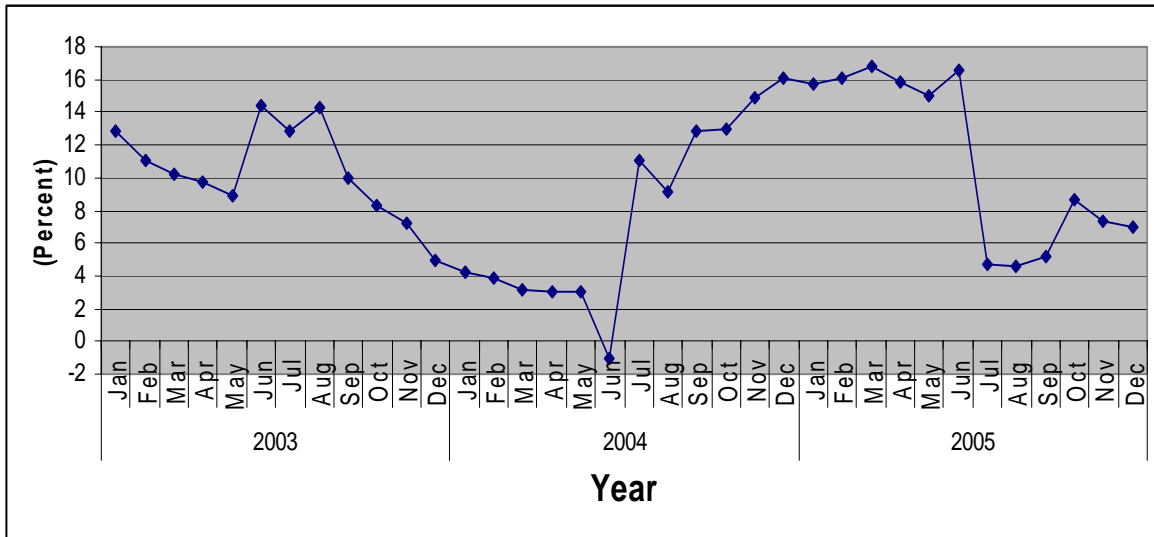
Source: Central Bank of Liberia, Monrovia, Liberia

**Table 8: Year-On-Year Rate of Inflation
(2003 – 2005)
(May 1998=100)**

Month	2003	2004	2005
January	12.8	4.2	15.7
February	11.0	3.9	16.1
March	10.2	3.1	16.8
April	9.7	3.0	15.8
May	8.9	3.0	15.0
June	14.4	-1.1	16.6
July	12.8	11.0	4.7
August	14.3	9.1	4.6
September	10.0	12.9	5.2
October	8.3	13.0	8.6
November	7.2	14.9	7.4
December	5.0	16.1	7.0
Average Rate of Inflation	10.4	7.8	11.1

Source: Central Bank of Liberia, Monrovia, Liberia

**Chart 3: Year-On-Year Rate of Inflation
(January, 2003 – December, 2005)
(May 1998=100)**



II. FOREIGN TRADE

2.0 Merchandise Trade

Export earnings as a percentage of GDP at 2000 constant prices accounted for 23.5 percent in 2005 while import payments for the same period represented 55.6 percent of GDP. The open nature of the economy renders it highly vulnerable to turbulences in international trade.

For the review period, the external trade sector of the Liberian economy operated under varying conditions (economic and non-economic). Specifically, the sector was characterized by narrow export base, depreciation of the local currency, increase in prices of some major imports (petroleum products), investors' "wait-and-see" attitude, among others. Non-economic conditions that persisted during the period included, a conducive security environment, scaling down of humanitarian assistance, etc. Additionally, the U.N. sanctions on major commodities (logs and diamonds) remain enforced.

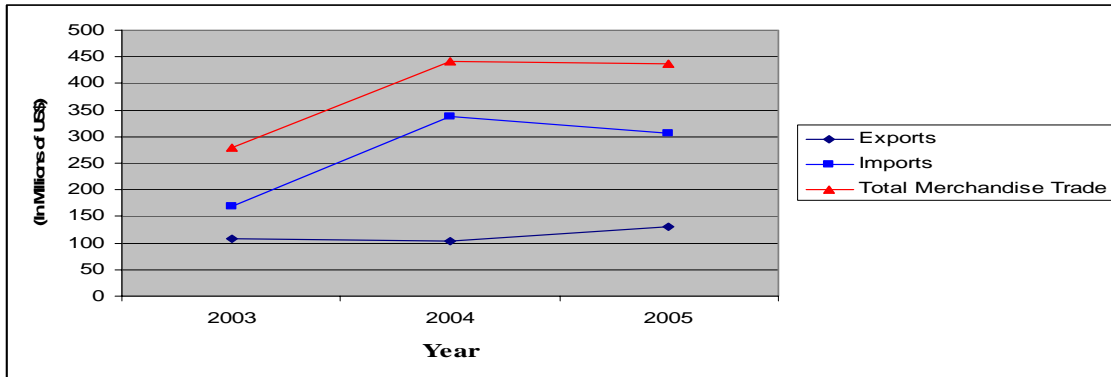
In the midst of the foregoing, the total value of foreign trade (exports & imports) was subdued during the reporting period. Total trade expanded slightly by 0.1 percent, from US\$440.6 million in 2004 to US\$441.2 million in 2005 (Table 9 & Chart 4). The modest growth in total trade for the year under review may be attributed to sluggish import performance during the year, while exports on the other hand, made some significant gains.

**Table 9: Foreign Trade
(2003 - 2005)
(In Millions US\$)**

Year	Exports	Imports	Trade Balance	Total Merchandise Trade
2003	108.9	169.7	-60.8	278.6
2004	103.8	336.8	-233.0	440.6
2005	131.3	309.9	-178.6	441.2

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

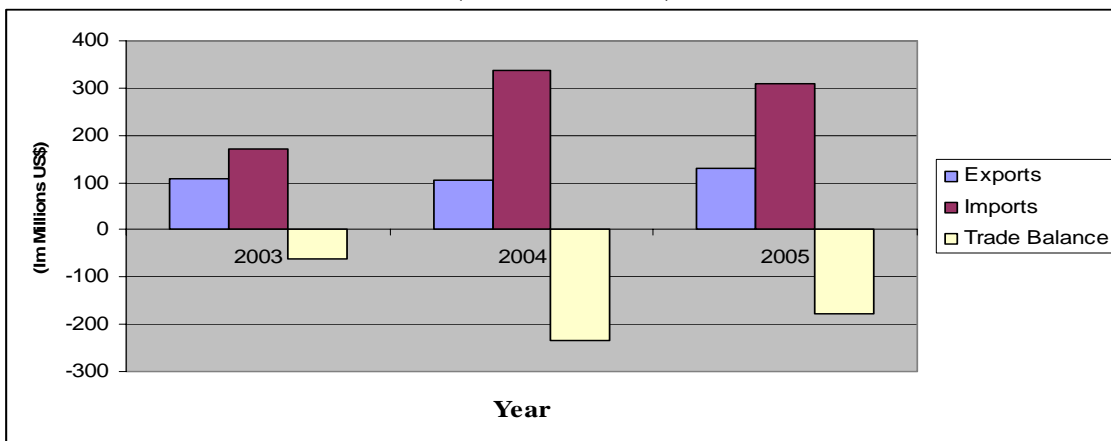
**Chart 4: Exports, Imports, and Total Merchandise Trade
(2003 - 2005)
(In Millions US\$)**



As in previous years, the country's net trade position registered a deficit in 2005. The high import demand to meet reconstruction, investment and other needs has by far outpaced the limited export capacity which had necessitated an adverse trade imbalance over the years.

The trade deficit was recorded at US\$178.6 million in the review year, compared to US\$233.0 million in the previous year (Table 9 & Chart 5). This lowering in the deficit by 23.3 percent was on account of improved performance in export earnings and a subsequent reduction in import payments.

**Chart 5: Exports, Imports, and Trade Balance
(2003 - 2005)
(In Millions US\$)**



2.1 Merchandise Exports

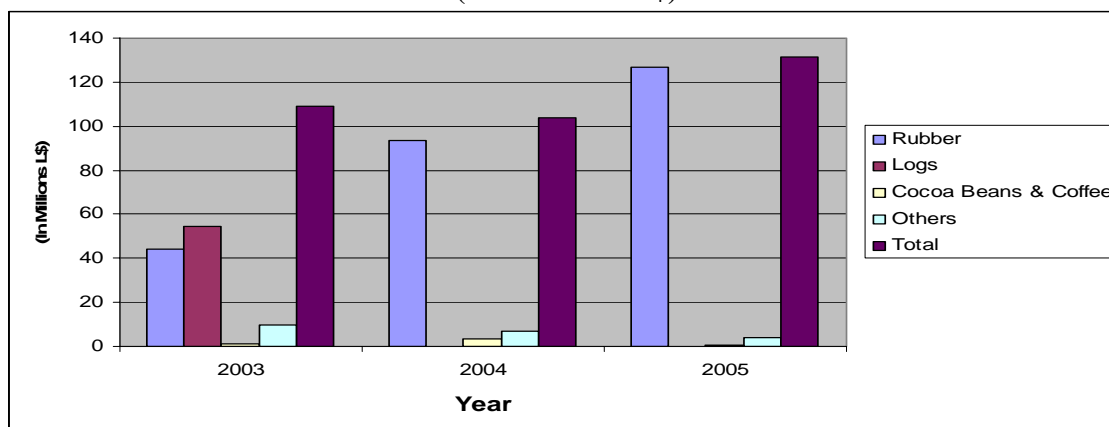
Export activities in the country showed signs of recovery during the period under consideration. Export earnings rebounded after declining a year earlier. Total recorded export receipts amounted to US\$131.3 million during the review period (Table 10 Chart 6). This was 26.5 percent higher than the previous year's level and 20.6 percent higher than that recorded for 2003. The structure of export is less diversified with one principal export commodity. Following the international embargo on log export, rubber has emerged as the dominant export commodity. For the reporting year, it accounted for the single largest share in total export receipts, representing 96.5 percent.

**Table 10: Commodity Composition of Exports
(2003-2005)
(In Millions US\$)**

Commodity	2003	2004	2005
Rubber	43.9	93.4	126.7
Logs	54.6	n.a.	n.a.
Cocoa Beans & Coffee	0.9	3.4	0.3
Others	9.5	7.0	4.3
Total	108.9	103.8	131.3

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

**Chart 6: Commodity Composition of Exports
(2003-2005)
(In Millions US\$)**



For the review period, rubber receipts were recorded at US\$126.7 million as against US\$93.4 million in 2004. This 35.7 percent upsurge was driven by the intensification of activities by the largest rubber-producing entity, Firestone Plantation Company. Moreover, the end of the civil conflict and the return of some semblance of normalcy led to the gradual reactivation of rubber activities by some smallholders.

Export earnings from the “Other” commodities category registered their second successive decline in two years. Receipts from these miscellaneous exports (e.g. scrap metals, charcoal, palm oil, etc.) were recorded at US\$4.3 million in 2005, a contraction of 38.6 percent from US\$7.0 million recorded in the previous year. This dismal performance of earnings from these non-traditional export commodities continued to be on account of the exclusion of sawn timber. The commodity has been the dominant export earner in this category. Sawn timber is value added to logs, and as such, the U.N. sanction on logs has an indirect impact on the exportation of sawn timber.

An important development during the year was the emergence of re-exports. These commodities which include personal effects, cigarettes, used cars, among others are gradually becoming significant in the Liberian foreign trade sector. A noticeable number of these activities is being done by the international peace-keepers. Re-exports amounted to US\$1.9 million, representing 1.5 percent of total exports for the period under consideration.

2.2 Exports by Country of Destination

The direction of Liberia’s exports has not changed since the last reporting period. The United States continued to be the largest recipient of Liberia’s exports, accounting for 73.7 percent of total recorded merchandise exports, representing 12.3 percentage points higher than last year. Rubber accounted for a significant portion of these exports to the US representing 64.9 percent of total rubber exports from Liberia. Total export proceeds from the United States rose to US\$96.8 million at the end of 2005, from US\$63.7 million in 2004, an increase of 52.0 percent.

**Table 11: Direction of Trade – Exports, FOB
(2003 – 2005)
(In Millions US\$)**

Region	2003	2004	2005	% distribution of exports by country of destination, 2005
World	108.9	103.8	131.3	100
Africa	-	-	0.9	0.69
ECOWAS	-	-	0.7	-
Others	-	-	0.2	-
USA	34.1	63.7	96.8	73.7
Europe	27.7	33.4	30.6	23.3
France	16.3	1.7	-	-
Belgium	-	30.6	28.5	-
Others	11.4	1.1	2.1	-
Asia	41.2	5.5	1.9	1.4
Hong Kong	41.2	-	-	-
China	-	5.5	1.2	-
Others	-	-	0.7	-
Others	5.9	1.2	1.1	0.84

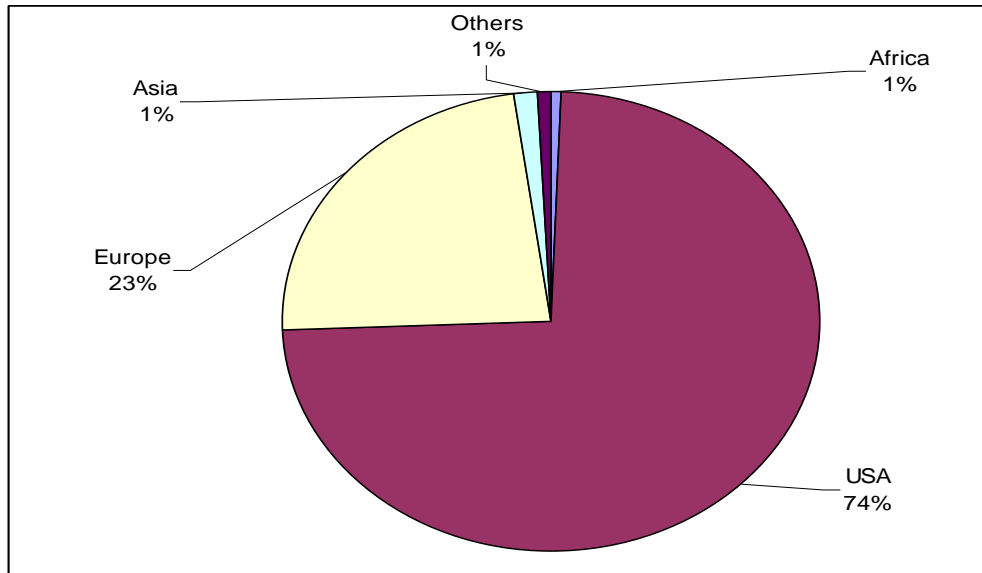
Source: Ministry of Commerce and Industry, Monrovia, Liberia

Export earnings from Europe amounted to US\$30.6 million, accounting for 23.3 percent of total export receipts, representing 8.4 percent lower than the level recorded in 2004. Belgium alone accounted for 93.1 percent of these European importations from Liberia. Exports to Belgium were predominantly rubber. For the year under review there was no export to France as the international sanctions on logs is still being enforced. France was the principal importer of logs from Liberia prior to the imposition of the sanctions.

Intra-regional trade is still negligible. For the review period, recorded export receipts from the entire African continent amounted to US\$0.9 million, of which US\$0.7 million was from ECOWAS. Merchandise export activities in the sub-region have been affected by substantial unrecorded transactions. Although the magnitudes of these activities are difficult to capture, conjectures suggest these transactions are enormous in both volume and values. Tax evasion, poor state of infrastructure, lack of market information, etc. are among the factors that contribute to the growth of the illicit activities.

Exports to Asia have fallen significantly over the last two years. They were recorded at US\$1.9 million for the period under consideration, compared to US\$5.5 million and US\$41.2 million in 2004 and 2003, respectively. The decline is attributable to the U.N. ban on log exports and the suspension of sales of iron ore deposits. Hong Kong was a principal market for Liberian logs, while China imported a significant portion of the country's ore deposits.

Chart 7: Percentage Distribution of Direction of Trade - Exports (2005)



2.3 Merchandise Imports

The structure of imports is far more diversified than that of exports and reflects the heavy dependence of the economy on imported goods – particularly oil, equipment and rice as well as a wide range of consumables.

The total value of imports fell by 8.0 percent in 2005, from US\$336.8 million in 2004 to US\$309.9 million, reflecting investors' wait-and-see attitude (Table 12 & Chart 8). The period leading to and immediately after the general elections was characterized by uncertainty. Consequently, importers delayed their orders. Moreover, shipments were also delayed, adopting investor's stand-by stance.

**Table 12: Commodity Composition of Imports
(2003 – 2005)
(In Millions US\$)**

Category	2003	2004	2005
Food & Live Animals	50.7	77.4	68.2
Beverages & Tobacco	5.5	11.5	8.4
Crude Materials	3.6	2.9	8.0
Minerals, Fuel & Lubricants	1.3	5.4	28.9
Animals & Vegetable Oil	2.5	3.4	2.6
Chemical & Related Products	6.8	8.9	9.2
Manufactured Products	14.9	31.7	27.3
Machinery & Transport Equipment	14.8	63.3	32.6
Petroleum Products	37.1	84.5	91.0
Miscellaneous Articles	32.6	47.8	30.3
Total	169.7	336.8	309.9

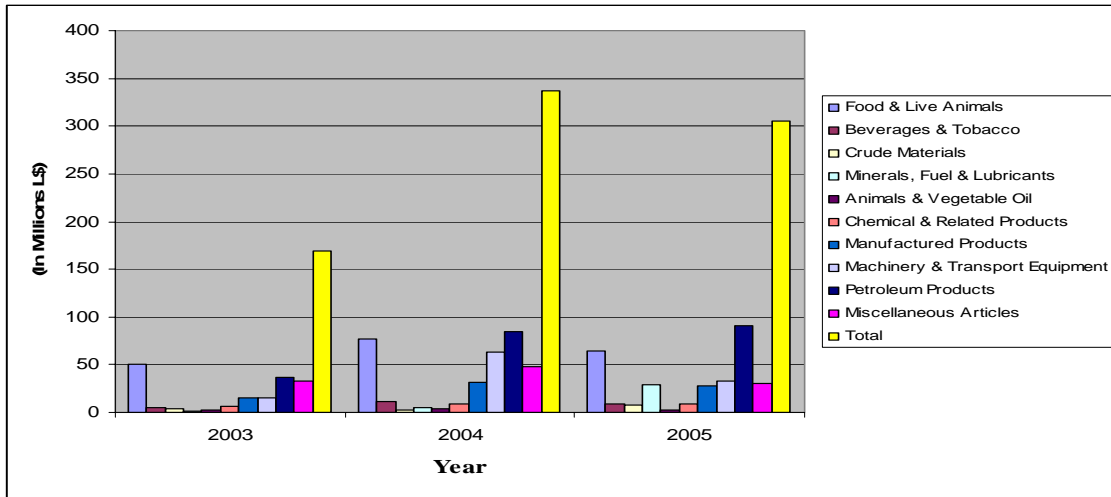
Source: Ministries of Commerce & Industry and the Forestry Development Authority, (FDA), Monrovia, Liberia

The fall in total import payments during the year was recorded in some major import categories. Expenditures on the Food and Live Animals category declined by 11.9 percent, from US\$77.4 million in 2004 to US\$68.2 million in 2005. This may be attributed to the reduction in expenditure on rice, as this commodity constitutes the dominant share in this import category.

Payments to major categories of capital goods also registered declines. Expenditures on Machinery and Transport category fell by 48.5 percent, while those of Manufactured Products fell by 13.9 percent. Payments to the Miscellaneous Articles category during the review period declined by 36.6 percent. Comprising basically assorted products and relief items, fall in payments to this category may be associated with the scaling down of humanitarian and relief activities following the consolidation of peace in the country.

Despite the decline in total import payments, increased expenditures were recorded in two categories, namely Minerals, Fuels & Lubricants and Petroleum Products. Payments to these categories expanded by 175.9 and 36.6 percent, respectively. The rise in payments to the latter category reflects oil price increase.

**Chart 8: Commodity Composition of Imports
(2003 – 2005)
(In Millions US\$)**



III. MONEY, BANKING, AND EXCHANGE RATE DEVELOPMENTS

3.0 Monetary Policy

The hybrid nature of Liberia's monetary system coupled with the openness of the economy and the absence of a financial security market leaves little room for application of effective conventional monetary policy tools. The reserve requirement ratio presently remains the most applicable tool.

During the year 2005, there were no new policies introduced. The Bank, however, continued its expansionary monetary policy which was introduced two years earlier to provide adequate liquidity for an expanded post-war economy. Imbedded in this policy also was a factor purported to improve the external reserves position of the Bank. It calls for the direct purchase of US dollars by the Bank to increase its external reserves. The CBL's foreign exchange auction program was also resumed during the period under review.

The Bank also issued the following regulations:

- a) Regulations on Audit of Banks and Publications of Financial Statements;
- b) Regulations Concerning Changes in Authorized capital stock and the acquisition of shares; and
- c) Regulations on "Know Your Customers."

3.1 Banking Developments

Developments in the banking industry during the period, 2005, were progressive as two new banks were established, thereby bringing the total to six banks including the Central Bank of Liberia. The total capital of the two banks amounted to US\$4.5 million. Ownership of one of the banks, Global Bank Liberia Limited, is mainly Italian, while the second bank, First International Bank, is Nigerian.

As part of its nation-wide plans, the Bank opened payment centers in Kakata, Margibi County; Buchanan, Grand Bassa County; and Gbarnga, Bong County. These centers provide check cashing services to GOL employees in these areas and their surroundings. Other centers are earmarked for Tubmanburg, Bomi County; Voinjama, Lofa County; and Zwedru, Grand Gedeh County. The facility in Tubmanburg was completed during the reporting period, but has not been opened to the public.

3.2 Monetary Developments

The focus of monetary policy over the past years has been on achieving exchange rate and price stability. This is a necessary condition for creating a conducive environment susceptible to growth and development. Despite the severe limitation of the Bank in terms of the luxury of monetary policy options, the economy experienced moderate growth with the exchange rate and inflation rate maintaining a near stable posture.

The Central Bank of Liberia during the reporting period continued to carry out an expansionary monetary policy stance. This policy which aimed at achieving two fundamental goals – the provision of liquidity to Liberia’s post war economy and the purchase of US dollars to build a strong external reserves position, commenced in the latter part of 2003.

(A) Currency in Circulation

Developments in the monetary aggregates indicated that currency in circulation recorded a substantial increase from the level recorded at the end of 2004. Currency in circulation rose to L\$2,379.3 million or by 24.7 percent, from L\$1,908.5 million in 2004.

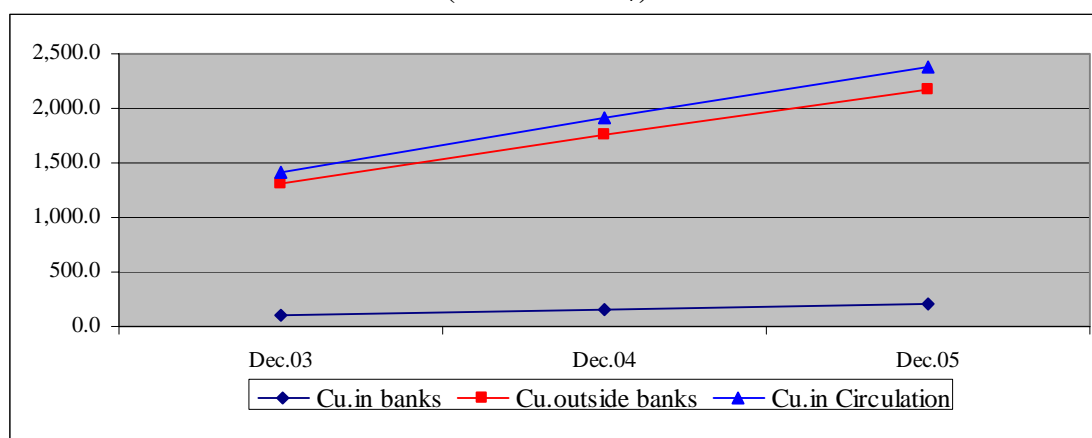
The increase in currency in circulation from 2004 to 2005 was a direct result of the increases in both currency outside banks and currency in banks, from L\$1,754.9 million to L\$2,168.9 million and L\$153.6 million to L\$210.3 million, respectively (Table 13 & Chart 9).

**Table 13: Currency in Circulation
(2003 – 2005)
(In Millions L\$)**

End of Period	Currency in banks	Currency outside banks	Currency in circulation
	(1)	(2)	(1+2=3)
December, 2003	105.1	1,303.7	1,408.8
December, 2004	153.6	1,754.9	1,908.5
December, 2005	210.3	2,168.9	2,379.3

Source: Central Bank of Liberia, Monrovia, Liberia

**Chart 9: Currency in Circulation
(2003 – 2005)
(In Millions L\$)**



(B) Money Supply (M1)

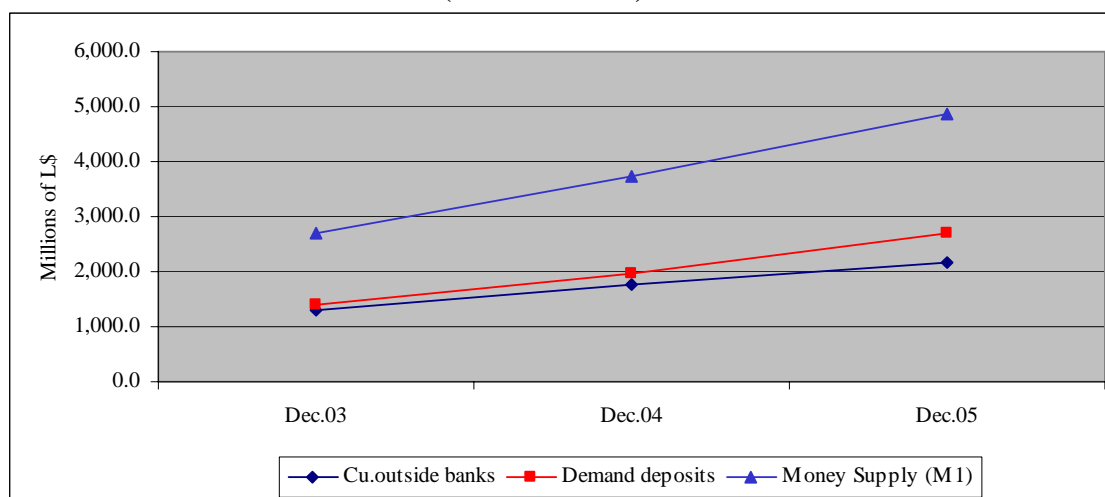
Money supply or narrow money, comprising currency outside banks and demand deposits recorded a 30.7 percent increase in 2005, from L\$3,726.8 million as at December, 2004, to L\$4,870.9 million. When compared to the level in 2003, money supply showed a sharp increase of 80.7 percent (Table 14 & Chart 10). The increase in money supply for the review period was influenced by increases in both currency outside banks and demand deposits. The upward movements in these aggregates are a direct result of the Bank's expansionary monetary policy enunciated in the past two years.

**Table 14: Money Supply and Broad Money
(2003 – 2005)
(In Millions L\$)**

End of Period	Currency Outside Bank	Demand Deposits	Money Supply M1 (1+2)	Savings Deposits	Time Deposits	Quasi Money (4+5)	Broad Money (M2)
	(1)	(2)	(3)	(4)	(5)	(6)	(3+6)
Dec. 2003	1,303.7	1,391.3	2,695.0	423.3	20.5	443.8	3,138.8
Dec. 2004	1,754.9	1,971.9	3,726.8	956.0	4.2	960.3	4,687.1
Dec. 2005	2,168.9	2,702.0	4,870.9	1429.7	61.4	1,491.0	6,361.9

Source: Central Bank of Liberia, Monrovia, Liberia

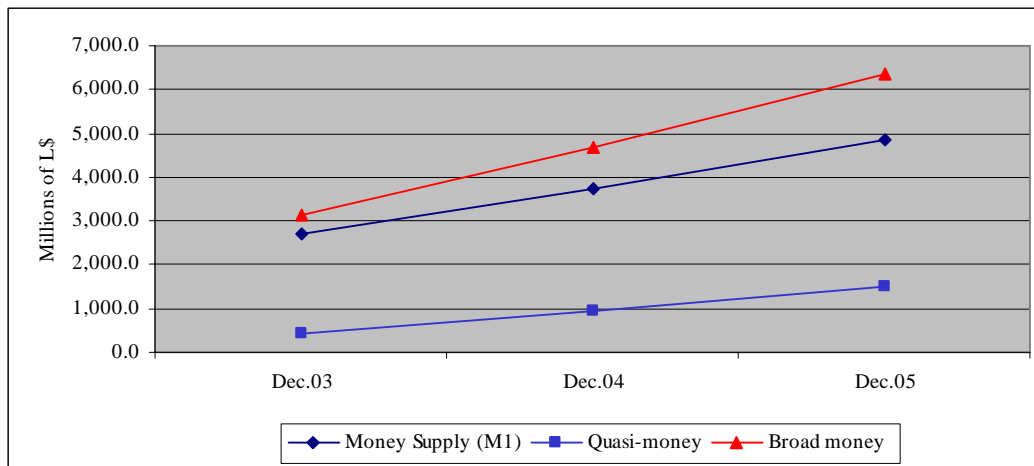
**Chart 10: Money Supply
(2003 – 2005)
(In Millions L\$)**



(C) Broad Money (M2)

The increase in money supply (M1) and quasi-money automatically triggered a corresponding increase in broad money during the review period. Broad money (M2) rose by 35.7 percent to L\$6,361.9 million, from L\$4,687.1 million recorded for 2004. The overall growth in broad money for the review period had its origin in the Bank’s expansionary monetary policy (Table 14 & Chart 11).

Chart 11: Broad Money
(2003 – 2005)
(In Millions L\$)



3.3 Commercial Banks’ Loans and Advances

Activities in the credit market showed slight improvement during 2005. The total outstanding commercial banks’ loans and advances during the period increased by 8.0 percent to L\$2,678.6 million, from L\$2,479.2 million recorded for 2004. When viewed against the level recorded in 2003, there was an increase of 33.3 percent. The 8.0 percent increase recorded during the period under review, was due to additional credits to the following sectors: Agriculture, Mining and Quarrying, Construction, Transportation, Storage and Communication, and Others (Table 15).

The “Others” sector, comprising mainly the Government and the Central Bank among others, accounted for 68.1 percent of total credits, making it the largest user of commercial banks resources. This sector also increased its credits by 8.2 percent due to increased credits in the following sub-sectors: Services, Personal, and Government of Liberia. In the case of the Central Bank of Liberia, the liabilities of the erstwhile National Bank of Liberia were absorbed by the Bank under a special arrangement. The loans are presently non-performing; movements in the amounts are due to exchange rate fluctuations.

**Table 15: Commercial Banks' Loans by Economic Sector
(2003-2005)
(In '000 L\$)**

	Dec. 2003		Dec. 2004		Dec. 2005	
	L\$	% Dist.	L\$	% Dist.	L\$	% Dist.
1. Agriculture	184,170	9.2	197,425	8.0	284,457	10.6
2. Mining & Quarrying	0	0.0	0	0.0	3,578	0.1
3. Manufacturing	7,355	0.4	16,906	0.1	13,905	0.5
4. Construction	51,306	2.6	58,015	2.3	72,306	2.7
5. Trans., Storage & Comm.	4,795	0.2	45,745	1.8	116,583	4.4
6. Trade, Hotel & Rest.	201,000	10.0	474,497	19.1	362,495	13.5
7. Other	1,560,259	77.7	1,686,562	68.0	1,825,300	68.1
Total	2,008,886	100.0	2,479,150	100.0	2,678,624	100.0

Source: Central Bank of Liberia, Monrovia, Liberia

The Agriculture sector which is the second largest user of commercial banks' credits accounted for 10.6 percent of total credits in 2005, 2.6 percentage points higher than the previous year. Total credits of this sector for the reporting period stood at L\$284.5 million as against L\$197.4 million in 2004. The 44.1 percent increase in agriculture credits was influenced by activities in the non-traditional agriculture sector. The Transportation, Storage and Communications sector which accounted for 4.4 percent of total loans and advances during the year 2005, increased its total portfolio by 155.1 percent to L\$116.6 million. The construction sector registered a slight increase of 24.7 percent or L\$14.3 million in its portfolio for 2005. This sector, however, accounted for 2.7 percent of total loans and advances.

Activities in the mining sector have remained dormant since the closure of iron ore mining companies as a result of the civil war and the ban on diamond export by the U.N. However, gold has been mined on a very limited scale. This sector recorded a L\$3.6 million loan during the reporting period. The proceeds were utilized by the quarrying sub-sector.

Unlike the above sectors, the trade, hotel and restaurant sector and that of manufacturing each accounting for 13.5 percent and 0.5 percent of total credits respectively, showed reduced credits in 2005. The trade, hotel and restaurant sector recorded a decline of L\$112.0 million or 23.6 percent. This amount constituted loan retirement in the trade sub-sector.

3.4 Interest Rates

With the exception of the mortgage rate which remained constant at 12.0 percent, other lending rates declined. The average lending rate fell by 3.2 percentage points to 14.0 percent in 2005, from 17.2 percent in 2004. When compared to the rate in 2003, a decline of 3.5 percentage-points is recorded; this is slightly higher than the decline recorded for the review period. In like manner, the personal loan rate fell by 0.2 percentage point to 12.7 percent in 2005, from 12.9 percent in 2004.

The decline in the lending rates led to moderate improvements in the macroeconomic situation. This can be grasped from increased commercial bank's credits to the various sectors including agriculture.

There were no movements in the average savings rate and the average rate of CDs; they remained constant at 3.0 and 5.0 percent, respectively. However, the average time deposit rate recorded a steep decline. From 6.0 percent recorded in 2004, average time deposit rate plummeted to 2.8 percent in 2005 (Table 16).

**Table 16: Interest Rates
(2003-2005)**

	Dec-03	Dec-04	Dec-05
Avg. Lending Rate	17.49	17.20	14.00
Avg. Personal Loan Rate	12.99	12.90	12.70
Avg. Mortgage Rate	10.95	12.00	12.00
Avg. Time Deposit Rate	4.56	6.00	2.80
Avg. Savings Rate	5.22	3.00	3.00
Avg. Rate On CDs	4.92	5.00	5.00

Source: Central Bank of Liberia, Monrovia, Liberia

3.5 Exchange Rates

The Liberian economy is highly dollarized and the exchange rate of the Liberian dollar relative to the US dollar remained one of the most useful economic indicators in the economy; it is very often used by most economic operators.

During the year 2005, the end of period exchange rate recorded a moderate rise of 3.7 percent to L\$56.50 per US\$1, from L\$54.50 per US\$1 in 2004. This position is further worsened when the exchange rate of L\$56.50 per US\$1 as recorded at December ending 2005 is compared to L\$50.5 per US\$1 in 2003.

The depreciation of the domestic currency by 3.7 percent during the reporting period was due to several factors prominent among which was the increase in domestic liquidity. The expansionary monetary policy of the Bank significantly contributed to the gradual depreciation of the domestic currency over the past three years.

**Table 17: Exchange Rates: L\$/US\$
(2003-2005)**

	Dec-03	Dec-04	2005
Market Rate: End of Period	50.50	54.50	56.50
Market Rate: Period Average	46.64	52.28	54.72

Source: Central Bank of Liberia, Monrovia, Liberia

3.6 The Auction Program

The Foreign Exchange Auction Program which commenced in 2004 basically formed part of the IMF staff monitored program that was concluded with the Liberian Government authorities. Resources for the auction are provided by the Ministry of Finance. During the year 2005, a total of US\$5.1 million was sold, US\$1.3 million or 34.2 percent more than the amount sold in 2004. With the Government expected to make available funds for the conduct of the auction on a regular basis, the Bank hopes to continue the implementation of the auction during 2006.

IV. Fiscal Developments

4.0 Fiscal Policy

The New Tax Code enacted into law in 2000 remained the main tool of fiscal policy throughout 2005. The objective of the code was to broaden the narrow tax base and improve revenue collection, which was seriously damaged as a result of the Liberian civil crisis.

During the year under review, the Cash Management Committee, established by the erstwhile National Transitional Government of Liberia (NTGL) continued to promulgate payment policies based on cash plans submitted by various government agencies in line with government cash position. It also implemented a series of measures aimed at ensuring prudent financial management practices. The Committee conducted a number of workshops to acquaint comptrollers from various government ministries and agencies with the new Financial Rules it set up. Additionally, the Committee also established working committees to screen/vet vouchers with a view to establishing their authenticity.

4.1 Government Finances

(A) Revenue

Total government revenue for the reporting period amounted to L\$ 3,968.0 million (or US\$ 79.4 million), with an increase of L\$ 560.0 million or 16.4 percent over the previous year (Table 18 & Chart 12). The increase in revenue can be principally attributed to the generally favorable security condition occasioned by the presence of United Nations troops deployed in the country since 2003. The UN presence also opened previously inaccessible areas of the country.

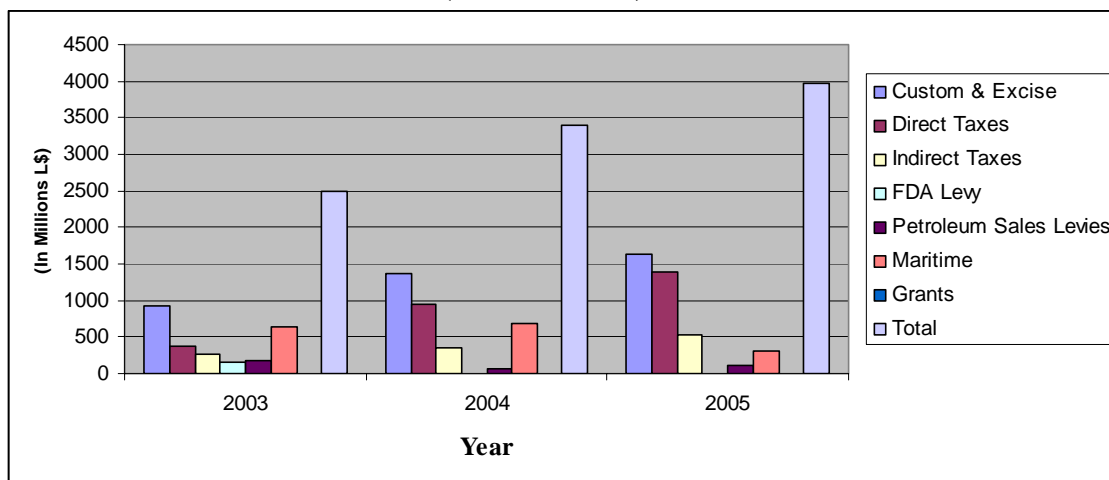
**Table 18: Government of Liberia Revenue by Sources
(2003-2005)
(In Millions L\$)**

Revenue Sources	2003	2004	2005
Custom & Excise	918.5	1,365.1	1,623.1
Direct Taxes	364.0	947.6	1,386.9
Indirect Taxes	261.4	358.5	535.4
FDA ¹ Levy	156.5	-	0.2
Petroleum Sales Levies	170.5	60.5	112.7
Maritime	629.0	676.3	309.7
Grants	-	-	-
Total	2,499.9	3,408.0	3,968.0

¹ Forestry Development Authority (FDA)

Source: Ministry of Finance, Monrovia, Liberia

**Chart 12: Government of Liberia Revenue by Sources
(2003-2005)
(In Millions L\$)**



Revenue amounted to 14.2 percent of the estimated GDP of US\$ 557.6 million for the year under consideration. Tax revenue amounted to L\$ 3,658.3 million or 92.1 percent, while non-tax revenue amounted to L\$ 309.7 million or 7.9 percent. A breakdown of total revenue by category reveals that Custom and Excise accounted for 40.9 percent; Direct Taxes, 35.0 percent; Indirect Taxes, 13.5 percent; Petroleum Sales Levy, 2.8, and Maritime Revenue, 7.8 percent. Income from the forestry sector has significantly declined on account of the UN imposed sanctions on timber export from Liberia.

(B) Expenditure

Aggregate expenditure by the Government of Liberia for the year 2005 amounted to L\$4,036.1 million (or US\$80.7 million at the conversion of L\$50 to US\$1). The level of expenditure for the year under review is L\$422.5 million, or 11.7 percent more than the level recorded for the previous year. The increase was mainly on account of expenditure on retired soldiers and the recently concluded general and presidential elections. Total government outlay recorded for the year under consideration amounted to about 14.5 percent of estimated real GDP for 2005 (Table 19 & Chart 13)

Of the total expenditure for the year under review, recurrent expenditure was recorded at L\$3,827.8 million or 94.8 percent while capital (development) expenditure was recorded at L\$208.3 million or 5.2 percent.

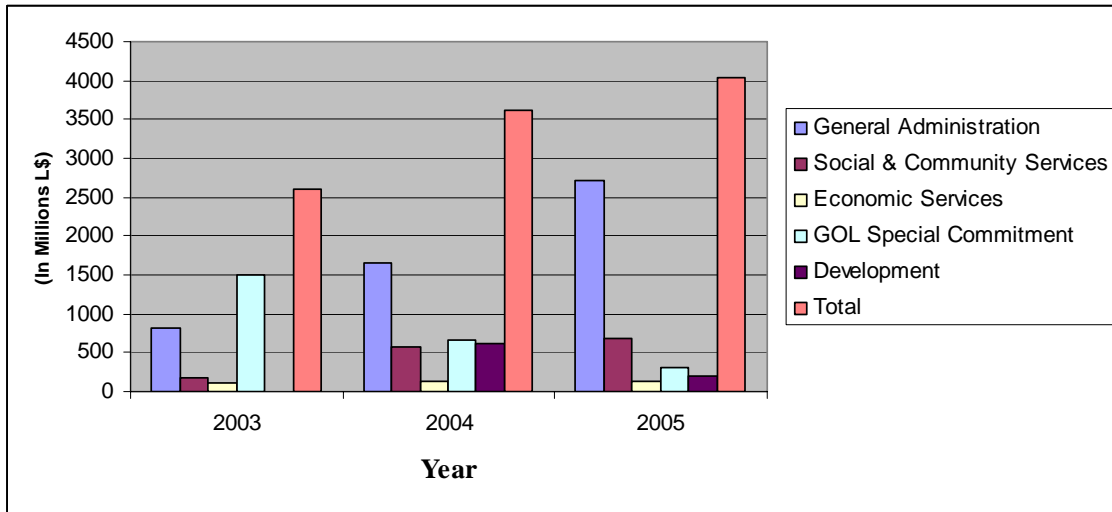
A sectoral breakdown of the recurrent expenditure for the year under consideration indicates that the General Administration Services Sector accounted for L\$2,703.4 million (70.6 percent); Social and Community Services, L\$686.6 million (18.0 percent); Economic Services, L\$122.4 million (3.2 percent), and GOL Special Commitment, L\$315.4 (8.2 percent) (Table 19).

**Table 19: Government of Liberia Expenditure by Category
(2003-2005)
(In Millions L\$)**

Expenditure Category	2003	2004	2005
General Administration	819.6	1,647.4	2,703.4
Social & Community Services	172.0	564.5	686.6
Economic Services	108.7	125.7	122.4
GOL Special Commitment	1,506.0	658.2	315.4
Development	-	617.8	208.3
Total	2,606.3	3,613.6	4,036.1

Source: Ministry of Finance, Monrovia, Liberia

**Chart 13: Government of Liberia Expenditure by Category
(2003-2005)
(In Millions L\$)**



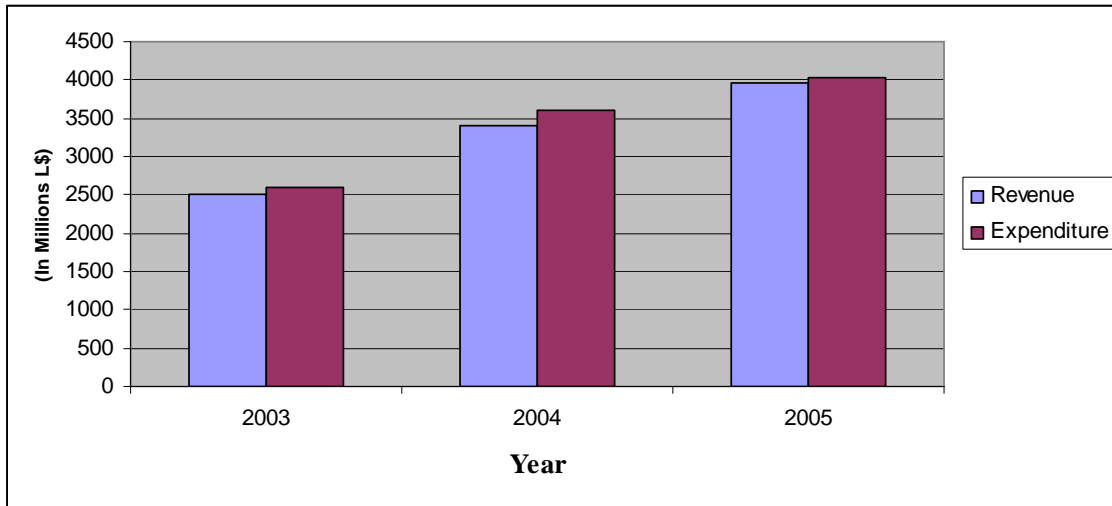
Expenditure for the year under review surpassed revenue by L\$68.1 million or 1.7 percent. The increase was mainly influenced by expenditure made on the General Administration Services Sector (Table 20 & Chart 14).

**Table 20: Government of Liberia Revenue and Expenditure
(2003 – 2005)
(In Millions L\$)**

	2003	2004	2005
Revenue	2,499.9	3,408.0	3,968.0
Expenditure	2,606.3	3,613.6	4,036.1

Source: Ministry of Finance, Monrovia, Liberia

**Chart 14: Government of Liberia Revenue and Expenditure
(2003 – 2005)
(In Millions L\$)**



V. PUBLIC DEBT MANAGEMENT

5.0 Public Debt

Liberia's aggregate debt stock for 2005 stood at approximately US\$3,510.8 million, indicating an increase of about 3.6 percent over the level recorded at end of December, 2004. Total accrued interest accounted for US\$1,600.2 million or 45.6 percent of the debt stock, while the principal accounted for US\$1,910.6 million or 54.4 percent (Table 21 & Chart 15)

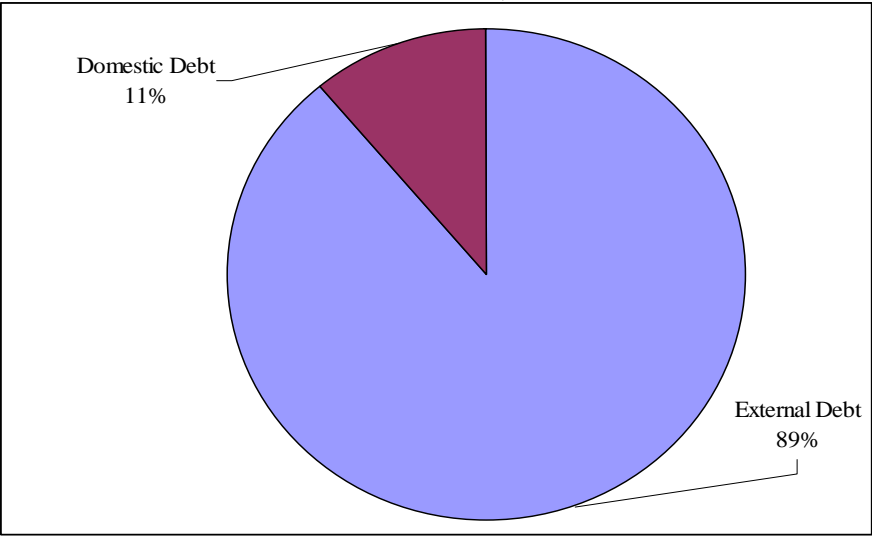
The debt stock now accounts for about 629.6 percent of the estimated GDP of US\$ 557.6 million for 2005. There are two major categories of the debt stock – the external and domestic.

Table 21: Summary of Liberia's Public Debt by Creditor
(As at December, 2005)
(In Millions US\$)

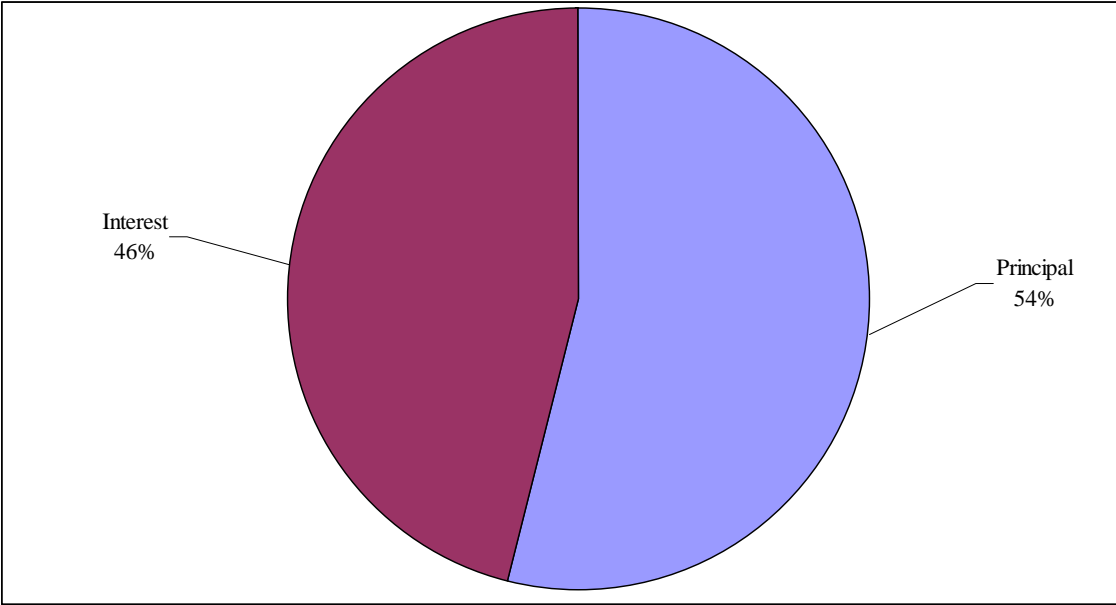
EXTERNAL DEBT	2004	2005			% Dist of Debt Stock by Creditors
		Principal	Accrued Interest	Total	
Multilateral	1,529.0	693.8	780.3	1,474.1	42.0
Bilateral	904.0	549.4	408.0	957.4	27.0
Financial Institutions	631.0	276.1	372.8	648.9	19.0
Suppliers' Credit	41.0	44.4	-	44.4	1.0
Contribution					
Sub-Total	3,105.6	1,563.7	1,561.0	3,124.8	89.0
DOMESTIC DEBT	380.1	346.9	39.2	386.1	11.0
Sub-Total	380.1	346.9	39.2	386.1	
Total Stock of Debt	3,371.0	1,910.6	1,600.2	3,510.8	100.0

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

**Chart 15: Percentage Distribution of National Debt by Category
(As at December, 2005)**



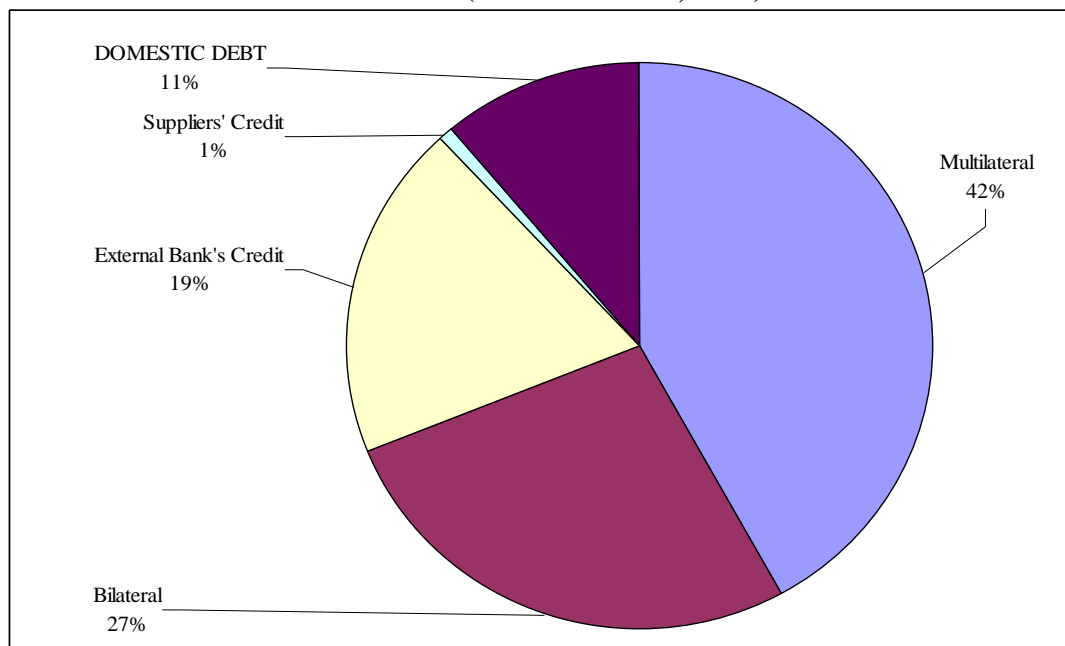
**Chart 16: Percentage Distribution of National Debt by Principal and Interest
(As at December, 2005)**



5.1 External Debt

Total external debt as at December 31, 2005 was recorded at US\$ 3,124.8 million or approximately 89.0 percent of the debt stock. It increased by 0.62 percent over the level recorded for the previous year (Table 21). A breakdown of the external debt indicates that multilateral debt amounts to US\$1,474.1 million or 42.0 percent of the total public debt; bilateral debt, US\$957.4 million (28.0 percent), external banks' credit, US\$ 648.9 million (18.0 percent); and suppliers' credit, US\$44.4 million (1.0 percent). The government is reviewing various strategies with the view to attending to the debt problem of the country. However, given the magnitude of the debt, the implementation of these strategies hinges on the intervention/assistance of the international community and major financial institutions, especially the International Monetary Fund (IMF) and the World Bank. The government, through the Central Bank of Liberia, has been making a token monthly payment of US\$50,000 towards its debt to the IMF.

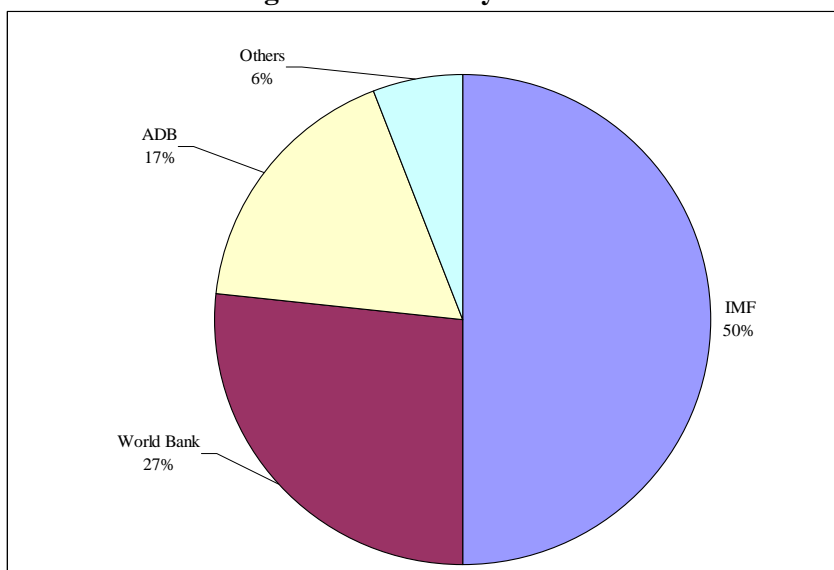
**Chart 17: Percentage Distribution of Total Debt Stock by Creditor
(As at December, 2005)**



**Table 22: Summary of Multilateral Debt
(In '000 US\$)**

Multilateral Creditors	Principal	Interest	Total	Percent Distribution
IMF	319,686.0	415,702.4	735,388.4	49.9
World Bank	207,886.5	188,429.9	396,316.4	26.9
ADB	118,872.4	137,997.8	256,870.2	17.4
Others	47,395.0	38,134.6	85,529.6	5.8
Total	485,953.4	780,264.7	1,474,104.6	100.0

Chart 18: Percentage Distribution by Multilateral Creditors

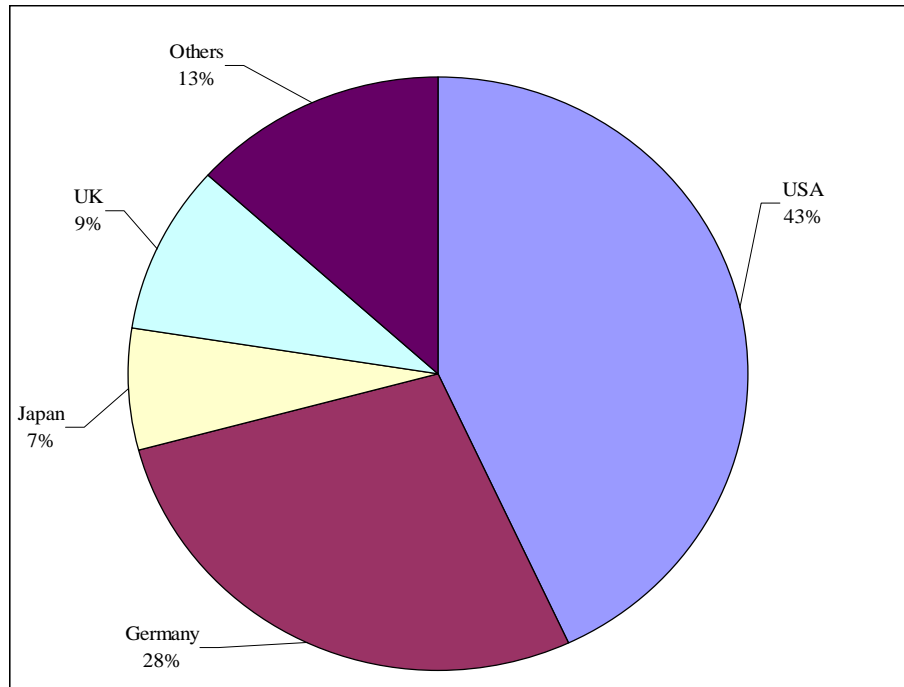


Debt owed to the three largest multilateral creditors (IMF, World Bank, AFDB) totaling US\$1,388.6 million represents 94 percent of total multilateral debt of US\$1,474.1 million (Table 22).

**Table 23: Summary of Bilateral Debt
(In '000 US\$)**

Bilateral Creditors	Principal	Interest	Total	Percent Distribution
USA	218,398.80	139,581.60	357,980.40	42.9
Germany	117,006.40	115,149.20	232,155.60	27.8
Japan	32,538.30	23,208.30	55,746.50	6.7
UK	17,918.10	58,453.20	76,371.60	9.2
Others	84,473.50	27,136.00	111,609.50	13.4
Total	470,335.10	363,528.30	833,863.60	100.0

**Chart 19: Percentage Distribution of Summary of Bilateral Debt
(In '000 US\$)**



5.2 Domestic Debt

Total domestic debt for the year under review amounted to approximately US\$ 386.1 million or about 11 percent of the total debt stock (Table 21 & Chart 15). The domestic debt increased by 2.0 percent over the level recorded for 2004. A breakdown of the domestic debt shows that the Government is indebted to the local financial institutions, suppliers, and the Central Bank of Liberia. The domestic debt also includes Government commitments and notes issued by the Permanent Claims Commission (PCC), wages and salaries arrears, National Savings Bonds and others.

The government is committed to addressing the domestic debt issue; paramount in its strategy is the substantial reduction/elimination of the huge salary arrears of about US\$18.3 million. A review by the National Debt Management Task Force (NDMTF), in consultation with advisors from the US Treasury Department, envisages a strategy that encompasses the allocation of significant amount of the debt budget towards domestic debt, focusing on savings bonds and suppliers' claims.

5.3 The Debt Burden

The debt burden is formidable and unsustainable as a result of the limited available resources at the disposal of the Government of Liberia; this clearly implies that the Government does not have the financial capacity to make any significant payment on its debt. An unfavorable economic environment exacerbated by the general effects of the 14-year civil war including the imposition of sanctions on diamond and log exports from Liberia continues to undermine the Government's ability in servicing its debt. However, the Government is undertaking major reforms in enhancing revenue collection, centralizing revenue, and streamlining expenditure in line with internationally accepted standards with the aim of resuscitating the productive sector of the Liberian economy and hopefully, determining how to deal with the debt problem.

VI. REPORT ON ACTIVITIES OF THE CENTRAL BANK OF LIBERIA

6.0 Administration

(A) Board of Governors

For the year 2005, the Board of Governors for the CBL consisted of the following members:

1. Mr. Charles A. Greene – Executive Governor & Chairman
2. Mr. David K. Vinton – Member
3. Mr. Thomas D. V. Hanson – Member
4. Mr. John G. Bestman – Member
5. Mr. George Gooding – Member

Mr. Bestman replaced Mr. Nathaniel Barnes who resigned during the year.

During the period, the Board of Governors of the CBL held four regular meetings in keeping with the Bi-Laws of the Bank and seven special/emergency meetings.

The Board adopted the following resolutions from these meetings:

- Resolution on the Establishment of an Audit Committee;
- Resolution on the Draft 2006 Budget;
- Resolution on the GEMAP Chief Administrator;
- Resolution on the Recast 2005 Budget;
- Resolution on the Appointment of a Provisional Administrator for Global Bank;
- Resolution on the Report and Financial Statements for the Year Ended December 31, 2003;
- Resolution on the Request for Approval for the Implementation of the Long Term Staff Loan Program;
- Resolution on the Proposed Monetary Policy Framework for Liberia;
- Resolution on the Draft Bank Restructuring and Resolution Policy for the Liberian Banking Sector.

(B) External Relations Section

During the year under review, the External Relations Section issued a number of press releases and announcements, relative to the activities and policies of the Bank. Press releases were issued on the seizure and subsequent lifting of the seizure of IB; results of foreign exchange auctions; seizure of TRADEVCO Bank; launching of Bank's website; appointment of Deputy Governor and new President of Global Bank.

The Section also issued public service announcements concerning the holding of foreign exchange auctions; opening of payment centers in three counties; acceptance of mutes by commercial banks for account holders; vacancy for tellers and computer hardware technician; bids for painting of Bank's buildings; submission of claims.

(C) Management

In 2005, the management of CBL was restructured. The original five (5) departments were reduced to three (3). The three (3) operating departments were Research, Policy & Planning, Bank Supervision, and Treasury – each headed by an executive director. The new structure also established the External Relations and General Services Sections.

(D) General Services Section (GSS)

The General Services Section is responsible to oversee the general operations of the Bank including maintenance, procurement, postal services and other operational services. Accordingly, during the year, the Section undertook vehicle repairs, maintenance of the main building and annexes, purchasing of stationeries & supplies, physical count of fixed assets, general repair works, etc.

(E) Human Resource Development and Organizational Matters

For the review period, the staff strength of the Bank was recorded at one hundred and thirty six (136), an increase of twelve (12) employees from the level recorded in 2004. There was a total of twenty-seven (27) employment. Nine (9) employees were dismissed, one (1) died, four (4) resigned and three (3) students were granted study leave.

i. Local Training

The Bank's in-house computer literacy program was conducted at the Central Bank's Training Center in three phases. Courses offered were typing, Windows basics, Microsoft word, Microsoft Access, and Excel. The Bank takes very serious this program as its aim is to improve staff proficiency, efficiency, and enhance professionalism in the conduct of their functions.

ii. Foreign Training

On June 22, 2005, the Board of Governors of the Central Bank of Liberia approved the Scholarship Policy of the Bank as contained in Board Resolution No. CBL/BGD/11-8/6-2005. In this regard, three (3) employees were granted financial assistance under the Bank's scholarship program, which included study leave for the duration of the program and partial salary grant for two years to pursue graduate degrees in Economics and Economic Policy Management at the University of Ghana, Legon. Also, four (4) employees who were on the Bank's scholarship program returned with MBA/MA in various disciplines. Several employees attended short-term training courses at designated venues. Programs were offered by WAIFEM, JAI, IMF Institute, Federal Reserve Bank of New York, among others.

iii. Official Foreign Travel

The Bank was represented at meetings organized by several institutions. Prominent amongst these were, the Joint IMF/World Bank Annual Meetings in Washington D.C., IMF Consultation IV Meetings in Accra, Ghana, WAMA Meetings in Sierra Leone and Ghana, amongst others.

iv. Employees' Loan

The Staff Loan Committee was reconstituted. Members of the Committee are as follows:

- Deputy Governor - Chairman
- Executive Director/Treasury Department - Co-Chairman
- Manager/General Service Section - Member
- Manager/Internal Audit Section - Member
- Manager/Human Resource Management Section - Member/Secretary

An amendment was made to the Staff Loan Policy which was approved in 2004. The Board of Governors of the Bank approved Management's request for the implementation of the staff Long Term Loan Program. Terms and conditions remained the same except that employees applying for this facility are required to present collateral worth 1 ½ times the amount being requested and such employee should not be obligated to the Bank at the time of granting the loan.

(F) Others

During the year, Management took the decision to pay the monthly staff salaries exclusively in Liberian dollars instead of the 50/50 percent arrangement in United States dollars and Liberian dollars as was previously done. Salary accounts were also created in the Bank for each employee; the accounts are for withdrawals only.

The out-patient medical coverage for employees was increased to L\$6,000.00, from L\$4,000.00 per annum; the life, accident, and death insurance benefits were also increased and are to be paid exclusively in United States dollars. With respect to the Provident Fund Scheme, the Bank's contribution was reduced to 5 percent, from 10 percent, the initial stipulation in the Provident Fund Policy of the Bank.

6.1 Treasury Department

The Treasury Department is composed of the following sections: Banking and Accounts.

(A) Banking Section

Activities performed in the Banking Section during the period under review included the encashment of checks (including Government salary checks), collection of Government of Liberia revenues, operations of the Clearing House and importation of United States dollars for use by the banking system.

A total of 413,829 checks with value of L\$616,950,856.00 was processed. These checks were issued to and encashed by government civil servants. The collection of government revenue covered both currencies. A total of L\$247,390,880.00 was collected as tax revenue while the United States dollar portion amounted to US\$65,479,410.00.

To enhance its payment system, the Bank opened three (3) payment centers in Gbarnga, Kakata and Buchanan. Additional sites have been identified in Bomi, Grand Gedeh and Lofa Counties. For the year 2005, a total of 31,771 checks with a total value of L\$53,567,252.00, was encashed at these outstations.

The number of United States dollars checks processed through the Clearing House was recorded at 39,377 with total value of US\$211,275,588.10 and 43,696 Liberian dollars checks with value of L\$809,612,640.05.

A total of L\$114,450,000.00 mutilated banknotes was destroyed by burning in July 2005. A total of L\$595,250,000.00 was disbursed from the Reserve Vault to the Operational Vault.

The International Banking Section was fully functional during the year 2005. Its activities included transfer of funds (Telex/Swift), importation/exportation of banknotes and managed commercial bills and remittances. A total of US\$112,781,900.00 was imported while US\$1,514,781.00 was exported through Travelex Global and Financial Services Limited in London. The corresponding banking relationship with the Branch Banking & Trust Company (BB&T) Charlotte, North Carolina, U.S.A., was terminated in August of 2005 at the request of the U.S.-based bank. The CBL, in April 2005, however, activated its relationship and link with the Federal Reserve Bank of New York, through an account establishment. It also activated an alternate Swift mechanism for easy transmission. This has provided a resounding success in the Bank's international banking activities.

During the year under review, the CBL converted US\$12,830,000.00 to Liberian dollars in total equivalent amount of L\$726,072,500.00 at an average exchange rate of 55:1, on behalf of GOL/MOF. The U.S. dollar component of US\$5,147,163.00 was auctioned and the Liberian dollar proceeds were used to fund GOL Payroll.

The CBL is the sole custodian of the Maritime funds that is transferred by LISCR/USA to the CBL offshore account with the Federal Reserve Bank of New York, on a weekly basis with varying accounts transferred.

The total amount received for the year 2005 on behalf of the Government of Liberia was US\$8,880,919.00 as compared to US\$12,597,350.00 in 2004, a 29.5 percent decrease in Maritime revenue. The decrease resulted from amounts held back in anticipation of the new Government in 2006.

(B) Accounts Section

(i) Income Statement

(a) Income

The CBL's un-audited Consolidated Income Statement for the year 2005 showed gross income of L\$403.2 million comprising L\$58.4 million and US\$6.1 million (an equivalent of L\$344.8 million). Interest Income constitutes 69.1 percent of total consolidated income for the year under review (Interest on GOL Long-term Loan represents 72.2 percent of total interest income). Other components of total income include Banking fees and Commission, 14.9 percent; Commission on Notes Importation, 10.9 percent; and other income, accounting for the remaining 5.1 percent.

(b) Expenditure

The Bank's total consolidated expenses for the year 2005 amounted to L\$373.6 million, comprising L\$89.1 million and US\$5.1 million (an equivalent of L\$284.5 million). The breakdown of the total consolidated expenses is as follows: personnel cost, 34.5 percent; board fees and related expenses, 5.0 percent; occupancy, 8.0 percent; currency cost, 12.3 percent; professional & contractual services, 5.1 percent; office expenses, 2.3 percent; travel, 6.2 percent; vehicle running cost, 1.6 percent; depreciation & amortization, 17.8 percent and other operating expenses, 7.3 percent.

(c) Net Profit

The Bank had a favorable bottom-line number for the fiscal year 2005, with a net income of L\$29.6 million, representing 7.3 percent of the revenue earned for the year. The consolidated income for the year included US\$1.0 million, an equivalent of L\$60.3 million, with a corresponding net loss in Liberian dollar amount of L\$30.7 million being recorded. When compared to 2004, the net consolidated income for the period under review increased by L\$86.7 million or 27.4 percent.

(ii) Balance Sheet

(a) Assets

The Central Bank of Liberia's un-audited Balance Sheet recorded total assets for the year 2005 at L\$75.3 billion, including US\$0.26 billion or L\$14.9 billion (converted at L\$57.25). Current Assets constituted 82.6 percent of total assets broken down as follows: cash and short-term funds, 2.1 percent; due from the government of Liberia, 17.9 percent; IMF accounts, 78.9 percent; non-current assets, 7.5 percent; prepaid and deferred expenses, 0.4 percent; and net fixed assets, 0.4 percent of total assets.

(b) Liabilities

The Central Bank of Liberia's un-audited consolidated total liabilities for the year 2005 amounted to L\$64.8 billion, including US\$0.04 billion or L\$2.5 billion (converted at L\$60). Total liabilities constituted 86.0 percent of total equities broken down as follows: Liberian Monies in Circulation (stock), 3.3 percent; Due to Local Commercial Banks, 1.8 percent; Due to Foreign Banks, 0.6 percent; Non-Bank Deposits, 0.002 percent; Due to Government of Liberia, 0.1 percent; Accounts Payable, 0.18 percent; Due to State-Owned Enterprises, 0.06 percent; IMF Accounts, 78.9 percent; Non-Current Liabilities, 0.98 percent and Other Liabilities, 0.03 percent.

(c) Shareholders' Equity

The net residual interest in the un-audited consolidated equities is 14 percent. The shareholders' equity is sub-divided into Capital: representing 9.5 percent, and General Reserves, 4.5 percent. The total consolidated shareholders' equity is L\$10.6 billion, comprising L\$1.8 billion and US\$0.22 billion converted to L\$12.4 billion.

6.2 Banking Supervision Department

The functions of the Department have been conducted by two (2) sections, namely the Examination Section and Regulations & Enforcement Section.

The Examination Section, through the Off-site and On-site Units, monitors and assesses the financial condition, financial performance and risk management of the banking sector as well as their compliance with laws and regulations. The Regulations & Enforcement Section is responsible primarily for promulgating regulations, formulating the appropriate resolution and restructuring strategies for inactive banks as well as issuing directives. The Section is also responsible for licensing of bank- and non-bank financial institutions.

(A) Examination Section

For the period under review, the Examination activities included the physical examination of books, records and affairs of licensed banks financial institutions and other non-bank financial entities.

(i) *On-Site Unit*

The Unit completed at least two examinations one full-scope, and one limited or targeted of each of the five operating banks during the year ended 2005, as required by the New FIA of 1999. These examinations were conducted in accordance with provisions of the on-site examination manual.

In addition to the periodic examination of the banking system, the Unit monitors and maintains the Credit Data Base as a means of keeping track on delinquent borrowers in the banking system. The Database has proven to be helpful, thereby enhancing the credit risk management system of the banks.

(ii) *Off-Site Unit*

The Unit monitors and assesses the condition and performance of the banking system through analysis of returns submitted by the banks. There were few irregularities relating to the submission of late and inaccurate returns. There were no new returns issued during the year ended 2005, except for the monthly loan listings. The loan listings were requested to complement the analysis of the asset quality of the banks, which is part of the Financial Soundness Indicators (FSIs) Report submitted to the IMF on a monthly basis.

The Unit also established the “expert databank” to provide information on experienced Liberian bankers. The Department is in the process of revising the Manual of Examination with the assistance of the United States Treasury Advisor.

Pursuant to the Bank Restructuring and Resolution Policy adopted by the CBL, the Department was able to complete the resolution strategy for two of the banks (IBLL & GBLL) and is yet to finalize those for Ecobank and LBDI.

(B) Regulations & Enforcement Section

The Regulations and Enforcement activities during the period included the issuance of new Regulations and Directives to bank-financial institutions; licensing of banks and non-bank financial institutions as well as continuation of on-going liquidation activities.

(i) *Promulgation of New Regulations*

In its effort to strengthen the financial system, the Department promulgated and issued a number of new regulations, directives and supervisory guidelines as follows:

- Prudential Regulation for the Management of Foreign Exchange Risk Exposure;
- Regulations on Supervision of Distressed Banks;
- Regulations on Audit of Banks and Publication of Financial Statements;
- Regulations Concerning Changes in Authorized Capital Stock and The Acquisition of Shares;

- Regulation on Know-Your-Customer (KYC) and Customer Due Diligence (CDD);
- A Guide for Directors and Management of Liberian Banks;
- Guideline on Standing Credit Facility for Commercial Banks;
- Guidelines on the Computation and Maintenance of Reserve requirement for commercial banks;
- Directive on Lending to Delinquent Borrowers.

In addition to the above, the Department also formulated a Bank Restructuring and Resolution policy for the Liberian Banking Sector. The policy was adopted on January 31, 2005 by the Board of Governors. The Policy aims at conducting a comprehensive assessment of the Liberian Banking System with the objective of developing appropriate resolution and restructuring strategies for operating banks that are not currently in regulatory compliance as well as inactive banks.

Pursuant to the policy, a comprehensive targeted examination was concluded for each of the four (4) operating banks. Two (2) of the banks have been restructured; while the appropriate restructuring and resolution strategies for the other two (2) banks have been developed.

(ii) Licensing

a. New Banks

Only two (2) new banks were licensed during the year under review. They are:

- a) First International Bank Liberia Limited (FIBL), licensed March 22, 2005, and started operation on April 6, 2005; and
- b) Global Bank was licensed on February 4, 2005 and commenced operation on February 14, 2005. The former is largely Nigerian-owned; while the latter is exclusively Italian-owned.

b. Non-bank Financial Institutions

There were three (3) money remittance entities licensed by the end of year. This is the first of its kind for such a license to be issued to non-bank money remittance entities.

A number of applications for Foreign Exchange Bureaux license were received, but no new license was issued during the year due to a moratorium on the issuance of new licenses. As at end of year, there were 49 fully licensed, 97 provisionally-licensed bureaux and 50 applications in the pipeline.

(C) Banks (In-Liquidation):

i. LUBI

The liquidation payout continued during the period. The liquidation exercise has been conducted by two (2) of the staffs of the previous liquidation team, who have been retained by the CBL in collaboration with the Department. Both claims settlement and loan recovery have been slow, despite the availability of resources.

ii. TRADEVCO

The liquidation process of TRADEVCO, which began on October 27, 2004, was briefly disrupted on December 10, 2004 following a Debt Court Ruling in favor of Brasilia Travel Agency, involving a claim of US\$524,000. The liquidation team which included Italians also departed the Country. A second MOU was signed on May 25, 2005 between the Management of TRADEVCO (In-Liquidation) and CBL to continue the voluntarily liquidation subject to adequate funding from TRADEVCO. Consistent with the MOU, the CBL took over the liquidation process in July 2005, and is currently on-going. The total claims processed and paid up to date is 748 valued at about US\$8.3 million and L\$36.4 million.

iii. Bank of Liberia (BOL)

Arrangements were concluded with the External Auditors to finalize and submit the Liquidation Report for court action. The final Report is expected early next year. The court action is required to terminate the liquidation process.

(D) Closed Banks

Except for ROVIA, FCIB and the two (2) Government-owned banks (ACDB and NHSB), there are no signs of reopening of the other four (4) closed banks, namely FUAB, Euro, MBLL and DUTCH. Notwithstanding the foregoing, there is yet no concrete action from the shareholders of any of the closed banks to recapitalize their banks. The recapitalization of the two (2) Government-owned banks is unlikely at the moment in light of current budgetary constraints. Also, pursuant to the Restructuring & Resolution Policy, a comprehensive identification exercise was conducted to ascertain the physical assets of each closed bank.

(E) Technical Assistance

The Department benefited from technical assistance provided by the US Treasury and the IMF. Under the guidance of the US Resident Treasury Advisor, the Department held ten (10) internal workshops covering various topics in banking supervision. Additionally, the Department received the assistance from both institutions in the formulation of the Restructuring & Resolution Policy as well as a number of regulations issued during the year under review.

The Department initiated the process of subscribing to the FSI Connect, an On-line Tutorial in various subjects in banking supervision offered by the Financial Stability Institute, as a means of building the capacity of the staff of the Department.

(F) State of the Banking System

The general condition of the banking system relatively improved compared to 2004. Total assets of the industry grew by 30 percent, from L\$5.6 billion in 2004 to L\$7.3 billion in 2005, while deposits grew by 33.0 percent, from L\$3.7 billion to L\$5.0 billion.

All of the banks recorded strong liquidity positions throughout the year, except for one bank which suffered a temporary liquidity crisis. The average recorded liquidity ratio of the industry ranged between 20 and 40 percent compared to the minimum statutory ratio of 15 percent. The high liquidity position is attributed to the poor credit and macro-economic environment.

Asset Quality showed moderate improvement during the year. Non-performing loans to total loans declined from 23.8 percent in 2004 to 18.4 percent in 2005. This improvement was due to the aggressive loan recovery strategies enforced by most of the banks.

Non-interest income (comprising mainly fees and commissions) continues to be the major source of earnings for all banks. The average ratio of non-interest income to total income for the industry was 82 percent.

The capital position of the industry marginally improved. The Reported Net Capitalization (which represents the common leverage ratio) of the industry improved from 9.3 percent in 2004 to 11.2 percent in 2005. However, when adjusted for CBL deductions for capital adequacy measurement, the banking system was grossly undercapitalized. The persistent undercapitalization of the banking system, except for one bank, is attributed to a number of factors. These include but not limited to (1) huge GOL's indebtedness to two (2) of the banks, and (2) the relatively high provisions for loan losses associated with poor asset quality.

6.3 Research, Policy and Planning Department

The Research, Policy and Planning Department (RPPD) continued its traditional role of conducting research and providing the Management of the Bank with essential research information relevant for the conduct and implementation of sound monetary and financial policies. In this direction, the Department collects, processes and analyses economic and financial data. The RPPD also provides advice on major policy issues. During the review period, the Department was fully engaged with the following activities:

A. Publications

The major publications of the Department are the Liberia Financial Statistics (LFS), the Economic and Financial Bulletin (EFB) and the Annual Report.

The LFS is a compilation of selected macroeconomic and financial statistics intended to provide reliable and timely database for researchers, academicians, bankers and other users of statistics. Data are collected from the real, monetary, fiscal and external sectors of the economy. As the LFS is a bi-monthly publication, six editions were produced during 2005.

The Economic and Financial Bulletin, on the other hand, is a quarterly publication. The Bulletin contains a comprehensive analysis of the four major economic sectors. It highlights developments in the real, fiscal, monetary and external trade sectors on a quarterly basis. The Annual Report of the CBL for the year 2004 was produced during the year under consideration.

The Department also submitted to the IMF on a monthly basis the monetary survey. This is a collection and compilation of monetary and financial statistics of the financial system. In the absence of a standard BOP statement, a rudimentary statement containing some external sector data was also submitted to the IMF monthly.

B. Surveys

During the year, the Department closely monitored the foreign exchange market. This was intended to observe movements of the exchange rate of the Liberian dollar against the US dollar. This exercise was carried out on a daily basis. The prevailing market rates were subsequently published in the local dailies.

The Department intensified its collaboration with the Ministry of Planning and Economic Affairs in the computation of the Monrovia Consumer Price Index (CPI). During the review period, the basket of the CPI was enlarged from 79 items to over 200 items. However, the original weights were maintained. The new basket referred to as COICOP (Classification of Individual Consumption by Purpose) is in line with recommendations from ECOWAS. This exercise is intended to have a homogenous basket for the West African sub-region.

C. Compilation and Analysis of Monthly Remittances

The Department collected statistics on remittances (inwards and outwards). These were collected from the various commercial banks (including their Money Gram and Western Union branches).

D. Foreign Exchange Auction

The auction program which was introduced a year ago was a major activity of the Department in 2005. Accordingly the Department conducted 16 foreign exchange auctions, selling a total of US\$5.1 million.

E. Ad-Hoc Assignments

Prominent among the ad-hoc assignments during the year, were analysis of movements in the exchange rate, analysis of monthly remittances, Consumer Price Index (CPI), inflation, among others. These periodic reports were made available to management. The Department also responded to questionnaires from several international institutions including WAMA, WAMI, ECOWAS, AU, WAIFEM, IMF, World Bank, among others.

6.4 Management Information System Section

The Management Information System (MIS) Section of the Central Bank of Liberia is responsible to identify, configure and control computer related resources to ensure timely and adequate provision of information to management for decision-making. The Section also identifies and assesses opportunities provided by new technologies and determines their benefits and levels of interference with existing systems and advice Management accordingly. In order to achieve the above objectives, MIS works with user managers to determine application development priorities in accordance with approved policies of the Bank's management.

A. Hardware

i. Computers & Related Peripherals

During the year under review, 101 desk tops/monitors, 7 laptops and 41 printers were in use. These computers were allocated to various departments/sections of the Bank. It has been established, however, that 60 percent of these machines are outdated. A request has been submitted to replace some of them.

ii. The Internet

A new service provider, GILAT, an Israeli company was contracted to provide internet services to the Bank. The timeliness of the information provided has been enhanced considerably.

B. Software

i. Microsoft and Application

CBL has standardized on Microsoft products for its Operating System (OS) and office application software. Currently, CBL uses a Windows 2003 server, with Windows XP Professional as its OS and Microsoft Office 2003 for office application. Additionally, the Section implemented the Microsoft Outlook emailing system using Microsoft Exchange during the reporting period.

ii. Bankmaster

The Section submitted a training proposal for the staff to undergo technical training in Bankmaster as well as Network Administration.

C. Swift

The Bank entered into an agreement with Allied Engineering Group (AEG) Service Bureau to manage the Bank's SWIFT connectivity and provide disaster recovery. Additionally, CBL has an agreement with Nas Global Liberia to provide data traffic management for the SWIFT network.

D. In-House Computer Literacy Program

The Computer Literacy Program for the staff is intended to provide capacity building and productivity enhancement. Participants are trained in the use of Windows Basic, the Microsoft Office application suite (Word, Excel, and Access), and Typing. There are 4 training sessions annually: Jan – March, April – May, June – July, and August – September. Each training session is 8 weeks long.

E. Power Supply

The frequent power outages at the Bank impedes the Section's work and is also a constant source of many connectivity problems experienced with Bankmaster and network resources. The Section submitted a request to Management for a dedicated generator and battery bank for the MIS Server Room. It is imperative that continuous power is provided to the Server Room equipment in order to efficiently manage the banking application and network and to ensure a longer life cycle of equipment.

6.5 Legal Section

Court Cases Concluded

During the year under review, the Legal Section concluded the case William Knuckles vs. Liberia Trading & Development Bank (TRADEVCO), which grew out of action of damages brought against TRADEVCO. Also, the Section handled some pending cases including:

- prohibition filed by TRADEVCO against regulatory action taken by the CBL for the seizure of TRADEVCO Bank and the attending ramification;
- First Commercial Investment Bank (FCIB) vs. the National Bank of Liberia (NBL) for proceeding to lift seizure;
- ROVIA Bank vs. the National Bank of Liberia (NBL) as a challenge to seizure and liquidation;
- The matter of Bank of Credit and Commerce International (BCCI), Liquidation process continues after it was extended in 1995. The hold up is unavailability of the United States Dollars that was taken away by BCCI. The CBL is pursuing the foreign liquidators for payment to depositors and creditors;
- First International Merchant Bank, petition was granted and the NBL appointed liquidator of FIM Bank by an order of the Sixth Judicial Circuit Court dated August 14, 1992. A subsequent petition praying for authorization to effect percentage payout was granted by an order of the same court on March 1, 1995, but payment has not been made because funds are not available;
- Meridien Biao Bank Liberia Ltd. (MBLL) vs. NBL, Seizure and Liquidation Proceedings, pending before the Supreme Court where it was taken on appeal by MBLLA from an interlocutory judgment in favor of the NBL (CBL);
- Mathew Torbor vs. CBL, Action of Wrongful Dismissal, Case is ongoing at the Labor Court.
- Montrose capital, LCC vs. CBL the matter is being handled in a United States court where settlement agreement is in force, which the parties have signed. Settlement is in stages;

- Central Bank of Liberia, by and thru its Executive Governor, Elie E. Saleeby, vs. His honor John Mathies, Judge, Debt Court, Montserrado County and Mobil Pegasus Service Station, represented by its manager, Sekou M. Donzo;

Besides cases handled during the year, the Section also provided the following pieces of legal advice:

- Drafted a copy of MOU between IBLL and CBL concerning the recapitalization exercise of IBLL;
- Legal opinion on the matter of the seizure of IBLL by the CBL;
- Prepared a draft of voluntary liquidation of TRADEVCO. Agreement was entered into in December last year but the exercise was interrupted and seizure in court process ensued. A new agreement was entered in June 2005 and process is nearing completion;
- Gave Legal opinion on discrepancies between the signed and unsigned draft of TRADEVCO agreement;
- Give advice on the Pegasus House claim (Mobil service station vs. NBL), the matter is being settled with payment of claim by money transfer for which relief is now being sought from Pegasus House and withdrawal of the matter from the court agreed to be made;
- Provided Legal opinion on the appointment, tenure and confirmation of governors of the CBL;

The following legal agreements were drafted by the Section:

- Consultancy contract between the CBL and Nathaniel Patray to ensure that a comprehensive Operation Manual of various Departments, and Sections of the CBL is prepared;
- Auditing contract - Reeves consultancy firm to provide auditing services to the Audit Section of the CBL;
- Consultancy contract for studying and evaluating the buying and selling of gold, etc.

6.6 Internal Audit Section

Consistent with the CBL Act, Section 46(2), continuous and regular audit of the CBL were conducted in accordance with internationally (generally) accepted auditing standards. Those standards require that the Internal Audit Section plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit included examining on a test basis, evidence supporting the amounts and disclosures in the Bank's financial statements. The audit also included assessing the accounting principles used and significant estimates made by the Accounting Section, as well as evaluating the overall financial statements presentation. The annual audit for the year 2005 is in progress and is being carried out in keeping with CBL's approved Internal Audit Manual and the Act of 1999 that established the Bank.

Further, in keeping with the Bank's Act of 1999, the Bank's accounts were reviewed on a continuous and regular basis, bringing to the attention of Management, weaknesses or any errors in the accounts, which warranted correction through opinions and recommendations. However, unlike the past financial years, 2005 experienced some event of reported financial fraud involving one Banking Analyst from the CBL and other culprits from the Monrovia Transit Authority (MTA). This malpractice was uncovered on December 13, 2005 and the Internal Audit Section gave full report on December 16, 2005. The amount involved in the theft was US\$140,868.64. The analyst is currently on the wanted list of the Interpol because he is at large while his accomplices are awaiting court trial.

VII. RELATIONSHIP WITH INTERNATIONAL FINANCIAL INSTITUTIONS

Despite its huge indebtedness to some international financial institutions, Liberia remains actively engaged with these international bodies. The country maintains close contact with the Bretton Woods Institutions as well as other regional and sub-regional institutions, such as ECOWAS, ADB, WAMA, and others. Following the consolidation of peace and the holding of democratic elections, the international community gradually began reestablishing confidence in the country.

7.0 Bretton Woods (International Monetary Fund and World Bank)

The CBL's relationship with the Fund was further strengthened during the year under review. Article IV consultations were held in Accra between Liberian authorities and the Fund. These discussions were aimed at setting certain benchmarks and targets for the Liberian Government. Moreover, the Bank participated in the Joint Annual Meetings of the Fund and the World Bank. The Government of Liberia continued the monthly payments of US\$50,000.00 to the Fund. For the year under review, a total of US\$600,000 was paid to the Fund against Liberia's obligation to that institution.

The Bank's relationship with the World Bank has also taken on a better trend as the World Bank established a liaison office in Monrovia during the year. However, no payments were made to the World Bank in 2005.

7.1 Regional and Sub-Regional Organizations

The CBL was represented at meetings organized by some regional institutions. Moreover, everything is being done by the Liberian authorities to ensure that its observer status at some sub-regional fora is gradually removed as Liberia regains the confidence of countries and organizations of the sub-region.

Several employees of the CBL participated in short-term refresher courses organized by WAIFEM during the course of the reporting period.

VIII. PROSPECTS

Despite some difficulties encountered during the year, the CBL continued to pursue its objectives. Although operating in a fragile financial system, the Bank focused on its primary policy objective of maintaining a stable exchange rate, and ultimately price stability, which could lead to a low inflationary environment. With limited policy tools, the Bank endeavored to pursue its objective consistent with developments in the economy.

The general security situation in the country has improved considerably. This was made possible by the continuous presence of the United Nations peacekeeping force. Despite the conducive security environment and the consolidation of peace in the country, basic economic and social conditions remain unfavorable. Infrastructures are in a poor state while social services are inadequate. Output of the real sector is yet to reach appreciable level. External trade which is characterized by a very narrow export base remains in a deficit position. The international sanctions on logs and diamonds are still being enforced.

With the ushering in of a democratically-elected Government, it is envisaged that international support will abound. Moreover, the successful implementation of the Governance and Economic Management Assistance Program (GEMAP) is expected to yield substantial dividends for the country.

During the year 2006 and beyond, the CBL would enhance its cooperation with the IMF, World Bank and other international partners. Specifically, the Bank will collaborate with the Fund in implementing agreed programs aimed at achieving certain benchmarks which could lead to improvement in the operation of the Bank. Additionally, the CBL will build up its foreign reserves consistent with the objective of maintaining price stability through the exchange rate. In the longer term, the CBL intends to develop new policy instruments for effective formulation and implementation of monetary policy. In the banking system, the Bank expects to strengthen supervision in accordance with its Restructuring and Resolution Policy, consistent with recommendations from the IMF which are aimed at bringing about a general improvement in the country's banking system.

STATISTICAL ANNEX

**Table A-1: Liberia: Sectoral Origin of Gross Domestic Product (GDP)
At 2000 Constant Prices
(2003 - 2005)
(In Millions US\$)**

Sector	2003	2004	2005
AGRICULTURE	229.1	267.5	290.1
Rubber	42.6	68.9	87.0
Cocoa	0.8	2.9	3.7
Coffee	n.a.	n.a.	0.1
Rice	52.0	82.5	83.5
Cassava	48.4	31.4	32.3
Others	85.3	81.8	83.5
FORESTRY, HUNTING, GATHERING & FISHING	91.9	95.2	99.4
Logs & Timber	53.0	59.3	62.1
Charcoal & Wood	35.0	33.0	34.4
Fishing	1.9	1.7	1.4
Hunting			
MINING & Quarrying	0.3	0.3	0.3
Iron Ore	n.a.	n.a.	n.a.
Gold	0.3	0.3	0.3
Diamond	n.a.	n.a.	n.a.
MANUFACTURING	14.7	25.3	31.9
Cement	5.5	14.6	20.1
Beverages & others	9.2	10.7	11.8
Tertiary	86.1	122.4	139.1
Transportation & Telecommunications	27.3	32.2	37.9
Trade, Hotels, etc.	20.1	22.2	28.3
Construction	8.2	16.5	18.3
Financial Institutions	8.7	10.7	13.0
Energy (Water, Electricity, Gas, etc.)	1.9	3.8	4.4
Government Services	12.6	12.6	23.6
Other Services	7.3	7.3	13.6
Discrepancy	2.8	2.8	3.1
GDP	419.0	507.8	557.6

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

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

**Table A-2: Key Agricultural Production
(2003-2005)**

Commodity	Unit	2003	2004	2005
Rubber	Mt.	54,845	88,381	92,416
Cocoa	Mt.	1,540	1,120	2,192
Coffee	Mt.	-	-	-
Fish	Kg.	266,000	857,100	876,869
Round Logs	M ³	548,466	-	-
Sawn Timber	M ³	1,948	-	-

** Estimates*

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

**Table A-3: Key Manufacturing Output
(2003 - 2005)**

Commodity	Unit	2003	2004	2005
Cement	Mt.	41,827	121,059	143,847
Beverages	Liter	7,724,154	15,463,113	15,393,455
Paint	Gal.	5,934	31,540	168,750
Nail	Kg.	47,186	78,450	50,938
Candle	Kg.	282,787	557,814	390,653
Chlorox	Liter	73,656	380,202	362,505
Rubbing Alcohol	Liter	21,635	201,137	277,323
Mattresses	Pcs.	2,340	48,178	68,834
Deep Well Water ¹	Gal.	32,890,137	60,415,605	63,918,844
Finished Water ²	Gal.	283,898,370	432,521,479	462,168,224

** Estimates*

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

Note: 1 Water from drilled wells

2 Water from the treatment plant in White Plains

**Table A-4: Consumption of Petroleum Products
(2003 - 2005)**

Commodity	Unit	2003	2004	2005
PMS (Gasoline)	Gal.	6,259,801	15,782,598	16,032,724
AGO (Diesel)	Gal.	11,746,353	21,995,730	27,164,836
ATK (Kerosene)	Gal.	406,868	636,076	1,962,367
Jet – A1	Gal.	884,679	7,433,543	3,467,940
Total		19,297,701	45,847,947	48,627,867

Source: Ministry of Finance, Monrovia, Liberia

**Table A-5: Yearly Average Indices and Rate of Change
(2003 - 2005)
(May 1998=100)**

Components	Yearly Average Indices					Rate of Change		
	Weights	2002	2003	2004	2005	2003	2004	2005
All Items	100	142.2	157.0	169.3	187.6	10.4	7.8	11.1
Food	34.4	111.0	140.9	153.8	170.0	27.0	9.5	10.8
Drinks & Tobacco	5.7	140.1	160.0	180.3	203.6	14.5	13.0	12.9
Fuel & Light	5.0	155.5	154.4	217.6	339.6	-0.7	42.9	56.1
Clothing	13.8	119.1	121.2	128.7	138.0	1.8	6.2	7.2
Household Goods	6.1	158.8	161.9	174.1	179.0	2.0	7.5	2.8
Personal Care	11.4	258.9	266.8	247.7	236.6	3.3	-7.2	4.5
Rent	14.9	131.2	131.5	156.1	181.1	0.2	18.7	16.0
Miscellaneous	8.7	152.2	173.3	176.4	191.4	14.5	1.9	8.5

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A-6: Commodity Composition of Exports
(2003 - 2005)
(In Millions US\$)**

Commodity	2003	2004	2005
Rubber	43.9	93.4	126.7
Logs	54.6	n.a.	n.a.
Cocoa Beans & Coffee	0.9	3.4	0.3
Others	9.5	7.0	4.3
Total	108.9	103.8	131.3

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

**Table A-7: Commodity Composition of Imports
(2003 - 2005)
(In Millions US\$)**

Category	2003	2004	2005
Food & Live Animals	50.7	77.4	68.2
Beverages & Tobacco	5.5	11.5	8.4
Crude Materials	3.6	2.9	8.0
Minerals, Fuel & Lubricants	1.3	5.4	28.9
Animals & Vegetable Oil	2.5	3.4	2.6
Chemical & Related Products	6.8	8.9	9.2
Manufactured Products	14.9	31.7	27.3
Machinery & Transport Equipment	14.8	63.3	32.6
Petroleum Products	37.1	84.5	91.0
Miscellaneous Articles	32.6	47.8	30.3
Total	169.7	336.8	309.9

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

**Table A-8: Commercial Banks' Loans by Economic Sectors
(2003 - 2005)
(In '000 L\$)**

	Dec-03		Dec-04		Dec-05	
		%		%		%
1. Agriculture	184,170	9.2	197,425	8.0	284,457	10.6
1.1 Rubber	4,905	0.2	3,216	0.1	5,031	0.2
1.2 Forestry	168,759	8.4	158,329	6.4	142,562	5.3
1.3 Fishing	8,919	0.4	10,961	0.4	9,731	0.4
1.4 other	1,587	0.1	24,920	1.0	127,134	4.7
2. Mining & Quarrying	0	0.0	0	0.0	3,578	0.1
2.1 Iron Ore	0	0.0	0	0.0	0	0.0
2.2 Quarrying	0	0.0	0	0.0	3,578	0.1
3. Manufacturing	7,355	0.4	16,906	0.7	13,905	0.5
4. Construction	51,306	2.6	58,015	2.3	72,306	2.7
4.1 Mortgage Loans	0	0.0	0	0.0	1	0.0
4.2 Home Improvement	0	0.0	0	0.0	1,806	0.1
4.3 Other	51,306	2.6	58,015	2.3	70,499	2.6
5. Trans., Storage & Comm.	4,795	0.2	45,745	1.8	116,583	4.4
5.1 Transportation	4,048	0.2	31,211	1.3	67,251	2.5
5.2 Storage	746	0.0	836	0.0	876	0.0
5.3 Communication	0	0.0	13,697	0.6	48,457	1.8
6. Trade, Hotel & Rest.	201,000	10.0	474,497	19.1	362,495	13.5
6.1 Diamond trade	0	0.0	0	0.0	31,558	1.2
6.2 Other trade	191,188	9.5	464,241	18.7	304,914	11.4
6.3 Hotels	9,409	0.5	10,204	0.4	21,449	0.8
6.4 Restaurants	404	0.0	52	0.0	4,574	0.2
7. Other	1,560,259	77.7	1,686,562	68.0	1,825,300	68.1
7.1 Services	20,823	1.0	44,356	1.8	179,789	6.7
7.2 Personal	86,528	4.3	133,025	5.4	149,912	5.6
7.3 GOL	570,473	28.4	633,976	25.6	728,571	27.2
7.4 Central Bank of Liberia	616,488	30.7	687,011	27.7	719,076	26.8
7.5 Public Corporations	44,903	2.2	156,678	6.3	45,545	1.7
7.5 Other	221,045	11.0	31,516	1.3	2,408	0.1
TOTAL	2,008,886	100	2,479,150	100	2,678,624	100

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A-9: Money Supply and Broad Money
(December 2003 to December 2005)
Liberian and United States Dollars
(In Millions L\$)**

	Dec-03	Dec-04	Dec-05
MONEY	3,138.8	4,687.1	6,361.9
M1	2,695.0	3,726.8	4,870.9
CURRENCY OUTSIDE BANKS L\$	1,303.7	1,754.9	2,168.9
DEMAND DEPOSITS (CoB)	1,391.3	1,971.9	2,701.9
United States Dollars component of Broad Money denominated to L\$	1,254.3	1,788.3	2,481.4
Liberian Dollars	136.9	183.6	220.5
TIME AND SAVINGS (CoB)	443.8	960.3	1,491.0
United States Dollars component of Broad Money denominated to L\$	284.0	700.1	1,099.3
Liberian Dollars	159.8	260.1	391.8
United States Dollars component of Broad Money denominated to L\$	1,538.3	2,488.5	3,580.6
Percentage share of US dollars to Liberian dollars.	49.0%	53.1%	56.3%
Exchange Rate	50.50	54.50	56.50

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A-10: Monetary Survey
(December 2003 - December 2005)
(In Millions L\$)**

	Dec-03	Dec-04	Dec-05
Foreign Assets (Net)	(30,334.7)	(44,646.2)	(49,161.2)
Foreign Assets (MA)	370.4	1,019.1	1,432.3
(-) Foreign Liabilities (MA)	30,940.7	46,384.2	51,839.7
Foreign Assets (CoB)	768.2	1,947.2	2,690.5
(-) Foreign Liabilities (CoB)	532.6	1,228.3	1,444.2
Domestic Credit	44,878.2	62,287.1	69,005.1
Claims on General Government (Net)	43,597.1	60,343.1	66,593.8
Claims on General Government (MA)	43,289.3	59,829.6	66,058.4
(-) General Government Deposits (MA)	193.4	63.2	86.2
Claims on General Government (CoB)	661.4	738.7	787.6
(-) General Government Deposits (CoB)	160.2	161.9	166.0
Claims on Public Corporations (MA)	0.6	0.5	0.6
Claims on Public Corporations (CoB)	58.4	105.8	235.3
Claims on Private Sector (MA)	64.5	100.0	119.8
Claims on Private Sector (CoB)	1,071.7	1,550.9	1,946.6
Claims on Central Bank of Liberia	0.0	0.0	0.0
Claims on NBFIS (MA)	85.9	186.7	109.1
CLAIMS ON NBFIS (CoB)	3,325.9	4,758.6	6,384.1
Money	1,303.7	1,754.9	2,168.9
Currency Outside Banks (MA)	1,408.8	1,908.5	2,379.3
Liberian Currency in Circulation (MA)	105.1	153.6	210.3
(-) Currency Holdings (CoB)	1,512.6	1,973.3	2,708.3
Demand Deposits	121.4	1.4	6.4
Demand Deposits (MA)	1,391.3	1,971.9	2,701.9
Demand Deposits (CoB)	509.6	1,030.4	1,506.8
Other Deposits	65.8	70.2	15.7
Other Deposits (MA)	443.8	960.3	1,491.0
Time and Savings Deposits (CoB)	0.0	0.0	0.0
Restricted Deposit	558.2	451.4	464.6
Bonds and Securities (CoB)	11,932.2	13,163.3	14,070.5
Capital Accounts	11,015.1	12,123.6	12,582.9
Capital Accounts (MA)	917.1	1,039.7	1,487.6
Capital Accounts (CoB)	(1,272.8)	(732.4)	(1,075.2)
Other Items (NET)	1,613.8	7,512.0	8,417.4
Unclassified Liabilities (MA)	1,969.6	8,051.9	8,864.0
(-) Unclassified Assets (MA)	471.1	366.7	703.6
(-) Unclassified Assets (CoB)	625.8	1,318.5	1,180.0
Unclassified Liabilities (CoB)	323.3	997.3	1,202.1
Commercial Banks Deposits (MA)	692.5	1,531.5	1,763.7
(-) Reserves (CoB)	105.1	153.6	210.3
Currency Holdings (CoB)	34.2	29.9	67.0
Liabilities To Central Bank (CoB)	65.7	81.1	75.8
(-) Claims On Domestic Banks (MA)	715.6	715.6	747.2
(-) Unbalanced Items	(60.5)	3.1	2.3
Vertical Check	(0.0)	(0.0)	0.0

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A-11: Central Bank of Liberia Unaudited Consolidated Balance Sheet
(2004 – 2005)
(In Millions L\$)**

	2004	2005
Assets	68,027.67	75,333.7
Cash & Short-term Funds	1,133.40	1,568.7
GOL-IMF Accounts	53,301.40	59,472.1
Due from the GOL	12,840.90	13,516.9
Prepaid & deferred Expenses	228.5	314.6
Net Fixed Assets	398.8	318.3
Other Assets	124.67	143.1
Liabilities	57,762.70	64,776.30
Liberian Monies in Circulation	1,962.70	2,464.80
Due to Local Commercial Banks	1,048.30	1,379.50
Due to Foreign Banks	408.8	418.1
Non-Bank Deposits	4.9	1.3
Due to the GOL	44.3	93.7
Accounts Payable	196.6	133.4
Due To State-Owned Enterprises	0.1	47.9
Due to the IMF	53,301.40	59,472.10
Non-Current Liabilities	715.1	741.4
Other Liabilities	80.5	24.1
Shareholder's Equity	10,265.00	10,557.40
Capital	7,240.80	7,131.90
Reserves	3,024.20	3,425.50

Source: Central Bank of Liberia, Monrovia, Liberia

**Table A-12: Liberian Dollar Exchange Rate – Period Averages
(January – December, 2003)
(Liberian Dollars per US Dollar)**

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

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

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

**Table A-13: Liberian Dollar Exchange Rate – Period Averages
(January – December, 2004)
(Liberian Dollars per US Dollar)**

Period	<i>Large bills¹</i>			<i>Small bills²</i>			<i>Average⁴</i>
	Buying	Selling	Middle ³	Buying	Selling	Middle ³	
2004							
January	52.81	54.19	53.50	42.41	47.41	44.91	49.20
February	54.00	54.97	54.48	40.00	45.00	42.50	48.49
March	54.00	55.00	54.50	42.59	47.59	45.09	49.80
April	54.04	55.04	54.54	45.19	50.19	47.69	51.12
May	55.12	56.15	55.63	51.15	55.19	53.17	54.40
June	56.35	57.40	56.88	51.54	55.31	53.42	55.15
July	57.59	58.63	58.11	55.00	56.00	55.50	56.81
August	58.00	59.00	58.50	55.00	56.00	55.50	57.00
September	55.52	56.52	56.02	52.69	55.54	54.12	55.07
October	51.62	52.69	52.15	45.35	49.62	47.48	49.82
November	51.83	52.73	52.28	45.00	50.00	47.50	49.89
December	51.78	52.78	52.28	45.93	50.46	48.19	50.24
Q1	53.60	54.72	54.16	41.67	46.67	44.17	49.16
Q2	55.17	56.20	55.68	49.29	53.56	51.43	53.56
Q3	57.04	58.05	57.54	54.23	55.85	55.04	56.29
Q4	51.74	52.73	52.24	45.42	50.03	47.73	49.98
Year	54.39	55.42	54.91	47.65	51.53	49.59	55.25

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

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

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

3. Average of buying and selling rates.

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

**Table A-14: Liberian Dollar Exchange Rate – Period Averages
(January – December, 2005)
(Liberian Dollars per US Dollar)**

Period	<i>Large bills¹</i>			<i>Small bills²</i>			<i>Average⁴</i>
	Buying	Selling	Middle	Buying	Selling	Middle	
2005							
January	56.81	57.96	57.38	51.73	55.63	53.68	55.53
February	55.88	56.77	56.32	50.42	55.00	52.71	54.52
March	55.89	56.94	56.42	52.00	55.00	53.50	54.96
April	56.13	57.13	56.63	52.00	55.00	53.50	55.07
May	57.31	58.23	57.77	50.77	55.00	52.88	55.33
June	57.58	58.58	58.08	52.00	55.00	53.50	55.79
July	58.81	59.81	59.31	52.00	55.00	53.50	56.40
August	59.11	60.11	59.61	52.00	55.00	53.50	56.56
September	57.88	58.94	58.41	52.00	55.00	53.50	55.96
October	54.73	55.90	55.32	50.15	52.54	51.35	53.33
November	53.85	54.85	54.35	50.00	52.00	51.00	52.67
December	54.22	55.22	54.72	50.15	52.22	51.19	52.95
Q1	56.19	57.23	56.71	51.38	55.21	53.30	55.00
Q2	57.01	57.98	57.49	51.59	55.00	53.29	55.39
Q3	58.60	59.62	59.11	52.00	55.00	53.50	56.31
Q4	54.27	55.32	54.80	50.10	52.25	51.18	52.99
Year	56.52	57.54	57.03	51.27	54.37	52.82	54.92

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

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

**Table A-15: Government of Liberia Revenue by Sources
(2003 - 2005)
(In Millions L\$)**

Revenue Sources	2003	2004	2005
Custom & Excise	918.5	1,365.1	1,623.1
Direct Taxes	364.0	947.6	1,386.9
Indirect Taxes	261.4	358.5	535.4
FDA ¹ Levy	156.5	-	0.2
Petroleum Sales Levies	170.5	60.5	112.7
Maritime	629.0	676.3	309.7
Grants	-	-	-
Total	2,499.9	3,408.0	3,968.0

¹ Forestry Development Authority (FDA)

Source: Ministry of Finance, Monrovia, Liberia

**Table A-16: Government of Liberia Expenditure by Category
(2003 - 2005)
(In Millions L\$)**

Expenditure Category	2003	2004	2005
General Administration	819.6	1,647.4	2,703.4
Social & Community Services	172.0	564.5	686.6
Economic Services	108.7	125.7	122.4
GOL Special Commitment	1,506.0	658.2	315.4
Development	-	617.8	208.3
Total	2,606.3	3,613.6	4,036.1

Source: Ministry of Finance, Monrovia, Liberia

**Table A-17: Summary of Liberia's Public Debt by Creditor
(As at December, 2005)
(In Millions US\$)**

EXTERNAL DEBT	2004	2005			% Dist of Debt Stock by Creditors
		Principal	Accrued Interest	Total	
Multilateral	1,529.0	693.8	780.3	1,474.1	42.0
Bilateral	904.0	549.4	408.0	957.4	27.0
Financial Institutions	631.0	276.1	372.8	648.9	19.0
Suppliers' Credit	41.0	44.4	-	44.4	1.0
Contribution					
Sub-Total	3,105.6	1,563.7	1,561.0	3,124.8	89.0
DOMESTIC DEBT	380.1	346.9	39.2	386.1	11.0
Sub-Total	380.1	346.9	39.2	386.0	
Total Stock of Debt	3,371.0	1,910.6	1,600.2	3,510.8	100.0

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