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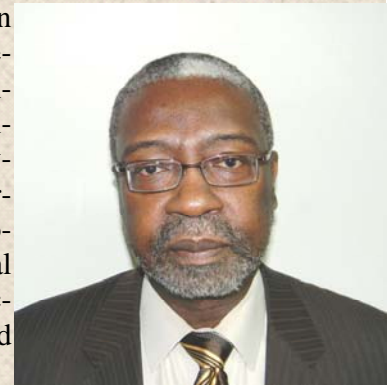
GOVERNOR'S FOREWORD: PURSUING ECONOMIC TRANSFORMATION

The economic achievements over the past few years have been significant: maintenance of a stable macroeconomic environment; the virtual elimination of a crippling debt burden; the strong recovery of the banking system; the substantial rise in foreign investment; the improvement in the general business climate, among others. More recently, there is the emergence of a greater awareness of the need to further strengthen the private sector, including, in particular, the empowerment of Liberian entrepreneur, as the bedrock for sustained economic growth, broad-based development and poverty reduction.

The task now is to use these achievements as a platform to take bold steps towards bringing about transformative change in the economy. Projections indicate an average growth rate of 6.5 percent over the medium-term (2012-2016); however, growth outside the mining and rubber sectors is expected to average only 4.6 percent during the same period. This situation needs to be altered, requiring deliberate policy interventions, in order to accelerate employment and achieve a

more rapid reduction in poverty. Liberian entrepreneurship has to be central to this effort. Development programs of Government should be underpinned by increased productivity within the real sector aimed at production for both exports and local consumption. This has to be supported by a quantum of investment in electricity and roads over the medium term. The economy needs much cheaper power, better roads and ports in the shortest time possible. These are necessary conditions for a successful marriage between growth and development.

The lesson of experience is clear: countries that have made the most in terms of economic transformation are the ones that have had the courage to think outside the box, and to act accordingly. Those countries were prepared to do the "heavy lifting" that critical thinking and bold action require. Economic history cautions against a strategy for development determined by static efficiency and unbridled reliance on the market. In this regard, the Economic Management Team (EMT) will be important: coordinating Government's policies and programs; enhancing aid effectiveness;



Dr. J. Mills Jones
Executive Governor

and ensuring that revenue generated from non-renewable resources is used judiciously for investment aimed at supporting structural change in the economy and targeted poverty alleviation programs.

The ongoing nationwide Vision 2030 exercise being undertaken by the Government provides a useful opportunity to begin the process of recalibrating our development strategy. We must establish greater ownership of not only where we should be going as a nation but also how do we get there. This will require conscientious attempts to create a high level of productive investments in small farms, businesses, among others.

The Board of Governors of the CBL remains committed to working within its mandate to support the process of economic transformation.

INFLATION: 2011 RECORDS SINGLE DIGIT INFLATION DESPITE INFLATIONARY PRESSURE

Inflation for 2011 averaged (a single digit of) 8.5 percent, up from 7.5 percent at end-December, 2010. Inflationary pressure edged up largely during the last half of 2010, especially the four month period beginning October, 2011 and ending January 2012, driven by higher prices of imported food items and limited domestic food supply. At end – January 2012, inflation subsided at 8.9 percent, declining from 11.5 percent at end-December 2011. A comparative analysis of inflation in WAMZ countries at end-January 2012 shows that Liberia, the Gambia and Ghana performed relatively better against Nigeria and Sierra Leone, which recorded inflation rates of 12.6 percent and 16.4 percent, respectively.

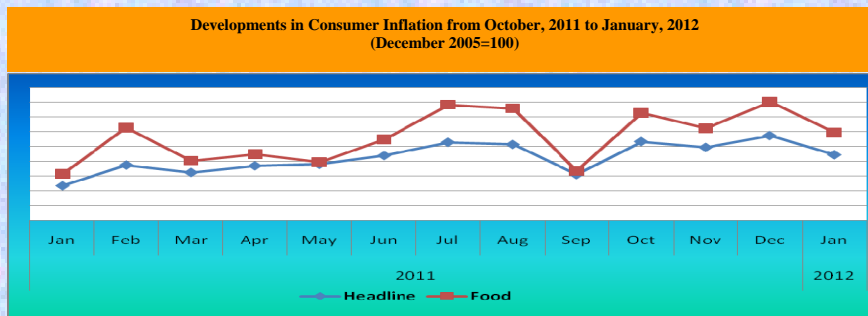
Liberia, the Gambia and Ghana registered inflation rates of 8.9 percent, 4.3 percent, and 8.7 percent, respectively.

The outlook for inflation in 2012 will largely depend on developments with regard to prices of domestically produced food; imported food items and the fuel.

It is important to note that the inflation situation in Liberia points to external stocks, from higher prices of food and oil on the

strong commitment from both the Legislature and Executive to a medium-term budget framework, with a reorientation towards greater focus

on capital expenditure and productivity enhancing programs supportive of the necessary economic infrastructure and investment which will provide the basis for enhanced productivity within the domestic economy especially through



world market, lower supply of domestically produced food, and the poor state of infrastructure (i.e., seaports, electricity, and roads).

In this regard, there is a need for Government to pursue or prioritize full financial and material support to domestic agricultural program for increased domestic production of essential commodities, especially rice to reduce high reliance on imported rice (data shows that US\$118.6 million was the amount spent on imported rice in 2011);

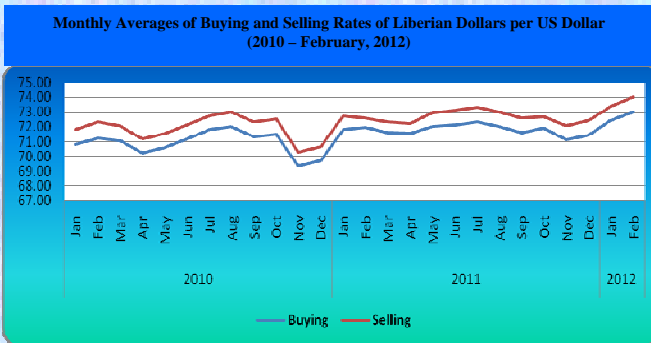
the developments of roads, sea and air ports, and energy (i.e., electricity supply); and that monetary developments will be focused on supporting economic growth and development which means that some inflation may have to be accepted to keep the momentum for growth and employment on track. That is, support to higher growth for job creation and poverty reduction for the lifting of Liberians may come with some reasonable level of inflation and that the CBL would have to engage in a balancing act where Liberian dollar money supply should lead to both growth and moderate inflation.

LIBERIAN DOLLAR REMAINS STABLE AGAINST THE US DOLLAR

The value of the Liberian dollars has remained resilient against the US dollars in the past few months. At end-February, 2012, the Liberian dollar traded at L\$73.00/US\$1.00 for buying and L\$74.00/US\$1.00 for selling. Both buying and selling rates depreciated from, L\$72.50/US\$1.00 and L\$73.50/US\$1.00 at end-January 2012, re-

February, 2012, the exchange rate averaged L\$71.97/US\$1.00 and L\$72.92/US\$1.00 for buying and selling, respectively. Compared with the previous months, the average buying and selling rates only appreciated by 0.06 and 0.1 percent from, L\$72.01/US\$1.00 and L\$73.00/US\$1.00, respectively.

February, 2012, except the Leone which appreciated by 1.3 percent. However, amongst the depreciated currencies, the rate of depreciation for the Liberian dollar (LRD) and Guinea Franc (GNF) was moderately low compared with the others. The LRD and GNF weakened by 2.1 and 0.5 percent, respectively at end-February, 2012 from end-October, 2011, (see Table below)



spectively; indicative of the overall stability in the exchange rate, as this trend has persisted over the last two (2) years. Developments in the exchange rate during the last quarter of 2011 and first quarter 2012, point to the continuous stability of the value of the Liberian dollars against the United States dollars. Between October, 2011 and

CBL intervention in the FX market through the auction over the period spanning October, 2011 to February, 2012 was US \$ 26.3 million, helps meet the needs of importers of both consumer and capital goods, which contributes to promoting economic growth and development.

On the regional front, currencies in the West African Monetary Zone (WAMZ), recorded depreciations vis-à-vis the US dollars at end-

| Currency | End-October, 2011 Currency/US\$ | End-February, 2012 Currency/US\$ | Rate of Depreciation/ Appreciation |
|----------|---------------------------------|----------------------------------|------------------------------------|
| Cedi | 1.557 | 1.679 | 7.8 |
| Dalasi | 28.324 | 29.811 | 5.2 |
| FCFA | 463.249 | 487.553 | 5.2 |
| GNF | 6997.208 | 7032.289 | 0.5 |
| Leone | 4418.435 | 4361.415 | -1.3 |
| LRD | 72.00 | 73.5 | 2.1 |
| Naira | 149.510 | 155.400 | 3.9 |

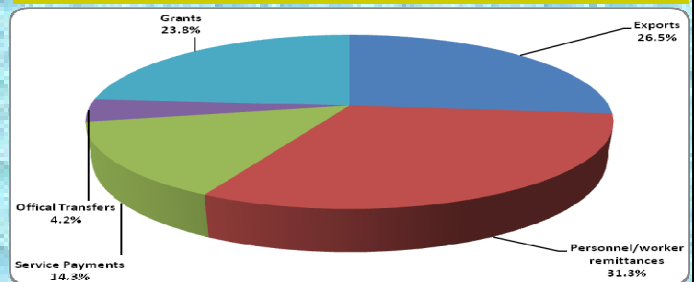
Source: www.amoa-wama.org
*Negative rate suggests appreciation

REMITTANCES INFLOWS ON THE RISE

Inward remittances for the 5-month period starting October, 2011 through February, 2012 totalled US\$613.3 million, a 32.0 percent rise compared with US\$464.7 million reported at the end of the same period a year ago. Outward remittances for the review period amounted to US\$524.4 million reflecting a net inflow of US\$88.9 million. Of the total inflow, workers' remittances accounted for 31.3 percent, followed by exports, 26.5 percent; grants, 23.8 percent; service payment, 14.3 percent and official transfers, 4.2 percent, (see chart). The total outflow,

import payments constituted 66.8 percent; workers' remittance outflows, 19.5 percent; service payments, 9.7 percent and official transfers 4.0 percent.

**Percentage Distribution of Inward Remittances
July, 2011- January, 2012
(In Millions US\$)**



CBL GETS A NEW DEPUTY GOVERNOR

The President of Liberia, Her Excellency Madam Ellen Johnson Sirleaf, in February this year appointed Mr. Charles E. Sirleaf to the position of Deputy Governor, Central Bank of Liberia, based on recommendation from the Board of Governors of the CBL and was subsequently confirmed by the Liberian Senate. Mr. Sirleaf began his central banking career in January 2004, when he was appointed Manager of the newly established Debt Management Unit.

Mr. Sirleaf served as Chairman of the National Debt Management Task Force from July 2004 to March 2006. The Debt Management Task Force was pivotal in establishing a comprehensive debt database for Liberia, which served as the basis for Liberia's debt resolution strategy and a cornerstone for

Liberian authorities' engagement in the HIPC process. Mr. Sirleaf served in various positions of responsibility within the Bank, including Manager of Banking Operations and Director of Finance.

Before coming to the CBL, Mr. Sirleaf served in various positions both within the public and private sectors, including outside of Liberia. Between September 2002 to October 2003, he served as Assistant Minister/Special Assistant to the Minister of Finance; from January 1998 to October 2003, President/Chief Executive Officer of the National Housing & Savings Bank; in January 1997, worked with the United Nations Development Program in Namibia as Special Assistant to the Resident Coordinator/Resident Representative.

Prior to these, he worked as Vice President/Treasurer/Financial Comptroller, National Housing & Savings Bank, September 1995-January 1997; Assistant Manager (Officer) Citicorp Credit Corporation, Atlanta Georgia, USA, June 1990-June 1992; Manager, Citizens and Southern National Bank (C&S), Atlanta, Georgia, USA, February 1988-June 1990.

Mr. Sirleaf holds a BBA degree in Economics from the University of Maryland, College (May 1983), and an MBA in Finance from Mercer University in Atlanta, Georgia (December 1987). He is also a 1975 graduate of the College of West Africa, Monrovia, Liberia.

RESTRUCTURING AT THE CBL: SEVERAL APPOINTMENTS MADE

The Executive Governor of the CBL, Dr. J. Mills Jones, in January and February this year made a number of changes in various departments and sections of the Bank. Mr. Boima S. Kamara, formerly Assistant Director was named Director of the Department for Research, Policy and Planning, replacing Mr. A. Richard Dorley, who was appointed Senior Advisor on Multilateral Relations; Mr. Richard Hne Walker, who had acted as Officer-In-Charge of the Banking Department, was named Director of the Banking Department; Mr. Crayton Duncan, formerly Head of Public Relations and Communications,

was appointed Assistant to the Executive Governor and Public Relations Officer; Mr. MacDonald S. Goanue, formerly Assistant Director of Research for Statistics was appointed Deputy Director, Department of Research; Mr. Michael B. Ogun, former Assistant Director for Policy and Regulation was named Deputy Director, Department for Regulation and Supervision.

Also appointed were Mr. Fonsia Donzo, Assistant Director for Surveillance, Regulation and Supervision Department; Miss Massa Sonii, Assistant Director for Banking; Mrs. Erica

Reeves Williams, Senior Policy Analyst, Regulation and Supervision Department; Mrs. Barue Mills-Morris, Senior Policy Analyst, Regulation and Supervision Department; Mr. Jay Browne, Principal Examiner, Regulation and Supervision Department; Miss Murella Bedell, Senior Examiner, Regulation and Supervision Department; Mr. Moses Forkpa, Senior Examiner, Regulation and Supervision Department; Mrs. Miatta S. Jarry, Senior Examiner, Regulation and Supervision Department, among others.

CBL IDENTIFIES WITH UNIVERSITY OF LIBERIA STUDENTS

The Executive Governor of the Central Bank of Liberia, Dr. J. Mills Jones, on March 16, 2012 donated L\$5.0 million to the University of Liberia Student Union (ULSU) Scholarship Fund Drive as part of the CBL's outreach program. The Scholarship fund was established by ULSU to assist needed students at the University of Liberia.

Governor Jones, speaking at the launching program, highlighted the need for Liberian students to be empowered through the acquisition of knowledge to enable them meaningfully contribute to the rebuilding of Liberia. He admonished Liberian students to prioritize education, as it is fundamental for the growth and transformation of the country. He stressed the need for Liberian youths to focus

on ventures that have the propensity to adequately prepare them for future challenges and the job market.

LIBERIA MEETS ALL PRIMARY CONVERGENCE CRITERIA AGAIN: LAUDED FOR GOOD ECONOMIC PERFORMANCE

For the third consecutive time, Liberia has been lauded for its good economic performance under the implementation plan of the ECOWAS Single Currency Program during the period 2010-2011, compared with other member states of the West African Monetary Zone (WAMZ). The commendation was contained in the WAMZ Macroeconomic Developments and Convergence Report presented by the West African Monetary Institute (WAMI) at the 26th Meeting of the Committee of Governors and the 29th Meeting of the Convergence Council of Finance and Trade Ministers as well as Governors of Central Banks of the WAMZ, which took place in Freetown, Sierra Leone, on January 19-20, 2012.

The meetings were organized by WAMI, in collaboration with the Bank of Sierra Leone and the Ministry of Finance & Economic Planning. Institutions that participated in the meetings are the Central Banks of Liberia, The Gambia, Ghana, Sierra Leone, Guinea, Nigeria and the Central Bank of West African States (BCEAO). Others were the Ministries of Economy and Finance of the abovementioned countries, WAMA, WAMI, WAIFEM, WABA, IMF, AfDB, EBID, ECOWAS Commission, UEMOA Commission, AFRISTAT, and African Export-Import Bank.

The purpose of the meetings was for Governors of Central Banks and Ministers of Finance and Trade of the member countries of the WAMZ to review and deliberate on the WAMZ Macroeconomic Developments and Convergence Report on the individual member countries covering the first half of 2011.

On assessment of the status of macroeconomic convergence relative to meeting the primary and secondary criteria by the individual member countries, the Report indicated that, of the six countries of the WAMZ, Liberia was the only country that met all 4 of the primary criteria and 2 of the 6 secondary criteria during the first half of 2011. This means that Liberia met 6 of the total number of 10 convergence criteria (Primary and Secondary) required under the common currency program, compared with The Gambia, 5; Ghana, 4; Guinea 4; Nigeria, 5; and Sierra Leone, 3. The convergence criteria are mac-

roeconomic indicators used for determining the preparedness of the various member countries of the WAMZ for the introduction of the common currency. Put differently, they are a set of standards regarding certain macroeconomic indicators that must be met and sustained by every member country of the WAMZ as a way of laying the foundation for the introduction of the common currency.

Some highlights on Liberia from the WAMZ Macroeconomic Developments and Convergence Report

Liberia's economic performance has been materially improving for the last six years and this can generally be ascribed to the skill and good judgment exercised by the Government in the use of available resources for the social and economic transformation of the country. Below, are excerpts from the WAMZ end-June 2011 Macroeconomic Developments and Convergence Report on Liberia:

"The global economic recovery slowed during the first half of 2011 on account of the earthquake and tsunami devastation in Japan, the sovereign debt crisis in Europe, the political wrangling over the debt-ceiling in the USA, and weak manufacturing production in China. However, the global primary commodity markets remained buoyant with appreciable increases in the prices of oil, gold, rubber and cocoa. These developments presented mixed effects on the Liberian economy as the exceptional performance of the country's export sector neutralized adverse effect of the rising crude oil prices on the international market."

According to the Report, the real sector of the Liberian economy witnessed appreciable expansion as a result of good weather conditions supported by prudent domestic policies and favorable external sector developments. The projected growth rate for the year was 6.2 percent. Inflation increased from 4.7 percent in January 2011 to settle at 8.8 percent at end-June 2011. Fuel and food price hikes were the key drivers of the inflationary spike observed during the period.

Going further, the Report mentioned that the

monetary authorities continued to pursue tight monetary policy. Broad money supply growth during the review period was 11.2 percent, driven largely by the expansion in net domestic credit. The Central Bank of Liberia strengthened its supervision mechanism and took measures to promote the soundness of the financial system. To prop up small and medium-scale enterprises (SMEs), the CBL placed a stimulus package of US\$5 million in selected deposit money banks to be lent out to the SMEs at concessionary rates.

The Report also mentioned that the buoyancy of the export sector led to an improvement in the country's external position. Gross external reserves increased from US\$255.5 million (4.0 months of import cover) at end-June 2010 to US\$279.8 million (4.1 months of import cover) at end-June 2011. The build-up in reserves strengthened the CBL's ability to intervene periodically in the foreign exchange market, which resulted in the broad stability of the nominal exchange rate.

Liberia remained committed to the protocols establishing the West African Monetary Zone. This is reflected in the steps and measures that have been taken to harmonize the country's laws and policies with those of the sub-region. The country participated in all meetings relating to the formulation and adoption of the ECOWAS Common External Tariff. However, it has not yet adopted the protocol on the ECOWAS Trade Liberalization Scheme (ETLS). The authorities expressed their interest in the scheme and are soliciting technical assistance from the ECOWAS Commission and other development partners to undertake an impact assessment study of the revenue implications of adopting the ETLS, according to the Report.

The Report further mentioned that, overall, the macroeconomic indicators on the Liberian economy showed a satisfactory performance during the period under review, while the country's economic outlook in the short-to-medium term looks bright. To put the economy on a speedy all-inclusive and irreversible growth path, the Report recommended that the Liberian authorities need to tackle the key supply-side challenges.

LIBERIA TO HOST THE NEXT STATUTORY MEETINGS OF THE WEST AFRICAN MONETARY ZONE IN MONROVIA IN JULY 2012

At their statutory meetings in Banjul, The Gambia, in 2010, the Committee of Governors and the Convergence Council of Governors and Ministers of Finance and Trade of the WAMZ member countries agreed for Liberia to host the July 2012 Statutory meet-

ings of the WAMZ after Guinea and Sierra Leone, respectively. These meetings are held every six months on a rotational basis.

The West African Monetary Zone or WAMZ comprises a group of countries that are work-

ing towards the creation of a single currency by the year 2015, holding everything constant. The West African Monetary Institute or WAMI is a specialized agency of ECOWAS which focuses on issues and activities relative to the implementation of the single currency

WAMZ STATUTORY MEETINGS (cont'd)

program.

In order to ensure that the meetings are successful, the CBL has already begun preparatory work for the hosting of the meetings. It has set up an internal Steering Committee and seven working subcommittees. The CBL has also notified the Ministries of Finance,

Foreign Affairs, Justice and Commerce & Industry, other stakeholders as well as the concerned specialized ECOWAS Institutions of the forthcoming meetings.

The purpose of the meeting, among others, is to review and discuss the economic performance of member countries of the zone in the

context of the single currency program since the last meetings in Freetown, Sierra Leone in January, 2012. Particular attention will be given to the level of performance by the individual member countries as it relates to meeting the convergence criteria as called for under the implementation plan of the single currency Program, among others.

BANKING SECTOR RECORDS HIGHER GROWTH FOR 2011: Continues Expansion to the Rural Areas

The banking sector recorded steady growth in total assets, loans, deposits and capital at the close of 2011. As at end-December 31, 2011, the industry's deposit base increased by 35 percent, gross loans by 25 percent and total assets by 37 percent compared to September 2011 data. On a year-on-year basis (i.e. December 2010 to December 2011), total assets increased by 29 percent and total deposits by 25 percent. For the same period, lending, mainly to the private sector, went up by 25 percent and capital up by 14 percent. In terms of liquidity ratio and capital adequacy ratio (CAR) as end-December 2011, the industry recorded 41 percent and 22.5 percent, respectively. In addition, the sector expanded with the opening of two new branches in Bu-

chanan, Grand Bassa County, bringing the total number of banks' branches in that county to 5, and in Nimba to 7. At the close of the year, the total number of bank branches was 78 throughout the country, with 10 of the 15 counties having at least one bank branch, as shown in the table.

| Expansion in Bank Branches over 2010 and 2011 | | |
|---|-----------|--------------------|
| County | 2010 | Number of Branches |
| Montserrado | 46 | 46 |
| Margibi | 9 | 9 |
| Grand Cape Mount | 1 | 1 |
| Grand Bassa | 3 | 5 |
| Sinoe | | 1 |
| Maryland | 4 | 4 |
| Bong | 2 | 2 |
| Nimba | 6 | 7 |
| Lofa | 2 | 2 |
| Grand Gedeh | 1 | 1 |
| Total | 74 | 78 |

CBL RECEIVES SUPPORT FROM THE WORLD BANK/FIRST INITIATIVE ON THE INSURANCE REFORM PROJECT

At the request of the CBL, the World Bank/First Initiative last year approved a technical assistance package for the ongoing reform project regarding the insurance sector. In furtherance of this assistance, World Bank/First Initiative, last year, hired A2F Consulting Firm, an internationally reputable consulting firm to provide the technical assistance to the CBL. A 3-person team from a consulting firm visited the country from February 20-27, 2012 on the first of their three missions to Liberia. The objective of the first mission was twofold: (1) to hold consultative meetings with various stakeholders in order to obtain a general overview and understanding of the challenges confronting the insurance

sector to facilitate the technical assistance needs of the country, and (2) to provide training workshops for CBL staff and relevant staff of insurance companies recognized by the CBL.

During the recent mission, the team held several consultative meetings with selected insurance companies, the Chief Executive Officers (CEOs) of all of the 14-recognized insurance companies by the CBL and staff of CBL. The team also conducted a series of workshops for both staff of the insurance companies and CBL. Topics covered during the workshops, included: the concept of insurance in general & how it works; solvency of insurers; risk-based manage-

ment; risk-based supervision; mergers & acquisitions and liquidation of insurance companies; and insurance accrual accounting. The workshop was also designed to enhance the insurers' understanding of basic accounting concepts and principles unique to insurance business such as investment assets, deferred acquisition costs, policyholder liabilities and future benefits payable to policyholders as well as the insurance accounting treatment of these features on the balance sheet and profit and loss account of the insurers. The team is expected in the country in April in continuation of the technical assistance program.

FURTHER MEASURES TAKEN TO STRENGTHEN THE BANKING SECTOR

During the period under review, the CBL amended the below-listed regulations consistent with international best practices and standards. The upgrading of the regulations is intended to ensure the continuous stability of the sector.

1. Amended Regulation Concerning Banking License. The amended regulation highlights and enhances the various structural and operational requirements and/or standards for establishing a bank, fundamental re-

quirements for issuing banking licenses, risk management framework, among others.

2. Amended Corporate Governance Regulation. The amended regulation is intended to enhance corporate governance practices in the financial system, and places greater responsibilities on the board of directors of financial institutions in the management of their institutions. It takes into contemporary corporate governance practices consistent with

regional and international best practices.

3. Amended Regulations concerning Audit of Financial Institutions and Publication of Financial Statements. The amended regulation is intended to promote adequate disclosure and transparency relative to financial information and activities of financial institutions operating in Liberia.

CBL PARTICIPATES IN COLLEGE OF SUPERVISORS' MEETINGS

The CBL continues to play an active role in the College of Supervisors of West African Monetary Zone (CSWAMZ). The Bank was represented at the 6th meeting of the CSWAMZ, which was held at the West African Monetary Institute in Accra, Ghana, from the 3rd to 5th of October, 2011. The meeting discussed the achievements made by the College since its one year existence and challenges confronting the College. Some of the achievements of the College highlighted during the meeting include the enhancement of supervisory cooperation, capacity building for bank supervisors, and harmonization of the code of corporate governance regulations as well as progress made towards the harmonization of the banking supervision practices. The challenges facing the College include the full implementation of Risk-Based Supervision (RBS), Basel II, and International Financial Reporting Standards (IFRS) by member countries. It is important to note that serious efforts have been made by each member country to address these challenges.

In the case of Liberia, the CBL has made significant progress with the implementation of RBS by concluding full-scope RBS exams of seven of the nine banks as at December, 2011. The Bank is also in the process of upgrading the Risk-Based Supervisory Framework to make the framework more robust and proactive. With respect to the implementation of IFRS in Liberia, the CBL issued a directive to the banks to be IFRS compliant by December 31, 2012 and has set up an IFRS Implementation Committee, comprising of representatives of the commercial banks, the external auditors and the CBL. In order to ensure that all banks meet the deadline, the CBL has been engaged in a number of activities, including: (1) working with the commercial banks to build and strengthen the capacity of staff of the commercial banks and (2) issuing a road map/action plan to the banking sector. The commercial banks in January, 2012, also benefitted from a one-week training workshop, through an IMF technical assistance program to the CBL.

The CBL also participated in the 7th meeting of the College of Supervisors held in Freetown, Sierra Leone, from January 16th -18th, 2012, as part of the Convergence Council Meeting of West African Monetary Zone. During the 7th meeting, the first Maiden Edition of the Financial Stability Report for the WAMZ was officially launched by the Committee of Governors of the WAMZ. The report discusses the major developments in the economy and banking sector of the WAMZ' member states, including key regulatory and supervisory reform measures implemented by the member countries during the first six months-January –June, 2011. The launching of the Report is an important achievement and a demonstration of the commitment of the College to promote financial stability in the sub-region

TOWARDS ENHANCED SUPERVISORY COOPERATION: THE CSWAMZ AND COMMISSION BANCAIRE OF THE UEMOA MEET IN ABIDJAN, LA COTE D'IVOIRE

As part of efforts to promote supervisory cooperation across the West African sub-region, the College of Supervisors of West African Monetary Zone (CSWAMZ) has been engaged with the Secretariat of the Commission Bancaire, the regulatory arm of the West African Economic and Monetary Union (UEMOA). Pursuant to this engagement, the College held a meeting with the Commission in Abidjan, La Cote D'Ivoire, from February 13 & 14, 2012 to discuss the draft Memorandum of Under-

standing between the two institutions concerning the exchange of information and promoting supervisory cooperation. The meeting was attended by senior officials of the Commission led by its General Secretary, Mr. Bolo Sanou, and the College was represented by senior officers of Banking Supervision Departments of the CWAMZ, which comprises of Nigeria, Ghana, Liberia, Sierra Leone, Guinea and The Gambia, led by Mr. Tapsiru Dainkeh, Director of Banking Supervision of the Bank of Sierra

Leone, and the current Chair of the College.

During the meeting, both CSWAMZ and the Commission Bancaire agreed to work on a framework for "Cooperation Protocol" that will take into account the legal, regulatory and conventional provisions binding the parties. Further discussion on the supervisory cooperation is expected at the next meeting of the College in April in Accra, Ghana.

HIGH LEVEL CBL DELEGATION VISITS SOUTH EAST LIBERIA: HOLDS "TOWN HALL" MEETINGS WITH COUNTY OFFICIALS AND BUSINESS COMMUNITY

The CBL, in its effort to expand financial services to all parts of Liberia, sent a high level 6-person delegation of the Bank, on a week-long assessment tour to Rivercess, Sinoe, RiverGee, and Grand Kru counties in South Eastern Liberia from February 12-17, 2012. The tour was in furtherance of the CBL's commitment to promote financial inclusion in the country through the accessibility of financial services to all segments of the Liberian population, particularly low-income groups and rural communities, as part of the Government's effort to fight poverty and promote balanced growth and development. The dele-

gation conducted a first-hand assessment of the general economic environment of the four counties, with emphasis on their financial services needs in order to help improve the business environment and the economic well-being of the people in those counties.

During the tour, the delegation held "Town Hall" meetings with County Officials and the business community, including the farmers, the petty traders, the motorcyclists, etc, in each county. The tour highlighted the constraints and difficulties confronting the residents in those counties,

especially with the absence of banking services.

Residents of the four counties were informed of the various stimulus initiatives being undertaken by the CBL to support small- and medium-sized enterprises (SMEs) and microfinance institutions operating in the country and the CBL's commitment to ensuring that those initiatives are extended to all parts of the country. They were encouraged to take advantage of the opportunity being provided by the CBL by better organizing themselves into more

(Continued on page 7)

CBL Delegation Visits South East (cont'd)

(Continued from page 6)

formal structures, and that the CBL was prepared to assist them in this effort. The delegation further informed the people of each county of the rural microfinance banking concept (called MC2), which is being promoted jointly by the CBL and Afriland First Bank, that could be used to meet the financial service needs in rural

Liberia, and help to fast-track the development of the rural economy. The Managing Director of Afriland First Bank Liberia Limited (AFBLL), Mr. Hamadou Bayo, was available to assure the potential beneficiaries of this scheme that Afriland First Bank was prepared to provide technical support to the project. The rural microfinance bank is one that allows for full own-

ership and management by a local community. It can be recalled that the CBL recently gave its support to the development of this microfinance banking model in Liberia, in addition to mobile money services, as part of its efforts to increase access to financial services by rural communities.

STEPPING UP WORK TOWARD THE IMPLEMENTATION OF THE NATIONAL PAYMENTS SYSTEM

A modernized National Payments System is critical to the development of our economy, thereby reducing transaction costs, eliminating risks and enhancing efficiency in the banking system. In this context, the CBL has worked on the following actions:

In consultation with the Project Management consultant, the CBL has prepared a proposal to solicit donor funding for the implementation of a central Switch that will facilitate interoperability among banks and facilitate transactions in the retail market. This initiative will enhance the followings:

- economic revitalization by having easy access to payment instruments and to allow and encourage the use of non-cash instruments in high volume and low value transactions throughout the economy;
- build trust and confidence in the banking and financial services industry in

Liberia;

- open investment corridor and provide assurance to current and future investors in Liberia;
- to reduce the deficiencies mentioned by GIABA in the mutual evaluation report (MER) as outlined in the Anti Money Laundering Law;
- to protect the banking and financial services sector against money laundering by reducing the amount of cash carried in the hands of individuals; and
- facilitate access to credit and support economic development, especially among the rural and unbanked population of Liberia.

The CBL, in its quest to provide a well founded legal framework, has worked in collaboration with the Legal Department to

draft a Payments System Act which is being reviewed by a legal consultant from the IMF. In the context of the revision process, the IMF was asked for advice on how to put the draft Payment System Act up to date, in order to take into consideration all the various market developments and cope with international standards and best practice. The New Payments System Act will set the legal basis for the regulation, supervision and oversight on payments system and payment service providers, when enacted into law by the National Legislature.

Additionally, progress has been made towards the adoption of the WAMZ harmonized check standards by the entire industry. The standardization of the CBL check is near completion and the PSU is currently working with the commercial banks to ensure that their checks are printed based on the WAMZ's specifications.

EXPANDING FINANCIAL INCLUSION TO LOW INCOME EARNERS

A L\$200,000,000.00 (Two hundred million) Loan Extension and Availability Facility designed to provide soft loans to Microfinance Institutions (MFIs), Credit Unions, and Village Savings and Loan Associations (VSLAs) was launched in January 2012 by the CBL. The program will provide soft loans to these institutions at favorable terms for on-lending to their clients or members. As of February 2012, a total of 132 applications from 13 counties have been received including applications from 8 MFIs, 52 Credit Unions, and 72 VSLA. A detailed due diligence to determine qualified applicants is currently underway. It is expected that the first disbursements will be executed in April 2012.

Also, the CBL in conjunction with the Launch of an Inclusive Financial Sector (LIFS) launched the Financial Inclusion Microfinance Discussion Forum in January 2012. The sessions were meant to bring stakeholders together to discuss key issues and exchange ideas about advancing financial inclusion.

Thus far, two sessions have been held under the respective topics:

1. Microfinance interest rates on January 27th
2. Banking the unbankable—potential of mobile technology in advancing financial inclusion in Liberia on February 24th

The fora were well attended, 123 attended the first and 103 attended the second.

A tour aimed at expanding banking services in Liberia to support the expansion of the financial sector to the lower segment of the market and to the rural areas was completed in collaboration with WIZZIT International, a South African branchless banking company with extensive experience in reaching out to rural poor. This new model is expected to quickly pick up in Liberia in terms of reducing the cost of operations and expansion of the MFIs and Commercial Banks into the rural areas.

CBL SUPPORTS FURNITURE MAKERS—9 RECEIVE LOAN UNDER CREDIT STIMULUS INITIATIVE

Realizing the need to implement one of its core mandates of promoting general economic growth through market intervention, the CBL took interest in the quality of work of the furniture makers whose aspirations to increase their production is limited due to the lack of state-of-the-art equipment primarily cause by their inaccessibility to finance.

The CBL being so impressed with the quality of work of the furniture makers engaged a local consultant to work with them to assess their needs, this was to include designing a business support organization structure, design and facilitate implementation of business structure for said furniture makers, design a simplified business plan format for the

furniture makers to be used in the loan application process with the commercial banks and preview business plans and loan applications for furniture makers in the business support organization.

The consultant's report revealed that the Liberian domestic furniture industry is old but undeveloped. Woodworking and furniture making has been done for many years in the country. The industry is characterized by the following: (1) Lack of adequate skills; (2) Lack of adequate tools; (3) Poor quality work; (4) Lack of finance; (5) Inadequate support from government; (6) Low income workers; (7) Job insecurity; (8) Inadequate capital; and (9) Uncertainty.

Following the recommendations made by the consultant, the CBL encouraged furniture makers to take advantage of the existing window afforded through the SMEs Credit Stimulus Initiative and 9 of them are already benefiting from the loan scheme. All of the loans have tenors ranging from 18 to 24 month and with interest rates of no more than 8.0 percent.

Furthermore, the Bank remains engaged with the furniture makers by monitoring their progress and providing technical support as needed. The CBL engagement with the furniture makers is one of its numerous initiatives aimed at empowering Liberian-owned businesses.

CBL IDENTIFIES WITH LIBERIAN BUSINESS ASSOCIATION

The Executive Governor, Dr. J. Mills Jones, in mid-February 2012, while serving as the keynote speaker at ceremonies marking the dedication of the new headquarters of the Liberia Business Association (LIBA) in Paynesville, outside Monrovia reaffirmed the CBL's commitment to the economic empowerment of all Liberians, stating that Liberians should not be afraid of 'affirmative action'

because it is affirmative action that the country needs to move ahead in its economic and development drive.

He commended members and officials of LIBA for their efforts at opening the new headquarters and stressed that LIBA must be the face of Liberian entrepreneurship and expressed the CBL's willingness to assist in

this regard. He promised the CBL's continual support to LIBA and on behalf of the CBL donated a 15 KVA generator.

The President of LIBA, D. Maxwell Kemayah, thanked the CBL and promised that under his leadership, LIBA will work assiduously to live up to the expectations of the Liberian people.

TAILOR, TEXTILE UNION BENEFIT FROM CBL'S OUTREACH: GET L\$350,000 IN ASSISTANCE

The Tailor and Textile Union of Liberia was on February 23, 2012 beneficiary of the CBL's outreach program in the amount of L\$ 350,000 aimed at empowering Liberian businesses. Speaking at a training workshop of the Liberia National Tailors, Textiles, Garments and Allied Workers Union at the Boatswain Jr. High School on Bushrod Island, Monrovia, the Executive Governor of

the CBL, Dr. J. Mills Jones, emphasized the need for every sector of the Liberian economy to be strengthened and its actors empowered.

Governor Jones promised the union that modalities will be made for them to access finance through the CBL's SME stimulus package to enable them procure the needed materials, machinery, equip-

ment, etc. to help them effectively carry on their work. He announced that the Bank was working along with the union to facilitate its transition process to a credit union whereupon it should be able to access funding under the recently launched Loan Extension and Availability Facility (LEAF)

CBL EMBARKS ON COMPREHENSIVE REFORM OF THE INSURANCE SECTOR

Following series of consultative meetings with the Ministry of Transport, the CBL has embarked on a comprehensive reform of the insurance sector, in keeping with the requirements of the New Financial Institutions Act. In order to proceed orderly, the CBL began with a thorough assessment of the sector, which shows that the sector was grossly undercapitalized and lacked effective risk management and corporate gov-

ernance structure. Also, the sector's licensing regime was found to be weak, evidenced by the licensing of a number of insurance companies that did not meet the initial capital requirement or have established offices and board of directors. Currently, only 2 insurance companies are in compliance with the minimum capital requirement of US\$300,000 for life-only insurance business and US\$450,000 for

composite insurance business, required under the Insurance Law of 1978. However, these amounts are grossly inadequate given the current state of affairs in the economy.

Given the findings of the assessment, the CBL developed a 2-year action plan to guide the reform process and strengthen

(Continued on page 9)

REFORM OF THE INSURANCE SECTOR (Cont'd)

the sector in an orderly manner, to be implemented in 2 phases. The first phase focuses on compliance with the existing minimum capital requirement by all existing insurance companies over the period September 2011 through end-February 2012. To date, only 14 companies are cooperating with the CBL in some respect. The continuous licensing of insurance companies by the Ministry of Transport poses a major challenge to the ongoing reform initiative by the CBL.

The CBL is presently receiving technical assistance from the World Bank/First Ini-

tiative to strengthen the capacity of both the CBL and the insurance sector, and to provide expert advice on the draft Insurance Law and the National Insurance Law. In this regard, a Team of consultants recently visited Liberia, from February 20-27, 2012 on an assessment and capacity building mission. The mission observed that the drafts of the proposed Insurance Act and the National Insurance Commission Act are based on the Nigerian Insurance framework of 1997 and 2003, which is considered obsolete and in advanced stages of being replaced with a new Insurance Act. The proposed Liberian legislation uses the

Nigerian approach of 2 acts: one on insurance in general and the other on establishing the insurance regulator. The usual approach is to deal with all insurance matters, including the establishment and authority of an insurance regulator, in a single Act.

The CBL, as the regulatory agency of the financial system in the country has to play a more important role in the drafting of new laws to ensure that there is no conflict or ambiguities regarding the supervisory oversight of the non-bank financial sector by the CBL.

EMPOWERING RURAL WOMEN: CBL IDENTIFIES WITH WOMEN IN MARGIBI COUNTY

Rural women in Margibi County recently received L\$250,000 as financial assistance from the Central Bank of Liberia. The money which will be used as a revolving fund by the women, will help them obtain loans to improve their businesses, especially those engaged in petty commercial activities.

Speaking at the presentation ceremony, Mr.

Crayton Duncan, Assistant to the Executive Governor and Public Relations Officer conveyed to the women that the Executive Governor was very much impressed by what the women were doing to empower themselves economically. He informed the women that the Executive Governor highly appreciate the unity that existed among them and promised that the CBL will continue to identify with them in ventures that tended to spur eco-

nomical activity and lift them out of poverty.

The President of the Rural Women, Madam Esther J. S. Clarke, thanked the Executive Governor, and promised that the money will be used for the intended purpose. The occasion was also attended by the Senior Senator of the county, Clarice A. Jah, and senior officials of the county.

STRENGTHENING THE CAPACITY OF SUPERVISION DEPARTMENT AT THE CBL

Staffs of the Regulation and Supervision Department continue to benefit from various training and capacity building courses both at home and abroad. In January of 2012, staff members of the Department underwent training in the stress testing of banks organized by the IMF. Also, a 2-day workshop was organized by the First Initiative Group of the World Bank for CBL and insurance companies' staff on operational risks for microfinance institutions.

In March 2012, 2 staff members from the Regulation and Supervision Department attended a training program at the Central Bank of Lebanon which focused on central bank and relationship with commercial banks. Additionally, 3 examiners from the

Department benefited from a specialized bank examination course offered at the Central Bank of Nigeria.

In another development, 3 staff of the Insurance Section of the Central Bank of Liberia benefitted from a 2-week attachment training program with the Central Bank of The Gambia in December, 2011. The attachment program is part of the capacity building effort of the Insurance Section of the Bank. While in The Gambia, the staff was taken through various activities, including a comprehensive review of the legislation governing the regulation and supervision of insurance business in The Gambia; conducted review of off-site returns received by the Central Bank of The

Gambia from insurance companies and participated in a full scope on-site examination of 2 of the largest insurance companies in that country.

Also, the Insurance Section of the CBL also carried out a 1-day training workshop for the insurance companies during the fourth quarter of last year. The workshop highlighted major challenges confronting the sector and provided guidance on the way forward with the reform process. Some of the challenges discussed during the workshop included weak corporate governance, poor risk management practices, inadequate capitalization, among other supervisory issues.

CBL GOVERNOR AND MINISTER OF FINANCE EMBARK ON GREATER COOPERATION

The Executive Governor and Minister of Finance have agreed to embark on greater cooperation between the 2 institutions. In this regard, the heads of both institutions have decided to hold weekly luncheon with a view to fostering better policy coordination and ensure a cordial working environment. As managers of the Liberian economy and given

the complementary role between them, there is a need for constant exchange of views on issues relating to policy design and implementation.

The harmonization of policies will play a significant role for timely decision making in

addressing critical macroeconomic issues for the stability of the economy.

CREDIT STIMULUS PACKAGE IMPACTS EMPLOYMENT CREATION POSITIVELY—MAKES FINANCE ACCESSIBLE TO A BROAD SPECTRUM OF SOCIETY

Since the launch of the US\$5.0 million Credit Stimulus Initiative by the CBL, a total of US\$2, 986,692.52 has been lent out to Liberian-owned businesses, which has helped to sustain the employment of at least 2,674 Liberians.

In terms of classification, all of the loans are current. The average interest rate is 6.73 percent. At the moment, there are 44 businesses taking advantage of the stimulus pack-

age. The activities of these businesses involved transportation, service, manufacturing, gas & oil, agriculture, fisheries, hospitality, printing/publishing, retail, microfinance, and woodwork.

In this regard, Liberian-owned businesses can now speak of access to finance through the vision of the CBL which until the launch was regarded as being within the exclusive domain of foreign-owned businesses. The ex-

pectation therefore is that Liberian-owned businesses will now begin to evolve innovative approaches, be competitive both in and out of Liberia and gradually assume a commanding lead in market opportunities. Also, other Liberian-owned SMEs that have not taken advantage of the Scheme are encouraged to do so by coming up with good business proposals.

THE CENTRAL BANK OF LIBERIA (CBL) AS PART OF ITS EFFORTS TO PROMOTE DISCLOSURE, TRANSPARENCY AND COMPETITION IN THE BANKING SYSTEM IN KEEPING WITH ITS DIRECTIVE NO. CBL/SD/003/2011, PUBLISHES THE CONSOLIDATED CHARGES OF INDIVIDUAL BANKS. THIS MEASURE IS IN ADDITION TO THE REQUIREMENT FOR BANKS TO DISPLAY THEIR SCHEDULES OF ANNUAL LENDING RATES, SAVINGS RATES, FEES, COMMISSIONS AND OTHER CHARGES IN CONSPICUOUS PLACES OF THEIR BANKING PREMISES. THIS PUBLICATION IS DONE ON THE FIRST MONDAY IN EACH MONTH IN A NUMBER OF MAJOR NEWSPAPERS. THE INFORMATION CAN ALSO BE FOUND ON THE CBL'S WEBSITE AT WWW.CBL.ORG.LR

PARTICIPATE IN THE CBL'S WEEKLY FOREIGN EXCHANGE SALE AUCTION

THE CENTRAL BANK OF LIBERIA CONDUCTS A WEEKLY FOREIGN EXCHANGE SALE AUCTION AT 10:00 A.M. ON EVERY WEDNESDAY AT ITS TRAINING CENTER AT THE CORNER OF WARREN AND CAREY STREETS. THE AUCTION IS PRINCIPALLY INTENDED TO HELP ENSURE STABILITY OF THE EXCHANGE RATE BY PROVIDING FINANCIAL RESOURCES TO THE NATIONAL ECONOMY, PARTICULARLY IN HELPING TO FACILITATE IMPORTATION OF GOODS AND SERVICES AND TO PROMOTE ECONOMIC GROWTH AND DEVELOPMENT. AS IN RECENT YEARS, THE CBL FOREIGN EXCHANGE AUCTION HAS HELPED TO MAINTAIN BROAD STABILITY OF THE EXCHANGE RATE FOR MOST PART OF 2010 AND FIRST PART OF 2011.

ANYONE OR INSTITUTION WISHING TO PARTICIPATE IN THE WEEKLY AUCTION CAN DO SO BY SUBMITTING A BID OR APPLICATION TO THE CENTRAL BANK'S DEPARTMENT OF BANKING THROUGH ANY OF THE COMMERCIAL BANKS WITH WHICH THE PARTICIPANT OR APPLICANT MUST HAVE AN ACTIVE OR FUNCTIONAL LIBERIAN DOLLAR ACCOUNT TO FACILITATE SETTLEMENTS ARISING FROM THE AUCTION.

**CHANGE YOUR MUTILATED LIBERIAN
DOLLAR BANK NOTES
("TEAR-TEAR MONEY")
AT NO DISCOUNT**

**THE PUBLIC CAN COME
DAILY WITH MUTES IN
EXCHANGE FOR
BETTER QUALITY
LIBERIAN DOLLAR
BANKNOTES AT THE
CENTRAL BANK OF
LIBERIA. THIS CAN ALSO
BE DONE AT
COMMERCIAL BANKS.**