THE REGULATOR

Promoting financial inclusion, consumer protection and financial sector stability

JULY-SEPTEMBER 2024

NEW LEADERSHIP, NEW VISION FOR CBL

The REGULATOR is the official newsletter of the Central Bank of Liberia, produced by its Corporate Communications Section

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From the Governor's Desk

August 2024 marked a turning point for the Central Bank of Liberia for several reasons.

Firstly, it marked the beginning of a new CBL leadership, coming off the heels of the publication of the General Auditing Commission's Compliance Audit Report.

Secondly, the new CBL leadership, shortly after its induction, announced a new vision that would take CBL to nobler heights.

Furthermore, this new CBL vision, informed by the findings of the GAC Report, is focused on promoting integrity, accountability and transparency in the operations and administration of the Bank.

The new vision seeks to support 'economic initiatives that enhance the prosperity of all Liberians'. Staff development will be given a high premium because 'a well-trained staff is instrumental in enabling CBL to realize its mission and mandate'.

Finally, in a bid to bring this new vision into reality, a strategic planning process has already begun. A Strategic Plan Committee was established to begin work on a new five-year Strategic Plan that will leverage technology and operational efficiency for the achievement of CBL's mandate and decentralization of the Bank's activities across the country.

New Leadership Corp Takes the Helm at CBL

(L-R) Joseph F. Robinson, George Gooding, Cllr Ebenizar Gibson, Henry F. Saamoi

In early August this year, His Excellency President Joseph N. Boakai, Sr. appointed Messrs. Henry F. Saamoi, George H. Gooding, Joseph F. Robinson, Jr. and Cllr. Ebenizar Z. Gibson as Acting Executive Governor and Chairman of the Board and as members of the Board of Governors, respectively, of the Central Bank of Liberia.

During their induction ceremony and subsequently at an acquaintance meeting with senior staff of the Bank, the newly appointed Board of Governors pledged to focus on promoting and maintaining financial stability, enhancing monetary policy effectiveness and fostering economic growth and financial inclusion in Liberia.

Having previously served as Chief Executive of the International Bank Liberia Limited (IBLL) before ascending to the role of CBL Acting Executive Governor, Mr. Saamoi emphasized his dedication to transparency, innovation, and collaboration in steering the Bank towards achieving its objectives.

Mr. Saamoi asserted that he would “focus on reinforcing financial stability, enhancing monetary policy effectiveness, and ensuring that the banking sector continues to serve the needs of all Liberians”.

“I am committed to high standards of integrity, accountability and transparency as well as implementing policies that promote economic development and financial inclusion", Acting Executive

Acting Executive Governor Saamoi taking Oath

Saamoi said, admonishing fellow board members to maintain the integrity of Liberia’s financial system and ensure a robust regulatory framework that fosters trust and resilience within the banking sector. Also speaking during the induction ceremony, Acting Board Member George H. Gooding highlighted the importance of regulatory oversight

Acting Board member Ebenizar Gibson being sworn into Office

and the Board’s role in maintaining the integrity of Liberia’s financial system. “Our goal is to ensure a robust regulatory framework that fosters trust and resilience within the banking sector”, he said.

Mr. Joseph F. Robinson, Jr. expressed his enthusiasm for contributing to the Bank’s mission, stating, “We are dedicated to supporting economic initiatives that enhance the prosperity of all Liberians, particularly through policies that promote access to credit for small and medium enterprises”.

Swearing-in of Acting Board Member George Gooding

For his part, Cllr. Ebenizar Z. Gibson, emphasized the significance of legal compliance and ethical governance in achieving the Bank’s strategic goals.

“Ensuring that legal and ethical standards are upheld is crucial for the confidence of our stakeholders and the broader financial community,” he remarked.

Acting Board Governor Joseph Robinson being inducted into

Acting Executive Governor Saamoi Outlines Vision for CBL

In his first meeting with CBL staff following his appointment as Acting Executive Governor of the Central Bank of Liberia, Mr. Henry F. Saamoi outlined his vision to transform the Bank by developing talents, forging a teamwork culture, developing a new strategic plan, and promoting transparency and accountability.

The Acting Executive Governor said his tenure will be characterized by capacity-building and teamwork to achieve CBL's core objectives of price and financial sector stability, financial inclusion, operational efficiency, and support for economic growth.

Acting Governor Saamoi highlighted the critical role of staff in achieving CBL's core objectives and announced plans to invest in staff development because, according to him, a well-trained workforce can be a gamechanger in the realization of CBL's mandate and mission. As such, the new CBL boss announced plans to invest in staff development, including re-introducing the graduate degree program, and fostering a collaborative work environment.

Acting CBL Board members, along with Acting Executive Governor and incumbent Board Member Sheba Brown

Acting Executive Governor Saamoi

The president of the CBL staff association, Madam Trokon Browne, in her remarks, pledged the support of staff in working with the new management and board to promote staff welfare and transform the Bank.

Re-enforcing the sentiments of Acting Governor Saamoi, the acting members of the Board of Governors expressed their commitment to collaborate with staff in positioning the CBL to achieve its core mandate of formulating and implementing monetary policy, as well as promoting financial stability and economic growth.

The Acting Governor used his Friday, August 9, 2024 staff acquaintance meeting to announce the setting up of a committee to begin developing a comprehensive five-year strategic plan for the Bank.

"In the new strategic plan we intend to develop, we shall embrace innovation and leverage technology to enhance our mandates, foster decentralization of the Bank, and assure operational efficiency to promote value-for-money," Acting Governor Saamoi stated.

CBL Deputy Governor for Economic Policy, Dr. Musa Dukuly

The Acting Governor went on to say that he will invest in cutting edge digital platforms and explore new financial technologies that will revolutionize the way the Bank conducts its administration and operations, strengthen risk management and promote effective monetary policy transmission.

"We believe in the power of collaboration and open communication. "Our doors will always be open, and we encourage you to share your ideas, concerns, and feedback", Acting Governor Saamoi further said.

Mrs. Trokon Brown, President of CBL Staff Association (CEBSA)

The new CBL boss emphasized the importance of maintaining CBL's apolitical stance and adhering to the highest standards of integrity, accountability, and transparency, underscoring his commitment to upholding the independence of the Bank.

Cross-section of staff members during the meeting with the new CBL Management

CBL Staff members at introductory meeting with new CBL management team

Regarding the just-ended General Auditing Commission (GAC) Compliance Audit Report, Acting Governor Saamoi said he will further review the GAC audit report to address the concerns raised in the report to fast track CBL's transformation.

He also expressed his commitment in strengthening CBL's role as a key driver of economic growth and development in Liberia and that, under his leadership, the Bank will continue to play a vital role in safeguarding the financial system and promoting financial inclusion for all Liberians.

LTA, CBL Seal Deal to Enhance Financial Inclusion

Financial inclusion in Liberia came one step closer, thanks to the signing of a Memorandum of Understanding (MoU) between the Central Bank of Liberia (CBL) and the Liberia Telecommunication Authority (LTA), on 30 August 2024. This new collaboration between CBL and LTA is expected to increase and expand access to financial and telecommunication services in Liberia.

Hon. Abdullah L. Kamara, Acting Chairperson of LTA, signed on behalf of his organization, while Hon. Henry F. Saamoi, Acting CBL Executive Governor, signed on behalf of the Bank. With the deal now sealed between these two apex organizations, financial inclusion will be accelerated and financial services securely delivered through telecommunication networks.

Participants at the 30 August 2024 MoU Signing Ceremony

As part of the collaboration, LTA and CBL will exchange information necessary for the licensing, regulation and monitoring of banks, and non-bank financial institutions and the services they provide to subscribers.

Hon. Abdullah L. Kamara, Acting Chairman, Telecommunication Authority, and Hon. Henry F. Saamoi, Acting Executive Governor of the CBL, signed Memorandum of Understanding between CBL and LTA.

This promises to be a win-win situation for both service providers and subscribers, as banks and non-bank financial institutions will utilize telecommunication networks to provide financial services while complying with relevant laws and regulations and promoting interoperability among financial service providers for improved customer transactions.

Speaking at the signing ceremony, CBL Acting Executive Governor Henry F. Saamoi stressed the importance of collaboration to improve the two sectors for the good of the Liberian economy.

“The Central Bank of Liberia, as the regulator of the financial sector, recognizes the vital role that telecommunications play in the delivery of financial services.

“The ability of banking institutions, non-bank financial service providers, and other entities to securely and efficiently deliver services to their customers hinges on the robustness of our telecommunications infrastructure.

“The success of this collaboration will depend not only on the leadership of the LTA and CBL but also on the commitment of all stakeholders, including the Legislature, other regulatory agencies, and private sector actors.

We are confident that, with our combined efforts, we will achieve the goal set out in this MOU and contribute significantly to the economic stability and growth of Liberia,” Acting Governor Saamoi added.

The Acting LTA Boss also asserted that the collaboration offers enormous opportunities for inclusion, efficient service delivery, economic growth, and national development.

“Despite the LTA and CBL having independent statutory mandates to regulate completely different sectors, innovation will continue to blur the lines that separate our sectors to enhance cooperation.

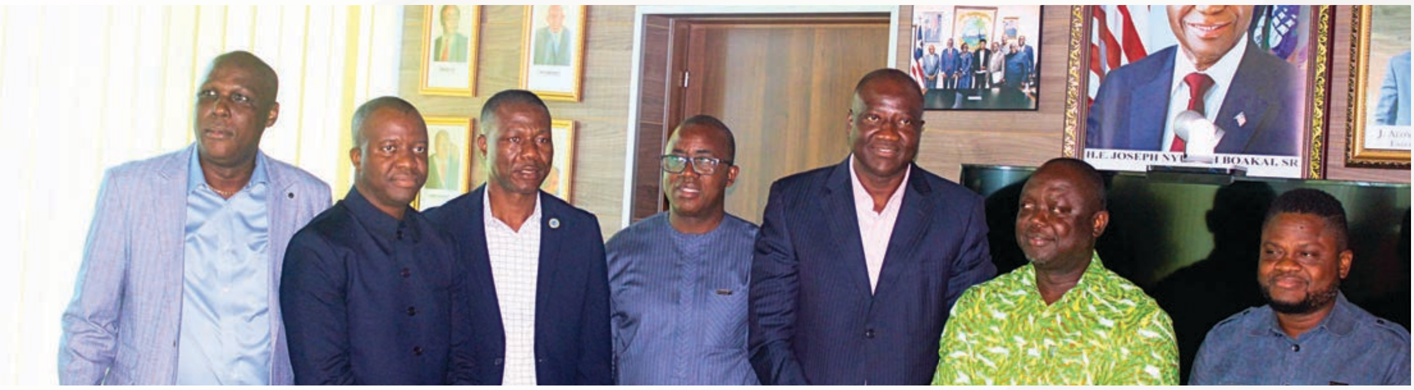
“We truly believe this will bring sanity to our respective roles and regulatory efforts as we strive to safeguard the rights and interests of consumers and will foster innovation and sectoral development for the betterment of our society”, said Hon. Kamara

Following signing of MoU, CBL and LTA bosses pose for the camera

The LTA-CBL collaboration will drive financial inclusion and enhance the efficiency of Liberia’s financial and telecommunications sectors, thereby impacting the economy as envisaged in the Government’s ARREST Agenda.

Overall, LTA will support CBL in ensuring safe, efficient payment and securities systems, and access to modern, affordable payment instruments.

The signing ceremony, which was held in CBL’s Boardroom, was witnessed by members of the 54th National Legislature, the Acting Board of Directors and Governors of LTA and CBL, respectively, as well as their senior staffs.



AACB Deliberate on Integrated, Technologically Advanced, and Resilient African Economy

Deputy Governor Musa Dukuly speaking about the importance of the African Monetary Institute

Key financial and economic issues took center stage at the 46th Annual meetings of the Association of African Central Banks (AACB) that was held in Port Louis, Mauritius August 30th - September 4th, 2024.

The event included an annual symposium and an Assembly of Governors meeting where key financial and economic issues affecting the continent were discussed. Some of the topics discussed were:

- **Inflation Control:** Strategies to manage and control inflation were a major topic, given the varying inflation rates across the continent.
- **Digital Currency:** The potential for digital currencies and their impact on financial inclusion and economic development was explored.
- **Financial Integration:** Discussions included ways to improve financial integration within Africa to facilitate trade and investment.

Hon. John Rwangombwa, AACB Chairman and Governor of the National Bank of Rwanda delivered the keynote address, which covered:

- **Economic Integration:** He focused on enhancing economic integration among African countries, with the aim of strengthening regional cooperation and financial stability.
- **Digital Transformation:** The emphasis was on the role of digital transformation in the banking sector, including the adoption of digital currencies and fintech innovations.

Hon. John Rwangombwa, AACB Chairman and Governor of the National Bank of Rwanda delivering the keynote address

- **Climate Change:** Discussions included strategies for mitigating the economic impacts of climate change and promoting sustainable development.
- **Monetary Policy:** Hon. Rwangombwa reviewed current monetary policies and explored new approaches to address inflation and economic growth challenges.
- **Financial Inclusion:** He outlined efforts to improve financial inclusion across the continent so that more people have access to banking services.

His Excellency Mr. Hassan Abdalla, Governor of the Central Bank of Egypt speaking during the AACB confab

His Excellency Mr. Hassan Abdalla, Governor of the Central Bank of Egypt also spoke during the AACB confab. The highlights of his presentation included:

- **Economic Resilience and Cooperation:** Mr. Abdalla emphasized the importance of economic resilience and the need for enhanced cooperation among African nations to tackle global economic challenges.
- **Digital Transformation:** He highlighted the role that digital transformation plays in modernizing financial systems and improving financial inclusion across the continent.
- **Sustainable Development:** The Governor stressed the significance of sustainable development and the adoption of green finance initiatives to support environmental sustainability.
- **Monetary Policy Coordination:** He called for better coordination of monetary policies among African central banks to ensure economic stability and growth .

These points, he said, reflect a forward-looking vision aimed at strengthening the economic framework and fostering collaboration among African nations.

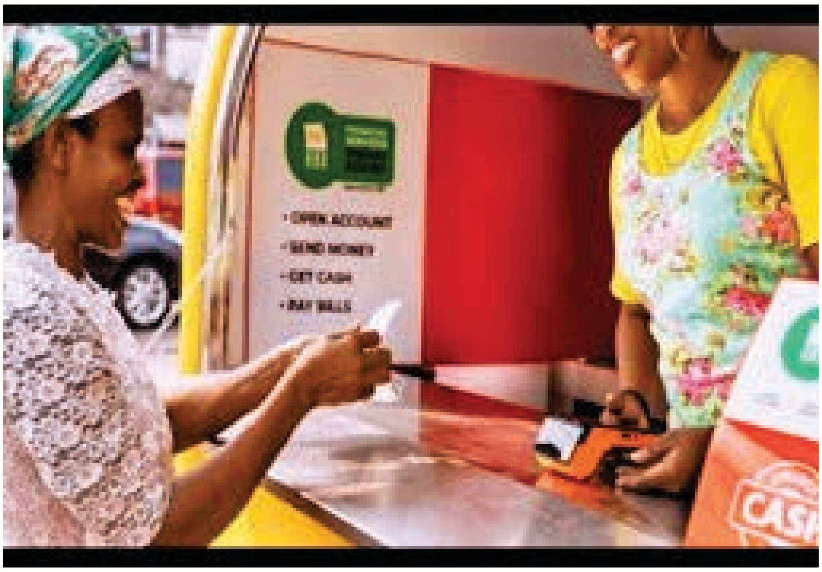
Deputy Governor for Economic Policy, Dr. Musa Dukuly; Mr. Jefferson S.N. Kambo, Director of the Research, Policy, and Planning Department; and Mr. Michael B. Ogun, Senior Advisor for Multilateral Relations, in the Office of the Executive Governor represented CBL at the 46th AACB Annual Meetings.

The Association of African Central Banks (AACB) was founded on May 25, 1963, at the Summit Conference of African Heads of State and Government held in Addis Ababa, Ethiopia, with a mandate to establish an African Central Bank to build a common monetary policy and a single African currency to accelerate economic integration, as envisaged in Articles 6 and 44 of the Abuja Treaty.

Participants deliberating at the AACDB event

The AACB comprises of an Assembly of Governors, which is the governing body of the Association. It consists of governors of all African central banks. It also has a Bureau, whose members include the Chairperson and Vice-Chairperson of the Association as well as chairpersons of sub-regional committees, whose membership includes governors of central banks of the five (5) sub regions, as defined by the African Union.

The Case for Financial Digitization



After every three to five years, banknotes begin to get mutilated and the need to print additional banknotes to replace them arises. The cost of printing new currency is always in millions of United States dollars.

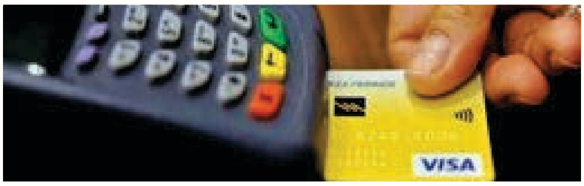
No doubt, there was a grave need to replace Liberia's mutilated and legacy banknotes, however, a widespread use of digital financial services could have averted the need to print new banknotes and saved Liberia millions of US dollars spent on printing new banknotes – money that could have been used to meet some of the country's acute development needs, such as improve our health and education infrastructure or even improve road connectivity and power generation.

The extensive and improper use of the Liberian dollar banknotes, in addition to the hoarding of the currency and default in payment of bank loans, are the real culprits for the perennial liquidity challenges that Liberia has faced over the years.

One can therefore safely conclude that liquidity pressures are likely to be a permanent feature of the Liberian economy every three to five years, unless Liberia transitions from a predominantly cash-based economy to a cashlite economy.

This cashlite economy must be characterized by, and grounded on, mobile money and digital technology that will be used for making payments, savings, credits, and remittances, among others.

There is therefore a compelling reason for transitioning from the excessive reliance on cash transactions to digital transactions within the Liberian context. For one thing, such a transition will relieve the financial sector of the liquidity pressure that it has faced in recent years and, in so doing, raise public confidence in the financial sector.



Furthermore, digital financial services increase transparency and accountability within the financial sector because there will be a record for every digital transaction, thereby reducing the incidence of money laundering, corruption, tax evasion and counterfeiting.

Although there has been a steady increase in the use of digital financial services in Liberia, this increase needs to be considerably accelerated within the foreseeable future, if it is to have an impact visible enough to reduce the frequency at which new banknotes are printed. A robust public awareness campaign will be needed to rapidly accelerate the usage of digital financial services on a level that will reverse the frequency at which new banknotes are printed.

The target audience for this campaign will have to be the unbanked population, who constitute nearly 50% of the adult population. Our collaborators in this venture to have the unbanked enlisted in the use of digital financial services are the mobile money operators, commercial banks, fintech firms, and the government.

The ongoing efforts by the Government of Liberia through the Ministry of Finance and Development Planning (MFDP) and Liberia Revenue Authority (LRA) to make greater use of electronic means of payments, including payments of civil servant salaries, and collection of revenue, are commendable and a step in the right direction.

Expanding these efforts to cover vendors' payments and payments of civil servants directly through mobile money will be an important milestone in the national payments system.

There are twin results to be reaped in a public awareness campaign for the use of digital financial services. Firstly, the success of such a campaign will obviously result in reduced demand for cash for financial transactions.

Secondly, and perhaps more importantly, a successful digital awareness campaign will bring the primary target audience of such a campaign– the unbanked – into the financial mainstream, thereby engendering greater financial inclusion.

The use of digital financial services by the bulk of the currently unbanked population will create financial accounts for them – howbeit mobile money accounts– which is a World Bank definition for financial inclusion.

CBL Bills: Laying the Foundation for Liberia´s Debt and Capital Markets Development

The Central Bank of Liberia (CBL) uses its Bills as a monetary policy instrument to manage liquidity in the banking system, to preserve the value of the Liberian dollar and support CBL's price stability objective.

Mrs. Euphemia Swen-Monmia
Director - Financial Markets Department

The CBL Bill

The issuance of CBL bills has several economic benefits:

- **Liquidity Management:** CBL bills are a monetary policy tool for managing surplus funds in the banking system. The bill issuance can absorb surplus funds, while re-lending can inject funds during cash shortage, helping to stabilize the money supply and curb price rise.
- **Interest Rate Control:** By setting the interest rate on CBL bills, the bank influences short-term market interest rates, guiding the overall cost of borrowing and lending in the economy.
- **Development of Money Markets:** Regular issuance of CBL bills promotes the growth of a domestic money market, providing a benchmark for other financial instruments.
- **Investment Opportunity:** CBL bills provide banks, financial institutions, and individuals (retail investors) with a risk-free investment option, enhancing savings and diversification of investments.
- **Strengthening Monetary Policy Transmission:** Issuing CBL bills improves the bank's ability to implement monetary policy by providing a direct mechanism to influence money supply and align monetary conditions with policy goals.
- **Fostering Financial Sector Stability:** By managing money supply, CBL bills reduce the risk of instability in the financial system.

Investment in the bills also attracts a diverse range of investors and issuers that are critical to Liberia's domestic money and debt and capital markets development.

Domestic Debt Market Development

Liberia, along with four other countries in the West Africa Monetary Zone (WAMZ), received a grant from the African Development Bank (AfDB) through the West African Monetary Institute (WAMI) to support the development of its domestic debt markets. This initiative aims to diversify the investor base, create deep and liquid primary debt markets, and enhance the country's debt market infrastructure.

The West African Institute for Financial and Economic Management (WAIFEM) was contracted through the project to support debt management, liquidity forecasting, and the development of a harmonized roadmap in Liberia.

To further support Liberia’s debt market development, WAMI contracted the International Securities Consulting (ISC) to develop a Harmonized Institutional Investors Framework and a Primary Dealers’ System for Liberia’s financial market.

Additionally, CBL engaged public and private sector stakeholders to reform the pension sector and submitted a proposal for funding to AfDB, who approved $400,000 in grant funding to expand the pension coverage in Liberia.

The funding will support regulatory and policy reform of Liberia’s pension sector, including an assessment of the current pension scheme to develop a national strategy, establish a regulator, and introduce of private pensions.

Regional Capital Market Integration Activities

The West African Capital Market Integration Council (WACMIC) is working to harmonize the rules and regulations governing the issuance and trading of financial securities across ECOWAS member states, aiming to create an integrated West African capital market.

Efforts to strengthen regional capital market data dissemination and integration are underway, including establishing a centralized database and a website dedicated to West African capital markets.

The Way Forward

Though still in its infancy, Liberia's money market is set for significant growth, with the CBL Bill.
Current projects supported by AfDB and WAMI will lay the foundation for a fully operational domestic debt market, provided the efforts are sustained.

Over time, these efforts are expected to pave the way for a broader capital market, enabling the efficient flow of funds between suppliers (e.g. institutional and retail investors) and users (e.g., businesses, or the government seeking capital).

As market confidence grows, and more securities are issued, investors will be incentivized to participate in secondary markets, enhancing liquidity and market depth.

Establishing a robust domestic debt market, reliant on domestic funding sources, will reduce Liberia’s dependence on external borrowing, strengthen fiscal sustainability, and drive economic development.

How Communications Can Foster Monetary Policy Effectiveness

By *Francis W. Wilson*, Communications Consultant

CBL communicates its monetary policy decisions through communiques, press briefings, radio talk shows, and publications.

The goal has always been to keep the public informed, not only about those decisions but also about the economic rationale behind them, consistently enabling CBL to influence market expectations, control inflation and economic growth as well as enhance transparency and, in the process, build public confidence in the Bank's ability to manage the economy.

It is anticipated that all these activities will lead to greater understanding of CBL's monetary policy decisions, thereby making such decisions more effective in inducing price stability and economic growth.

Market Expectations

By clearly and consistently communicating CBL's monetary policy decisions, businesses, investors and consumers get insights into CBL's monetary policy goals and therefore can make informed decisions on savings, investment and spending as well as anticipate the direction of future monetary policy decisions.

In communicating the economic rationale behind CBL's monetary policy decisions, stakeholders are guided about the future of CBL's monetary policy, which, in turn shapes their own expectations about future economic conditions and consequently the policy actions that those economic conditions will entail.

Inflation and Growth

A clear and consistent communication of monetary policy which shapes stakeholders' (business, investor and consumer) expectations can influence their future economic activity. If, for example, the monetary policy is to reduce the rate, this is likely to increase spending and stimulate economic growth. However, if, on the other hand, CBL opts for a higher policy rate, this could delay investment, reduce consumer spending and combat inflation in the medium- to long-term.

Clear communications about monetary policy decisions can therefore help to shape investors' as well as consumers' sentiments, contain inflation or boost economic growth, depending on the monetary policy objective.

Transparency, Public Confidence and Predictability

By openly sharing its policy goals, decision-making processes, and economic assessments, CBL has demonstrated, since it transitioned from exchange rate targeting to reserve money targeting, that its main monetary policy instrument would be the use of interest rates. This openness has helped the public understand the rationale behind CBL's policy decisions, thereby reducing uncertainty and fostering public confidence.

Hon. James Wilfred (center) CBL Deputy Governor for Operations, reading CBL's 2024 third quarter monetary policy decisions

The detailed explanations that have been given about policy decisions and the economic rationale behind them have also helped CBL's stakeholders understand the central bank's thinking. This transparency has helped to enhance and strengthen the credibility and integrity of its primary objective of price stability.

The updates on economic conditions and policy outlooks have been frequent and consistent and have kept the public informed about the central bank's views and potential actions. This ongoing communication helps maintain a stable economic environment. The communication of its monetary policy via press briefings and bi-monthly radio talk shows has reduced uncertainty by indicating the clear framework that CBL uses to respond to current economic developments.

It is hoped that frequently communicating with stakeholders via the bi-monthly Money Matters Radio Program, quarterly talk shows and press briefings about monetary policy decisions removes any doubt about CBL's monetary policy stance, creating predictability that helps businesses and consumers make more informed decisions about spending, investment, and saving.

Communications and Monetary Policy Effectiveness

As has been illustrated, monetary policy communication improves the effectiveness of monetary policy by influencing expectations, reducing uncertainty, enhancing public confidence, thereby making monetary policy transmission more effective.

Clear communication can therefore shape the expectations of businesses, consumers and investors about future economic conditions and the accompanying policy prescription to remedy those conditions.

For example, if stakeholders understand the Bank's monetary policy decisions and the rationale behind them, they will be able to make informed decisions, which can lead to a more stable economy.

This provision of clear and consistent information about the Bank's monetary policy can reduce uncertainty and ensure economic predictability.

For example, if the Central Bank increases its monetary policy rate, commercial banks, investors and the business community are likely to make the necessary adjustments in their economic behavior, something that could have an overall impact on the real economy.

All of this is only possible because of clear, concise and consistent communication about monetary policy decisions and the rationale behind those decisions.

CBL's stakeholders i.e. businesses, investors and consumers, are therefore invited to take advantage of the variety of communication channels at their disposal to get to grips with monetary policy developments at CBL so that together we can shape the Liberian economy and foster growth and price stability.

Transitioning from Exchange Rate Targeting to Monetary Aggregates Targeting: Was it Necessary?

By Rajie R. Adnan
(CBL Deputy Director – Monetary Policy)

Prior to November 2019, Liberia's monetary policy landscape had been primarily characterized by efforts to stabilize the exchange rate and control inflation through exchange rate targeting, with the Central Bank of Liberia (CBL) intervening in the foreign exchange market by using the US dollar to buy Liberian dollar banknotes.

However, the depletion of foreign exchange reserves and lower buffers to sustain Balance of Payments (BoP) shocks made this approach unsustainable.

CBL therefore modernized its monetary policy by abandoning the exchange rate targeting framework and adopting a monetary targeting framework, in which CBL uses the currency in circulation to achieve price stability via the interest rate that it sets for the CBL Bills.

Transitioning from exchange rate targeting to reserve money targeting entails a shift in the focus of monetary policy towards controlling the quantity of money in the economy, specifically the reserve money, which includes currency in circulation and bank reserves held at CBL.

Under reserve money targeting, CBL sets targets for the growth rate of reserve money and adjusts its policy instruments, the interest rate, open market operations, (the buying and selling of CBL bills) and reserve requirements, to achieve these targets.

In the context of transitioning to reserve money targeting, the interest rate on CBL Bills is a key policy tool for influencing the growth of reserve money and achieving CBL's monetary policy objectives, which are stable prices and low inflation.

As such, the Bank uses the interest rate on its Bills to influence the demand for and supply of money in the economy. If CBL’s aim is to reduce the growth rate of reserve money to control inflationary pressures, it increases the interest rate on its Bills to incentivize banks to hold more reserves with the Bank rather than lend to the public.

Conversely, if the Bank seeks to stimulate economic activity and support growth, it may lower the interest rate on its bills to encourage banks to increase lending and inject liquidity into the economy.

Overall, transitioning from exchange rate targeting to reserve money targeting represents a significant shift in Liberia's monetary policy framework. As seen in Chart 1, the persistent rise in the annual depreciation rate of the Liberian dollar in 2016 to over 30 percent in 2019 made Liberia to miss out on its single-digit inflation target.

The implementation of reserve money targeting in the last quarter of 2019 was a strategic move of the Bank, as the level of depreciation fell from 34.7 percent in October 2019 to a single digit of 2.4 percent in June 2020.

As a result of the effective implementation of this new policy framework, the Bank has made many achievements on many fronts, including accumulating reserves, expanding the use of the Liberian dollar (the Bills are Liberian dollar only), building and gaining public confidence, and communicating monetary policy to stakeholders.

On the reserves front, there has been significant improvement in the accumulation of reserves. Gross international reserves (GIR) grew by over US$171.2 million to US$431.2 million in the last quarter of 2023, from US$260.0 million in December 2019.

This is an indication that both external and domestic shocks would better be addressed than they were when the level of reserves was lower. Similarly, deposits in the banking sector grew to over L$139.2 billion in October 2024 from L$56.5 billion in December 2019, suggesting that public confidence in the banking sector has increased, as more funds are now returned to the banks through deposits.

In conclusion, it is safe to say that the transition from exchange rate targeting to reserve money targeting has benefited the country thus far.

Chart 1:Year-on-Year Annual Depreciation and +/- 10 Percent Bound

A Call for Technological Advancement in Liberia's Banking Sector

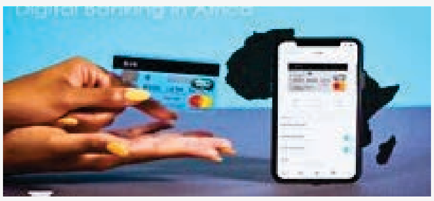
-BY EDWARD DUNBAR

As Liberia's banking sector charts a new course in this transformative era, it has become increasingly evident that embracing technological innovation is not merely a necessity but an imperative for survival.

The banking sector has witnessed significant technological advancements in recent years, reshaping how financial services are delivered.
These include digitalization, banking-as-a-service (BaaS), chatbots and automation, blockchain integration, cybersecurity, big data and analytics, and cloud computing, just to name a few.

Digitalization and Customer Experience

In this new technological era, digital technologies have been employed to provide banking services to customers, thereby improving customer experience. Digital financial services and electronic payments have become prevalent, with vast majority of mobile banking users accessing their accounts mainly through their mobile devices.



Retail banking, which includes services like credit cards, savings accounts and loans, have also seen a surge due to digitalization, vastly improving customer satisfaction with banking services.

The marriage of digitalization and customer-centric strategies is essential for banks aiming to win the hearts and minds of customers, and to grow their profits in today's dynamic financial landscape.

Banking-as-a-Service (BaaS)

BaaS enables collaboration between banks, FinTech's and non-financial companies using the Application Programming Interfaces (API) technology.

Using this technology, licensed banks offer banking products to the customers of non-bank businesses. Real life examples of how BaaS works could be where a small business without formal business and financial training can access credit or where an accounting software is provided by FinTech to enhance a company's financial management services.

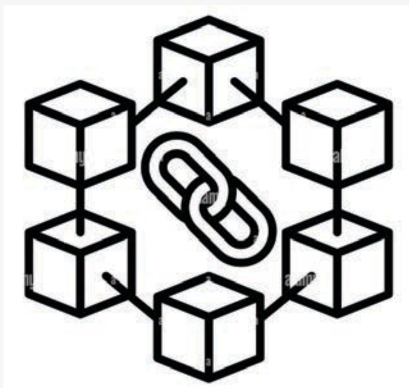
Chatbot and Automation

Chatbots and automation have revolutionized how people interact with technology, making their lives more convenient and efficient. They make use of technology to handle queries, which are often used mainly for the provision of customer care on a 24/7 basis.

Chatbots can be integrated with automation technology to enhance the experience of users.

Blockchain Integration

Blockchain technology is a decentralized digital ledger that securely records transactions across a network of computers. Blockchain is best known for its role in cryptocurrencies like Bitcoin as well as supply chain management, and healthcare records. It empowers businesses with enhanced security, transparency, and automation.



Cybersecurity

Cybersecurity refers to the practices, technologies, and policies designed to protect systems, networks, and data from cyberattacks. Effective cybersecurity involves using firewalls, antivirus software, encryption, and multi-factor authentication.

IBM, the multinational technology conglomerate, estimates that by 2025, cyberattacks will cost the global economy an estimated USD10.5 trillion per year.

Big Data Analysis

Big data analysis, or big data analytics, involves examining large and complex data sets, using advanced techniques like machine learning, data mining, and predictive analytics to process and analyze such data.

It is widely used across various industries, including healthcare, finance, and retail to improve efficiency, enhance customer experience, and drive innovation.

It allows commercial banks to gain deeper insights into customer behavior, preferences, and needs, enabling them to analyze transaction histories, spending patterns and interactions, and so personalize their services.

Cloud Computing

Cloud computing is the delivery of computing services over the internet, allowing users to access and use resources like servers, storage, databases, networking, and software, on demand.

Cloud computing provides greater flexibility, efficiency and strategic value, compared to traditional, on-premises IT infrastructure. Users can scale services to fit their needs, customize applications and access cloud services from anywhere with an internet connection.

Investing in Technology

Liberia's banking sector is encouraged to invest in technology, not as a one-time expense but as an ongoing commitment.

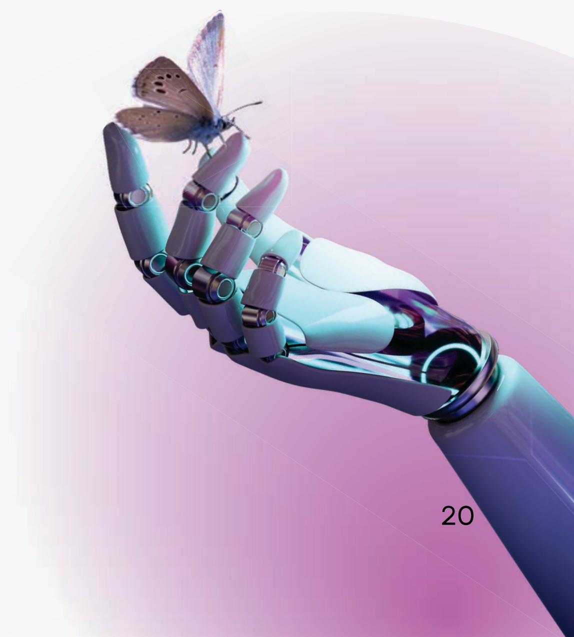
Beyond the financial considerations, investment represents a strategic imperative for banks to build resilience, enhance competitiveness, and future-proof their operations in an increasingly digital world.

However, the journey towards technological transformation extends beyond financial investments; it requires a holistic approach encompassing organizational culture, talent development, and strategic partnerships.

As Liberia's banking sector embarks on the journey of technological transformation, the imperative to invest in technology is indisputable.

However, beyond the imperative lies the opportunity for banks to redefine their roles as drivers of innovation, catalysts of economic development, and guardians of financial stability.

The call to action for Liberia's banking sector is clear: seize the opportunities presented by emerging technologies, unlock new frontiers of growth and prosperity, and chart a course towards a future where technology serves as an enabler of progress, inclusion, and sustainable development.



CBL Honors 209 Contractors, Consultants

More than 200 former contractors and consultants whose contracts had ended were honored during an appreciation ceremony in recognition of their valuable services.

Consistent with Liberia's labor laws, CBL paid for the unexpired contractual period for those whose contracts were due to expire as at the end of September 2024. Additionally, though not under obligation to do so, CBL also provided a token and other packages to all the contractors to mitigate the potential impact of the termination of their services.

A colorful ceremony was held on 27 August 2024, in which all contractors were given certificates of appreciation, in recognition of their services and contributions to CBL during their stay at the Bank.

During the farewell ceremony, CBL Acting Executive Governor, Henry F. Saamoi expressed his appreciation to those whose contracts with CBL were due to end, saying "we value your services and have prepared a package and an honoring ceremony for you, but that the situation was brought on us by the circumstances".

A cross-section of staff attending the end-of-contract ceremony

The Acting Governor used the separation ceremony to announce a scholarship program for contractors who are high school graduates so that they could return to school. Mr. Saamoi said "it`s a difficult task, but whenever faced with difficult decisions, consider the country first."

Acting Governor Saamoi also promised the contractors and consultants that they would be given future opportunities to participate in the competitive recruitment exercise at the Bank to fill critical roles, which will be transparent and based on the Bank's strategic objectives and policy.

Acting Governor Saamoi addressing staff during the end-of-contract program

Awarding of certificates of appreciation to those whose contracts expired

The decision to terminate the services of the 209 contractors and consultants was done in line with Liberia's Labor Law, based on CBL's strategic imperative to reduce operational costs.

As a result of the reforms that were initiated by the Bank, the International Monetary Fund approved an Extended Credit Facility for Liberia on 25 September 2024, worth $210 million, with disbursements to be spread over 40 months.

The IMF Extended Credit Facility will support the Government of Liberia's Economic Reform Agenda, commonly called ARREST (Agriculture, Roads, Rule of Law, Education, Sanitation and Tourism), address macroeconomic imbalances, strengthen debt sustainability and lay the foundations for a more inclusive private sector-led growth beyond the enclave sector.

Following the approval of the Extended Credit Facility by the IMF Executive Board, IMF Deputy Managing Director, Mr. Bo Li said: "The Liberian authorities are appropriately prioritizing restoring fiscal credibility. They are focusing on reducing unproductive spending and shifting resources toward public investment while protecting social spending.

Over the program period, the authorities should continue to strengthen fiscal discipline and improve domestic revenue mobilization, including through the introduction of the VAT (value-added tax) and the reduction of generous tax incentives".

CBL's operational costs have been unsustainable in recent years, especially given the limited income sources of the Bank and the impact of its huge operational cost.

By implementing the separation process, CBL would be able to streamline its workforce, optimize resources, and maintain the integrity of its operations.

CBL is optimistic that the success of the separation process would secure the future financial viability and operational effectiveness of the Bank.

Three CBL Staff Return from Graduate Studies to Boost Bank's Capacity

Faith Teewon-Gaye

Faith Teewon-Gaye, Jeremiah King, and Michael Titoe, Jr. completed studies in Policy Economics, Development Finance, and Economic Policy Management, respectively, and are poised to make the Bank even better 'fit for purpose' as they perform their respective roles as Bank Examiner (Level II), senior bank examiner and Assistant Director.

Faith's studies at Williams College began in 2021 and has introduced her to monetary and fiscal policies, developing growth diagnostics, formulating and implementing policies relevant for the safety and soundness of the financial sector, and data analysis, among others.

Her master's Program enabled her to take part in various training sessions and conferences at the headquarters of several prestigious institutions such as the World Bank, International Monetary Fund (IMF), International Finance Corporation (IFC), United Nations Development Program (UNDP), and the Federal Reserve Bank of the United States of America.

In 2022, Jeremiah King was granted a UK Chevening Award/Scholarship fully funded by the UK Government through the Foreign, Commonwealth & Development Office (FCDO) to pursue a master's degree in the United Kingdom (UK) after a highly competitive vetting process.

He gained entrance to the University of Reading (a former extension College of Oxford University), one of the top universities in England, to pursue an MSc in Development Finance at the Graduate Institute of International Development, Agriculture and Economics (GIIDAE), University of Reading.

Jeremiah King

The MSc program focused on financial sector development, with an emphasis on developing economies. It involved a comprehensive analysis of various theories, practices, and experiences to establish a robust financial system. The overarching goal of the program was to provide access to financial services and products, promoting financial inclusion and access to finance, particularly for the underserved and unbanked populations while maintaining strong financial stability. It also provided insights into financial sector regulations, competition dynamics, market analysis, and development economics aimed at informing policies that promote economic development and growth.

Jeremiah graduated from the University of Reading with merit while also obtaining a distinction in his MSc dissertation.
Mr. Michael Titoe, on the other hand, earned an MPA in Economic Policy Management with focus on Central Banking and Financial Markets in May 2024 from the Ivy-League Columbia University in the City of New York, United States of America.

He acquired advanced knowledge in monetary policy formulation and operations, financial stability monitoring, macroprudential policy, financial development, and macroeconomic policy management, among others. He is well prepared to play a key role in formulating and implementing monetary and macroprudential policies to achieve and maintain price stability and a stable and inclusive financial system.

Michael Titoe, Jr.