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The REGULATOR

Promoting financial inclusion, customer protection and financial sector development

National Legislature Approves Amended CBL Act

- CBL Given New Powers

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From the Governor's Desk

After two years of extensive review, the National Legislature, in October 2020, passed an amendment and restatement of the Central Bank of Liberia Act of 1999. The amended and restated Act is an important milestone in the modernization of the Central Bank of Liberia (CBL), which seeks to strengthen the independence and expand the mandate of the Bank, giving it greater transparency and accountability. In addition, the amended Act calls for the establishment of a Monetary Policy Committee, with the sole responsibility of formulating and implementing the monetary policy function of the Bank.

During the course of 2020, CBL embarked on developing a new Strategic Plan, which sought to re-define the Bank's policy priorities and goals for the next three years (2021-2023), namely: Price and Financial Stability, Payments System Integration and Financial Inclusion, and Rebranding and Improving CBL's Image. The new Plan also considers the expanded mandates of the Bank, as enshrined in the amended Act.

In 2020 the banking system experienced liquidity constraints that were exacerbated by COVID-19 and the increase in non-performing loans. The L$4.0 Billion printed banknotes were inadequate in meeting the demands of the economy, leading CBL to work in collaboration with commercial banks, mobile money operators and the Ministry of Commerce to intensify the use of electronic payments. CBL considers financial digitization as the future direction of the economy, with benefits including savings from reduced frequency in printing banknotes, reduced liquidity pressure, financial inclusion, and effective public financial management. In view of this, CBL will intensify efforts at financial digitization in 2021 and looks forward to engaging all key stakeholders.

CBL Retains 25% Monetary Policy Rate for the Third Successive Quarter

Executive Governor, J. Aloysius Tarlue Jr.

As in all WAMZ (West African Monetary Zone) countries, except for Nigeria, Liberia retained a 25% monetary policy rate. The Liberian monetary policy rate has remained unchanged since February 2020, when it was reduced from 30% to 25%. The retention of a 25% rate was predicated on global, regional and domestic macroeconomic developments.

Domestic Economic Considerations

The domestic economic considerations that influenced the CBL decision included a decline in the real domestic product for 2020 to negative 2.5%, and a deterioration of trade balance to negative 6.43%. Non-performance loans for Quarter Three increased by 4.4.% above the tolerable limit, with currency outside the banking system rising by 8.2% and currency in the banking system declining by 15.4% to L$1.27 Billion.

On a positive note, however, annualized inflation fell from 18% at the end of quarter two, to 15.3% at the end of the third quarter of 2020, while the net inflow of worker remittance rose to US$48.4 Million during the same quarter. There was also good news in the exchange rate, as the Liberian dollar appreciated against the United States dollar both in nominal and real terms by 4.5% and 13.3%, respectively, at the end of September.

Global Economic Determinants

On the global and regional macroeconomic fronts, commodity prices improved during the third quarter and global inflation for 2020 was projected to moderate at 3.2%, from 3.5% in 2019. Monetary policy rates in the advanced economies, notably the US and the UK, also stabilized at 0.25% and 0.10%, respectively.

The Way Forward

Within the foreseeable future, CBL will undertake extensive financial education, with the aim of facilitating financial inclusion.

Financial inclusion is linked to Pillars 2, 3 and 4 of the Government's Pro Poor Agenda for Prosperity and Development (PAPD), which include access to finance; digital financial services; and consumer protection.

Liberia significantly lags in financial inclusion in comparison to other developing countries. Currently, only 35.7 per cent of adult Liberians have accounts with a financial institution, with rural women disproportionately affected. The aim is to raise this percentage to 50% by 2024, which is why the current CBL decision to prioritize financial education is even more important.

A cross-section of CBL Board of Governors & senior staff

Financial Inclusion on the Increase in WAEMU Region

The 2019 Annual Report of the Central Bank of West African States, published on 30 October 2020, has revealed that financial inclusion within the WAEMU (West African Economic and Monetary Union) region has increased by 4.6 percentage points between 2018 and 2019. According to the Bank, financial inclusion increased from 55.5% in 2018 to 60.1% in 2019. The Annual Report further revealed that Cote d'Ivoire ranked highest within the WAEMU region in terms of financial inclusion.

Hon. Tiemoko M. Kone, Governor Central Bank of West African States

E-money increased by 5.4% to 39.6 % in 2019, contributing significantly to the increase in financial inclusion in the region.

Cote d'Ivoire's financial inclusion rate , at 77.9%, surpassed Benin, whose financial inclusion rate is 77.8%. These top two countries are followed by Togo (72.3%), with Burkina Faso and Senegal at 70.9% each. Niger, with a financial inclusion rate of 17.5%, is among the lowest within the region.

Guinea-Bissau's financial inclusion rate rose by 19.0%, making it the fastest growing nation in terms of financial inclusion, with Cote d'Ivoire in second place, clocking a 10.8% increase in its financial inclusion growth. Mali and Benin come in at third and fourth places, with financial inclusion growth rates of 4.5% and 3.4%, respectively.

WAEMU Headquarters in Ouagadougou, Burkina Faso

Other measures of financial inclusion, such as strict banking rates and extended banking rates were tabulated in the Bank's 2019 Annual Report. The strict banking rate measures the percentage of the adult population with an account in banks, postal services, national savings banks, and the Treasury, while an extended banking rate combines the strict banking rate with users of microfinance services.

Togo was reported to have a 78.5% extended banking rate, making it the highest in the region, followed by Benin (72.2%), Senegal (52.0%), and Burkina Faso (43.4%).

WAEMU is an organization of eight, mainly French-speaking West African states within the ECOWAS (Economic Community of West African States) established to promote economic integration among countries that share the CFA franc as a common currency.

It was created by a Treaty signed in Dakar, Senegal, on 10 January 1994, by the heads of state of Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo. On 2 May 1997, Guinea-Bissau, a former Portuguese colony, became the organization's eighth (and only non-French speaking) member state.

The Central Bank of West African States, on the other hand, is a central bank serving the eight west African countries that share the common West African CFA franc currency.

African Development Bank Launches New Regional Integration Strategy

AfDB President, Dr. Akinwumi Ayodeji Adesina

A new West African regional integration strategy that will improve the resilience of cross-border infrastructures and support the development of regional businesses was launched during a virtual seminar that brought together representatives of the African Development Bank (AfDB), regional economic communities and member countries. According to an AfDB press release, the Strategy will also promote the development of intra-regional trade and financial integration in West Africa.

Launched on 26 November 2020, the Regional Integration Strategy was earlier approved on 28 May 2020 by the Board of Directors of the Bank Group, following an extensive consultation exercise initiated by the Bank's Regional Integration and Trade Department. A broad range of stakeholders took part in the consultation exercise, including departmental and bank-wide focal points, and prominent bank 'think tanks. Formal external consultations were held with the African Union, NEPAD (New Partnership for Africa's Development), UNECA (United Nation's Economic Commission for Africa), as well as selected specialized private sector regional institutions such as regional business councils. The Strategy was validated by a broader participation of stakeholders.

The new Regional Integration Strategy replaces the previous Regional Integration Strategy and is combined with a policy on economic cooperation and regional integration. It also builds on the successes and lessons of the 2011-17 Strategy, highlighting AfDB's priorities that are consistent with the objectives of Agenda 2063 Africa, the African Continental Free Trade Area (AfCFTA), the Sustainable Development Goals, the ECOWAS Vision 2020 and global agreements on climate change.

Marie-Laure Akin -Olugbade, the Director General of the Bank for West Africa, was reported in the AfDB Press Release as saying that the Strategy required immense resources, but this won't deter the Bank from continuing to allocate resources for its priority programs. The Bank, she said, would develop existing synergies with its partners and with the private sector, who will be important players in the Strategy's implementation. A Forum for Investment in Africa has been established and will create a window of opportunity for the financing of structural projects.

AfDB Headquarter in Abidjan, Cote d' Ivoire

Over the 2020-2025 period, the Bank plans to finance 35 projects with a total value of approximately US$4.94 Billion, mainly on transport and technological infrastructure , not excluding investment in climate-resilient energy projects.

National Legislature Approves Amended CBL Act, Gives New Powers and Expanded Role

CBL Management and Senior Staff Meet Following Passage of the Amended and Restated CBL Act

The amended and re-stated Central Bank of Liberia Act of 1999 was passed into law on October 20, 2020. It gives CBL new powers and an expanded role in managing the national economy, with a view to modernizing the Bank. The Amended Act is also expected to strengthen CBL's autonomy and operational independence, while at the same time promoting transparency and accountability. The new Act will further strengthen oversight and internal controls in the Bank and address the shortcomings in the operations of the Bank, in keeping with current international best practices.

New Powers

Sections 17, 56 and 57 grant CBL new powers for the purpose of ensuring price stability, as well as transparency and accountability in the Bank's activities.

Section 17 provides for the establishment of a Monetary Policy Committee (MPC) that will focus solely on monetary policy decision-making. It will be a statutory body just like the Board of Governors, but with the sole mandate of ensuring price stability. Membership of the body will include technocrats who understand the prevailing macroeconomic challenges and are able to proffer effective policy prescriptions.

Section 56, on the other hand, calls for the conduct of external auditing at CBL, the appointment of an external auditor and the publication of an external audit report of the Bank, thereby promoting transparency and accountability. Section 57 is also a new section, calling for the establishment of an Audit Committee that will strengthen internal controls systems, giving the CBL Board of Governors greater oversight at the Bank.

Expanded Role

In sections 4, 5, 6,10, 12, 14 and 22, CBL's existing functions are expanded to strengthen its independence and give it a bigger role in the economy. The expansion of CBL's existing functions is intended to improve the governance infrastructure of the Bank.

Section 4 emphasizes CBL's autonomy, granting it operational independence, howbeit with Legislative oversight, while Section 5 expands the Bank's objectives to include financial stability and support for government's economic program, in addition to price stability.

Section 6 expands CBL's functions, to include monetary policy, exchange rate policy, financial sector regulation, payment system, insurance sector, capital markets, non-bank financial institutions, and relationship with the Government, among others. These added functions give CBL greater regulatory oversight of the financial system.

In Section 10, the CBL Board of Governor's authority is expanded, to include strengthening corporate governance, while Section 12 expands the management responsibilities of the Executive Governor and Deputy Governors.

It further prescribes the circumstances under which a non-executive Governor may act in the place of the Executive Governor.

In Section 22, the Liberian dollar is given greater primacy, strengthening its role for all transactional, accounting, financial reporting, and other official purposes. Section 22 also promotes a wider use of the Liberian dollar, as a means of increasing acceptability and promoting macroeconomic stability.

What Next?

Now that the Amended CBL Act has been passed, the stage is set for its implementation. It will become incumbent on all to familiarize themselves with the Amended Act by reading it. Following that, CBL's Communications Unit is likely to commence a series of sensitization campaigns, taking the Act to the Public.

As the new Amended Act is a legal document, CBL's Legal Department is likely to join the Corporate Communications Unit to take to the airwaves, along with the relevant CBL departments, explaining and interpreting the legislation to the public and how CBL's new powers and expanded role in economic management can be harnessed in accelerating economic growth and development.

The relevant CBL departments will then begin implementation of the passages of the Amended Act that apply to them.

CBL Takes Monetary Policy Outreach to Rural Liberia

Shortly after the announcement of its monetary policy decisions in August 2020, a CBL Outreach Team set off for rural Liberia to promote the monetary policy decisions announced by the CBL Board of Governors. Those decisions, among others, included the provision of extensive financial education and the promotion of digital financial services.

The 2020 CBL Rural Liberia Outreach Team visited Nimba, Bong, Margibi and Bassa counties, undertaking face-to-face awareness with economic agents, including marketeers and businesses, with the aim of attracting more retail investors for the CBL bill and greater use of digital financial services.

The promotional activities included leafletting; meetings with local commercial bank officials and radio talk shows in each of the four counties the Team visited.

Participants at one of the Town Hall meeting

Outreach Activities

Most of the local bank officials that the CBL Team met took keen interest in promoting the CBL Bill. The bank officials briefed the CBL Team about their collaborations with mobile money networks, which yielded innovative new products such as the new 'Push and Pull' technology that enables service users to withdraw from, and deposit money to, their bank accounts via their mobile money wallets.

Better still, the CBL Team was informed that salary payments could automatically be made to customers' mobile money wallets, thereby removing the necessity to go to the banks to withdraw cash.

Challenges

A major challenge affecting financial digitization, however, remained the unwillingness of wholesalers to accept digital payments for financial transactions.

The CBL Rural Outreach Team along with Local Authorities

The Outreach Team used rural radio stations to showcase the CBL Bill. Radio listeners were persuaded to take advantage of the investment opportunity that the CBL Bill presented and were discouraged from hoarding money because of the apparent risks involved in doing so.

Success Story

Judging from data gleaned from recent research, the CBL's recent outreach to rural Liberia was a success. The November 2020 Communique issued by the CBL Board of Governors revealed a growing confidence in the CBL Bill, evidenced by a significant increase in retail investments from L$29.56 Million in Quarter Two to L$129 Million in Quarter Three of 2020 which coincided with the same period of the promotional activities of the CBL Rural Outreach Team

Liberia's National Payment System – An Overview

Payment Systems Director Miatta O. Kuteh

Liberia's payment ecosystem is a diverse network of multiple payment methods, relying on each other to operate efficiently and securely. They include nine (9) commercial banks, a Real Time Gross Settlement (RTGS) system, an Automated Clearing House/Automated Check Processing (ACH/ACP), and a Scrip less Security Settlement System (SSSS). Other parts of the national payment ecosystem include two mobile network operators, four money transfer operators and one Fintech.

The RTGS system provides a mechanism for settling large-value and time-critical payments. The ACP and the ACH, on the other hand, are used for large volume and low value payment transactions, respectively, while the SSSS are government securities such as treasury bill and treasury bonds issued in data entry forms without a paper certificate. SSSS transactions are settled electronically.

Payment Systems Oversight

Oversight of the payment ecosystems is an integral part of the Central Bank of Liberia's responsibility of ensuring financial stability. In keeping with this responsibility, the CBL's Board of Governors approved an Oversight Policy Framework for the National Payment System as well as provide guidance for implementing the oversight functions.

Payment Systems Trend (January to June 2020)

The first two quarters of 2020 saw a total of more than 26,865,529 transactions, with international remittances, both inbound and outbound, accounting for 99% of the total volume of payment systems transactions for the first half of 2020. The total value of international remittances, both inbound and outbound, for January to June 2020 was US$216,588,278.45, with inbound international remittances accounting for nearly 89% of the total value of international remittances.

Whilst it is true that international remittances outnumbered all the other payment methods, it was debit card transactions that accounted for the highest value of all transactions.

There were 171,650 debit card transactions for the first six months of 2020, totaling more than US2.64 Billion. Although less than 1% of all the payment ecosystem transactions, debit card transactions amounted to 70% of their value, followed by RTGS, E-Money, and ATM transactions.

CBL's Enterprise Risk Management Department - A Profile

The Enterprise Risk Management Department Team

What is now the Enterprise Risk Management Department started as a Unit in 2015, following the approval of the Risk Management Framework on April 17, 2015. It began as a one-person Unit in early 2015 and grew to six staff members, in 2016. By 2017, the Enterprise Risk Management Section was elevated to a department and currently has nine staff members.

What Really is Enterprise Risk Management?

Most humans are born with a desire to take risks, but they may not have thought about how to deal with things that do not go as planned. That's why, in its simplest definition, risk management answers one simple question: "What could go wrong and what are we going to do about it?

Enterprise Risk Management's Role At the CBL

Enterprise Risk Management (ERM) is the process whereby the CBL, both methodically and intuitively, addresses the risks attached to its activities, with the goal of achieving sustained benefits. In this regard, the Enterprise Risk Management Department is designed to protect the CBL from undesirable surprises (downside risks) and enables the Bank to take advantage of opportunities (upside risks).

The Benefits of Enterprise Risk Management

Enterprise risk management (ERM) seeks to avoid surprises and prepare for negative events long before they happen. This process is called proactive risk management. Organizations often find that ERM programs provide a combination of both qualitative and quantitative benefits. The benefits of Enterprise Risk Management include:

1. A more risk focused culture for the organization
2. Standardized risk reporting
3. Improved focus and perspective on risk
4. Efficient use of resources

What the Enterprise Risk Management Department Does and How

The Enterprise Risk Management Department functions across eight interrelated levels:

1. Internal Environment 2. Objective Setting

3. Event Identification 4. Risk Assessment .

5. Risk Response . 6. Control Activities

7. Information and Communication

8. Monitoring

The Future

Although the Enterprise Risk Management Department prioritizes collaborative working with all CBL units and departments, in the future, special emphasis will be given to collaborative working with the Internal Audit Department to embed a culture of risk awareness within CBL. The Enterprise Risk Management Department will also develop special working relations with a Compliance Unit, whenever it is established within CBL, with the sole aim of embedding risk awareness and strengthening efforts in managing risks.

CEBSA Leadership Keeps Campaign Promise, Delivers on Transparency and Accountability

True to its campaign promise of transparency and accountability, the Central Bank of Liberia Staff Association (CEBSA) leadership held a general staff meeting on 27 November 2020 to present its financial report for Quarter Three of 2020. CEBSA also used the occasion to give a detailed report of its activities and outline future projects. The 27 November 2020 Report brings to three, the number of reports submitted to CEBSA members since the installation of its leadership on 20 January 2020.

CEBSA President, Emmanuel P. Colduo

In addition to the financial report, the CEBSA leadership announced a series of ongoing and future projects, which include producing a range of souvenir items such as CEBSA lappers, scarfs, neck-ties, 2021 diaries, baseball caps, t-shirts, as well as media vests, I.D. card holders, and CEBSA pens.

CEBSA members were informed about a memorandum of understanding (MOU) between CEBSA and the Liberia Institute of Public Administration (LIPA) for CEBSA members to take advantage of LIPA training courses that will run from March to May, and June to August 2021. CEBSA members will also be accorded opportunities to pursue graduate study programs at the Cuttington University, with the hope that these study programs will improve staff capacity.

The CEBSA Leadership, with Executive Governor J. Aloysius Tarlue, Jr. (center)

Another MOU that was announced include a 10% discount to shop at the Harbel Supermarket. A similar discount was announced for products at Raj Enterprises.

Perhaps of greater significance is the relationship that CEBSA is forging with the Commercial Banks Staff Association to strengthen and enhance the integrity and credibility of the banking sector. Working in collaboration with nine commercial banks in Liberia, CEBSA will help organize a red-carpet event on 18 October 2021 at which prestigious awards will be presented, including Employee of the Year Award.


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