



STATEMENT ON THE CBL DIRECT MOPPING EXERCISE

March 5, 2019

On July 16, 2018, the President of the Republic of Liberia, H.E. Dr. George Manneh Weah, in his address to the Nation on the State of the Economy instructed the Central Bank of Liberia (CBL) to infuse US\$25 million (Twenty-Five Million United States Dollars) into the economy to mop-up excess Liberian Dollar liquidity to stabilize the exchange rate between the Liberian and United States Dollars. Said measure was implemented by the CBL in close collaboration with the Technical Economic Management (TEMT) to whom it submitted regular progress reports.

The TEMT is an economic policy-making body chaired by the Minister of Finance and Development Planning, Hon. Samuel D. Tweah, Jr. and co-chaired by the Executive Governor of the Central Bank of Liberia, Hon. Nathaniel R. Patray, III. Other members include: Minister of Commerce and Industry, Minister of Agriculture, Minister of State for Presidential Affairs, Minister of State Without Portfolio, Chairman of the National Investment Commission, Commissioner General of the Liberian Revenue Authority and the Economic Advisor to the President of the Republic of Liberia. It is important to note that neither the Minister of Finance and Development Planning, as Chairman of the TEMT, Hon. Samuel D. Tweah, Jr. nor any member of the TEMT was ever involved with the direct mopping operations.

The TEMT mandated the CBL to use the direct mopping strategy based on the following reasons:

1. That over ninety percent of currency in the economy is outside the banking system. Therefore, using the banking system would not yield the desired result;
2. CBL's experience shows that using conventional foreign exchange auction by itself, through the commercial banks, has had limited impact on the exchange rate; and
3. Economic research and empirical evidence show that foreign exchange auctions and market interventions (using commercial banks) by central banks have limited impact on exchange rate stability.

Based on the approval of the TEMT, the CBL commenced the mopping exercise with the following objectives: to halt the rapid depreciation of the Liberian dollar, reverse the depreciation, and stabilize the exchange rate. These objectives were achieved.

To do this, the mopping up exercise targeted three groups: major importers, small businesses and licensed foreign exchange bureaus. All information on the operations—including detailed information regarding the names of the buyers, the types of businesses, their addresses, the transaction volumes and transaction rates were meticulously recorded, and the information was provided in full to the TEMT. Also, a detailed report was submitted to the Leadership of the National Legislature.

The intervention began on July 17, 2018 and ended October 30, 2018. A total of US\$17 million was used for the intervention, broken down as follows:

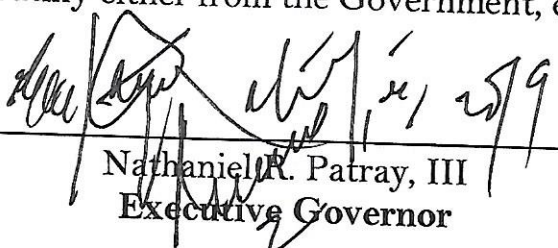
1. US\$15 million was mopped up from outside the banking system in exchange for L\$2,303,363,898; and
2. US\$2 million was sold to a major petroleum importer in exchange for L\$313,141,800.00 million through regular banking transaction to facilitate imports—this ensured a steady supply of fuel to the Liberian market and prevented economic disruption that a fuel shortage would have caused.

Therefore, the CBL notes that the US\$17.0 million used is fully accounted for, and the remaining US\$8.0 million is with the CBL.

The TEMT mandated that the mopped-up money be sterilized for a period of one year. However, due to complaints from commercial banks and customers during the Christmas seasons that they could not withdraw Liberian dollar from the banks, the TEMT authorized the CBL to give L\$1.3 billion of the sterilized L\$2,303,363,898 billion to the commercial banks to meet the Liberian dollar demand for the Christmas season. The CBL gave this money to the commercial banks, and records of these transactions are available.

In conclusion, all monies herein mentioned are fully accounted for. The CBL avails itself of any further scrutiny either from the Government, external actors, or both.

Signed: _____


Nathaniel R. Patray, III
Executive Governor