CENTRAL BANK OF LIBERIA
ANNUAL REPORT
2003

JANUARY 1, 2003

TO

DECEMBER 31, 2003

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MISSION AND OBJECTIVES

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

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

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

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

BOARD OF GOVERNORS

Chairman	:	Mr. Elie E. Saleeby Executive Governor
Members of the Board of Governors	:	
	-	Mr. Charles A. Greene Governor
	-	Mr. Willie Belleh, Jr. Governor
	-	Dr. Charles A. Clarke Governor
	-	Mr. Nathaniel Barnes Governor
Secretary to the Board	:	Cllr. Sie-A-Nyene Yuoh

MANAGEMENT

- Executive Governor
  Elie E. Saleeby

- Deputy Governor
  Sandei A. Cooper

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

Executive Director, Administration Department	:	Nathaniel R. Patray, III
Executive Director, Comptroller Department	:	James B.A. Dennis
Executive Director, Banking Department	:	Joseph K. Acqui, I
Executive Director, Supervision Department	:	T. Negbalee Warner, Esq
Executive Director, Research, Policy & Planning Department	:	A. Richard Dorley
Manager, Administration Division	:	Marie Leigh-Parker
Manager, Human Resource Management Division	:	Ethel Davies
Manager, Management Information Systems Division	:	Alex Nyaley
Manager, Accounts Division	:	(Vacant)
Manager, Domestic Banking Division	:	Melisa Emeh
Manager, Supervision Division	:	Kolli S. Tamba
Manager, Research, Policy & Planning Division Responsible for: - National Economy and Fiscal Affairs - Library & Publications	:	(Vacant)
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Manager, Corporate Secretary Division and Secretary to the Board of Governors	:	Cllr. Sie-A-Nyene Yuoh
Manager, Support Services/Offices of the Executive Governor and Deputy Governor	:	Christine Hoff-Williams
Manager, System Administrator & Superintendent Clearing house	:	D. Sheba Brown

- Number of Staff	:	193
- Ownership of Bank	:	100% State ownership
- Exchange Rate Regime	:	Floating/market-based exchange rate regime

CENTRAL BANK OF LIBERIA ORGANIZATIONAL CHART

LETTER OF TRANSMITAL

CBL/E-GOV/031/2004

January 31, 2004

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

Dear Chairman Bryant:

In accordance with the Central Bank of Liberia Act of 1999 Part XI Section 49 (1) (a) and (b), I have the honor most respectfully, on behalf of the Board of Governors, to submit herewith, the Annual Report of the Bank's activities for the period January 1, 2003 to December 31, 2003.

The Annual Report also contains a review of national economic developments under which the Bank operated during the period. This period was characterized by the intensification of the civil war throughout the country. This made the collection and interpretation of data on economic activities difficult.

Respectfully yours,

Elie E. Saleeby
Executive Governor and Chairman
Board of Governors
Central Bank of Liberia

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1.0 Overview of the Liberian Economy

The Liberian economy declined noticeably during the year under review. Based on the National Accounts Survey conducted in 2002 by the Ministry of Planning & Economic Affairs, it was estimated that the Gross Domestic Product (GDP) would contract by 2.0 percent in real terms during 2003. However, the spread of the civil war throughout the country, including the capital city, coupled with the United Nations ban on Liberia's timber and diamond exports, decelerated the GDP by 30.0 percent[1].

Performance of the productive sector, which includes agriculture, manufacturing, mining, etc, was dismal. Massive displacement of farmers, closure of some agriculture–related establishments, United Nations ban on major export, commodities, poor infrastructure, inadequate public electric-generating system, high cost of raw materials, limited external support to critical social and economic programs, amongst others, significantly influenced the performance of the sector. In order to mitigate the negative impact of the economic decline on the population, the National Transitional Government intervened directly in the market by reducing the prices of essential commodities (rice and petroleum products) in November of the year under review. This intervention had a debilitating effect on the general price level, thereby reducing the rate of inflation by 4.2 percentage-points, from 14.6 percent during the preceding year to 10.4 percent during the year under review. Shrinking public and private sector investments largely contributed to the high level of unemployment in the economy.

Foreign trade activities diminished during the reporting year due to the general economic malaise and the ban imposed by the United Nations. Merchandise trade recorded its lowest level in three years, declining by 21.4 percent, from US$354.3 million in 2002 to US$278.6 million. Merchandise exports made a stark downturn to US$108.9 million during the year, from US$176.1 million in 2002. Likewise, imports registered a decline of US$8.5 million to US$169.7 million. Consequently, the external trade deficit expanded substantially to US$60.8 million compared to US$2.1 million in 2002.

[1] Estimate by the International Monetary Fund Mission (IMF) to Liberia in December, 2003

In the face of severe economic constraints occasioned by the devastating war and the United Nations sanctions imposed on key export commodities, the Central Bank of Liberia (CBL) was not able to effectively carry out its mandate of maintaining a sound financial system. Although it did not formulate any new monetary policy during the year, the lag effect of the contractionary monetary policy pursued during the previous year contributed largely to the moderate levels of the exchange and inflation rates.

The banking system operated with only four (4) banks together with a cluster of forex bureaux, during the year under review. The banks were closed to the public for about two months (mid June to mid August) due to the fighting in Monrovia. One of the four commercial banks requested voluntary liquidation at the close of the year. The liquidation of the Liberia United Bank, Incorporated (LUBI) continued with L$22.4 million paid out to some claimants.

Aggregate bank deposits for the three (3) operating commercial banks amounted to L$1,637.1 million as at December 2003. This indicates a decline of 11.7 percent in aggregate deposits of the operating banks when compared to L$1,853.6 million for the preceding year.

Currency in circulation increased by L$284.9 million during the year to L$1,408.7 million, reflecting a rise of 25.4 percent when matched against the preceding year. The desire of the public to hold cash rather than bank accounts contributed largely to the increase. Also, money supply (M1) rose to L$2,506.8 million during the year, from L$2,363.1 million as at December, 2002. The 6.1 percent rise in money supply was indeed influenced by the issuance of new banknotes to finance government security-related payments. The rise in money supply contributed to the increase of 1.5 percent in overall liquidity or broad money (M2), from L$2,898.5 million in December, 2002, to L$2,940.6 million in December, 2003.

Total credit to the economic sectors amounted to L$2,008.9 million, declining by 16.1 percent when matched against the preceding year. The contraction in loans and advances affected all the sectors of the economy except construction. The general economic downturn resulting from the armed conflict and the volatility in exchange rate are some of the explanatory factors for the slump in commercial banks' credits.

The movements in the exchange rate exhibited considerable volatility during the year. The rate rose to L$73.00 per US dollar in June, from L$65.50 per US dollar in January, 2003. However, the end-of-period average rate declined to L$50.50 per US dollar in December, indicating a 22.3 percent appreciation in the value of the domestic currency for the review period relative to 2002. The improved security environment induced by the deployment of the United Nations peacekeepers account for the level of stability in the exchange rate.

During the year, the average lending rate for commercial banks registered a rise of 0.55 percentage point, from 16.64 percent in 2002 to 17.49 percent in 2003. The slight increase in the rate is largely a result of the insecurity that prevailed during the period. Unlike the average lending rate, all other rates, including deposit rate and personal loan rate declined.

A decision centralizing all revenues of government at the Central Bank was taken during the year. The Fiscal Authority continues the execution of the New Tax Code to ensure transparency, efficiency, and accountability in economic management.

At the end of 2002/2003 fiscal year, no new budget was approved by government due to the civil war. However, the care-taker government approved a mini-budget of US$10.0 million for the period July-September to facilitate its activities and prepare for the installation of the new transitional administration. Following the inauguration of the National Transitional Government of Liberia (NTGL) in October, a mini-budget of US$21.1 million was also approved to finance its operations.

Total revenue generated during the year amounted to L$2,499.9 million compared to L$3,959.7 million for 2002, indicating a decrease of 36.9 percent. There were no grants in revenues generated for the reporting year. A substantial proportion of the revenue was generated from direct taxes and maritime. Overall government outlay for the year under review stood at L$2,606.3 million, representing an increase of 38.8 percent when compared to total expenditure for 2002. All of the expenditures were recurrent.

The total debt stock of the country rose to US$3,301.8 million, representing a 9.6 percent increase over the debt stock of 2002. The external debt component stands at US$2,893.9 million, representing 87.6 percent, while the domestic component amounts to US$407.9 million, accounting for 12.4 percent. The debt burden of the country has created serious impediment to the efforts of government to undertake concrete reconstruction programs and sustainable socio-economic development.

1.1 Performance of the National Economy

(A) Domestic Production

As noted, the Liberian economy decelerated during 2003. The civil war induced a massive displacement of the rural population, which disrupted agricultural activities, particularly subsistence production and substantially affected the performance of the manufacturing sector. Besides the civil war, the United Nations ban on exports, lack of external assistance, and low technical, institutional and administrative capacities have also contributed enormously to the economic situation, characterized by exchange rate volatility, rising inflation, high unemployment, negative trade balance, and depressed domestic demand.

(a) Agriculture

Output of the agriculture sector, which constitutes 57.2 percent of estimated real GDP of US$396.15 million for 2003, declined during the year. The poor performance of the sector was influenced by massive displacement of the farming population, closure of agriculture – related enterprises, the ban on timber exports by the United Nations; poor state of roads and other infrastructure, general lack of basic farm inputs and implements, etc.

(i) Rubber

Because of the difficulty in obtaining actual production data for rubber, export data are used to represent production since there exists no known domestic use for rubber latex. Total rubber production for the year declined by 40.7 percent to 54,845 metric tons when compared to the preceding year (Table 2). This reduction in production during the year under review is largely attributed to the intensification of the civil war, which led to the disruption of operation of many rubber farms. Matched against the production of 2001, production of the year declined by 50.3 percent.

Table 1: Gross Domestic Product at Constant 2000 Prices
(2001-2003)
(In Millions US$)

Sector	2001*	2002**	2003**
AGRICULTURE	**235.55**	**231.18**	**226.47**
Fishing	0.15	0.15	0.14
Rubber	49.30	48.39	47.40
Coffee	0.09	0.09	0.09
Cocoa	0.31	0.30	0.30
Rice	58.03	56.95	55.79
Cassava	47.34	46.47	45.52
Others	80.33	78.83	77.23
FORESTRY	**100.90**	**99.02**	**97.00**
Logs & Timber	66.23	65.00	63.67
Charcoal & Wood	34.67	34.02	33.33
MINING	**0.35**	**0.33**	**0.33**
Iron Ore	-	-	-
Gold	0.24	0.23	0.23
Diamond	0.11	0.10	0.10
MANUFACTURING	**18.69**	**18.34**	**17.97**
Tertiary Sector	**71.83**	**70.49**	**69.05**
Trade, Hotels, etc.	17.87	17.53	17.18
Electricity	1.33	1.31	1.28
Water	8.16	8.01	7.84
Construction	11.39	11.18	10.95
Communication & Transportation	0.40	0.39	0.38
Insurance & Other Financial Institutions	10.28	10.09	9.89
Shipping	0.34	0.33	0.33
Government Services	17.51	17.19	16.83
Other Services	4.43	4.35	4.26
NGOs	0.12	0.11	0.11
Total	**427.32**	**419.36**	**410.83**
Less	**15.27**	**14.99**	**14.67**
Depreciation	11.63	11.42	11.18
Bank Charges	3.64	3.57	3.49
Net (Value Added) GDP	**412.05**	**404.37**	**396.15**

**** Results are based on a National Accounts Survey conducted in 2002***
***** Estimates are based on the results of the National Accounts Survey conducted in 2002***
Source: Ministry of Planning & Economic Affairs, Monrovia, Liberia

Table 2: Key Agricultural Production
(2001-2003)

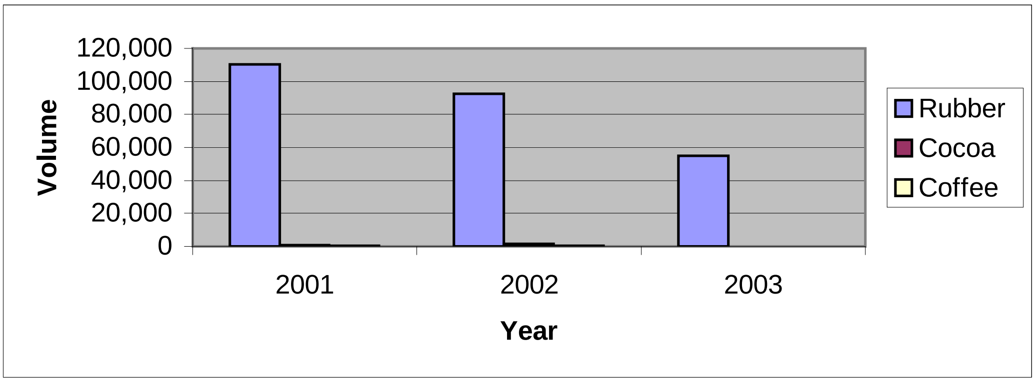
Commodity	Unit	2001	2002	2003
Rubber	Mt.	110,235	92,442	54,845
Cocoa	Mt.	966	1,540	1,120
Coffee	Mt.	507	405	-
Fish	Kg.	409,940	403,380	266,000
Round Logs	M^3	980,361	1,363,861	548,446*
Sawn Timber	M^3	19,945	15,372	1,979*

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

(ii) Cocoa and Coffee

Cocoa production during the year totaled 1,120 metric tons compared to 1,540 metric tons produced during the preceding year. The 27.3 percent reduction in production is attributed to the war. Compared to the production of 2001, current production increased by 15.9 percent. No coffee production data for the year were available.

Chart 1: Production of Rubber, Cocoa and Coffee
(2001-2003)
(In Metric Tons)



(iii) Fish

Total quantity of fish caught during the year stood at 266,000 kilograms. This level of catch declined by 34.1 percent when matched against the level for 2002 and 35.1 percent when compared to 2001. In addition to the war that affected the whole country, the high cost of fishing gear and petroleum products was to a great extent responsible for the downturn in fish output during the year. Output for the year declined by 35.1 percent when compared to that of 2001.

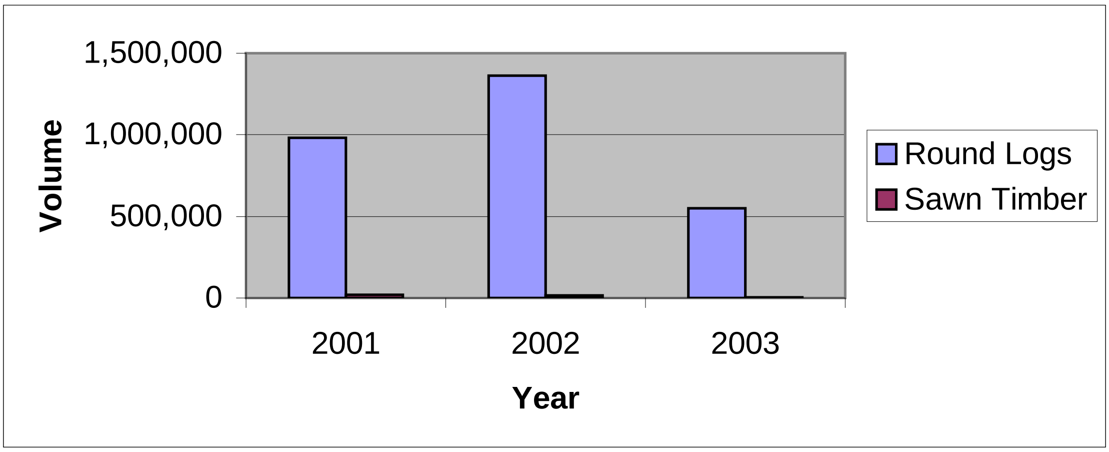
(iv) Round Logs

An estimated total of 548,446 cubic meters of logs was produced during the review year compared to 1,363,861 cubic meters in the previous year. The 59.8 percent reduction in log production is a direct result of the devastating war that brought about the closure of all logging enterprises in the country coupled with the United Nations sanction on log exports. When compared to the production for 2001, production of the year under review declined by 44.1 percent.

(v) Sawn Timber

Sawn timber output during the year is estimated to be 1,979 cubic meters, which reflects a decline of 87.1 percent when matched against the production level of the preceding year. The contraction in sawn timber output was due to the war that brought logging operations to a halt throughout the country. Output of the year also declined by 90.1 percent when viewed against the output of 2001.

Chart 2: Production of Round Logs and Sawn Timber (2001-2003)
(In Cubic Meters)



(b) Mining (Diamond and Gold)

Diamond mining came to a halt since May 2001 following the imposition of a ban by the United Nations on Liberia's diamond exports. With the ban, gold production, therefore, remains the only mineral mining activity in the country. Gold production rose during the year to 2,115 ounces compared to 1,350 ounces mined during the previous year. The 56.7 percent increase in production over the preceding year is an outcome of international price rise and the shift of resources from diamond to gold mining. Current production grew by 36.7 percent when compared to the production of 2001.

Table 3: Key Mining Output
(2001-2003)

Commodity	Unit	2001	2002	2003
Diamond	Carat	3,885	0	0
Gold	Ounce	1,547	1,350	2,115

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

(c) Manufacturing

The manufacturing sector, whose contribution to the economy is estimated at US$17.97 million (or 4.5 percent) of estimated real GDP for 2003, is engaged in the production of consumer goods for domestic consumption, with few for export. The sector manufactures mainly chemical products, cement, wood-based materials, beverages as well as processes foodstuffs. Inadequate public electric-generating system, high cost of raw materials, and depressed domestic demand for products of the sectors were leading factors that impede the growth of the sector.

(i) Cement

Output of cement declined by 22.1 percent to 41,827 metric tons during the year, from 53,662 metric tons produced in 2002. The decline was a result of the series of attacks during the war on the facilities of CEMENCO, the firm producing cement in the country. When matched against the production of 2001, output of the year under review reduced by 33.5 percent.

(ii) Beverages

An estimated total of 7.7 million liters of beverages was produced during the year compared to 8.9 million liters produced during 2002. This reflects a 13.5 percent reduction in current output. The series of attacks on the firms producing beverages during the war contributed to the contraction in output. When compared to the output of 2001, current production declined by 38.4 percent. Of the estimated output of beverages for the year, alcoholic beverage represents 39.0 percent, while non-alcoholic beverage accounts for 61.0 percent. Estimated total output of 88,649 liters of spirit; 2.0 million liters of beer; 880,717 liters of stout; 264,884 liters of malta, and 4.5 million liters of soft drinks was produced during the year.

Table 4: Key Manufacturing Output
(2001-2003)

Commodity	Unit	2001	2002	2003
Cement	Mt.	62,897	53,662	41,827
Beverages	Liter	12,546,007	8,864,951	7,724,154*
Paint	Gal.	36,983	12,980	5,934*
Nail	Kg.	117,950	52,450	47,186*
Candle	Kg.	674,563	708,899	282,787*
Chlorox	Liter	117,925	154,992	73,656
Rubbing Alcohol	Liter	62,668	87,178	21,635
Mattresses	Pcs.	15,135	4,660	2,340*
Deep Water[1]	Gal.	43,091,594	25,813,127	32,890,137
Finished Water[2]	Gal.	337,483,970	315,592,930	283,898,370

***** *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

(iii) Paint (oil and water)

When compared to the output of the previous year, output of paint, estimated at 5,934 gallons, declined by 54.3 percent. The partial destruction of the factory in the attacks on the capital city during the war led to the cessation of production since the second quarter of the year. Matched against the production of 2001, output of the year under review fell by almost 84.0 percent.

(iv) Nail

Nail output recorded a decline of 10.0 percent to an estimated total of 47,186 kilograms during the year, from 52,400 kilograms produced in the last year. Reports indicated that the series of dissidents' attacks on the capital city resulted to the destruction of machinery and the subsequent closure of operations at the nail-producing firms. Current output of nails declined by about 60.0 percent when compared to the output of 2001.

(v) Candle

An estimated total of 282,787 kilograms of candle was produced in the year compared to 708,899 kilograms produced in 2002. This reflects a 60.1 percent reduction in output during the year and was a direct result of the destruction of the firm's facilities during the war. Compared to the output of 2001, output of the year declined by 60.5 percent.

(vi) Chlorox

Chlorox production registered a reduction of 52.5 percent during the year, from 154,992 liters during 2002. The damage done to the facilities of the company during the war was responsible for the decline in output. Matched against 117,925 liters produced in 2001, output of the year declined by 37.5 percent.

(vii) Rubbing Alcohol

The production of rubbing alcohol plummeted during the year to 21,635 liters from 87,178 liters produced in the preceding year, a decline of 75.2 percent. Because of the destruction done to the facilities of the company due to the fighting in Monrovia, production of alcohol ceased. Production declined by 65.5 percent when compared to the production level of 2001.

(viii) Mattresses

Output of mattresses during the year declined to 2,340 pieces compared to 4,660 pieces produced in 2002. The 49.1 percent reduction in output is a result of the damage done to the facilities of the mattress-producing enterprises during the conflict. When compared to the output of 2001, output of the year reduced by 12,795 pieces.

(ix) Water Supply

The quantity of water supplied during the review year reduced to 316.8 million gallons, from 341.4 million gallons during the preceding year. The series of dissident attacks on Monrovia in the year contributed to the decline of 7.2 percent in water supply. When compared to the production level of 2001, the present production level declined by 16.8 percent.

(B) Consumption of Petroleum Products

A total of 19.3 million gallons of petroleum products was consumed during the year. Matched against the previous year, consumption of petroleum products in the review year contracted by 34.6 percent. The decline in the volume of petroleum products resulted from the volatility in the exchange rates between the domestic currency and the United States currency as well as the devastating war. The present consumption level is 45.2 percent less than the consumption level for 2001 (Table 5).

Table 5: Consumption of Petroleum Products (2001-2003)

Commodity	Unit	2001	2002	2003
PMS (Gasoline)	Gal.	12,022,172	10,067,157	6,259,801
AGO (Diesel)	Gal.	21,772,572	18,334,626	11,746,353
ATK (Kerosene)	Gal.	1,132,588	201,201	406,868
Jet – A1	Gal.	1,132,588	902,048	884,679
Total		**35,191,417**	**29,505,032**	**19,297,701**

Source: Ministry of Finance, Monrovia, Liberia

(C) Seaport Developments

A significant level of external (merchandise) trade is directed through the seaports of the country. Available data on seaport operations indicate a downward trend since 2001. A total of 194 vessels with Summer Dead Weight Tons (actual carrying capacity of a vessel) of 1,904,531 berthed at the Free Port of Monrovia, freighting a total cargo volume of 544,237 metric tons during the year under review. The number of vessels that anchored at the Free Port declined by 9.8 percent to 194 vessels, from 215 vessels in 2002. Of the aggregate volume of cargoes transported during the year, exports account for 25.7 percent, while imports represent 74.3 percent.

Total exports through the seaports declined by 17.2 percent to 139,962 metric tons, from 169,099 metric tons in 2002. Unlike exports, import volume rose to 404,275 metric tons during the year under review, from 355,578 metric tons in 2002 – an increase of 13.7 percent. Volume of aggregate merchandise trade rose by 3.7 percent to 544,237 metric tons during the year under review. Increased relief imports to address the needs of people displaced by the war largely contributed to the rise in merchandise trade during the year (Table 6). Compared to 2001, the volume of cargoes for the year declined by 29.2 percent.

Table 6: Vessel Traffic and Cargo Movements (2001-2003)

Year	No. of Vessels	Vessel Weight (SDWT)*	Cargo Tonnage (In Metric Tons)		
			Exports	Imports	Total
2001	219	2,732,122	267,122	500,996	768,118
2002	215	2,845,785	169,099	355,578	524,677
2003	194	1,904,531	139,962	404,275	544,237

Source: National Port Authority (NPA), Monrovia, Liberia
**SDWT=Summer Deadweight Tons – actual carrying capacity of a vessel*

(D) Employment

Since 1997, one of the principal socio-economic problems that face the government is unemployment. As the labor market grows with the graduation of men and women from academic and vocational institutions, enterprises that should have absorbed the rising labor force were closed due to insecurity and shrinking private domestic investment. A significant proportion of the unemployed are engaged in informal economic activities, including shoe-repair, food kiosk, furniture-making, street-side vehicle repair, street-hawking, street-side typing, watch repair, mat-weaving, etc. With the unavailability of official employment statistics due to the damage done to public institutions, one can draw a logical conclusion from mere causal observation that the rate of unemployment rose above 75.0 percent during the year under review. In 2002, public sector employment stood at 57.5 percent, while private sector represented 42.5 percent with more than 420,000 persons engaged in informal activities. Basically, the partial inactivity of the productive sector of the economy coupled with shrinking public sector investment heightened the level of unemployment in the formal sector during the reporting period.

(E) Consumer Price Developments

Inflationary pressure in the economy moderated with the average All-Items Index of the Monrovia Consumer Price Index (MCPI) rising to 157.0 during the year, from 142.3 in 2002 (May 1998=100). This indicates that the average rate of inflation for the year stood at 10.4 percent compared to 14.6 percent in 2002 and 12.2 percent in 2001 (Table 8), reflecting declines of 4.2 and 1.7 percentage points for 2002 and 2001, respectively. During the first half of the year, the inflationary pressure intensified with the rate of inflation for the period (January-June) averaging 11.2 percent. The upward spiral in the general price level was, to some extent, a result of monetary expansion, exchange rate depreciation, the perilous security condition that prevailed as the war spread throughout the country. The relatively high dependence of the Liberian economy on imported goods, and the use of the US dollar as a legal tender alongside the Liberian dollar also resulted in the increase in domestic prices.

During the last six months of the year under review, the general price level declined following the cessation of hostilities and the formation of the transitional government. The relatively peaceful environment that prevailed throughout the country as a result of the ceasefire agreement largely influenced the appreciation of the domestic currency and the fall in prices of goods and services.

In the last quarter of the year, the National Transitional Government effected a reduction in the prices of some essential commodities, mainly rice and petroleum products. The action of Government also helped to subdue the rising price level, with the average rate of inflation declining to 9.6 percent, from 11.2 percent in the first half of the year.

The Food sub-group, which has the highest group weight in the MCPI, recorded a rate of increase of 13.3 percentage points, from 13.7 in 2002 to 27.0 percent during the year under review. The disruption in economic activities, including subsistence agriculture partly contributed to the increase in the food index. This increase in food prices exacerbated the misery of the people in the country. Unlike the food sub-group, all other sub-groups of the MCPI registered declines during the year when compared to the preceding year (Table 7).

Table 7: Monrovia Consumer Price Index
(2001-2003)
(May 1998=100)

Components	Year				Rate of Change	
	Weights	2001	2002	2003	2002	2003
All Items	**100**	**124.7**	**142.2**	**157.0**	**14.6**	**10.4**
Food	34.4	97.7	111.0	140.9	13.7	27.0
Drinks & Tobacco	5.7	121.9	140.1	160.0	15.4	14.5
Fuel & Light	5.0	135.3	155.5	154.4	15.1	-0.7
Clothing	13.8	112.2	119.1	121.2	6.3	1.8
Household Goods	6.1	136.6	158.8	161.9	17.7	2.0
Personal Care	11.4	209.5	258.9	266.8	28.5	3.3
Rent	14.9	130.2	131.2	131.5	0.8	0.2
Miscellaneous	8.7	117.7	152.2	173.3	30.0	14.5

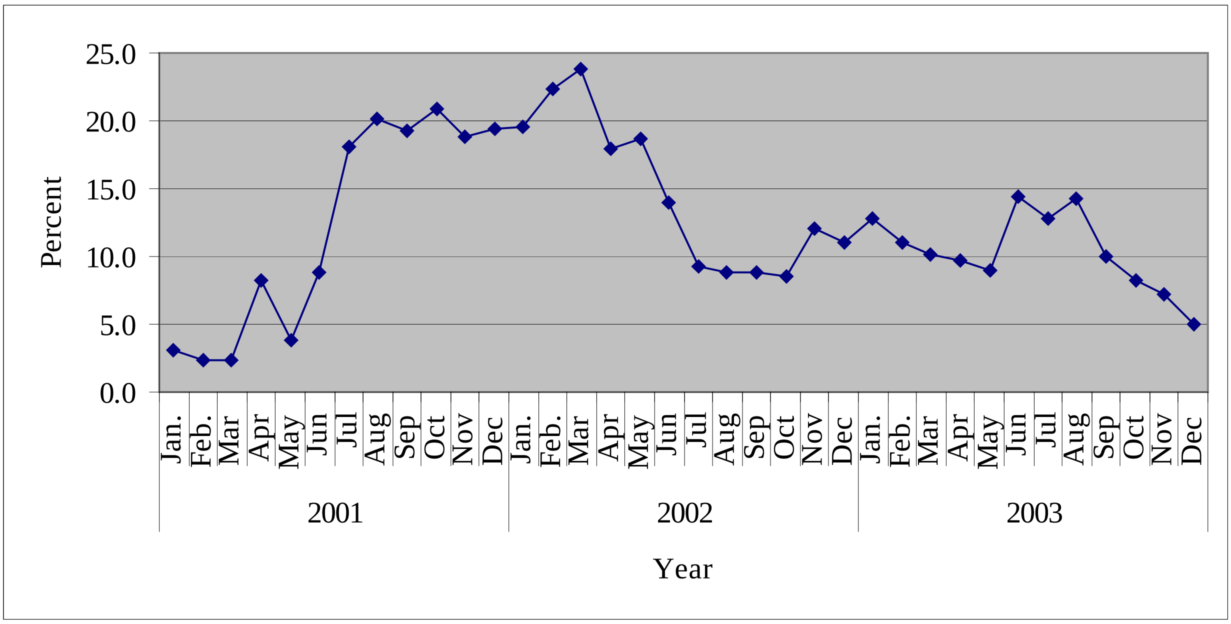
Source: Central Bank of Liberia, Monrovia, Liberia

Table 8: Year-On-Year Rate of Inflation
(2001 –2003)
(May 1998=100)

Month	**2001**	**2002**	**2003**
January	3.1	19.5	12.8
February	2.4	22.4	11.0
March	2.3	23.8	10.2
April	8.3	17.9	9.7
May	3.8	18.7	8.9
June	8.8	14.0	14.4
July	18.1	9.3	12.8
August	20.1	8.8	14.3
September	19.2	8.8	10.0
October	20.9	8.5	8.3
November	18.8	12.0	7.2
December	19.4	11.1	5.0
Average Rate of Inflation	**12.1**	**14.6**	**10.4**

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 3: Year-On-Year Rate of Inflation
(January, 2001 – December, 2003)
(May 1998=100)



II. FOREIGN TRADE

2.0 Merchandise Trade

Liberia's external trade sector was in a very fragile state during the reporting period. Foreign trade activities diminished during the year. The low level of merchandise trading activities can be ascribed to the general economic malaise characterized by dampened economic activities. The problem was further exacerbated by such factors as United Nations ban on some key export commodities and the intensification of the hostilities, which resulted to the disruption of the general economy.

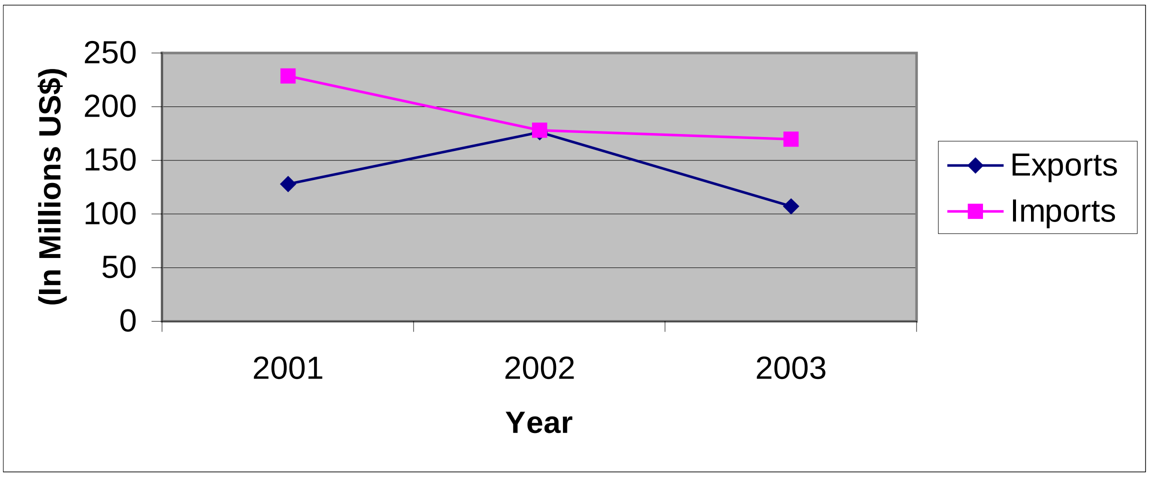
Table 9: Foreign Trade
(2001-2003)
(In Millions US$)

Year	Exports	Imports	Trade Balance	Total Merchandise Trade
2001	127.9	228.7	-100.8	356.6
2002	176.1	178.2	-2.1	354.3
2003	108.9	169.7	-60.8	278.6

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

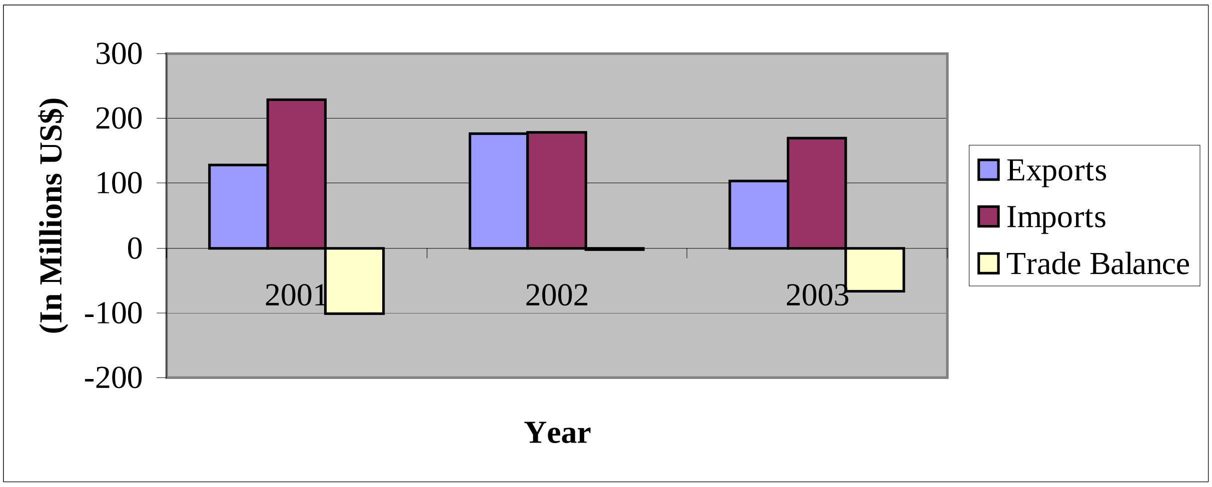
External trade statistics are supportive of the low level of foreign trade activities that occurred during the year 2003. The value of total trade amounted to US$278.6 million compared to US$354.3 million recorded in 2002; this reflects a decline of 21.4 percent (Table 9 & Chart 4). This level of total merchandise trade registered for the year 2003 is its lowest level recorded in the past three years.

Chart 4: Exports, Imports, and Total Merchandise Trade (2001-2003) (In Millions US$)



Consequently, the country's net external trade position has been characterized by substantial deficits. The improvement in the trade deficit recorded during 2002 was reversed during the period under review. The deficit deteriorated substantially, expanding from US$2.1 million in 2002 to US$60.8 million in 2003. The expansion in the deficit can be explained by the large contraction in export proceeds, which surpassed a marginal decline in import payments (Table 9 and Chart 5).

Chart 5: Exports, Imports, and Trade Balance (2001-2003) (In Millions US$)



2.1 Merchandise Exports

Developments in the export sector during the preceding year contrasted sharply with those of the year under review. While export proceeds were on the increase in 2002, they took a downturn in the period under consideration, recording their lowest level in three years.

During the year, export proceeds amounted to US$108.9 million, compared to US$176.1 million recorded in 2002 (Table 10 & Chart 6). This 38.2 percent reduction in export earnings was on account of a combination of factors. These include narrow export base, poor state of infrastructure, imposition of sanctions on certain commodities (diamonds and logs) emanating from Liberia, among others. The virtual cessation of economic activities due to the war, particularly during the third quarter of the year, is a noticeable contributing factor to the contraction in export receipts as all major ports of entry were inaccessible.

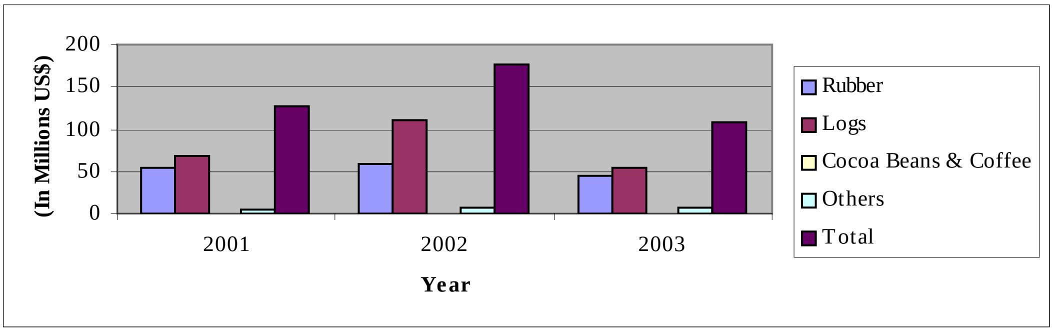
Table 10:Commodity Composition of Exports
(2001-2003)
(In Millions US$)

Commodity	2001	2002	2003
Rubber	54.3	59.1	43.9
Logs	69.2	109.9	54.6
Cocoa Beans & Coffee	0.5	0.6	0.9
Others	3.9	6.5	9.5
Total	**127.9**	**176.1**	**108.9**

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

The decline in total export receipts was shared by the primary export commodities (rubber and logs) as other exportables recorded some increases. Export proceeds from rubber fell, from US$59.1 million in 2002 to US$43.9 million in 2003, representing a decline of 25.7 percent or US$15.2 million (Table 10). The disruption of rubber export activities, occasioned by the intensification of hostilities in the country, contributed immensely to the contraction in receipts from rubber. Even processed rubber could not be exported as the various ports of entry were under siege.

Chart 6: Commodity Composition of Exports (2001-2003) (In Millions US$)



Log exports, the dominant source of foreign exchange also did not fare well. Export earnings from logs amounted to US$54.6 million at year-end 2003, representing about half of the earnings recorded in 2002. The dismal performance of revenue from logs can be generally attributed to the sluggish performance of the economy occasioned by heightened insecurity, which led to the cessation of logging operations and the imposition of sanctions on log exports.

The exportation of other traditional commodities such as cocoa beans and coffee has dwindled in recent years. The production of these commodities suffered from the disruption of economic activities as a result of the intensification of hostilities in parts of the country where coffee and cocoa are grown. As in the previous two years, their joint earnings were recorded at less then US$1.0 million. Conjectural evidence also suggests that these commodities are involved in cross border trading, a situation which has also resulted to the reduction in their receipts. This is plausible considering that the coffee and cocoa producing zones are closer to the borders of neighboring countries.

Export proceeds from the "other" category recorded the only significant increase during the review period. They registered an increase of 46.2 percent, from US$6.5 million in 2002 to US$9.5 million at year end 2003. This category of exports basically comprises scrap metals, charcoal, sawn timber and other miscellaneous goods. However, for the period under review, the influence of sawn timber was very minimal as logging activities were reduced as a result of the current international embargo on logs. The structure of export doesn't allow for meaningful diversification of the export base. This is so because the two primary exports (logs & rubber) account for over 90.0 percent of total exports.

2.2 Exports by Country of Destination

The direction of Liberia's export has not shifted significantly in recent years. For the year under review, the principal markets for the country's exports were dominated by Hong Kong, the United States of America (USA) and France, accounting for 37.8 percent, 31.3 percent and 15.0 percent, respectively (Table 11 & Chart 7). Exports to other European countries represented 10.5 percent of total export earnings while other countries accounted for 5.4 percent.

Table 11: Exports by Country Destination
(2001 – 2003)
(In Millions of US$)

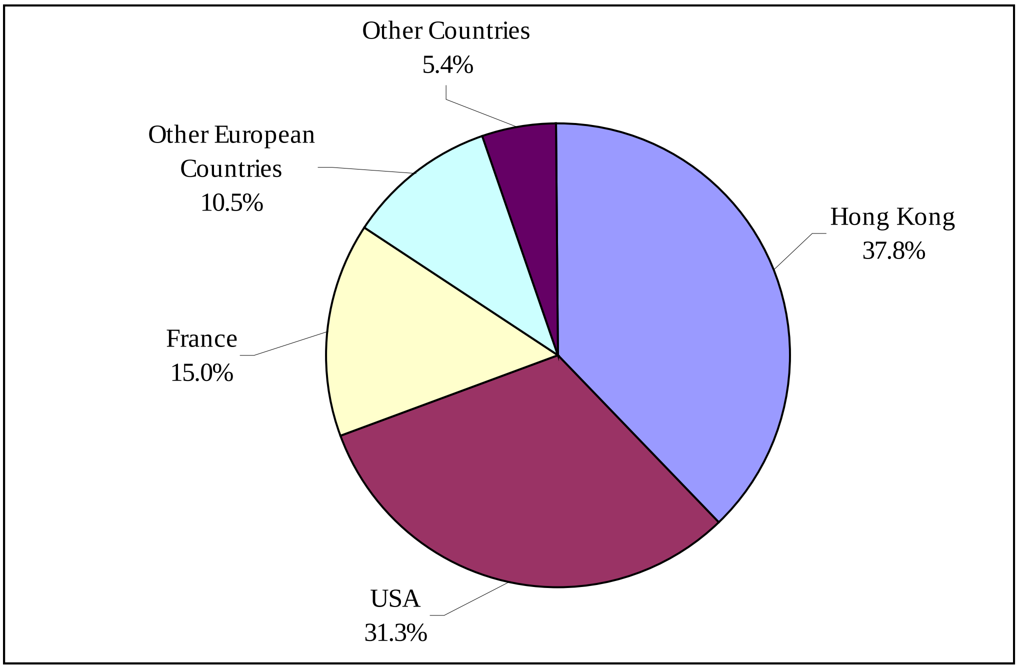
Country	**2001**	**2002**	**2003**	**% distribution of exports by country of destination 2003**
Hong Kong	-	-	41.2	37.8
USA	48.5	52.7	34.1	31.3
France	55.9	90.0	16.3	15.0
Other European Countries	18.4	26.7	11.4	10.5
Other Countries	5.1	6.7	5.9	5.4
Total	**127.9**	**176.1**	**108.9**	**100.0**

Source: Ministry of Commerce and Industry, Monrovia, Liberia

Export proceeds from the USA, which represented predominantly rubber exports amounted to US$34.1 million in 2003; indicating a decline of 39.1 percent, from US$52.7 million recorded in 2002. Export earnings from France also recorded a decline during the period under review. These earnings fell by 81.9 percent, from US$90.0 million in 2002 to US$16.3 million. It must be noted that exports to France were largely logs. Earnings from exports to all other countries also fell during the period.

Exports receipts from Hong Kong recorded the only increase during the year. With no export proceeds registered in 2002, receipts from Hong Kong were recorded at US$41.2 million in 2003. These proceeds, which represented only earnings from logs, made Hong Kong the largest importer of logs from Liberia, accounting for 75.5 percent of total log exports in 2003.

Chart 7: Percentage Distribution of Exports by Country of Destination (2003)



Intra-regional trade (Mano River Union, ECOWAS Countries) has been negligible during the period under consideration. However, substantial cross-border transactions are said to be occurring at the borders with neighboring countries, including Guinea, Ivory Coast and Sierra Leone. The growth in these illicit activities can be ascribed to the war, the poor state of infrastructure, insecurity in transporting goods to urban markets, higher price incentives in the neighboring countries, among others.

2.3 Merchandise Imports

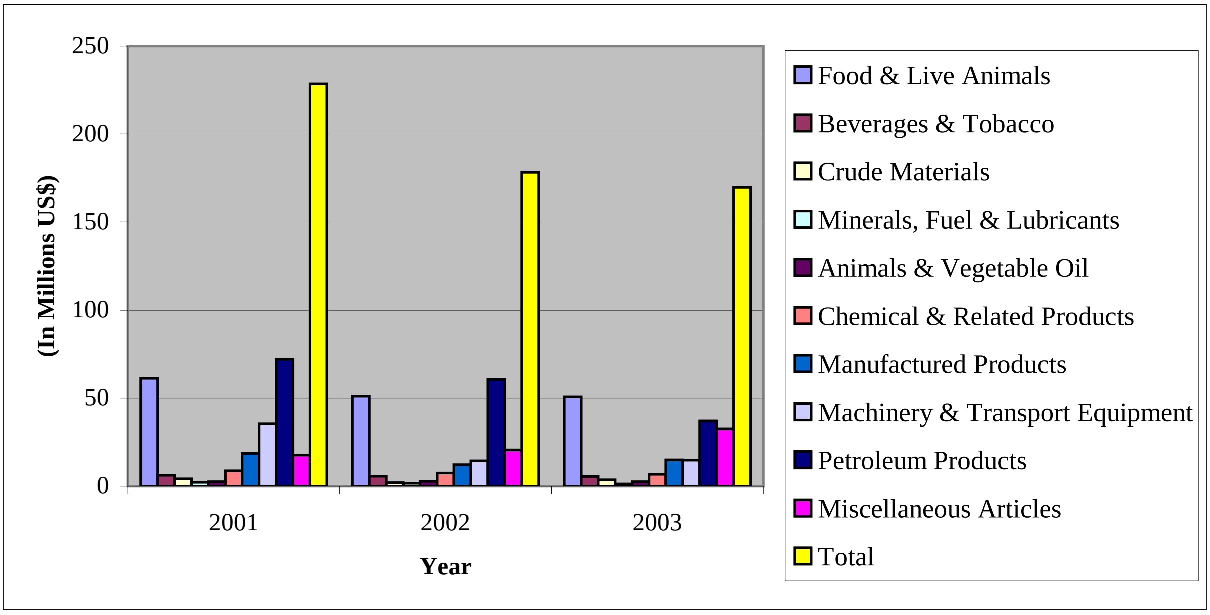
Payments for imports for the review year also recorded a decline. Accordingly, total expenditure on imports shrank from US$178.2 million in 2002 to US$169.7 million in 2003 (Table 12 &Chart 8). This 4.8 percent reduction was largely on account of inadequate supply of foreign exchange, volatility in the exchange rate, unfavorable security and investment environment, partial dormancy of the ports of entry, among others. With the exception of payments to Manufactured Products, Miscellaneous Articles, Crude Materials and Machinery & Transport Equipment expenditures on all other categories of imports contracted during the review period.

Table 12: Commodity Composition of Imports
(2001 – 2003)
(In Millions of US$)

Category	2001	2002	2003
Food & Live Animals	61.3	51.1	50.7
Beverages & Tobacco	6.1	5.6	5.5
Crude Materials	4.1	2.0	3.6
Minerals, Fuel & Lubricants	2.2	1.6	1.3
Animals & Vegetable Oil	2.6	2.8	2.5
Chemical & Related Products	8.7	7.5	6.8
Manufactured Products	18.5	12.1	14.9
Machinery & Transport Equipment	35.4	14.4	14.8
Petroleum Products	72.1	60.5	37.1
Miscellaneous Articles	17.6	20.6	32.6
Total	**228.6**	**178.2**	**169.7**

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

Chart 8: Commodity Composition of Imports
(2001 – 2003)
(In Millions of US$)



Expenditures on Food and Live Animals fell by 7.8 percent, from US$51.1 million recorded in 2002 to US$50.7 million registered in 2003. This slight decline was due in part, to the partial closure of sea and air ports during the period of intensified fighting. Notwithstanding the contraction in payments to this category, they represent the dominant share in total import payments, constituting 29.9 percent.

Expenditures on other categories including, Beverages & Tobacco, Minerals, Fuel & Lubricants, Animals & Vegetable Oil and Chemical & Related Products also declined. This development was largely on account of the generally limited economic activities that occurred in the country during the period.

The declining movement in payments to Petroleum Products recorded during 2002 continued during 2003. Accordingly, expenditures on Petroleum Products contracted by 38.7 percent, from US$60.5 million in 2002 to US$37.1 million in 2003.

The declining trend in import of Manufactured Products during the past year was reversed during the reporting period. Accordingly, there was an upsurge in payments to the category by 23.1 percent, from US$12.1 million in 2002 to US$14.9 million in 2003 (Table 12).

Comprising basically personal effects and relief items, payments to the Miscellaneous Articles category recorded a significant increase in recent years as a result of the war. During the period under review, import payments to this category recorded their highest level in three years, amounting to US$32.6 million, reflecting on increase of 58.3 percent over its level recorded in 2002. This increase can be explained by the heightened humanitarian and philanthropic activities that followed the cessation of hostilities in the country during the year.

III. MONEY, BANKING, AND EXCHANGE RATE DEVELOPMENTS

3.0 Monetary Policy

During the year 2003, the Central Bank was unable to effectively carry out its mandate of maintaining a sound financial system, which is a prerequisite for economic growth and development. This was due to severe economic constraints brought about by the war and United Nations sanction imposed on major export commodities. The primary objective of the Bank's monetary policy is the achievement of exchange rate and price stability thereby preserving the value of the national currency. The Bank seeks to achieve lower growth in key monetary aggregates as and when necessary. However, there was no new policy measure pursued during the reporting period. With relative peace and stability returning to the country, it is expected that increased economic activities will ensue.

3.1 Banking Developments

The Liberian banking system now has four (4) operating banks, including the Central Bank. The severity of the war impacted negatively on the banking system. The entire system was shut down or closed for about three months (June – August). This situation prompted one of the commercial banks to submit application to undergo voluntary liquidation. After a careful review of the application, the Bank took the necessary steps to safe guard the depositors. The banking system is complemented by a cluster of foreign exchange bureaux in and around Monrovia that are actively involved in the foreign exchange market. As at the end of the reporting period, there were 22 licensed forex bureaux, while 35 had provisional licenses. Efforts were made to weed out operators of illegal forex bureaux from the market.

The liquidation of the Liberia United Bank Incorporated (LUBI) continued during the year under review. As at December 31, 2003, a total of 3,019 claimants had submitted claims and a total of L$22.4 million had been paid.

The aggregate capital of the operating commercial banks reduced to L$1,242.4 million as at December 31, 2003, from L$1,342.1 million as at December 31, 2002. This reduction was due to the request of one of the banks to undergo voluntary liquidation.

Aggregate bank deposits for the three (3) operating commercial banks stood at L$1,864.8 million as at December 2003, compared to L$1,873.6 million for the preceding year. The fall in aggregate deposits was due to the voluntary closure of one of the commercial banks and the general decline in economic activities as a result of the war.

Except for a brief period of banking impossibility (June – August), the clearinghouse was fully operational for the period under review. A total of 4,248 Liberian dollar checks with a value of L$292.5 million was cleared, while a total of 13,392 US dollar checks with a value of US$54.6 million was also cleared.

3.2 Monetary Developments

(A) Currency in Circulation

During the period under review, currency in circulation rose by L$284.9 million or 25.4 percent, from L$1,123.8 million as at December 2002 to L$1,408.7 million as at December ending, 2003. When compared to the level recorded in 2001, currency in circulation rose substantially by L$465.6 million or 49.4 percent (Table 13 & Chart 9).

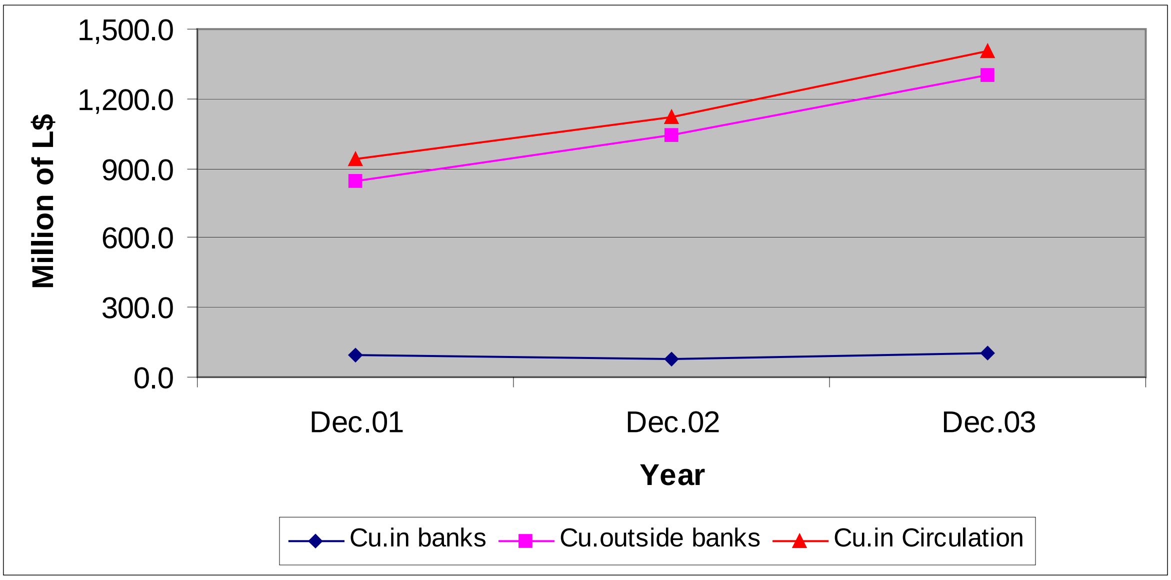
The rise in currency in circulation during the review period was influenced by the public's desire to hold onto cash as against keeping same in the banks. Currency outside banks rose by L$258.6 million, while vault cash or currency in banks rose by L$26.3 million. The behavior of the public was seemingly precautionary due to the war, which rendered the entire banking system partially inactive during some part of the review period.

Table 13: Currency in Circulation
(2001 – 2003)
(In Millions L$)

End of Period	Currency in banks	Currency outside banks	Currency in circulation
	(1)	(2)	(1+2=3)
Dec.01	98.0	845.1	943.1
Dec.02	78.8	1,045.0	1,123.8
Dec.03	105.1	1,303.6	1,408.7

Source: Central Bank of Liberia, Monrovia, Liberia

Chart 9: Currency in Circulation
(2001 – 2003)
(In Millions L$)



(B) Money Supply (M1)

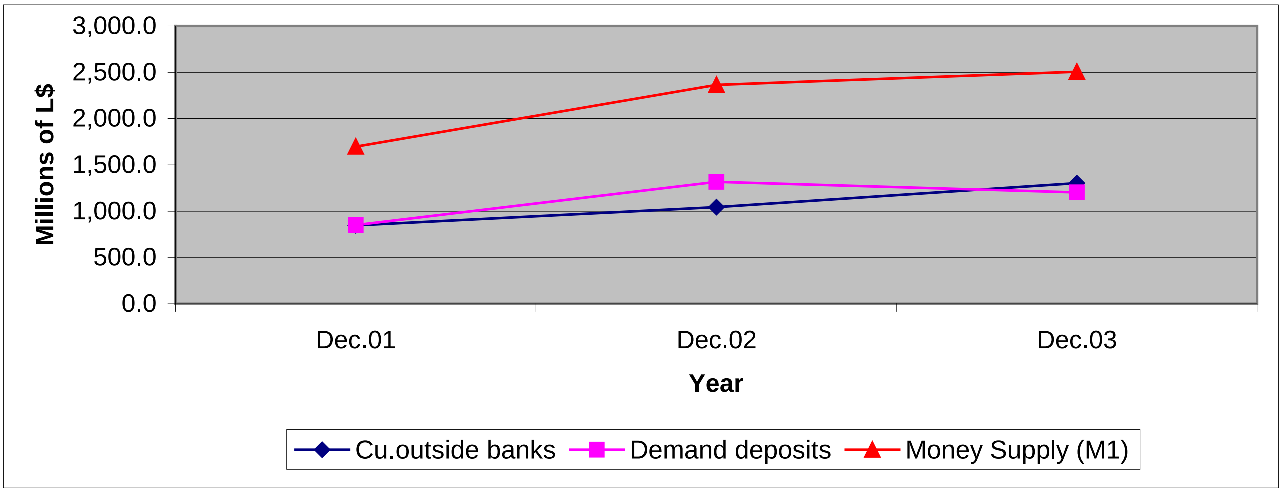
Money supply (M1) or narrow money, comprising currency outside banks and demand deposits, rose from L$2,363.1 million as at December 2002 to L$2,506.8 million as at December ending, 2003, reflecting an increase of 6.1 percent. When compared to 2001, M1 rose by 47.7 percent (Table 14 &Chart 10). The 6.1 percent increase in the money supply during the review period was influenced by the issuance of new banknotes to accommodate government security-related payments.

Table 14: Money Supply and Broad Money
(2001 – 2003)
(In Millions L$)

End of Period	Currency outside banks	Demand Deposits	Money supply M1 (1+2)	Savings Deposits	Time Deposits	Quasi-money (4+5)	Broad Money-M2
	(1)	(2)	(3)	(4)	(5)	(6)	(3+6)
Dec.01	845.1	851.6	1,696.7	391.2	31.2	422.4	2,119.2
Dec.02	1,045.0	1,318.2	2,363.1	470.6	64.8	535.4	2,898.5
Dec.03	1,303.6	1,203.2	2,506.8	433.6	0.3	433.9	2,940.6

Source: Central Bank of Liberia, Monrovia, Liberia

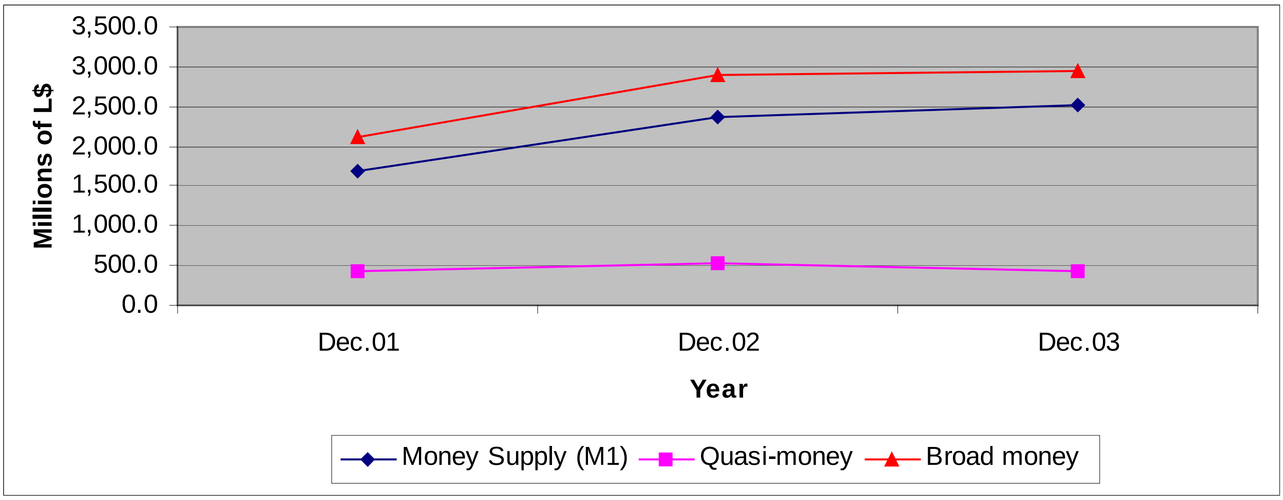
Chart 10: Money Supply
(2001 – 2003)
(In Millions L$)



(C) Broad Money (M2)

During the year under review, broad money (M2) or overall liquidity rose marginally by 1.5 percent, from L$2,898.5 million at December ending, 2002 to L$2,940.6 million at December ending, 2003. When compared to the level recorded in 2001, broad money recorded a significant increase of 38.8 percent (Table 14 &Chart 10). The expansion in broad money for the review period was influenced mainly by money supply (M1) as quasi-money recorded a decline. Government-related payments influenced the issuance of new banknotes as its revenue-generating capacity was largely curtailed by heightened rebel activities during the review period.

Chart 11: Broad Money
(2001 – 2003)
(In Millions L$)



3.3 Commercial Banks' Loans and Advances

The commercial banks' total outstanding loans and advances to all economic sectors stood at L$2,008.9 million as at December ending, 2003. When viewed against the previous year, the result is an absolute decline of L$385.6 million or 16.1 percent. Similarly, when the level of outstanding loans and advances is compared to that of the corresponding period of 2001, there is an absolute decrease of L$849.0 million or 73.2 percent (Table 15).

The decline in total commercial banks' loans and advances for the review period affected all sectors of the economy except construction. The construction sector which accounted for only 2.6 percent of total loans and advances increased its portfolio by L$23.3 million or 83.2 percent. The general decline in economic activities as a result of the armed conflict and the volatility in the exchange rate were the main explanatory factors for the slump in commercial banks' credits during the review period. The loans, which were mainly extended in US dollars would normally show a decline when there is an appreciation in the exchange rate. The rate appreciated to L$50.50 per US dollar or by 22.3 percent at December ending, 2003, from L$65.00 per US dollar at December ending, 2002.

The sectoral distribution of loans shows that the “others” sector, which comprises the Government of Liberia, the Central Bank of Liberia, among others, accounted for 77.7 percent of total loans and advances as at December ending, 2003. In addition to the exchange rate factor, repayments were carried out in this sector by the government, the Bank as well as Public Corporations.

The agriculture sector, which accounted for 9.2 percent of total loans and advances, recorded a 4.8 percent decline in its portfolio. This was due mainly to loan retirement in the forestry sub-sector. However, slight increases in loan acquisition were recorded for the remaining sub-sectors.

In the manufacturing sector, loan retirement and the exchange rate factor (appreciation) contributed to the fall in total loans and advances during the review year. Total loans and advances in the manufacturing sector declined by 53.5 percent, from L$15.8 million at December ending, 2002 to L$7.4 million at December ending, 2003.

The transportation, storage and communication sector’s total loans and advances also declined by 46.4 percent, from L$8.9 million at December ending, 2002 to L$4.8 million at December ending, 2003. In addition to the repayment, the appreciation of the domestic currency also contributed to the decline.

The trade, hotel and restaurant sector, which accounted for 10.0 percent of total loans and advances for the review period, also recorded a slight decline of 4.3 percent, from L$210.1 million at December ending, 2002 to L$201.0 million at December ending, 2003. However, a moderate increase in loans and advances was recorded for the sub-sector of “other trade”.

Table 15: Commercial Banks' Loans by Economic Sector (2001-2003) (In '000 L$)

SECTORS						
	Dec-01		Dec-02		Dec-03	
		% Share		% Share		% Share
1. Agriculture	161,741	13.9	193,463	8.1	184,170	9.2
2. Mining & Quarrying	50	0.0	0	0.0	0	0.0
3. Manufacturing	93	0.0	15,810	0.7	7,355	0.4
4. Construction	10,544	0.9	28,005	1.2	51,306	2.6
5. Trans., Storage & Comm.	4,887	0.4	8,947	0.4	4,795	0.2
6. Trade, Hotel &Rest.	159,912	13.8	210,061	8.8	201,000	10.0
7. Other	822,687	70.9	1,938,161	80.9	1,560,259	77.7
Total	**1,159,912**	**100.0**	**2,394,447**	**100.0**	**2,008,886**	**100.0**

Source: Central Bank of Liberia, Monrovia, Liberia

3.4 Interest Rates

The average lending rate for commercial banks recorded at December ending, 2003, showed a slight increase of 0.55 percentage point over the level recorded for the previous year. From 16.94 percent recorded at December ending, 2002, the average lending rate rose to 17.49 percent at December ending, 2003. The situation is however reversed when average lending rate recorded for the reporting period is viewed against the lending rate recorded at the end of 2001. There is a significant decline of 4.98 percentage points, from 22.47 percent recorded at December ending, 2001 to 17.49 percent as at December, 2003. The period under review was characterized by insecurity due to the series of rebel incursions in certain parts of the country, including Monrovia.

Unlike the average lending rates, the remaining rates including deposit rates recorded declines during the period under review. The personal loan rate and the mortgage rate fell to 12.99 percent and 10.95 percent at December ending, 2003, from 14.34 percent and 12.00 percent at December ending, 2002, respectively. The declines in the deposit rates recorded for the reporting period are as follows: average time deposit rate, 1.44 percentage points; average savings deposit rate, 0.78 percentage point; and average rate on certificate of deposits, 0.08 percentage point (Table 16).

Table 16: Interest Rates
(2001-2003)

	Dec-01	Dec-02	Dec-03
Avg. Lending Rate	22.47	16.94	17.49
Avg. Personal Loan Rate	13.68	14.34	12.99
Avg. Mortgage Rate	16.00	12.00	10.95
Avg. Time Deposit Rate	6.00	6.00	4.56
Avg. Savings Rate	5.41	6.00	5.22
Avg. Rate On CDs	5.00	5.00	4.92

Source: Central Bank of Liberia, Monrovia, Liberia

3.5 Exchange Rates

The movements in the exchange rate during the year 2003 exhibited a declining trend and considerable volatility. For the first half of the year, the exchange rate rose from L$65.50 per US dollar in January to L$73.00 per US dollar in June. The lowest rate recorded during this period, (January to June) was L$61.50 US dollar in February.

However, the end-of-period average rate recorded as at December ending, 2003, was L$50.50 per US dollar, reflecting a 22.30 percent appreciation in the value of the domestic currency for the review period relative to the end-of-period rate of 2002 (Table 17). When viewed against the corresponding period of 2001, the end-of-period rate for 2003 however, declined by 2.0 percent. This shows a marked appreciation as against the end of period rate of the previous year which was L$65.00 per US dollar. The rate recorded for the current period, therefore, appreciated by 22.30 percent, but depreciated by 2.02 percent when viewed against the corresponding period of 2001.

The improvement in the security situation of the country, brought about largely by the international community, helped to bring some level of stability in the exchange rate.

Table 17: Exchange Rates: L$/US$
(2001-2003)

	Dec-01	Dec-02	Dec-03
Market Rate: End of Period Average	49.50	65.00	50.50
Market Rate: Period Average	46.04	56.76	46.64

Source: Central Bank of Liberia, Monrovia, Liberia

IV. Fiscal Developments

4.0 Fiscal Policy

During the year under review, there was no enactment of new tax laws, but the Fiscal Authority was generally focused on the implementation of provisions of the New Tax Code of Liberia passed into law by the National Legislature in 2000. The Code provided for, among other things, the complete removal of inconsistencies and discretional authority from the tax system, strengthening and expanding the tax base to increase resource mobilization, adjusting the structure of direct taxes on income and profits in order to increase the level of disposable income of gainfully employed Liberians and non-Liberians, and the Goods and Services Tax (GST) which replaced the nuisance and miscellaneous taxes.

All government's revenues were centralized at the Central Bank during the year under consideration. Implementation of the various provisions of the Code has brought about improved transparency, efficiency, and accountability in the nation's tax system.

4.1 Government Finances

(A) Revenue

For the year under review, total revenue generated amounted to L$2,499.9 million (about US$44.2 million) as at December 31, 2003, reflecting a decline of L$1,459.8 million or 36.9 percent when matched against revenue recorded for 2002 (Table 18 and Chart 12). Like the year 2002, there were no grants recorded for the reporting year. Among the explanatory factors for the fall in revenue for the reporting period are the dissident war against the government (which intensified in 2003 and caused many business establishments in the country to close down) and the UN sanctions imposed in May of 2001 and in July of 2003.

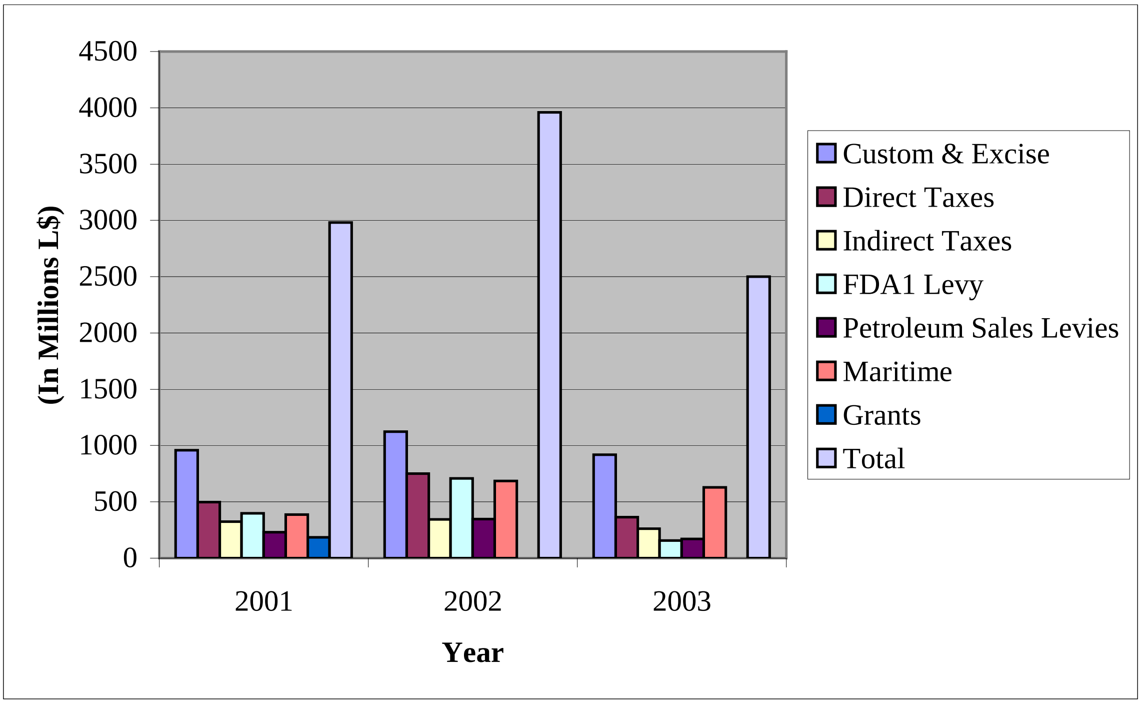
The war in Liberia and the UN sanctions against the country created a general situation of economic dysfunctionality, thereby exacerbating existing problems of low level of production, increased capital flight, depreciation of the domestic currency during the fist half of the year, increase in the general price level, and diminished purchasing capacity of the consuming public.

Table 18: Government of Liberia Revenue by Sources (2001-2003) (In Millions L$)

Revenue Sources	2001	2002	2003
Custom & Excise	957.7	1,124.7	918.5
Direct Taxes	498.1	752.0	364.0
Indirect Taxes	324.0	342.8	261.4
FDA[1] Levy	399.0	707.0	156.5
Petroleum Sales Levies	230.1	347.9	170.5
Maritime	387.3	685.3	629.0
Grants	185.0	-	-
Total	**2,981.2**	**3,959.7**	**2,499.9**

[1] Forestry Development Authority (FDA)
Source: Ministry of Finance, Monrovia, Liberia

Chart 12: Government of Liberia Revenue by Sources (2001-2003) (In Millions L$)



Recorded aggregate revenue for the year under consideration is about 11.2 percent of the 2003 estimated GDP of US$396.2 million. Of the aggregate revenue, tax revenue amounted to L$1,870.9 or 74.8 percent, while the non-tax revenue (revenue generated from the country's Maritime program) totaled L$629.0 million or 25.2 percent. A disaggregation of the aggregate revenue of L$2,499.9 million by sources shows that the Customs and Excise Taxes contributed 36.7 percent; Direct Taxes, 14.6 percent; Indirect Taxes, 10.5 percent; Forestry Development Authority (FDA) Levies, 6.3 percent; Petroleum Sales Levies, 6.8 percent, and Maritime revenue, 25.2 percent (Table 18 & Chart 12).

When compared to 2002, revenue generated from all sources during the review year declined principally as a result of the intensification of the war throughout the country during the year, which caused a number of businesses including logging companies to close down their operations. During the year, Customs and Excise Tax revenue fell by 18.3 percent; Direct Taxes, 51.6 percent; Indirect Taxes, 23.7 percent; FDA Levies, 77.9 percent; Petroleum Sales Levies, 51.0 percent, and Maritime revenue, 8.2 percent (Table 18).

(B) Expenditure

Total government spending for the year 2003 was recorded at L$2,606.3 million (US$45.5 million). This is L$1,654.0 million or 38.8 percent lower then aggregate expenditure for 2002 (Table 19 & Chart 13). Total expenditure for the year represents 11.5 percent of the estimated GDP for 2003.

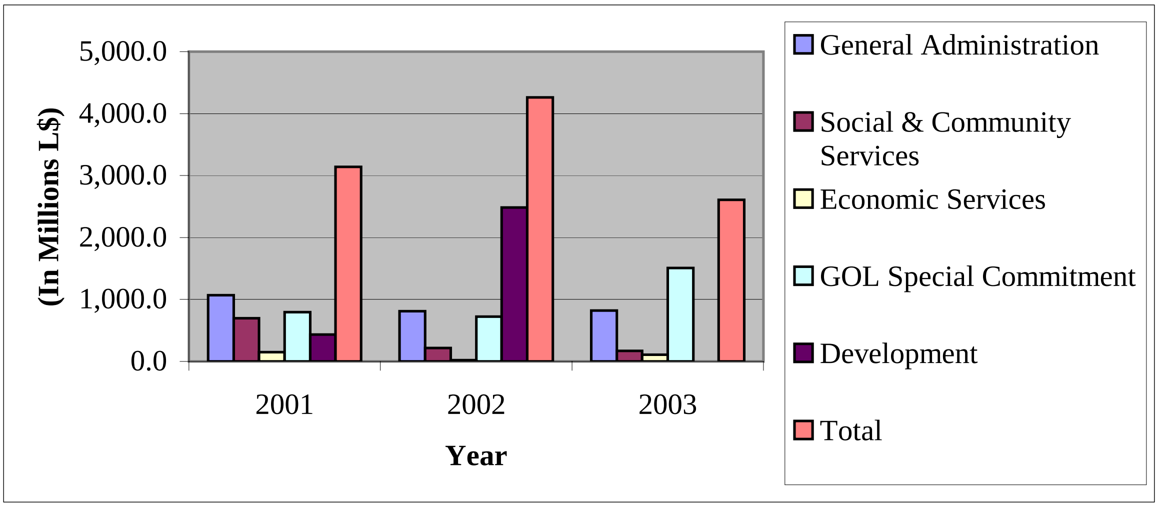
For the year under review, there was no development component of total expenditure as government was generally preoccupied with the prosecution of the civil war in the midst of extreme financial difficulties. Government's total expenditure was, therefore, exclusively recurrent, with the General Administration category of expenditure accounting for 31.4 percent; Social & Community Services, 6.6 percent; Economic Services, 4.2 percent, and GOL Special Commitment, 57.8 percent (Table 19 & Chart 13).

Table 19: Government of Liberia Expenditure by Category (2001-2003) (In Millions L$)

Expenditure Category	2001	2002	2003
General Administration	1,068.5	811.2	819.6
Social & Community Services	695.1	217.7	172.0
Economic Services	150.5	23.2	108.7
GOL Special Commitment	796.3	725.2	1,506.0
Development	432.3	2,483.0	-
Total	**3,142.7**	**4,260.3**	**2,606.3**

Source: Ministry of Finance, Monrovia, Liberia

Chart 13: Government of Liberia Expenditure by Category (2001-2003) (In Millions L$)



With the exception of the Social & Community Services category, all other categories of expenditure registered increases at the end of the year when compared to 2002. Accordingly, government spending on General Administration for the year under review slightly increased by 1.0 percent; Economic Services, 368.5 percent, and GOL Special Commitment, 107.7 percent. Expenditure on Social and Community Services declined by 21.0 percent.

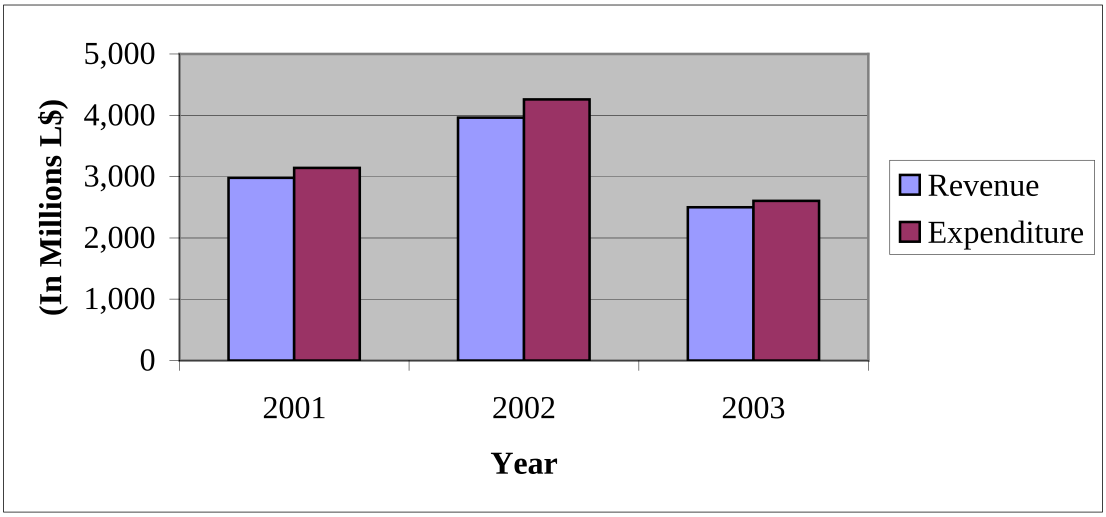
A comparison of total revenue and expenditure for the review period indicates that expenditure surpassed revenue by L$106.4 million or 4.3 percent and this was generally due to increased government spending to maintain security in the country (Table 20 & Chart 14).

Table 20: Government of Liberia Revenue and Expenditure (2001 – 2003) (In Millions L$)

	2001	2002	2003
Revenue	2,981.2	3,959.7	2,499.9
Expenditure	3,142.7	4,260.3	2,606.3

Source: Ministry of Finance, Monrovia, Liberia

Chart 14: Government of Liberia Revenue and Expenditure (2001 – 2003) (In Millions L$)



(C) Budget Performance

(i) National Budget: 2002/2003

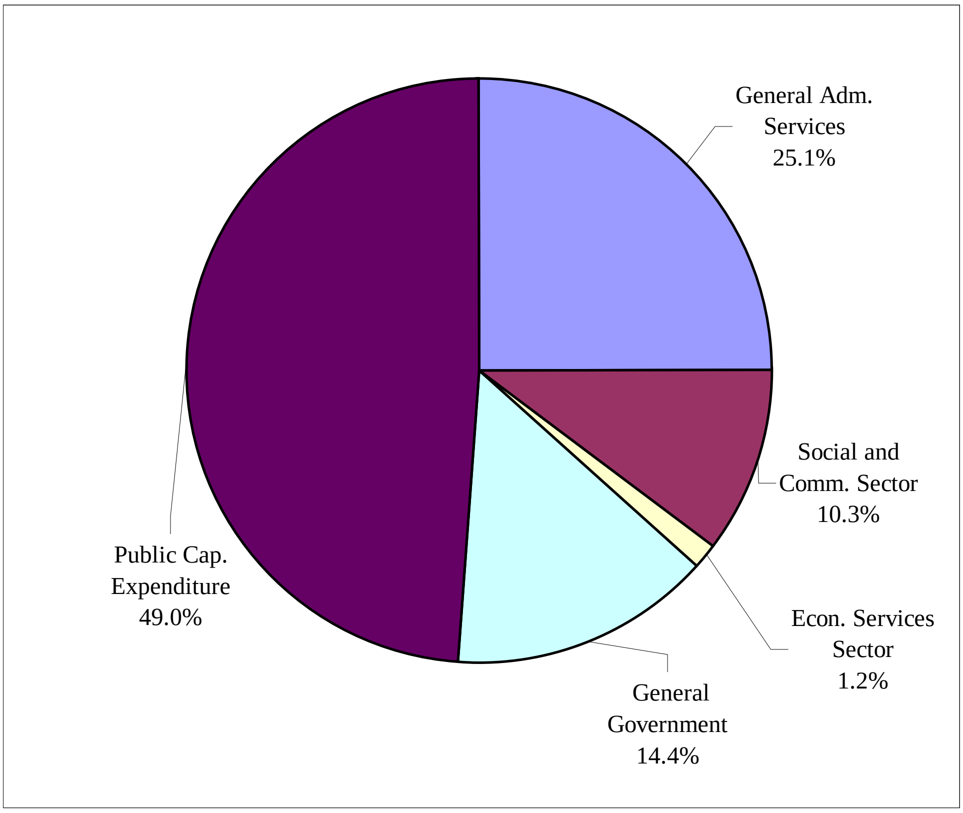
For the 2002/2003 fiscal year, a budget of L$4,900 million (US$70.0 million) was approved by the National Legislature and it was expected to be cash-based. Sectorally, the distribution of the budget focused on development projects of the Government, which were allotted 49.0 percent of the total budget. However, there was no development expenditure during 2003. This was followed by General Administrative Services, 25.1 percent; General Government (formerly GOL Special Commitment), 14.4 percent; Social & Community Services, 10.3 percent, and the Economic Services Sector, 1.2 percent (Table 21 & Chart 15).

Table 21: Sectoral Distribution of the National Budgets (2001/2002 and 2002/2003) (In Millions L$)

Sector	2001/2002 Projected Expenditure	% Of Budget	2002/2003 Projected Expenditure	% Of Budget
General Adm. Services	1,329.0	32.1	1,230.3	25.1
Social and Comm. Sector	732.0	17.7	503.7	10.3
Econ. Services Sector	101.0	2.4	60.7	1.2
General Government	539.0	13.0	706.7	14.4
Public Cap. Expenditure	1,450.0	35.0	2,398.6	49.0
Total	**4,142.0**	**100.0**	**4,900.0**	**100.0**

Source: Ministry of Finance, Monrovia, Liberia

Chart 15: Sectoral Distribution of the National Budget (2002/2003) (In Millions L$)



(ii) National Budget: 2003/2004

At the end of the 2002/2003 fiscal year in June of 2003, no new budget was approved by the National Legislature for the fiscal year 2003/2004, generally as a result of the war which escalated throughout the country during 2003. Between June and July of the year, the seat of government, Monrovia and its environs, were constantly under attacks by dissident forces, thus leading to a virtual collapse of government functionaries throughout the nation.

However, when the care-taker government was installed after the departure of the former President, a mini-operational budget of US$10.0 million (L$600.0 million) was approved by the former Legislature to facilitate activities of the government for the period July-September before the seating of the Liberian National Transitional Government (LNTG) in October, of the year under review. After the seating of the LNTG in October, another mini-budget of US$21.1 million (or L$1,033.9 million) was approved by the new National Transitional Legislative Assembly (NTLA) for the period October 2003 – January 2004, with the amounts of US$11.8 million and US$13.6 million included as projected revenue and expenditure, respectively, for the period October – December, 2003.

Of the aggregate revenue of L$2,499.9 million generated during 2003, L$1,496.8 million or 59.9 percent was mobilized during the first half of the year, January - June (the last six months of the 2002/2003 fiscal year); while, the remaining L$1,003.0 million or 40.1 percent was generated during the second half of the year, July – December (the first six months of the fiscal year 2003/2004). On the other hand, the amount of L$1,970.2 million or 75.6 percent of the total expenditure of L$2,606.3 million for 2003 was spent during the first half of the year while L$636.1 million or 24.4 percent represented total spending of the government for the second half of the year under review.

V. PUBLIC DEBT MANAGEMENT

5.0 Public Debt

Liberia's aggregate debt stock for the year ending December 31, 2003, is approximately US$3,301.8 million. This represents a 9.6 percent increase over the US$3,011.8 million for the year ending 2002. It also accounts for 833.4 percent of estimated real GDP for 2003 (US$396.2 million).

The debt stock comprises two major categories: external and domestic. The external creditors include multilateral, bilateral, external banks and suppliers. Domestic creditors of government include commercial banks, public corporations and suppliers. The domestic debt also include Government of Liberia commitments. The external debt represents 87.6 percent of the total debt stock while the domestic component accounts for 12.4 percent (Table 22 & Chart 16). Total accrued interest is US$1,466.0 million or 44.4 percent of total debt, while total principal amounts to US$1,835.8 million representing 55.6 percent of the debt stock (Table 22 & Chart 17).

Table 22: Summary of Liberia's Public Debt by Creditor
(As at December, 2003)
(In Millions US$)

		2003			
EXTERNAL DEBT	**2002**	**Principal**	**Accrued Interest**	**Total**	**% Dist. Of Total Debt Stock by Creditor**
Multilateral	1,366.1	723.1	746.9	1,470.0	44.5
Bilateral	784.7	496.3	327.9	824.2	25.0
External Banks' Credit	490.7	234.9	324.1	559.0	16.9
Suppliers' Credit	40.3	40.7	-	40.7	1.2
Sub-Total	**2,681.8**	**1,495.0**	**1,398.9**	**2,893.9**	**-**
Domestic Debt	**330.3**	**340.8**	**67.1**	**407.9**	**12.4**
Sub-Total	**330.3**	**340.8**	**67.1**	**407.9**	
Total Stock of Debt	**3,011.8**	**1,835.8**	**1,466.0**	**3,301.8**	**100.0**

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

Chart 16: Percentage Distribution of National Debt (As at December, 2003)

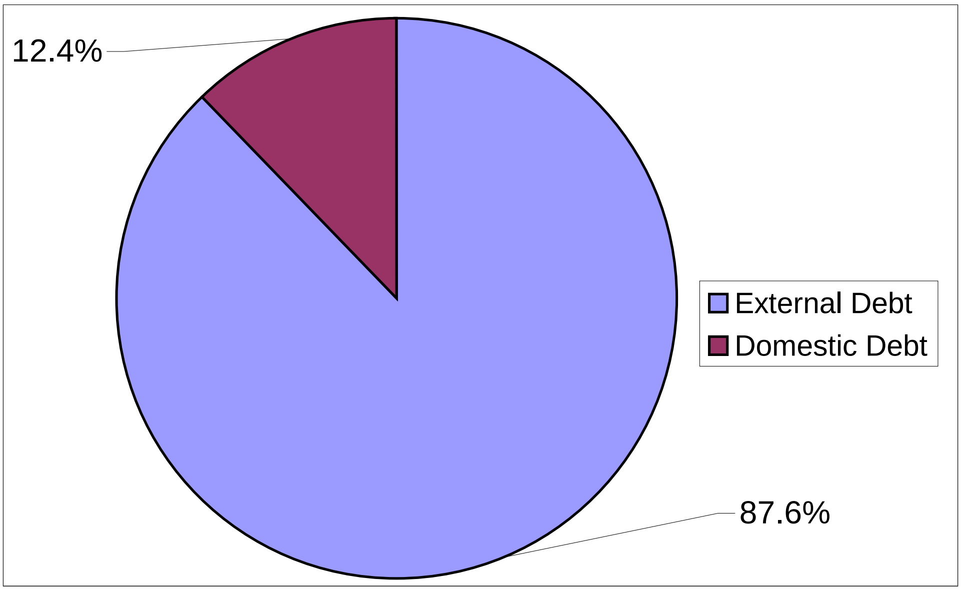
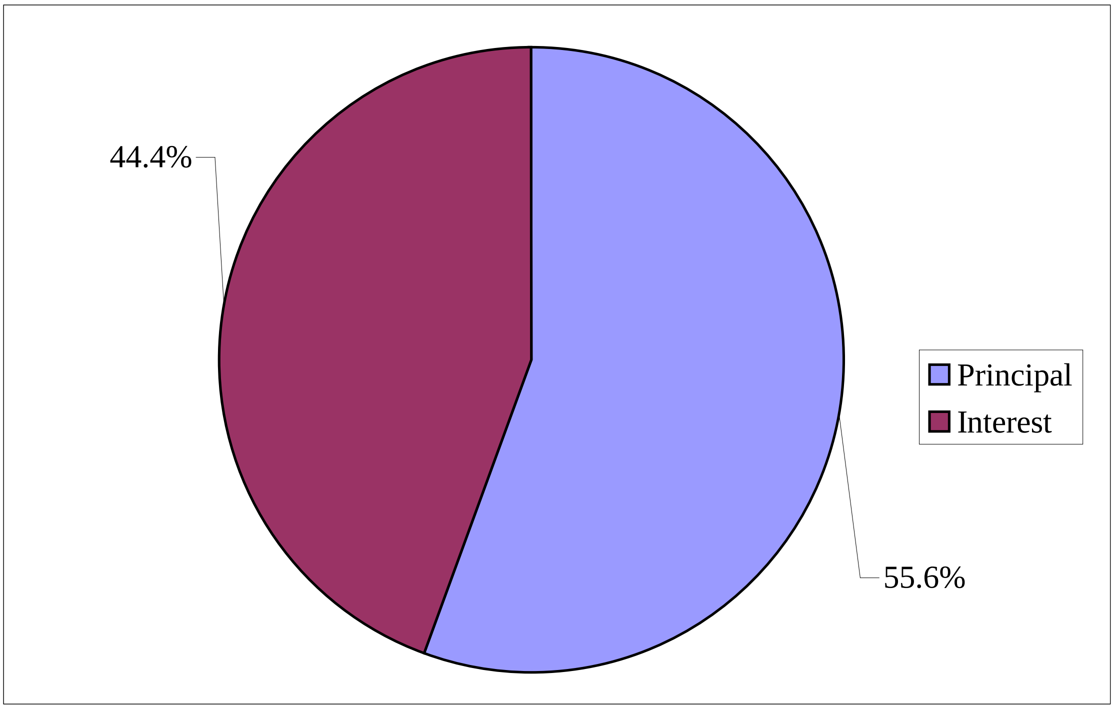


Chart 17: Percentage Distribution of National Debt by Principal and Interest (As at December, 2003)

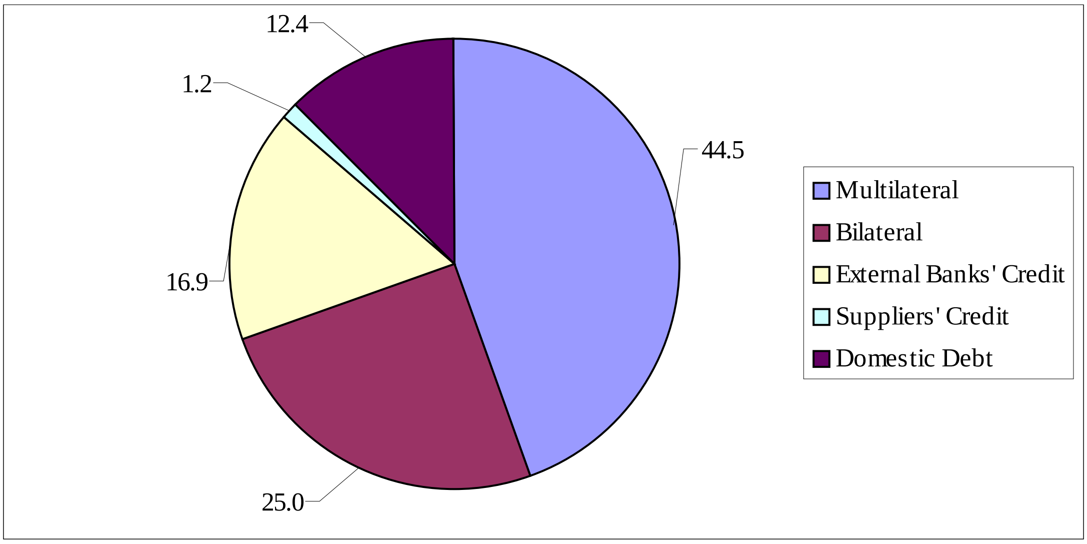


5.1 External Debt

The external debt component amounts to US$2,893.9 million and represents 87.6 percent of the total debt stock. This reflects a 7.9 percent increase over the level recorded for the previous year (US$2,294.2 million). The major external creditors are multilateral and bilateral, accounting for US$2,298.2 million or 79.3 percent of the external debt, and 69.5 percent of the total debt stock. External banks and suppliers' credits total US$ 599.7 million or 26.1 percent of the external debt and 18.2 percent of the debt stock.

The GOL, through the CBL, has made some strides towards servicing Liberia's external debt. Even though a few payments lapsed to the International Monetary Fund (IMF), as a result of the 2003 war, the authorities have resumed the token monthly payments of US$50,000.00 to the IMF, despite Liberia's fragile balance of payments and fiscal positions, in order to re-affirm Liberia's strong commitment to implementing sound macroeconomic policies and re-establishing a good track record with the Fund and the internationality community. Liberia has paid approximately a total of US$1,425,000 to the Fund for the period December 2000 to December 2003. The government understands that this amount is insignificant in impacting the huge arrears owed the IMF and other creditors. However, all efforts are being exerted to effectively address this issue based on anticipated increased revenue collection.

Chart 18: Percentage Distribution of Total Debt Stock by Creditor (As at December, 2003)



5.2 Domestic Debt

Domestic debt is approximately US$407.9 million. It increased by 23.5 percent or US$77.6 million over the US$330.0 reported for the year ending 2002. It also represents 12.4 percent of the aggregate public debt stock.

The GOL continues to exert all efforts to address the domestic debt problem by making minimum debt service payments to domestic creditors including payments totaling an estimated US$5.4 million on interest. It is envisaged that payments of government’s domestic debt and arrears will be regularized which would rebuild public confidence, enhance economic recovery, and contribute towards sustainable growth and development. A systematic program is being developed that would entail the establishment of a verifiable and comprehensive database for equitable settlement.

5.3 The Debt Burden

The GOL, over the years, has not had the financial capacity to significantly service its debt. The situation was compounded by the war, which was primarily responsible for the low level of economic activity, and resulted in a stagnant and inflation-driven economic environment.

The formidable and unsustainable debt burden of Liberia, exasperated by the prolonged war, has continued to undermine efforts at economic recovery. All socio-economic variables indicate a deteriorating condition: an unstable financial environment, the unpredictability of market conditions, political uncertainty and interference and rising unabated unemployment. All of these and other factors contributed to the inability of the government to be efficient and functional, and therefore incapacitated to aptly service its debt.

The government is quite cognizant of the fact that major reforms will have to be implemented to facilitate the resuscitation of the productive sector with the objective of economic recovery and development. Once these reforms are in place and functional, it is anticipated that the international community, and particularly the IMF and World Bank, will consider debt relief measures and other assistance that would alleviate some of this burdens; and allow for a restructured, refined, and stable economy capable of sustainable growth.

The GOL for the year ending December 31, 2003, operated in the midst of endogenous and exogenous factors that made it incapable of harnessing a productive economic environment to meet the needs of its people, and therefore making it unable to generally address itself to the problems of a debt-laden economy. Constructive dialogue both at home and abroad is taking place, which will lead to a donor conference on Liberia in New York in February, 2004.

VI. CENTRAL BANK OF LIBERIA ACTIVITY REPORT

6.0 Administration

(A) Board Of Governors

During the period 2003, the Board of Governors of the Central Bank of Liberia consisted of Mr. Elie E. Saleeby, Executive Governor and Chairman of the Board, Mr. Charles A. Greene and Mr. Nathaniel Barnes. Mr. Barnes replaced Mr. Hilary A. Dennis who requested to be relieved of his post. Mr. Willie Belleh, Jr., former member of the Board, was seconded to the Liberia National Transitional Government (LNTG) upon the request of its Chairman, His Excellency C. Gyude Bryant. Dr. Charles A. Clarke, also a former member of the Board, was inducted into office as a Legislator in the House of Representatives, Republic of Liberia.

The Board of Governors held its first and second quarterly meetings during the period under review. It also convened a Special Meeting on October 18, 2003 in which the Board discussed events associated with the war, the resumption of banking operations, the audit of the Bank, exchange rate developments, etc. Resolutions passed by the Board included amongst others, the adoption of the 2003 Budget and the establishment of correspondent banking relationships with banks in the United States of America.

(B) Management

During the review period, the war intensified in Monrovia and its environs, leading to the closure of the Bank to the public between July 20 and August 18, 2003. Despite the closure of the Bank, fourteen (14) key staff including the Executive Governor and the Deputy Governor were transferred to Accra, Ghana, where the Bank's operations continued. Upon the resumption of normal activities at the Bank in Monrovia, it was realized that the Bank's administrative and technical capacities had been weakened by the departure of some professional staff from the country.

Apart from human capacity lost, there were major destructions done to the properties of the Bank including the burning of twelve (12) CBL's vehicles among which were two (2) staff buses and three (3) armor cars.

In order to motivate employees and enhance productivity, certain changes were effected in the Bank's administrative set up. The Bank promoted a number of employees: Mr. A. Richard Dorley was promoted from the position of Interim Officer – In – Charge of the Research, Policy and Planning Department to Executive Director of that Department; Mr. T. Nagbalee Warner, Esq. was promoted from Assistant Legal Counsel/Special Project Officer to Executive Director, Supervision Department, and Mr. Elijah Jolo was promoted from Assistant Manager/Cash Officer to Officer–In-Charge, Vault and Cash Management.

(C) Human Resource Development and Organizational Matters

The response of the CBL to the challenges posed by the changing economic and business environment has been reflected in its approach to human resource management, notwithstanding the difficulties confronting it. The transitional institutional structure and culture have sometimes operated as a drag on human resource development, particularly in skill development, management change and career planning. This has been counteracted over the past year by recruiting from the open market to a certain extent, and the redeployment of existing staff in new activities after suitable training.

The total staff strength of the Bank as at December 2003 was 193 compared to 197 in 2002. In addition to permanent Bank staff, there were nine (9) nightguards, ten (10) contractual employees, five (5) internship students, and two (2) pensioners. The services of Mrs. Maima P. Kollie, Secretary, and Mr. Mulbah M. Acquoi, Security Officer, were lost through death.

(i) Local Training

The CBL continued to provide incentives to staff members to acquire needed skills in the field of computer science. In-house computer training for employees of the Bank continued in the first half of the year under review. There were two sessions of eight weeks each which were attended by forty (40) employees. Courses offered included Window Basics, Word, Excel and Access. Due to the escalation of the war, Management was unable to continue the training program.

(ii) Foreign Training

In the Bank's continuous effort to improve its human resource capacity, five (5) of the nine (9) employees who were selected to undergo graduate studies in various disciplines were admitted to graduate schools in the United States of America (USA) during the period under review. Two (2) staff matriculated to the University of Rochester/New York in 2003, to pursue a graduate degree in Accounting. Three (3) other staff were also admitted at the University of Illinois at Urbana-Champaign (UIUC) to pursue graduate degree programs in accounting and finance.

(D) Computerization Program

The banking transaction processing software purchased from Kindle Banking System, Dublin, Ireland, in 2002, called Bankmaster was fully functional in 2003. This on-line transaction processing software has replaced the Accounts Management System (AMS) batch processing software developed in-house. The software (Bankmaster) which is modular in structure includes the following features:

1. Central Bankmaster
2. Financial Returns
3. Bankmaster LAN Batch Gateway
4. Back Office Retail
5. Bankmaster Objects (Report generating facility)

With the elimination of the old AMS System, there arose the need for a mechanism to provide a check and balance structure on the Bankmaster system. The utility called WASTE (Warning Against System Transaction Errors) was developed as a check on the Bankmaster.

The management of the Bank purchased a new Internet equipment called Idirect to replace the Breeze equipment. The replacement provides the means by which the Bank can use the information Super Highway directly without going through the gateway of a local Internet Service Provider. Since its installation, the equipment has given the Bank direct satellite access. This has improved CBL's Internet access capabilities in terms of speed and uptime, and will enable the Bank to maintain its web page.

A payroll system has been developed in Microsoft Access, integrated with the Employees' Loan Management Module. This program enables the Human Resource Management Division to process the granting and repayment of loans, payroll register, production of statements of accounts for each staff in loan, deduction of loans from payroll and update loan register, payment of salaries to staff, and printing of pay slips as desired.

(E) Information Technology in the Central Bank of Liberia

All activities of the CBL are getting to be increasingly automated. The use of Information Technology (IT) in the Bank is based on the need for computer efficiency for all senior and junior staff which may eventually lead to overall efficiency on the job. This will also enable the CBL to provide efficient customer service to the Government, commercial banks, non-financial institutions, and the general public. The Local Area Network (LAN) continued to be operational. Communication across functional units and various offices takes place through the Bank e-mail system enabling all functionaries at various levels of the Bank to log on to the Internet.

(F) Publications

The publications of the CBL's independent assessment of social, economic and financial developments continued during 2003 through its Financial and Economic Bulletin, Liberia Financial Statistics, and Annual Report.

During the first quarter of the year, the Bank printed its Annual Report for 2002 which reviewed policies implemented by the Bank, its operations and activities for the year ending December 31, 2002. The Annual Report also included a review of national economic developments under which the Bank operated during the year.

Data on monetary aggregates, international trade, domestic production and fiscal operations are published in the bi-monthly Liberia Financial Statistics. On a quarterly basis, the Bank also publishes its Financial and Economic Bulletin. This publication analyzes the data on currency in circulation, money supply, domestic credits, domestic production, consumer prices, foreign trade, external debt and fiscal operations of the Government.

(G) Library

The Library of the CBL, attached to the Research, Policy and Planning Department, plays an important role in the collection, storage and dissemination of information within the Bank. The Library reserved a collection of books, journals, CD ROMs, reports, working papers, and other documents during the year. It also provides information sources for researchers of the various offices/ divisions/departments of the Bank as well as universities, training colleges, and high schools in the country.

(H) Information Services

During 2003, a number of issues were brought to the general public by the Bank through the print and electronic media. The Bank published and /or aired a number of announcements, including notices to commercial banks and the general public on the liquidation of the Liberia United Bank Incorporated (LUBI), the status of Tradevco Bank, warnings to illegal foreign exchange bureau operators, guidelines for receiving mutilated banknotes, and guidelines on the declaration of currency at ports of entry.

In collaboration with the Office of the Executive Director/Administration, two separate meetings were held with representatives of print media institutions. The meetings centered around the Bank-Press relationship and the cost associated with the Bank's publications in daily newspapers. Based on the outcomes of the meetings, the media institutions agreed to fully cooperate with the Bank in disseminating its information to the general public during the reporting period.

The publications of the In-House Information Bulletin continued during the year under review.

(I) Bankers' Forum

Since the establishment of the Liberia Banker's Consultative Forum about three (3) years ago for the purpose of exchanging ideas and experiences on ways and means of improving the banking system and insuring its adherence to the provisions of the Financial Institution Act of 1999, the Forum has been meeting on various issues. Among issues discussed and decisions taken during the year were the following:

(i) Exchange of Mutilated Liberian Dollar Banknotes

The Forum reviewed the public concern over the rejection of perceived mutilated Liberian dollar banknotes in the market place by several groups of business people, including petty traders, storeowners, taxi drivers, marketers, and most especially, wholesalers. The standard operating guidelines governing what constitutes mutes for exchange were re-enforced and the CBL agreed to exchange Liberian dollar mutes from the commercial banks. Commercial banks were required to exchange mutes for usable banknotes not only for those maintaining bank accounts with them but also the general public.

(ii) Bank Charges

The Forum agreed that the commercial banks published their various charges in the local dailies, a decision to which they had adhered. The decision stated that if the full range of charges was conspicuously displayed, the publication in the daily newspapers would be required only once every six (6) months.

(iii) Exchange Rate Volatility

The sharp decline in the value of the United States dollars vis-à-vis the Liberian dollar was a cause for concern. The exchange rate declined from L$70:US$1 to L$50.50:US$1. The Forum noted that there was no economic justification to explain the dramatic change, which was believed to have economic, social and political implications. Investigations attributed the decline to manipulation of the exchange rate by unscrupulous traders, especially importers.

(iv) Inter-Bank Trading

Commercial banks remained restricted from engaging in inter-bank trading. The Forum agreed during the year under review that the CBL should continue to import all United States dollar banknotes into the country.

6.1 Comptroller's Office

(A) Income Statement

(i) Income

The Central Bank of Liberia un-audited Consolidated gross income for year 2003 was L$232 million. Interest Income constitutes 89 percent of total consolidated income, Fees & commission, 7 percent, while other income accounts for the remaining 4 percent.

(ii) Expenditure

The Bank's total consolidated expense for the year under review was L$231 million. The break down of the total consolidated expense is as follows: personnel cost, 39 percent; Board fees and related expenses, 5 percent; Occupancy, 7 percent; Currency expense; 17 percent; Office expenses, 4 percent; Professional services, 3 percent; Security, 2 percent; Vehicle running cost, 2 percent; Travel, 3 percent; and Other expenses, 4 percent.

(iii) Net Profit

The Bank incurred a consolidated net loss of L$15.0 million for the year. When compared to 2002, the net consolidated income of the review year decreased by L$46.6 million or 147 percent.

(B) Balance Sheet

(i) Assets

The un-audited consolidated total assets of the Bank for the year 2003 was put at L$45.0 billion. Current Assets constituted 73 percent of total assets broken down as follows: Cash and Short-term Funds, 1 percent of total assets; Due from the Government of Liberia, 1.7 percent; Advances and overdraft to local banks, 0.1 percent; Accounts receivable, 0.14 percent; Prepaid expenses; 0.03 percent; IMF Accounts, 70 percent; and other current assets, 0.03. Non-current Assets represented 27 percent of total assets, also broken down as follows: Non-Current Assets Due from the Government, 24 percent of total assets; Deferred and Currency cost, 1.8 percent; investment in real estate, 0.05 percent; Banking software and training, 0.15 percent and Net Fixed Assets, 1 percent.

(ii) Liabilities

The Bank's un-audited consolidated total liabilities for the year under review was L$35.3 billion. Total liabilities constituted 78 percent of total equities broken down as follows: Liberian monies in circulation (stock), 4 percent of total equities; Due to Local commercial banks, 2 percent; due to foreign banks, 1 percent; non-bank deposits, 1 percent; account payable, 0.3 percent; due to autonomous state agencies/enterprise, 0.03 percent; due to Government of Liberia, 1 percent; IMF Accounts, 66 percent; other liabilities, 0.67 percent and long term commercial bank loan, 2 percent.

(iii) Shareholders' Equity

The net residual interest in the un-audited consolidated equities was L$9.8 billion which is 22 percent of total equities. The shareholders' equity is sub-divided into Capital, representing 17 percent, and General Reserves, 5 percent.

6.2 Banking Department

(A) Domestic Banking

Four (4) domestic banks conducted banking business during the year under review. All of the four banks were required to maintain United States and Liberian dollars current accounts, and Required Reserves Accounts. The Required Reserves Accounts provide security for their deposit base, while their current accounts are maintained essentially to clear or settle their positions arising from clearinghouse operations.

During the year 2003, the CBL continued the exercise of importing United States dollar banknotes on behalf of commercial banks. A total of US$44,708,168.0 was imported by the CBL on behalf of the banks.

(a) Government of Liberia (GOL)

Banking services provided the government in 2003 included revenue collection, opening of both United States and Liberian dollar accounts, exchange of United States dollars to Liberian dollars to meet government’s payroll obligations, maintaining general disbursements and payroll accounts, and the servicing of government’s payment to the International Monetary Fund. In an effort to consolidate the GOL revenue collection, the NTGL passed a bill into law on October 24, 2003 (Executive Order #002) to have all GOL revenues deposited at the CBL for better fiscal management, transparency, and accountability.

(i) Revenue Collection

Revenue collection for the GOL registered a considerable increase in United States dollars and sharp decrease in Liberian dollars during the review period when compared to 2002. The total of 6,853 flag receipts were issued, amounting to a collection of US$14,779,944.28 in 2002. Comparatively, 7,007 flag receipts were issued, amounting to a collection of US$17,327,403.64 in 2003. A total of 7,513 flag receipts were issued with a value of L$182,166,254.27 in 2002 compared to 3,773 flag receipts with a value of L$84,191,141.47 in 2003. Of the collection in United States dollars, Maritime revenue inflows accounted for 36.0 percent or US$6,307,092.00.

(ii) GOL Payroll Account

The CBL continued the practice of exchanging United States dollars from the government with Liberian dollars for the payment of government's payroll. These transactions were basically due to insufficient Liberian dollar revenue collection. Under the scheme, the Ministry of Finance periodically requested the CBL to exchange a specified amount and deposit the proceeds into the Government's Payroll Account at the CBL, which was used for the payment of civil servants' salaries.

(iii) Maritime Funds

During the year 2003, the CBL continued as custodian of the Maritime Funds, transferred by Riggs National Bank, Washington, D.C. to the CBL offshore accounts at Branch Banking & Trust Company (BB&T) and Banca Nazionale del Lavora, S.P.A. in favor of the Government of Liberia. The total of US$6,307,092.75 was received during the year under review.

(iv) International Monetary Fund (IMF)

During the year under review, the amount of US$250,000.00 was transferred to the International Monetary Fund (IMF) on behalf of the Government of Liberia, representing part payment of arrears due the IMF.

(B) Clearinghouse Operations

The Clearinghouse guidelines that were revised and finalized remained the guiding instrument for operations of the Clearinghouse. During the year under review, the clearinghouse continued to be pivotal in facilitating the payment and settlement systems.

During 2003, the Clearinghouse continued to use the fully automated clearing system attached to the BankMaster banking package currently in use by the Bank. Additionally, the Clearinghouse continued to hold clearing twice a day at 10:00 a.m. and 1:30 p.m., but as a result of the fighting between June and August, 2003 in Monrovia, the CBL, upon resumption of its operations in September, deemed it necessary to hold clearing once a day at 11:00 a.m. Under the new system, banks experiencing shortfalls were required to settle their shortfalls before the commencement of clearing the next day. Settlement of shortfalls was done by debit to the current accounts of the bank(s) experiencing the shortfall or by cash settlement whenever the amount was not available in the account of such bank(s).

Unlike the manual clearing system that took about three working days for the clearing of checks, a major advantage of the automated clearing process is that it expedites the payment and settlement system by shortening the length of time for the clearing of checks in the Liberian banking system.

During the year under review, a total of 4,248 checks with a total value of L$292,495,103.90 were presented and cleared through the Clearinghouse as compared to 8,265 checks with a value of L$517,883,726.00 in 2002. Simultaneously, a total of 13,392 checks with a total value of US$54,575,939.00 were presented and cleared through the Clearinghouse in year 2003 as compared to 16,478 checks with a value of US$61,768,822.00 in 2002.

6.3 Supervision Department

The main objectives of banking supervision are to determine the financial condition of each bank, ensure safe and sound banking practices, take corrective action where weaknesses are observed, and enforce compliance with the provisions of the New Financial Institutions Act of 1999 (FIA) and CBL regulations. In pursuance of these objectives, the Supervision Department adopts two major techniques; On-Site Examination and Off-Site Surveillance and Monitoring for supervision of banks. This process embodies the following:

(i) Examination of the books and records of banks to determine their financial position.

(ii) Enforcement of banking laws and prudential regulations, including recommendation of appropriate corrective measures for implementation by affected institutions.

(iii) Recommendation of appropriate sanction for non-compliance with the FIA and CBL's regulations.

The Department uses a two-tier approach to assess the safety and soundness of financial institutions. This two-tier method includes On-Site and Off-Site examinations. They complement and supplement each other to ensure that banks comply with the FIA, prudential regulations issued by the CBL and the banks own Standard Operating Procedures (SOP).

(A) On-Site Examination Unit

The Unit uses the CAMEL parameters to appraise the safety and soundness of each financial institution. The parameters are: (a) Capital Adequacy, (b) Asset Quality, (c) Management, (d) Earnings, and (e) Liquidity.

(i) Limited (Credit) Examination

During the period under review, the Unit successfully completed the Limited (Credit) Examination cycle by examining all the commercial banks to appraise the Loans and Advances portfolios of each bank. The objective of the credit examination is to determine the adequacy of lending policies, practices, procedures, quality and control of credits and their consistency with the FIA and applicable regulations. All of the operating banks had adequate lending policies, procedures, and practices, but yet a high incidence of non-performing loans (NPLs). The high incidence of NPLs is, therefore, found not to be attributable to inadequate lending policies, but to weak institutional infrastructure, such as inadequate legal recourse against delinquent borrowers.

(ii) Routine Examination

Due to the hostilities, which engulfed the City of Monrovia during the second half of 2003, no Routine Examination was conducted during the year.

(iii) Target Examination

As a result of the massive looting during the war, the Unit conducted re-opening damage assessment of ECOBANK, International Bank Liberia Limited (IBLL) and Liberia Bank for Development and Investment (LBDI). This exercise involved reviewing the list of bank assets before the war and taking an inventory of items found after the war to determine the level of loss to the banks. The Unit also conducted damage assessment of TRADEVCO Bank, although the bank remained closed to date. Additionally, periodic liquidity checks and other investigations, as and when necessary, were carried out during the review period.

(B) Off-Site Surveillance and Monitoring Unit

The Unit analyzed and carried out continuous surveillance monitoring of commercial banks based on returns submitted by the banks and in accordance with the pillars of CAMEL.

(i) Prudential Requirements

- **Reserve Requirements**

During the review period, the reserve requirement ratios remained at 18 percent of US Dollar and 50 percent of Liberian Dollar deposits. The reserve requirements were computed on a monthly basis. All commercial banks consistently maintained due compliance with the reserve requirement regulation. As at December 31, 2003, total bank reserves with the CBL stood at US$4.4 million and L$142.0 million.

- **Capital Adequacy**

Due to many factors ranging from poor investment climate to non-performing loan portfolios of banks, the Liberian banking industry encountered severe problem of capital adequacy. Two banks, accounting for 78 percent of all bank loans and 51 percent of total bank deposits, were insolvent. As a result, the industry recorded a negative capital adequacy ratio of 16 percent at the end of the year.

- **General Performance of the Banking Sector**

The banking system operated under very difficult economic and political conditions during 2003. The economy was weak, suffering from macro-economic imbalances, occasioned by a series of security disruptions that resulted in a complete cessation of all banking activities. However, towards the end of the year, the volume of banking activities increased due principally to an improved security situation in the country.

All banks consistently maintained liquidity in excess of the statutory minimum ratio of 15.0 percent. The aggregate bank deposits as at December 31, 2003 was L$1.6 billion. Of this amount, demand, savings, and time deposits accounted for 73.0 percent, 26.0 percent and 1.0 percent, respectively.

The banking industry was generally unprofitable. The profitability and asset quality of commercial banks continued to be under pressure as the deteriorating economic environment, during the period under review, caused some rise in non-performing loans and the Government failure to pay its obligations. A breakdown of the revenues of the banks by sources indicates a high concentration on fees and commissions. Fees and commissions accounted for 86 percent of total earnings. The over-reliance on fee-based income by the banking system was due to the high level of non-performing loans.

(C) Receivership/Liquidation Section

Due to the war in Monrovia and its environs, the primary functions of this section which are to assess and recommend appropriate failure resolution strategies for problem banks, appraise turn-around plans of problem banks and verify and settle claims of banks in liquidation were not fully carried out. The section kept books and records of liquidation operation, including facilitating required audit of liquidation accounts.

(i) Failed Banks

During the year under review, the status of failed banks remained stagnant except for:

1. First Commercial And Investment Bank (FCIB)

The ‘due diligence and inventory report’ submitted by FCIB Restructuring Committee was analyzed. The report included a plan for the reactivation and recapitalization of FCIB, which should last for a period of twelve months. The formal response of the CBL to the Committee’s request for authorization to begin the reorganization process is expected in the first quarter of 2004.

2. ROVIA

The CBL petitioned the Civil Law Court on the 8th of May 2003 to grant permission to liquidate ROVIA. The CBL obtained a Clerk Certificate to the effect that no objection was filed with the court by anyone to contest the Liquidation request. Barring any unforeseen circumstance, it was expected that the liquidation of ROVIA Bank would commence during the first half of 2004.

(ii) Banks in Liquidation

During 2003, the LUBI liquidation process continued with payout to various categories of depositors and other claimants. This process was scheduled for completion by the end of the second quarter 2003, but had to be extended twice due to the numerous disruptions occasioned by the war.

(D) Operations

The corporate function of the Department entails the licensing of bank and non-bank financial institutions and the drafting of regulations. The non-bank financial institutions include foreign exchange bureaux, money remittance services providers, credit institutions, check encashment entities, etc. The activities of the Department with respect to non-bank function centered on forex bureaux operations. As at December, there were only 22 licensed forex bureaux operating in Monrovia and its environs.

(i) Foreign Exchange Bureaux

- **Licensing**

There were no new license applications processed during the period under review. During the year, 22 (twenty-two) fully-licensed bureaux renewed their licenses. As a result of the first quarter assessment of forex bureaux activities, 110 illegal foreign exchange bureaux were identified. No corrective action was taken nor was there any further assessment done during the year under review due to the civil crisis. However, it is believed that the number of illegal foreign exchange bureaux has increased.

(ii) Bank Financial Institutions

- **Licensing**

The licensing procedure for banks is designed to control entry into the banking system. It provides for the submission of an application with a set of specified documents to, among others, ascertain the fitness and suitability of the promoters and shareholders. There were four (4) inquiries received by the CBL for bank license. No new license was granted during the period.

For the review year, three (3) commercial banks, EcoBank Liberia Limited, International Bank (Liberia) Limited, and Liberia Bank for Development & Investment complied with the payment of annual operating levies.

(E) Currency Declaration Monitoring Program

The Department continued to administer the activities of the Currency Declaration Monitoring Program at the Roberts International Airport (RIA) during the year. As a result of the civil crisis, the currency declaration-monitoring program was suspended in June and remained so for the rest of 2003. Up to the suspension of the program, a total of 3,951 passengers declared. Of the total, 1,507 or 38 percent represented incoming declarations, while 2,444 or 62 percent accounted for outgoing declarations.

The total amount declared by incoming and outgoing passengers during the two quarters amounted to US$724,283.00. Outgoing declarations amounted to US$690,758.00 or 95 percent, while incoming declarations totaled US$33,525.00 or 5 percent of total declarations.

6.4 Research, Policy and Planning Department

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

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

(A) Publications

Three major periodic publications are produced by the Department – the Liberia Financial Statistics (LFS), the Economic and Financial Bulletin (EFB) and the Annual Report of the Bank

The LFS, published every two months, 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. Thus, for the year under review, six (6) editions of the LFS were published. The Financial and Economic Bulletin, on the other hand, provides a comprehensive sectoral analysis of the economy. Four (4) editions of the EFB were also produced covering the four quarters of the year. The Department produced also the Annual Report of the Bank for the year 2003.

The monetary survey, a monthly collection and compilation of monetary and financial statistics of the financial system was produced regularly by the Department and submitted to the IMF during the review period.

(B) Surveys

In an effort to enable the Bank effectively intervene in the foreign exchange market for the purpose of stabilizing the rate, the Department closely monitored movements of the exchange rate of the domestic currency relative to the United States currency on a daily basis throughout the reporting period. Periodic analyses of exchange rate movements were carried out by the Department and copies of said analyses furnished a number of international organizations including WAMA, the World Bank. IMF, Duetsche Bank, etc.

Over the past years, the Department collaborated with the Ministry of Planning and Economic Affairs for the monthly collection and computation of the Monrovia Consumer Price Index (CPI). Monthly analyses of the Index and determination of the inflation rates were exclusively carried out by the Department during 2003.

(C) Compilation and Analysis of Monthly Remittances

In order to capture the level of inflows and outflows of US dollars from the country, the Department collected statistics on a weekly basis from the various commercial banks (including their Money Gram and Western Union branches) on in-bound and out-bound transfers. Weekly analyses of these remittances were among the major areas of focus of the Department during the year.

(D) Ad-Hoc Assignments

The Department also produced various topical papers on the exchange and inflation rates and other relevant economic and financial issues. Other ad hoc assignments performed during the year included papers written on the economic impact of the UN-imposed sanctions on Liberia, the effects of the CBL's intervention in the foreign exchange market on prices of essential commodities, etc.

6.5 Management Information System Division

The Management Information System (MIS) Division of the CBL was restructured during 2002-2003 to reflect the technical responsibilities required of the staff in order to enhance productivity and operational efficiency. Before the restructuring, the MIS Division's Operations Section used the Accounts Management System (AMS) software developed in-house including the Central Bank's payroll package, which was also an integral part of the AMS.

(A) BankMaster

The year under review marked a significant enhancement in the CBL's overall operation of the BankMaster System. A lot of utilities were incorporated into the system for timely and accurate processing of transactions resulting into the production of meaningful reports for decision making. Some of the reports included GOL Daily Statements, Month End Statements, Daily Cash Position, and Standing Orders, etc.

(B) SWIFT

The Bank also purchased and installed the SWIFT Software for Secured money transfer during the reporting period. The system is manned by three SWIFT Security Officers, three Administrators and two Operators. An expatriate recommended by the SWIFT Headquarters office in Belgium installed the system. However, Management is currently in the process of sending some of the above personnel for training to enable them locally manage the system.

The major problem encountered during the year was the inability of the Liberia Telecommunications Corporation to provide constant and uninterrupted dial-up connection. Management is, therefore, looking into the possibility of adopting alternative fall back measures to remedy the situation.

(C) Mail Server

The Bank installed an in-house Mail Server intended to host its website and store e-mails for the Bank and its staff. A domain was registered with the name “Centralbankliberia.org.lr”. Authorized members of the staff can send and receive e-mails through the Server using the above domain. The installation of a local Mail Server will improve information security since the technical staff of the Bank control and monitor the services on the server. It is also noteworthy that the Bank is in the process of developing a website to be locally hosted.

(D) Hardware

The Management of the Bank purchased six computers and eight printers during the period under review. Two of the printers purchased are Network Enterprise Printers. These printers were purchased to centralize and monitor print jobs from various divisions of the Bank. A print monitoring software has been purchased and installed to monitor and control print jobs. This will enable Management curb the proliferation of small printers and to control paper usage.

(E) Training

The Bank’s consultants conducted an In-house training program for the staff of the MIS Division in the use of utility programs that enhance BankMaster operations. The Training Section of the Division also conducted normal computer literacy training program for the staff of the Bank.

6.6 Corporate Division

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

1. Collaborated with the Legal Division in handling legal issues on behalf of the CBL.

The court proceedings during the review period included, but not limited to: (a) LUBI-In-Liquidation; (b) BCCI-In-Liquidation; and (c) Meridian (BIAO) Bank Liberia Limited. Additionally, the Division probated, notarized and prepared agreements/contracts on behalf of the Bank.

2. Participated in Board and Administrative meetings.

As Secretary to the Board of Governors, the Divisional head partly participated in a number of Board meetings organized in 2003. Minutes from these Meetings and other Meetings with the commercial banks were compiled and kept by Corporate Division.

3. Received guests on behalf of the CBL.

The Division received all local and international visiting dignitaries to the Bank. Prominent among those visiting the Bank during the year were an IMF Mission and CBL's external consultants.

4. Published the In-House Information Bulletin.

The Division also serves as the public relations arm of the Bank. As such, it published in the local dailies, documentaries and commentaries on relevant issues concerning the Bank. The Division also provided rebuttals and rejoinders on certain misconceptions of operations and activities at the Bank. Of specific importance during the year, was a promotional advertisement regarding the acceptance of perceived mutilated Liberian dollar banknotes vigorously launched by the Division.

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

6.7 Legal Division

During 2003, the Bank's Legal Division prepared directives and agreements relating to the overall operations of financial institutions, especially commercial banks in the country. In addition, the Division prepared contracts and legal memoranda for the Bank. The Division represented the CBL at litigation in the courts of the Republic of Liberia. During the year under review, the Division undertook the following tasks, among others:

- Drafted regulation relating to the Remittances through Non-Bank Account Money Transfer and Receiving Entities.
- Drafted memorandum on comments on Legal opinion of the Minister of Justice submitted to the CBL under letter of the Ministry of Finance concerning Senate Resolution prohibiting withdrawal from Government funds. The memo advised on the law as to relate to Senate Resolution and the particular matter in issue.
- Drafted legal opinion to pursue money locally deposited with BCCI abroad.
- Petitioned the Civil Laws court to grant permission to liquidate TOVIA Bank
- Drafted training agreements (Study Leave) for Bank staff, and
- Wrote a memorandum on the adequacy of existing Central Bank of Liberia Law (of 1999), and the availability of other relevant laws concerning the work of the Central Bank.

6.8 Internal Audit Division

Due to the continuation of the war which led to the closure of the Central Bank for sometime during 2003, continuous and regular audits were not carried out as scheduled. However, consistent with the CBL Act, Section 46(2), audits of the operational activities and accounts of the CBL were conducted in accordance with internationally (generally) accepted auditing standards.

VII. RELATIONSHIP WITH INTERNATIONAL FINANCIAL INSTITUTIONS

Despite the difficult state of affairs that prevailed in the country during the review year, the CBL continued to maintain some relationships with leading international financial and other institutions. These include the Bretton Woods Institutions and other regional and sub-regional financial organizations. However, the country's inability to service its obligations with these institutions continued to undermine these relationships.

7.0 The International Monetary Fund

The CBL maintained contacts with the International Monetary Fund (IMF) on monetary issues during 2003. The Bank continued to follow the standardized methodology of the IMF for the compilation of economic and financial statistics. Accordingly, periodic submissions of monetary data were made to the Fund.

As at the end of December 2003, Liberia's arrears to the IMF stood at US$718.4 million. Despite the current difficult situation facing the country, Liberia has continued to make some modest payments to the IMF in adherence to an agreement reached with the Fund. For the period ending December 31, 2003, an amount of US$250,000 was paid to the IMF.

In March 2003, the Executive Board of the IMF suspended Liberia's voting and related rights in the Fund, after a determination was made that Liberia failed to meet payment obligations and to show improvement in its cooperation with the Fund in the areas of policy implementation.

7.1 The World Bank

The CBL interaction with the World Bank has been very minimal in the past year. The World Bank suspended all financial transactions with Liberia as a result of the lack of payment on arrears. By December ending, 2003, Liberia's obligation to the World Bank stood at US$392.1 million. Liberia is obligated to make payment to the World Bank to fulfill the Maintenance of Value (MOV) clause in the Bank's Articles of Agreement. The World Bank was not engaged in any significant activities in Liberia during the period under review.

7.2 Regional and Sub-regional Organizations

(i) (MRU, ECOWAS, WAMA, WAIFEM, AACB, WAMI, ACDB, and JAI)

During the year under consideration, the Central Bank of Liberia affiliated with the following institutions on economic and financial matters: Mano River Union (MRU), Economic Community of West African States (ECOWAS), West African Monetary Agency (WAMA), West African Institute for Financial & Economic Management (WAIFEM), Association of African Central Banks (AACB), West African Monetary Institute (WAMI), African Development Bank (ADB), and the Joint Africa Institute (JAI). The CBL's participation in the activities of ECOWAS, WAMA, WAIFEM, AACB, and WAMI is limited to observer status due to the Bank's inability to service its outstanding contributions to these institutions. The CBL's prolonged indebtedness to these institutions is due to the general financial difficulties facing the nation.

VIII. PROSPECTS

The mandate of the Central Bank was not satisfactorily carried out in 2003, as a result of the many obstacles that worked against the achievement of its major objective – the maintenance of price stability. The escalation in the armed conflict, the vast movement of the inhabitants, the United Nations sanctions among others, are among major factors that affected the activities in the financial sector. The impact was clearly shown in the volatile movements in the exchange rate during the year.

Given the general condition under which the Bank operated during the review period, its main focus of monetary policy was maintenance of price stability (through exchange rate stability) so as to maintain a low inflationary environment conducive to economic growth and development. Despite the difficulties encountered in its strive to maintain a sound banking system, the Bank endeavored to maintain growth of broad money generally in line with developments in the economy, ensure supportive growth of credit to the private sector and facilitate efficient operation of the banking system during the year under review.

For the year 2004 and the years beyond, the Central Bank of Liberia, in consonance with the International Monetary Fund, shall undertake a number of measures aimed at strengthening the financial sector and improving the capacity of the Bank with the view to bringing about greater efficiency, transparency and accountability in the system. Those measures, which are to be implemented under an agreed technical assistance program with the Fund, will include, among others, improvement in the examination and supervisory functions of the Central Bank, the payment system, monetary operations including the foreign exchange auction, the introduction of money market securities, and the restructuring of the Banks. As peace is restored throughout the country, it is expected that the economy will gradually pick up in the coming years with the banking system together with international assistance and good governance facilitating such improvement of the economy.

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

STATISTICAL ANNEX

Annex 1: Gross Domestic Product at Constant 2000 Prices (2001-2003) (In Millions US$)

Sector	2001*	2002**	2003**
AGRICULTURE	**235.55**	**231.18**	**226.47**
Fishing	0.15	0.15	0.14
Rubber	49.30	48.39	47.40
Coffee	0.09	0.09	0.09
Cocoa	0.31	0.30	0.30
Rice	58.03	56.95	55.79
Cassava	47.34	46.47	45.52
Others	80.33	78.83	77.23
FORESTRY	**100.90**	**99.02**	**97.00**
Logs & Timber	66.23	65.00	63.67
Charcoal & Wood	34.67	34.02	33.33
MINING	**0.35**	**0.33**	**0.33**
Iron Ore	-	-	-
Gold	0.24	0.23	0.23
Diamond	0.11	0.10	0.10
MANUFACTURING	**18.69**	**18.34**	**17.97**
Tertiary Sector	**71.83**	**70.49**	**69.05**
Trade, Hotels, etc.	17.87	17.53	17.18
Electricity	1.33	1.31	1.28
Water	8.16	8.01	7.84
Construction	11.39	11.18	10.95
Communication & Transportation	0.40	0.39	0.38
Insurance & Other Financial Institutions	10.28	10.09	9.89
Shipping	0.34	0.33	0.33
Government Services	17.51	17.19	16.83
Other Services	4.43	4.35	4.26
NGOs	0.12	0.11	0.11
Total	**427.32**	**419.36**	**410.83**
Less	**15.27**	**14.99**	**14.67**
Depreciation	11.63	11.42	11.18
Bank Charges	3.64	3.57	3.49
Net (Value Added) GDP	**412.05**	**404.37**	**396.15**

**** Results are based on a National Accounts Survey conducted in 2002***
***** Estimates are based on the results of the National Accounts Survey conducted in 2002***
Source: Ministry of Planning & Economic Affairs, Monrovia, Liberia

Annex 2: Key Agricultural Production
(2001-2003)

Commodity	Unit	2001	2002	2003
Rubber	Mt.	110,235	92,442	54,845
Cocoa	Mt.	966	1,540	-
Coffee	Mt.	507	405	-
Fish	Kg.	409,940	403,380	266,000
Round Logs	M^3	980,361	1,363,861	548,446*
Sawn Timber	M^3	19,945	15,372	1,979*

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

Annex 3: Key Manufacturing Output
(2001-2003)

Commodity	Unit	2001	2002	2003
Cement	Mt.	62,897	53,662	41,827
Beverages	Liter	12,546,007	8,864,951	7,724,154*
Paint	Gal.	36,983	12,980	5,934
Nail	Kg.	117,950	52,450	47,186*
Candle	Kg.	674,563	708,899	282,787
Cholorax	Liter	117,925	154,992	73,656
Rubbing Alcohol	Liter	62,668	87,178	21,635
Mattresses	Pcs.	15,135	4,660	2,340*
Deep Water[1]	Gal.	43,091,594	25,813,127	32,890,137
Finished Water[2]	Gal.	337,483,970	315,592,930	283,898,370

***Estimates**
Sources: Ministry of Planning & Economic Affairs and Liberia Water & Sewer Corporation, Monrovia, Liberia
Note: 1Water from drilled wells
2 Water from the treatment plant in White Plains

Annex 4: Consumption of Petroleum Products
(2001-2003)

Commodity	Unit	2001	2002	2003
PMS (Gasoline)	Gal.	12,022,172	10,067,157	6,259,801
AGO (Diesel)	Gal.	21,772,572	18,334,626	11,746,353
ATK (Kerosene)	Gal.	1,132,588	201,201	406,868
Jet – A1	Gal.	1,132,588	902,048	-
Total		**35,191,417**	**29,505,032**	**19,297,701**

Source: Ministry of Finance, Monrovia, Liberia

Annex 5: Yearly Averages: All-Items Index and Indices of Sub-groups (2001-2003) (May 1998=100)

Components	Year				Rate of Change		
	Weights	2001	2002	2003	2001	2002	2003
All Items	**100**	**124.7**	**142.2**	**157.0**	**12.1**	**14.6**	**10.4**
Food	34.4	97.7	111.0	140.9	-3.8	13.7	27.0
Drinks & Tobacco	5.7	121.9	140.1	160.0	18.8	15.4	14.5
Fuel & Light	5.0	135.3	155.5	154.4	10.7	15.1	-0.7
Clothing	13.8	112.2	119.1	121.2	7.0	6.3	1.8
Household Goods	6.1	136.6	158.8	161.9	14.5	17.7	2.0
Personal Care	11.4	209.5	258.9	266.8	62.1	28.5	3.3
Rent	14.9	130.2	131.2	131.5	3.2	0.8	0.2
Miscellaneous	8.7	117.7	152.2	173.3	14.4	30.0	14.5

Source: Central Bank of Liberia, Monrovia, Liberia

Annex 6:Commodity Composition of Exports (2001-2003) (In Millions US$)

Commodity	2001	2002	2003
Rubber	54.3	59.1	43.9
Logs	69.2	109.9	54.6
Cocoa Beans & Coffee	0.5	0.6	0.9
Others	3.9	6.5	7.9
Total	**127.9**	**176.1**	**107.3**

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

Annex 7: Commodity Composition of Imports (2001–2003) (In Millions of US$)

Category	2001	2002	2003
Food & Live Animals	61.3	51.1	50.7
Beverages & Tobacco	6.1	5.6	5.5
Crude Materials	4.1	2.0	3.6
Minerals, Fuel & Lubricants	2.2	1.6	1.3
Animals & Vegetable Oil	2.6	2.8	2.5
Chemical & Related Products	8.7	7.5	6.8
Manufactured Products	18.5	12.1	14.9
Machinery & Transport Equipment	35.4	14.4	14.8
Petroleum Products	72.1	60.5	37.1
Miscellaneous Articles	17.6	20.6	32.6
Total	**228.6**	**178.2**	**169.7**

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

Annex 8: Central Bank of Liberia
Income Statement
(2002-2003)
(‘000 L$)

Income	**2003**	**2002**
Interest Income	206,773	219,380
Interest expense	(516)	(1,893)
Net Interest Income	206,257	217,487
Fees & Commissions	15,452	20,266
Foreign Currency transaction loss	-	(4,391)
Other income	10,370	10,808
Total net interest and other income	232,079	244,170
General and administrative expenses		
Personnel cost	90,591	91,243
Board fees and expenses	10,338	9,383
Occupancy	14,648	15,529
Currency expense	40,112	39,787
Office expenses	8,804	10,943
Professional services	7,021	4,245
Security	5,317	1,260
Vehicle running cost	4,442	5,977
Travel	7,938	5,502
Depreciation and amortization	21,625	21,345
Doubtful debt expense	11,426	-
Other expenses	9,050	9,535
Total general & administrative expenses	231,312	214,749
Net operating results before other losses	767	29,421
War losses and public relation expenses	(15,945)	-
Net operating results for the year		
transferred to General Reserves	(15,178)	29,421

Source: Central Bank of Liberia, Monrovia, Liberia

Annex 9: Central Bank of Liberia Balance Sheet
(2002-2003)
('000 L$)

Assets	**2003**	**2002**
Current Assets:		
Cash and short term funds	407,349	339,067
Due from the Government of Liberia	725,494	610,356
Advances & overdrafts to local banks	46,815	52,978
Accounts receivable	54,039	65,420
Prepaid expenses	7,462	3,865
Government of Liberia – IMF Accounts	31,777,705	31,621,495
Other current assets	7,108	4,869
	33,025,972	**32,698,050**
Non Current Assets:		
Due from the Government of Liberia	11,307,338	14,379,054
Deferred currency cost	289,655	149,085
Investment in real estate	7,593	7,820
Banking software and training	26,295	26,250
Fixed Assets	**386,579**	**394,381**
	12,017,460	**14,956,590**
Total Assets	**45,043,432**	**47,654,640**
Liabilities and equity		
Current Liabilities:		
Liberian monies in circulation	1,411,925	1,151,567
Commercial banks' deposits and loans	579,961	681,237
Non-bank deposits	1,029	74,321
Due to foreign financial institutions	361,352	465,106
Accounts Payable	119,436	165,759
Due to autonomous state agencies/enterprises	11,280	17,487
Due to the Government of Liberia	360,322	181,337
Due to the International Monetary Fund (IMF)	31,777,705	31,621,495
Other liabilities	2,744	1,567
	34,625,754	**34,359,876**
Long term commercial bank loan	662,661	857,415
Total liabilities	**35,288,415**	**35,217,291**
Equity:		
Capital	7,416,329	7,416,329
General reserves	2,338,688	5,021,020
	9,755,017	**12,437,349**
Total liabilities and equity	**45,043,432**	**47,654,640**

Source: Central Bank of Liberia, Monrovia, Liberia

Annex 10: Consolidated Balance Sheet of Commercial Banks (2001-2003) (‘000)

ASSETS	Dec.01	Dec.02	Dec.03
RESERVES	1,397,299	666,847	568,405
Of which: Cash on Hand (Coins/L$ Notes)	97,995	78,837	105,147
FOREIGN ASSETS	546,652	669,506	895,353
CLAIMS ON GENERAL GOVERNMENT	580,894	921,259	661,207
CLAIMS ON PUBLIC CORPORATIONS	64,617	64,289	42,094
CLAIMS ON PRIVATE SECTOR	877,019	1,064,427	1,005,152
CLAIMS ON CENTRAL BANK OF LIBERIA	5,495	865,475	656,752
CLAIMS ON NBFIS	181,153	14,073	164,241
UNCLASSIFIED ASSETS	517,228	316,842	344,993
TOTAL ASSETS	4,170,357	4,582,719	4,338,195
LIABILITIES	**Dec.01**	**Dec.02**	**Dec.03**
DEMAND DEPOSITS	851,604	1,318,193	1,203,184
TIME AND SAVINGS DEPOSITS	422,415	535,365	433,891
RESTRICTED DEPOSIT	152,081	0	813,976
BONDS AND SECURITIES	0	0	0
FOREIGN LIABILITIES	587,374	627,203	55,096
GOVERNMENT DEPOSITS	122,803	80,264	-31,376
LIABILITIES TO CENTRAL BANK	115,766	37,030	44,339
CAPITAL ACCOUNTS	1,247,725	1,342,081	1,242,400
UNCLASSIFIED LIABILITIES	670,590	642,583	576,686
TOTAL LIABILITIES	4,170,357	4,582,719	4,338,195

Source: Central Bank of Liberia, Monrovia, Liberia

Annex 11: Commercial Banks' Loans by Economic Sectors (2001-2003) (In Thousands of Liberian Dollars)

	Dec-01		Dec-02		Dec-03		Percentage Change	
		% Share		% Share		% Share	'02/01	03/02
1. Agriculture	**161,741**	**13.9**	**193,463**	**8.1**	**184,170**	**9.2**	**19.6**	**-4.8**
1.1 Rubber	4,220	0.4	4,708	0.2	4,905	0.2	**11.6**	**4.2**
1.2 Forestry	112,954	9.7	187,910	7.8	168,759	8.4	**66.4**	**-10.2**
1.3 Fishing	44,302	3.8	572	0.0	8,919	0.4	**-98.7**	**1459.2**
1.4 other	265	0.0	273	0.0	1,587	0.1	**3.0**	**481.4**
2. Mining & Quarrying	**50**	**0.0**	**0**	**0.0**	**0**	**0.0**	**-100.0**	**0.0**
2.1 Iron Ore	0	0.0	0	0.0	0	0.0		
2.2 Quarrying	50	0.0	0	0.0	0	0.0	**-100.0**	**0.0**
3. Manufacturing	**93**	**0.0**	**15,810**	**0.7**	**7,355**	**0.4**	**16900.0**	**-53.5**
4. Construction	**10,544**	**0.9**	**28,005**	**1.2**	**51,306**	**2.6**	**165.6**	**83.2**
4.1 Mortgage Loans	0	0.0	0	0.0	0	0.0		
4.2 Home Improvement	248	0.0	0	0.0	0	0.0	**-100.0**	**0.0**
4.3 Other	10,296	0.9	28,005	1.2	51,306	2.6	**172.0**	**83.2**
5. Trans., Storage & Comm.	**4,887**	**0.4**	**8,947**	**0.4**	**4,795**	**0.2**	**83.1**	**-46.4**
5.1 Transportation	3,897	0.3	7,842	0.3	4,048	0.2	**101.2**	**-48.4**
5.2 Storage	990	0.1	1,105	0.0	746	0.0	**11.6**	**-32.5**
5.3 Communication	0	0.0	0	0.0	0	0.0		
6. Trade, Hotel &Rest.	**159,912**	**13.8**	**210,061**	**8.8**	**201,000**	**10.0**	**31.4**	**-4.3**
6.1 Diamond trade	0	0.0	0	0.0	0	0.0		
6.2 Other trade	147,409	12.7	187,539	7.8	191,188	9.5	**27.2**	**1.9**
6.3 Hotels	8,712	0.8	21,705	0.9	9,409	0.5	**149.1**	**-56.7**
6.4 Restaurants	3,791	0.3	817	0.0	404	0.0	**-78.4**	**-50.6**
7. Other	**822,687**	**70.9**	**1,938,161**	**80.9**	**1,560,259**	**77.7**	**135.6**	**-19.5**
7.1 Services	46,445	4.0	45,773	1.9	20,823	1.0	**-1.4**	**-54.5**
7.2 Personal	65,569	5.7	69,539	2.9	86,528	4.3	**6.1**	**24.4**
7.3 GOL	568,099	49.0	863,966	36.1	570,473	28.4	**52.1**	**-34.0**
7.4 Central Bank of Liberia	50	0.0	859,247	35.9	616,488	30.7	**1735752.5**	**-28.3**
7.5 Public Corporations	65,076	5.6	86,913	3.6	44,903	2.2	**33.6**	**-48.3**
7.5 Other	77,449	6.7	12,723	0.5	221,045	11.0	**-83.6**	**1637.4**
TOTAL	**1,159,912**	**100.0**	**2,394,447**	**100.0**	**2,008,886**	**100.0**	**106.4**	**-16.1**

Source: Central Bank of Liberia, Monrovia, Liberia

Annex 12: Money Supply and Broad Money
(December 2001 to December 2003)
Liberian and United States Dollars
(Millions of Liberian Dollars)

	2001	**2002**	**2003**
	Dec	**Dec**	**Dec**
MONEY	2,119.2	2,898.5	2,940.6
M1	1,696.7	2,363.1	2,506.8
CURRENCY OUTSIDE BANKS (MA) L$	845.1	1,045.0	1,303.6
DEMAND DEPOSITS (CoB)	851.6	1,318.2	1,203.2
United States Dollar denominated to Liberian Dollars	734.8	1,149.7	1,066.3
Liberian Dollars	116.8	168.4	136.9
TIME AND SAVINGS (CoB)	422.4	535.4	433.9
United States Dollar denominated to Liberian Dollars	285.4	442.2	273.9
Liberian Dollars	137.0	93.2	160.0
United States Dollar denominated to Liberian Dollars	1,020.2	1,592.0	410.8
Percentage share of United States dollars to Liberian dollars.	48.1%	54.9%	14.0%
Exchange Rate	46.04	65.00	50.50

Source: Central Bank of Liberia, Monrovia, Liberia

Annex 13: Monetary Survey
(December 2001-December 2003)
(In Millions of L$)

	Dec-01	Dec-02	Dec-03
FOREIGN ASSETS (NET)	**(31,592.3)**	**(36,815.7)**	**(29,704.7)**
FOREIGN ASSETS (MA)	23.8	214.0	395.7
(-) FOREIGN LIABILITIES (MA)	31,575.4	37,072.0	30,940.7
FOREIGN ASSETS (CoB)	546.7	669.5	895.4
(-) FOREIGN LIABILITIES (CoB)	587.4	627.2	55.1
DOMESTIC CREDIT	**43,912.4**	**54,436.6**	**44,951.2**
CLAIMS ON GENERAL GOVERNMENT (NET)	42,767.7	52,382.9	43,027.4
CLAIMS ON GENERAL GOVERNMENT (MA)	42,343.6	51,588.1	42,629.2
(-) GENERAL GOVERNMENT DEPOSITS (MA)	34.0	46.2	294.4
CLAIMS ON GENERAL GOVERNMENT (CoB)	580.9	921.3	661.2
(-) GENERAL GOVERNMENT DEPOSITS (CoB)	122.8	80.3	(31.4)
CLAIMS ON PUBLIC CORPORATIONS (MA)	0.0	0.8	0.5
CLAIMS ON PUBLIC CORPORATIONS (CoB)	64.6	64.3	42.1
CLAIMS ON PRIVATE SECTOR (MA)	16.5	44.7	55.0
CLAIMS ON PRIVATE SECTOR (CoB)	877.0	1,064.4	1,005.2
CLAIMS ON CENTRAL BANK OF LIBERIA	5.5	865.5	656.8
CLAIMS ON NBFIS (MA)	0.0	0.0	0.0
CLAIMS ON NBFIS (CoB)	181.2	14.1	164.2
MONEY	**2,130.8**	**2,898.9**	**2,941.1**
CURRENCY OUTSIDE BANKS (MA)	845.1	1,045.0	1,303.6
LIBERIAN CURRENCY IN CIRCULATION (MA)	943.1	1,123.8	1,408.7
(-) CURRENCY HOLDINGS (CoB)	98.0	78.8	105.1
DEMAND DEPOSITS	863.2	1,318.5	1,203.7
DEMAND DEPOSITS (MA)	11.6	0.4	0.5
DEMAND DEPOSITS (CoB)	851.6	1,318.2	1,203.2
OTHER DEPOSITS	422.4	535.4	433.9
OTHER DEPOSITS (MA)	0.0	0.0	0.0
TIME AND SAVINGS DEPOSITS (CoB)	422.4	535.4	433.9
RESTRICTED DEPOSIT	**166.1**	**0.0**	**933.6**
BONDS AND SECURITIES (CoB)	**0.0**	**0.0**	**0.0**
CAPITAL ACCOUNTS	**10,158.0**	**15,299.9**	**12,200.7**
CAPITAL ACCOUNTS (MA)	8,910.3	13,957.8	10,958.3
CAPITAL ACCOUNTS (CoB)	1,247.7	1,342.1	1,242.4
OTHER ITEMS (NET)	**31.4**	**(577.9)**	**(829.1)**
UNCLASSIFIED LIABILITIES (MA)	4,162.6	1,395.0	1,022.7
(-) UNCLASSIFIED ASSETS (MA)	3,725.6	2,107.3	1,922.1
(-) UNCLASSIFIED ASSETS (CoB)	517.2	316.8	345.0
UNCLASSIFIED LIABILITIES (CoB)	670.6	642.6	576.7
COMMERCIAL BANKS DEPOSITS (MA)	593.5	521.8	323.3
(-) RESERVES (CoB)	1,397.3	666.8	568.4
CURRENCY HOLDINGS (CoB)	98.0	78.8	105.1
LIABILITIES TO CENTRAL BANK (CoB)	115.8	37.0	44.3
(-) CLAIMS ON DOMESTIC BANKS (MA)	134.9	162.1	65.9
(-) UNBALANCED ITEMS	0.0	0.0	0.2

VERTICAL CHECK	(0)	0	(0.0)

Source: Central Bank of Liberia, Monrovia, Liberia

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Annex 14: Liberian Dollar Exchange Rate – Period Averages

(January – December, 2001)

(Liberian Dollars Per US Dollar)

Period	*Large bills[1]*			*Small bills[2]*			*Average[4]*
2001	Buying	Selling	Middle[3]	Buying	Selling	Middle[3]	
2001							
January	44.55	45.69	45.12	38.18	42.00	40.09	42.61
February	43.43	44.43	43.93	35.00	40.00	37.50	40.72
March	44.35	45.38	44.87	35.00	40.00	37.50	41.18
April	45.88	46.88	46.38	35.80	40.80	38.30	42.34
May	47.96	48.96	48.46	40.00	45.00	42.50	45.48
June	52.46	53.46	52.96	45.19	49.85	47.52	50.24
July	56.17	57.17	56.67	50.00	52.00	51.00	53.83
August	53.08	54.08	53.58	42.73	47.08	44.90	49.24
September	49.43	50.35	49.89	40.00	45.00	42.50	46.20
October	49.67	50.67	50.17	39.63	44.63	42.13	46.15
November	44.50	45.50	45.00	36.35	41.35	38.85	41.92
December	45.54	46.54	46.04	35.96	40.96	38.46	42.25
Q1	***44.11***	***45.17***	***44.64***	***36.06***	***40.67***	***38.36***	***41.50***
Q2	***48.77***	***49.77***	***49.27***	***40.33***	***45.22***	***42.77***	***46.02***
Q3	***52.89***	***53.86***	***53.38***	***44.24***	***48.03***	***46.13***	***49.76***
Q4	***46.08***	***47.57***	***47.07***	***37.31***	***42.31***	***39.81***	***43.44***
Year	***48.08***	***49.09***	***48.59***	***39.49***	***44.06***	***41.77***	***45.18***

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.

Annex 15: Liberian Dollar Exchange Rate – Period Averages
(January – December, 2002)
(Liberian Dollars Per US Dollar)

Period	***Large bills*[1]**			***Small bills*[2]**			***Average*[4]**
2002	**Buying**	**Selling**	**Middle[3]**	**Buying**	**Selling**	**Middle[3]**	
January	*51.62*	*52.62*	*52.12*	*45.77*	*48.46*	*47.12*	*49.62*
February	*54.00*	*55.00*	*54.50*	*50.00*	*51.00*	*50.50*	*52.50*
March	*56.42*	*57.46*	*56.94*	*50.46*	*51.46*	*50.96*	*53.95*
April	*59.72*	*60.72*	*60.22*	*54.04*	*55.04*	*54.54*	*57.38*
May	*61.21*	*62.85*	*62.03*	*55.83*	*58.15*	*56.99*	*59.51*
June	*66.68*	*68.08*	*67.38*	*58.50*	*60.52*	*59.51*	*63.45*
July	*69.92*	*71.46*	*70.73*	*60.00*	*65.00*	*62.50*	*66.62*
August	*70.00*	*71.46*	*70.73*	*60.00*	*65.00*	*62.50*	*66.62*
September	*69.48*	*70.50*	*69.99*	*60.00*	*65.00*	*62.50*	*66.25*
October	*61.26*	*62.52*	*61.89*	*54.26*	*58.26*	*56.26*	*59.07*
November	*55.04*	*56.04*	*55.54*	*50.00*	*55.00*	*52.50*	*54.02*
December	*56.20*	*57.32*	*56.76*	*50.00*	*55.00*	*52.50*	*54.63*
Q1	***54.01***	***55.03***	***54.52***	***48.74***	***50.31***	***49.53***	***52.02***
Q2	***62.54***	***63.88***	***63.21***	***56.12***	***57.90***	***57.01***	***60.11***
Q3	***69.80***	***71.10***	***70.45***	***59.96***	***64.63***	***62.29***	***66.37***
Q4	***57.50***	***58.63***	***58.06***	***51.42***	***56.09***	***53.75***	***55.91***
Year	***60.96***	***62.16***	***61.56***	***54.06***	***57.23***	***55.65***	***58.60***

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

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

Annex 16: Liberian Dollar Exchange Rate – Period Averages
(January – December, 2003)
(Liberian Dollars Per US Dollar)

Period	*Large bills[1]*			*Small bills[2]*			*Average[4]*
2003	**Buying**	**Selling**	**Middle[3]**	**Buying**	**Selling**	**Middle[3]**	**Middle**
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.

Annex 17: Government of Liberia Revenue by Sources
(2001-2003)
(In Millions L$)

Revenue Sources	2001	2002	2003
Custom & Excise	957.7	1,124.7	918.5
Direct Taxes	498.1	752.0	364.0
Indirect Taxes	324.0	342.8	261.4
FDA[1] Levy	399.0	707.0	156.5
Petroleum Sales Levies	230.1	347.9	170.5
Maritime	387.3	685.3	629.0
Grants	185.0	-	-
Total	**2,981.2**	**3,959.7**	**2,499.9**

[1] Forestry Development Authority (FDA)
Source: Ministry of Finance, Monrovia, Liberia

Annex 18: Government of Liberia Expenditure by Category
(2001-2003)
(In Millions L$)

Expenditure Category	2001	2002	2003
General Administration	1,068.5	811.2	819.6
Social & Community Services	695.1	217.7	172.0
Economic Services	150.5	23.2	108.7
GOL Special Commitment	796.3	725.2	1,506.0
Development	432.3	2,483.0	-
Total	**3,142.7**	**4,260.3**	**2,606.3**

** Figures for expenditure, 2003 are provisional*
Source: Ministry of Finance, Monrovia, Liberia