

# The REGULATOR



Promoting financial inclusion, consumer protection and financial sector development

## Why Replacement of the Old Liberian Banknotes is Central to CBL's Currency Reform Program



# In This Issue

- ◆ No More Shortage of Liberian Dollar Banknotes
- ◆ CBL Expands Banking Services Outside Monrovia, Receives Praises from President Weah
- ◆ The Exchange of Old for New Liberian Currency, A Major Plank in CBL's Currency Reform Program
- ◆ The New Liberian Currency – What You Need to Know |
- ◆ 'Printing Money Is Not the Only Solution to Liquidity Shortfalls'
- ◆ At Fourth Quarterly Meeting, CBL Board Retained Monetary Policy Rate
- ◆ CBL Recognizes High Performing Staff



## From The Governor's Desk

**F**or the first time in many years, there were no public complaints about the shortage of money within the banking system during the 2021 Christmas festive season. Bank account holders were able to withdraw from their accounts with ease and conduct their cash transactions. As a result of the infusion of the first batch of L\$4 billion in the economy, Christmas 2021 appeared to be the beginning of the end of cash shortages within the banking system.

Not only will Christmas 2021 be considered the beginning of the end of Liberia's liquidity challenges, the printing of an additional L\$44.734 billion of a new family of Liberian currency, most of which are to be delivered in 2022, will be used for the total replacement of the current stock of Liberian currency, including the mutilated currency that contributed so much to the liquidity challenges.

This amount, in addition to resolving Liberia's liquidity challenges, will be used to support gradual de-dollarization of the Liberian economy, for operating the account balances of commercial banks at CBL, to accommodate economic growth, and inflation targets. It was clarified that, although printing a new family of Liberian dollar banknotes represents a short to medium term reprieve for Liberia's liquidity challenges, it alone is not the solution for the means of payments within the national economy.

It emerged during a major CBL Forum on 27 October 2021 that financial digitization is the way forward and must be equally embraced. During that Forum, there was a consensus that financial digitization can forge transparency, curb corruption, and engender sustained economic growth and development.

# CBL Recognizes High Performing Staff



Winners of Employee Choice Award, posing with Deputy Governor for Operations Nyemadi Pearson

### Employee Choice Award:

1. Grace J. Avery (Office of the Executive Governor)
2. Love N. Deshield-Kotee (Development Finance Unit)
3. Smith F. Kollie (Legal Department)
4. Morris T. Myers (Enterprise Risk Management Department)
5. Harrietta M. Teah-Tayo (Payment Systems Department)
6. Gertrude A. M. Wardlow (Office of the Deputy Governor for Operations)
7. Comfort K. Neah-Paye (Finance Department)
8. Benjamin Harrison (Banking Department)
9. Shirley Barclay Shoujaa (Human Resource Management Department)
10. Patrick D. Z. Cole (Management Information Systems & Technology Department)
11. Habib Sillah (General Support Service Department)
12. Trokon L. C. Browne (Insurance Department)
13. Russel D. Harris (Regulation & Supervision Department)
14. Samuel C. Kpah (Research, Policy & Planning Department)
15. Henry N. Young (Financial Markets Department)
16. Lawrence Gray (Internal Audit Department)



### Employer Achievement Award:

1. Debbie P. Wah (Payment Systems Department)
2. Ansonia S. Johnson (Internal Audit Department)
3. Mohammed F. Fofana (Management Information Systems & Technology Department)
4. John B. Jallah (General Support Service Department)
5. Jerry D. Ajavon, Sr. (Finance Department)
6. Patrick B. Kabbah (Banking Department)
7. Florence K. Tawalah (Human Resource Management Department)
8. Edmond Greenfield (Office of the Deputy Governor for Economic Policy)
9. Francis Mulbah Bowah (Insurance Department)
10. Jeremiah D. King (Regulation & Supervision Department)
11. Thomas M. Zogbo (Research, Policy & Planning Department)
12. Henry N. Young (Financial Markets Department)



Winners of Employer Achievement Award

# CBL Recognizes High Performing Staff



TCCR members, recipients of the Executive Governor's Award pose with Executive Governor Tarlue

On 17 December 2021, CBL held its second Reward & Recognition Program and rewarded talented and hardworking staff. With the rationale that recognition, being an essential part of CBL's culture, the Management recognized several staff as a way of engendering an environment where the contributions of CBL staff are appreciated and celebrated.

In introducing the program, CBL's Director for Human Resource Development, Mrs. Maway T. Cooper-Harding, said the CBL recognition program is a unique program that allows management to recognize the contribution of its employees, with the aim of building a culture where success is emphasized rather than failure. This, she said, would lead to continuous improvement and performance.

The Executive Governor's Award was added to the CBL Awards Program in 2021 to recognize staff or departments that have made exemplary contributions to CBL in terms of visionary guidance and outstanding leadership during the year.

The Employee Choice Award is a peer-to-peer award, where staff nominate each other within a department, with the highest nominee becoming the winner. The criteria were for a staff member to act as a role model for another staff, be a team player, engage others, and show concern for the wellbeing of others, while also showing customer-centered qualities and interacting with customers and guests. The criteria also included being a game-changer and motivator who is committed to serving CBL.

The Employer Achievement Award is an award in which a junior staff with the highest nominations from senior staff members within his/her department becomes a winner, based on his/her dedication to duty, performance beyond the call of duty, outstanding performance, continuous improvement, and being innovative and a team player.

### And the winners were: Executive Governor's Award

1. Enhanced Residence Supervisory Team – headed by Christian Allison
2. Technical Committee for Currency Reform (TCCR) – headed by Mussah Kamara
3. Directorate for Economic Policy headed Dr. Musa Dukuly



Directorate for Economic Policy headed by Dr. Musa Dukuly, who won the Executive Governor's Award



Enhanced Residence Supervisory Team members, also winners of the Executive Governor's Award



General Services and Support Department (GSSD) headed by Mr. Francis L. Yancy, also winners of the Executive Governor's Award

# No More Shortage of Liberian Dollar Banknotes

*-First Batch of New Family of Liberian Dollar Bank Notes Arrives in Time for Christmas 2021*



The new L\$100 banknote

The perennial liquidity crunch that characterized many end-of-year festive seasons is set to be an issue of the past in Liberia, beginning with the 2021 festive season. The first consignment of L\$4 billion (all in the L\$100 series) of the new family of L\$48.734 billion Liberian currency safely arrived in the Country on 25 November 2021. The introduction of L\$100 banknote to start the process is because it is the widely circulated denomination.

Witnessing the arrival of the first tranche of the new Liberian dollar banknotes at the RIA were the Chairmen of the House and Senate Committees on Banking and Currency, the International Monetary Fund (IMF) Representative to Liberia, and representatives of the United States Agency for International Development (USAID).

At the point of arrival, the international partners (IMF and USAID), together with CBL Senior Management of CBL and the Technical Committee for Currency Reform (TCCR) verified and confirmed that the number of boxes containing the new banknotes was consistent with the number presented by the printer of the banknotes and uploaded to the aircraft.

Staff of CBL Internal Audit and Finance Departments also verified each marked box against its number on the files, as the conveyor belt rolled them unto trucks.

A second round of verification took place at CBL's Head Offices in Monrovia to confirm the number of marked boxes received and loaded onto trucks at the RIA added up to the total number of boxes delivered at the CBL.

Following the arrival of the first tranche of the new Liberian dollar banknotes, CBL Executive Governor, J. Aloysius Tarlue, Jr. said: "The arrival of the new 100 Liberian Dollar banknotes is an important milestone in addressing the persistent liquidity challenges that the Liberian economy has faced over the years. CBL will continue to work to ease the liquidity challenge at commercial banks, mainly during the festive season. There is, therefore, no need to panic and rush on banks for the new money".

A second tranche of L\$4 billion is expected to be in Liberia in the first quarter of 2022, while the remaining banknotes and coins are expected in 2022 and 2024 to continue the replacement of legacy notes that have been in circulation since 2009. The replacement of old for new banknotes is expected to intensify in earnest in the second half of 2022, on expectation of the delivery of most of the new banknotes and coins in the Country.

The remaining currency will include L\$5 and L\$10 denominations to be minted as coins and the L\$20, L\$50, L\$100, L\$500, and L\$1,000 denominations to be printed as banknotes, with the L\$1000 to be introduced for the first time.



The first batch of the new Liberian dollar banknotes in L\$100 denomination

## CBL Expands Banking Services Outside Monrovia, Receives Praises from President Weah



His Excellency President George Manneh Weah Sr., delivering remarks during dedication of the new Cash Hub

**CBL** went a step closer in meeting banking needs outside Monrovia when it dedicated the first Cash Hub in Gbarnga, Bong County, on 10 December 2021, which will serve the banking needs of the people of central, northern, and southeastern Liberia, who have continued to face challenges with access to financial services over the years.

The Bong County Cash Hub will serve commercial banks that have branches in central, northern, and south-eastern Liberia and help to drastically lessen high risks associated with moving cash to those locations and, in the process, reduce the cost of doing business.

“Commercial banks are faced with a lot of challenges in moving money from Monrovia to the southeast, especially during the rainy season, due to the bad road network. Additionally, these facilities will encourage commercial banks to establish more branches outside Monrovia and be able to effectively serve our people because Monrovia is not Liberia”, CBL Executive Governor Tarlue remarked during the launch.

The Bong County Cash Hub, like the other cash hubs to be built in other counties, will meet the minimum requirements of a central bank by ensuring maximum security for cash and other assets taken there for safe keeping.

The cash hubs will also help the government by collecting government revenue and providing other payment services on behalf of the government. The public also stands to benefit through job creation for rural Liberians, as the cash hubs will need to be staffed adequately for efficient operation. In addition, the cash hubs will support CBL’s currency management by ensuring the availability of quality banknotes across the country. During the dedication of the hub, the President of Liberia, His Excellency George Manneh Weah, Sr., cut the ribbon to mark the opening of the Bong County Cash Hub to the public. He praised the current CBL leadership for its vision and the remarkable job it has done in bringing stability and improvement to the economy, something that was hard to achieve prior to their ascendancy to the leadership of CBL.

Speaking of the new CBL leadership, President Weah said: “Under the leadership of this new team, we are beginning to see the Liberian dollar strengthening



The new Bong County Cash Hub

and the rate of inflation falling steeply. They are continuing to make steady progress towards the fulfillment of the main objective and purpose of a central bank, which is to achieve and maintain price stability in the economy.” President Weah further praised CBL for supporting his government’s national development agenda, the Pro-Poor Agenda for Prosperity and Development (PAPD) and looked forward to opening another regional cash hub.

For his part, Governor Tarlue thanked the Government for the support in protecting the independence of the CBL and assured the Government of CBL’s support for the PAPD through sound monetary policy and effective regulation of the financial sector.

## At Fourth Quarterly Meeting, CBL Board Retain Monetary Policy Rate

The single-digit inflation rate of 6.9% in the third quarter of 2021 and 3.6% projected real GDP growth prompted the Board of Governors (BoG) of the Central Bank of Liberia (CBL) to take the decision at its fourth Board Meeting on 17 November 2021 to retain, for the sixth month in a row, the monetary policy rate of 20%. The reserve requirement of 25% for Liberian dollars and 10% for United States dollars were also retained, suggesting the Liberian dollar liquidity management stance of the CBL.

In addition to domestic economic developments, the decision to retain the previous monetary policy rate was influenced by favorable developments in the global economy, notably the price increases for exports such as coffee, palm oil and cocoa beans as well as the decline in the price of imported rice. Notwithstanding the largely favorable developments in the global economy, the domestic economy was constrained by a decline in the prices of rubber and iron ore.

The main developments in the domestic economy that influenced the CBL Board’s decision to retain its monetary policy rate included the positive outlooks in the mining, agriculture & fisheries, and forestry as well as the manufacturing subsectors. The Board remained optimistic about prospects in the services subsector, evidenced by the resumption of activities in hospitality services, following a period of contraction due to the adversity of COVID-19. Other favorable domestic economic developments included an increase in the stock of bank loans.

On the flipside to the relatively positive developments within the domestic economy was the persistence of non-performing loans, which rose by 2.1 percentage points in the third quarter of 2021, followed by the limited advances of commercial bank loans to the agriculture and manufacturing subsectors, compared to the significant amount of loans directed to trade, services, oil and gas sub-sectors.



CBL Executive Governor J. Aloysius Tarlue, Jr., cheering a meeting of the CBL’s Board of Governors and Monetary Policy Advisory Committee (MPAC)

As part of their monetary policy decisions, the BoG resolved to intensify nationwide public awareness campaign to inform the public about the currency reform process as well as engage relevant stakeholders on policies to support financial sector stability and the economy at large.

Like all other central banks, the CBL uses monetary policy rate to adjust the supply of money in the economy to achieve inflation, liquidity, and output targets. The policy rate is used as the key instrument to achieve these goals. An increase in the monetary policy rate is used to curb inflation, and exchange rate depreciation, among others, while a reduction of the monetary policy rate is used to boost economic activity by fostering credit expansion and expanding in the economy.

# ‘Printing Money Is Not the Only Solution to Liquidity Shortfalls’ -CBL to Accelerate Financial Digitization



(Left to Right) Minister of Internal Affairs, Hon. Varney Sirleaf; LBDI President, Mr. John B.S. Davis III; World Bank Country Manager, Mr. Khwima Nthara; CBL Executive Governor J. Aloysius Tarlue, Jr.; and UNDP Resident Representative, Mr. Stephen A. Rodriquez

The printing and minting of a new family of Liberian currency provide both short and medium-term relief for Liberia’s liquidity doldrums, but the Central Bank of Liberia would like to see the challenge of perennial cash shortages resolved once and for all. This is why CBL convened a seminal event with its key stakeholders on Wednesday, 27 October 2021 to chart a new course for reducing the over-dependence on cash transactions. This meeting brought together government officials and Liberia’s development partners.

During that meeting CBL Executive Governor J. Aloysius Tarlue made it clear that printing of money is not the only solution to facilitating payments in the economy and that financial digitization is the way forward. Payment system integration and digitization of the economy, he said, is one of the three pillars of CBL’s 2021-23 Strategic Plan, in addition to price and financial system stability, and rebranding and improving the image of CBL.

Many stakeholders weighed in, including the Minister of Internal Affairs, Hon. Varney Sirleaf; Commissioner-General of the Liberia Revenue Authority; Liberia’s Comptroller General, Hon. Janga Kowo; and President of the Liberia Bank for Development & Investment (LBDI), Mr. John B.S. Davis, III; pledging their support in making CBL’s financial digitization goal a success. Other participants included the Acting Managing Director of the Liberia Telecommunication Authority (LTA), Managing Director of the Liberia Telecommunication Corporation, and representatives of commercial banks and non-bank financial institutions.

CBL’s international partners were also well represented at the event, including the World Bank Country Manager, Mr. Khwima Nthara; and the United Nations Development Program (UNDP) Resident Representative Mr. Stephen A. Rodriquez. Both the UNDP and World Bank representatives said they would support CBL’s financial digitization drive.

The UNDP Resident Representative, Mr. Stephen A. Rodriquez, said the future is digital, therefore accelerating digital financial services could be a ‘game changer’ for Liberia. He said the world is currently moving towards a fourth industrial revolution. “It was not just about implementing the National Electronic Payment System but also about moving Liberia into the digital space”, the UNDP official said. He also said electronic payment systems such as mobile money has the potential of creating transparency, reducing corruption, and bringing about financial inclusion.

The World Bank country manager, Mr. Khwima Nthara, for his part, said the National Electronic Payment System is the key platform in reducing transaction costs, and that, whilst it is important that financial digitization should be accelerated, it should be done in such a way that it does not create a digital divide between the poor and the better offs but foster financial inclusion at the same time. Mr. Davis, President of the Liberia Bankers’ Association, thanked CBL for the initiative, which he said would expand the use of digital financial services and assured CBL that commercial banks are ready and will fully support the process.

The speakers at the 27 October 2021 shared unanimous perspectives that financial digitization forges transparency and curtails corruption, in which case digitizing the Liberian economy could really bring about sustained economic development.



A cross-section of participants at the Payment Systems event

# The Exchange of Old for New Liberian Currency, A Major Plank in CBL’s Currency Reform Program



The old Liberian dollar banknotes

It is estimated that mutilated Liberian dollar banknotes now account for at least 40% of the Liberian dollar banknotes in circulation. With approximately L\$25 billion currently in circulation, the value of mutilated currency will therefore be around L\$10 billion, which has adverse implications liquidity in the economy. The existence of this amount of mutilated Liberian dollar banknotes has always been a major contributing factor to Liberia’s liquidity syndrome. That amount of money is needed to be replaced with newly printed money to support financial sector stability and effective payments.

More than that, there is also the need to have only one type of Liberian currency in circulation. Prior to the introduction of the new L\$100 banknote in December 2021 there were two types of Liberian dollar banknotes in circulation – the legacy notes of 2009, and the enhanced banknotes of 2016.

The Central Bank of Liberia’s Currency Reform Program aims to harmonize all existing Liberian dollar banknotes by removing out of circulation all mutilated banknotes as well as legacy and enhanced Liberian dollar banknotes, replacing them with the new family of Liberian dollar banknotes and coins in 2022 and 2024. Essentially, this will entail replacing the entire Liberian dollar in circulation.

In May 2021, the Liberian Legislature, which is clothed with the power to authorize the printing and minting of Liberian currency, approved the printing and minting of L\$48.734 billion in Liberian dollar currency in 2021, 2022, and 2024.

Since granting their approval, the first L\$4 billion of that money (all L\$100 series) was printed and delivered on 25 November 2021 for the purpose of meeting the demand for Liberian dollar liquidity in the economy during the 2021 festive season. The second consignment of four billion Liberian dollars of the new family of L\$100 banknotes is expected into the country during the 1st Quarter of 2022 to commence the gradual replacement of mutilated banknotes.

In keeping with the Currency Changeover Implementation Plan, it is expected that within a two-year timeframe, all the legacy and enhanced banknotes would have been replaced. Once the replacement is completed, Liberia will see a unified set of banknotes for the first time in a long time. This means that the new and old currencies will be allowed to co-circulate for a period to ensure a smooth and orderly process. Accompanying the replacement of the old for new Liberian currency will be the destruction of the old banknotes, which will be done through an enhanced internal control and transparent process, to ensure full accountability to all stakeholders.

The replacement of around L\$25 billion with a new family of Liberian dollar banknotes and coins will remove out of circulation all mutilated Liberian dollar banknotes to significantly ease Liberia’s liquidity challenges. The L\$48.734 billion is expected to account for the growth of the Liberian economy for the next four years (2021-2024), support gradual de-dollarization and facilitate effective monetary policy operations of the CBL.

Replacement of old for new Liberian dollar currency is therefore at the heart of CBL’s Currency Reform Program because it will comprehensively tackle Liberia’s liquidity doldrums, harmonizes Liberia’s currency, promotes de-dollarization, and restores public confidence and stability to the financial sector.

# The New Liberian Currency = What You Need to Know



CBL Executive Governor J. Aloysius Tarlue, Jr., speaking during one of the stakeholder engagement events

The allegations of the missing LD16 Billion, which subsequently turned out to be false, dampened public confidence in the banking system and cast doubt on subsequent printing of Liberian dollar banknotes. To remove the doubts, transparency became the hallmark of subsequent printing of Liberian dollar banknotes.

The unprecedented level of transparency surrounding the printing and delivery of the first batch of the Liberian dollar banknotes is a supportive reason for the public to be reassured about the credibility and integrity of the printing process of the approved L\$48.734 billion.

## What the Public Needs to Know

Fully aware that there may still be people who question the transparency of the printing and minting process, CBL deemed it important to respond to frequently asked questions from the Public.



A cross-section of participants at the Todee community event

## Why Print New Money? Is The Money in Circulation Not Enough?

When one considers the need for additional money to implement Liberia’s gradual de-dollarization policy and for operating the account balances of commercial banks at CBL, not to mention the need for additional Liberian dollar banknotes to accommodate inflation targets, growth of the economy and increasing economic transactions, then the amount of Liberian dollar banknotes in circulation (L\$15.281 billion, if L\$10 billion is excluded) is grossly insufficient requiring the printing of new money.

## Why Print L\$100 First, Rather Than L\$5 and L\$10, for Which There Is an Existing Acute Shortage?

The decision to print L\$100, rather than L\$5 and L\$10 was based on time constraints, given the urgency to conclude the designs of the new banknotes, which took much shorter time compared to the coins, which will now be minted for the L\$5 and L\$10.

Considering the value and volume of the L\$100 banknote as the largest denomination in circulation, it was considered more economically efficient to print the L\$100 to ensure adequate supply of liquidity within the banking sector during the festive period. This is why, for the first time in many years, there were no complaints from the public about the lack of cash in the banking system during the 2021 festive season.



Mr. Mussah A. Kamara chairman of the CBL's Technical Committee for Currency Reform (TCCR) explaining the printing process to the Todee community



Mr. William N. Dargbeh, a TCCR member responding to queries raised at Salala community engagement event

## How Much Is Being Printed? Will It Solve the Cash Shortages Once and For All?

Yes! In May 2021, the 54th National Legislature approved the CBL’s proposal to print L\$48.734 billion over a three-year period – 2021, 2022 and 2024 – to meet the short to medium term liquidity needs of the Liberian economy. Not only will the procurement of L\$48.734 billion ease the perennial liquidity challenges in the economy, it will also restore confidence in banking system and preserve stability in the financial sector. For too long depositors had found it challenging to withdraw their money from the banking system, especially during festive seasons. This will now be a thing of the past.

## What Denominations of Liberian Currency Will be Made Available over the Next Three Years?

The denominations of banknotes that will be printed include L\$20, L\$50, L\$100 and L\$500. Also, for the first time after many years, the denominations of L\$5 and L\$10 coins will be minted. This will represent immense value-for-money since these two denominations were the most widely used and, as coins, they will have a longer lifespan of more than 15 years, unlike the banknotes, which have an average lifespan of three years.

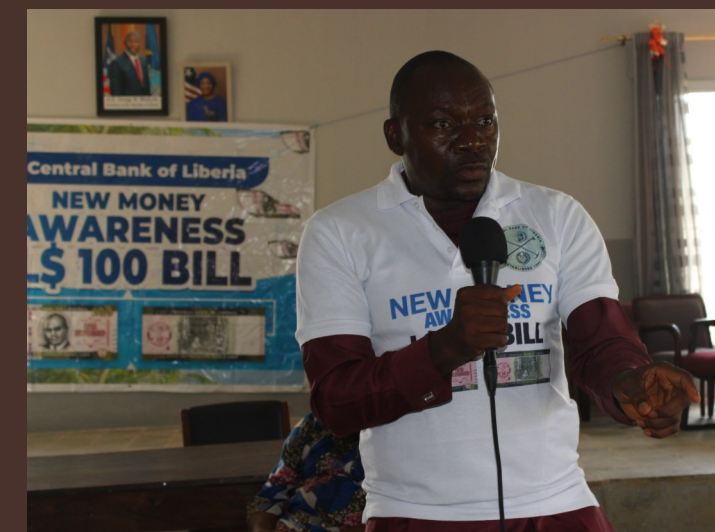
Additionally, for the first time, a new banknote of L\$1000 will be introduced to the Liberian currency.

The introduction of the L\$1000 will promote de-dollarization and facilitate the ease of both commercial and electronic transactions with the use of Automatic Tellers Machines (ATMs).

It is important for the public to understand that using more US dollars in Liberia does not only because the Liberian economy to lose seignior age revenue but also undermine the monetary policy management of the CBL.

## Will The New and Old Family of Liberian Dollar Banknotes Be in Use at The Same Time?

Yes, for a period to be announced by the CBL. This is important for ensuring a gradual and smooth process to avoid public panic, confusion, and exploitation by unscrupulous individuals. As the Bank has consistently said, there will be sufficient time for the exercise to cover all parts of the country and replace all existing banknotes that are in circulation.



Mr. Christopher S. Wallace, a TCCR member speaking at Salala event



A cross-section of participants at the Salala community event