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**TOPICS CARRIED IN THIS EDITION**


- Governor's Foreword: Keeping Private Sector Development on the Front Burner
- CBL Participates in Statutory Meetings of ECOWAS Specialized Agencies: Obtains Waiver of Debt to West African Monetary Agency (WAMA)
- Exchange Rate Continues to be Broadly Stable
- Inflation Moderates Further in Second Quarter of 2010: Compares Favorably with Countries in the Sub-Region
- Remittances Flows: Disaggregation Helps to Clarify Misconceptions About Capital Flight
- Executive Governor Hosts Working Luncheon with Commercial Banks
- CBL Launches the Pilot Phase of the Banking Institute: Classes have Already Begun
- CBL Issues New Regulations and Directives For Consumer Protection and Ensuring Integrity of Staff Recruitment in the Banking Sector
- Further Expansion of Banking Services to South Eastern Part of the Country Expected: Sinoe and Grand Kru
- Banking Sector Shows Steady Growth
- Preparatory work on the Implementation of Risk-Based Supervision Progresses—Pilot Examination Scheduled for October, 2010
- CBL Signs the Charter for Establishing the College of Supervisors for the WAMZ
- CBL Sets Up Payments System Modernization Project Team
- Improving Access to Finance for Micro, Small and Medium Enterprises
- Draft Legislations for Commercial Code and Court Have Been Finalized
- Work Begins on CBL's Headquarters
- IMF Pleased with CBL 2009 Biannual Safeguards Assessment Audit; While CBL Board Appoints External Auditor for the Next Three Years
- Capacity Building Continues at the CBL


# GOVERNOR'S FOREWORD: KEEPING PRIVATE SECTOR DEVELOPMENT ON THE FRONT BURNER

The economy remains on course to register a stronger growth performance in 2010. Both exports and imports are up compared with the first half of last year, rising by 10.9 percent and 2.9 percent, respectively. Credit to the private sector continues to rise with an increase of 31.7 percent over the first half of 2009. Inflationary pressure also moderated in the 12-month period up to June, 2010, down from 7.6 percent to 2.5 percent. It is also worth noting that the microfinance sector has been an important part of the support to the development of the private sector. The total number of recorded borrowers in the second quarter of 2010 increased by 10.0 percent, while the loan portfolio grew by 25.0 percent to more than US$3.6 million. With some 44,451 borrowers from microfinance institutions, it can be seen that there is much potential in the industry in helping to provide employment in both the formal and informal sectors.

The importance of the private sector as the bedrock of the economy cannot be overemphasized, and the role of the financial sector is critical. In this connection, the CBL will remain focused on ways for the banking system to scale up financial support to the private sector on more reasonable terms, especially regarding the development of Liberian entrepreneurship. There is now a broad consensus within the banking community that there is need to move beyond the status quo with concrete actions aimed at enhancing the growth potential of the economy.

Meanwhile, we are pleased with the hard work of many stakeholders that has led to the completion of the draft Commercial Code Bill and the Bill to Establish a Commercial Court. Those who have worked tirelessly on this Project include the Liberian Bar Association, the Liberian Chamber of Commerce, the Liberian Business Association, the Fula Business Association, the Bankers Association, the Liberian Law Reform Commission, the Ministries of Justice, Presidential Affairs and Commerce, and the leadership of both Houses of the Legislature and relevant Committees. We would also like to acknowledge the financial and technical assistance received from the International Finance Corporation for this Project. The passage into law of these two bills will significantly improve the investment climate in Liberia, ensuring greater security for commercial transactions and improving access to finance.

There is no question that it is better for the Liberian economy

**Dr. J. Mills Jones**
**Executive Governor**

and the banks themselves if the customer base for lending is larger. There are tremendous opportunities in the consumer loan, SME, agricultural, housing and services sector. Improvement in the capital position of banks — and the minimum capital will rise from US$8.0 million to US$10.0 million at end-December 2010— must be complemented by improved intermediation. This is an important goal of the CBL's reform agenda.

The CBL shall remain an active participant in the Government's effort to strengthen the private sector as the basis for sustained economic growth, which is a necessary condition for creating employment and reducing poverty.

# CBL PARTICIPATES IN STATUTORY MEETINGS OF ECOWAS SPECIALIZED AGENCIES: OBTAINS WAIVER OF DEBT TO WEST AFRICAN MONETARY AGENCY (WAMA)

The Mid-year Statutory Meetings of three specialized agencies of ECOWAS took place in Banjul, The Gambia, between the 26th – 30th of July, 2010. The Agencies include the West African Institute for Financial and Economic Management (WAIFEM) based in Lagos, Nigeria, the West African Monetary Agency (WAMA), in Freetown, Sierra Leone and the West African Monetary Institute (WAMI) in Accra, Ghana. WAIFEM is an institute that trains individuals from the public and private sectors of ECOWAS member states, with particular emphasis on central bankers, employees of ministries of Finance, Economic Planning and Commerce. WAMA is responsible for monitoring activities of the member countries of the West African Monetary Zone (WAMZ) relative to policy harmonization and the implementation of the Multilateral Surveillance Mechanism, and WAMI is the research institute overseeing the implementation of the WAMZ program.

The meetings were attended by the Governors of the Central Banks of Liberia, Nigeria, Ghana, Sierra Leone, Guinea and The Gambia. Also in attendance as observers, were

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# CBL PARTICIPATES IN STATUTORY MEETINGS OF ECOWAS SPECIALIZED AGENCIES: continues

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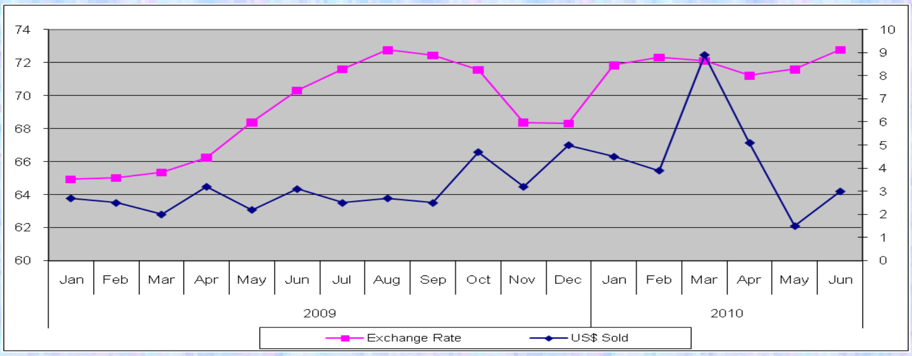
representatives of the ECOWAS Commission, West African Bankers Association (WABA), Union Economique et Monetaire Ouest Africaine (UEMOA), Banque Centrale des Etats de l'Afrique de L'Ouest (BCEAO) and the African Development Bank (AfDB).

The meetings deliberated on the status of implementation of the WAMZ work program, the training program of WAIFEM and progress made during the first half of 2010 as well as WAMA's program of monitoring policy harmonization and the multilateral surveillance mechanism. Also discussed at the meetings were technical papers produced by WAMI and WAMA on the economies of the member countries of the WAMZ with a view to moving the implementation of the WAMZ work program forward.

The operational budgets of the three institutions for 2010 were also discussed. During the deliberation, the Executive Governor of the Central Bank of Liberia informed his colleagues and other participants of the full settlement of Liberia's budgetary contributions to the 2010 budgets of WAMI, WAMA and WAIFEM. The amounts were paid by the CBL. The Governor was also able to get the Committee of Central Banks' Governors of the WAMZ countries to agree to waive the amount of US$474,372.00, representing Liberia's indebtedness to WAMA for the period 2007 – 2009. As a result of the effort made by the CBL, Liberia is now current with its contributions to the three institutions.

# EXCHANGE RATE CONTINUES TO BE BROADLY STABLE

During the first half of 2010, the Liberian-US dollar exchange rate remained broadly stable at L$72/US$1 for buying and L$73/US$1 for selling. The stability in the exchange rate was largely influenced by CBL's aggressive intervention in the market for foreign exchange. In the six-month period up to June 2010, a total of US$28.1 million was sold through the auction, compared with US$12.0 million during the same period of 2009. The US$16.1 million increase over the corresponding period of 2009 was largely responsible for stabilizing the value of the Liberian dollar against the US dollar during the first six months of 2010.




# INFLATION MODERATES FURTHER IN SECOND QUARTER OF 2010: COMPARES FAVORABLY WITH COUNTRIES IN THE SUB-REGION

There has been a slowdown in inflationary pressure to a single-digit since the beginning of the second quarter of 2010, continuing the downward movement from the first quarter of 2010. For the months of April, May and June, inflation has been declining, moving from 13.2 percent at end of March to 11.9 percent, then to 8.0 percent and 2.5 percent for April, May and June, respectively.

The slowdown in inflation was largely driven by food prices falling to 1.4 percent at end-June, from 8.7 percent in April; followed by clothing & footwear, slowing from 16.1 percent to 4.6 percent; and transport, from 4.1 percent to 3.2 percent. A comparison of inflation in some countries of the sub-region shows that Liberia had the lowest rate of inflation of 2.5 percent at end-June, compared with 16.8 percent for Sierra Leone, 10.3 percent for Nigeria, 9.5 percent for Ghana and 4.6 percent for The Gambia.


Current developments on the global market regarding the rising prices of wheat are likely to have implication for domestic inflation during the second half of 2010, especially food inflation.

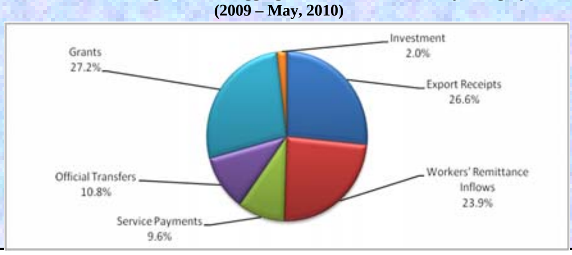
# REMITTANCE FLOWS: DISAGGREGATION HELPS TO CLARIFY MISCONCEPTIONS ABOUT CAPITAL FLIGHT

This article highlights major sources of, and purposes for, foreign exchange flows to and from the Liberian economy. It also helps to clarify that financial outflows are not necessarily capital flight.

**REMITTANCE INFLOWS**

For the period 2009 up to end-May 2010, aggregate remittance inflows through the banking system totaled US$1,178.0 million. Of this total inflows, grants from the donor community to help support various projects and programs in Liberia accounted for US$320.8 million (or 27.2 percent); followed by export receipts, US$313.3 million (26.6 percent); workers' remittance inflows, US$281.3 million (23.9 percent), official transfers, US$127.2 million (10.8 percent); service payments, US$112.5 million (9.6 percent); and investment, US$23.0 million (2.0 percent) (see Chart 1 below).

**Chart 1: Percentage Share of Aggregate Remittance Inflows by Category (2009 – May, 2010)**




Workers' remittance inflows include transfers from individuals abroad to relatives and friends in Liberia; while official transfers include transfers made by foreign embassies and international non-governmental organizations; service payments are transfers related to services such as IT and other consultancies, shipping, auditing, legal, among others; and investments refer to transfers made by a firm or an individual for

# REMITTANCE FLOWS continues

*(Continued from page 2)*

investment in various business ventures in Liberia.

It is important to note that for 2009, workers' remittance inflows as a ratio of estimated nominal GDP (US$874.1 million) was 21.1 percent, reflecting the significance of such inflows to the economy.

**REMITTANCE OUTFLOWS**

Aggregate outflows during the review period totaled US$1,183.5 million. Of this amount, payments for imports accounted for the largest share, US$865.2 million (or 73.1 percent); followed by workers' remittance outflows (transfers made by Liberians and foreigners working in Liberia, including UNMIL, major UN organizations and other international private firms), US$222.0 (18.8 percent); service payments, US$68.4 million (5.8 percent); official transfers (transfers made by the Government of Liberia to its embassies abroad), US$24.2 million (2.0 percent); and investment (transfers made by a firm or an individual for investment in various business ventures outside of Liberia), US$3.7 million (0.3 percent). The data show that the net outflow of US$5.5 million experienced during the period under review was on account of the large payments made for imports, which indicates the highly import-dependent nature of the economy, with this category of outflows being the main driver of foreign exchange flows from Liberia. It mirrors the persistent trade deficit being experienced in the economy (see Chart 2).

**Chart 2: Percentage Share of Aggregate Remittance Outflows by Category (2009 – May, 2010)**


**FIRST FIVE MONTHS OF 2010**

For the first five months of 2010, movements in remittance flows were mixed. However, at end of May, aggregate inflows amounted to US$395.4 million; outflows, US$393.8 million; and net inflow, US$1.6 million. For the same period of 2009, inflows amounted to US$348.4 million; outflows, US$353.6 million; and net outflow, US$5.2 million.

Comparing the first five months of 2010 with the corresponding period of 2009 shows that remittance inflows rose by US$47.0 million; this increase was driven largely by increases in export revenue, US$40.9 million; followed by grants, US$16.7 million; workers' remittance inflows, US$16.1 million and official transfers, US$6.9 million. On the other hand, aggregate remittance outflows vis-à-vis the level recorded for the first five months of 2009 rose by US$40.2 million. This increase in outflows was led mainly by a US$37.2 million rise in workers' remittance outflows and US$33.8 million increase in service payments.

Available data show that remittance inflows to the economy are gradually increasing after declining for a number of months in most part of 2009 as a result of the international financial crisis and economic meltdown. Workers' remittance inflows for the first five months of 2010 as a ratio of projected nominal GDP (US$952.9 million) stood at 10.1 percent, compared with 9.2 percent for the same period of 2009 (estimated nominal GDP for 2009 was US$874.1 million).

Charts 3 and 4 below show percentage shares of aggregate remittance inflows and outflows by category for the first five months of 2010:

**Chart 3: Percentage Share of Aggregate Remittance Inflows by Category (January - May, 2010)**

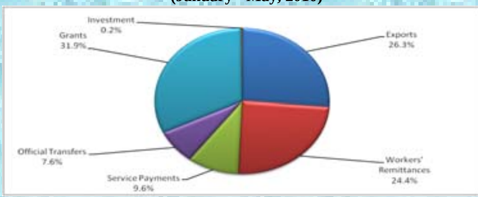



**Chart 4: Percentage Share of Aggregate Remittance Outflows by Category (January - May, 2010)**


From the above presentation, it has been shown that grants, export proceeds, and workers' remittance inflows were the major sources of foreign exchange earnings to the Liberian economy while import payments and workers' remittance outflows accounted for the largest component of foreign exchange flows from the economy during the period under review.

Aggregate remittance inflows for the period under review showed to be a significant contributor to the growth of the economy. Outflows, on the other hand, showed that Liberia is highly import-dependent, with import payments accounting for 73.1 percent of aggregate outflows, suggesting that there is a need for appropriate policies that would help reduce the increasing import bills.

In order to avoid further misinterpretation of what constitute capital flight and remittance outflows, it is important to note that outward remittances through the banking system are quite different from what is referred to as capital flight. Some individuals in the Liberian society have referred to transactions relative to outward remittances as capital flight. These outflows do not constitute capital flight. In addition to legitimate day-to-day financial transactions as they are carried out in any functioning economy, outward remittances through the banking system and international money remittance entities such as Western Union and Money Gram operating in Liberia are consistent with the highly liberalized nature of Liberia's capital account, which makes outflows legal.

The flight of capital from a given economy to another is usually occasioned by political instability, exchange rate volatility or lack of confidence in the country's macroeconomic environment, which often results to a movement of capital to areas of safety

In light of the information arising from this article, concerted efforts at encouraging and strengthening domestic production and value-added transformation of exportable commodities are imperatives for improvement of Liberia's balance of payments position and its overall economic development plan. Therefore, there is a need to continue to pursue investor-friendly policies that will improve productive activities of the various sectors of the economy, with particular attention given to increased investment in agricultural production .

# EXECUTIVE GOVERNOR HOSTS WORKING LUNCHEON WITH COMMERCIAL BANKS

On September 2, 2010, the CBL hosted a working luncheon with the commercial banks at the Mamba Point Hotel. This was the second of such meeting this year. The luncheon provides the opportunity for informal discussions on key issues relating to the banking sector. The luncheon is attended by senior staff of the CBL, chief executive officers (CEOs) of the commercial banks and the Secretariat of the Liberia Bankers Association (LBA).

At the recent luncheon, several issues were discussed, which included (1) the relatively high lending rates, fees and commissions in the banking industry, (2) repayment period for loans, and (3) medium– to long-term financing for critical sectors of the economy.

The CBL views the need for addressing these issues as critical to the development of a more dynamic private sector and longer-term sustainable growth of the Liberian economy.

The improved dialogue and collaboration that exist between the CBL and commercial banks have yielded important results. More recently, we have seen the launching of the Banking Institute and the ongoing efforts relative to the revision of the Commercial Code and establishment of a Commercial Court in Liberia to facilitate enforcement of commercial contracts.

# CBL LAUNCHES THE PILOT PHASE OF THE BANKING INSTITUTE: Classes have already begun

One of the main challenges that the banking sector of Liberia faces today is the scarcity of trained and experienced personnel in key areas of modern banking practices/activities. This situation is considered to be one of the factors undermining the efficiency of banks.

It is against this background that the Central Bank of Liberia (CBL) and the Liberia Bankers Association (LBA) have, for the last few years, been working together to address the skill gaps in the banking sector, through the establishment of a banking institute. The official launching program of the pilot phase of the banking institute took place on Friday, August 13, 2010, at the premises of the CBL Training Center. The program was graced by an array of Government officials and members of the donor community.

The pilot phase of the Banking Institute is intended to start the project on a low-scale while efforts will be made towards the establishment of a full-fledged banking institute in the near future. The pilot phase of the institute, which will last for six (6) weeks, will cover key areas of banking activities that presently pose serious challenges in the banking sector. These include sound risk management practices and internal controls and audit. As the CBL moves toward full implementation of risk-based supervision, which requires ongoing training in sound risk management, internal controls and audit and corporate governance, the institute is expected to play a more crucial role.

At the level of a full-fledged institute, the institute will not only meet the training needs of financial institutions but also provide the opportunity for local university graduates to receive basic training in banking and bank-related courses, thereby building a stock of professionals for potential recruitment in the banking sector.

As a near-term plan, efforts will be made to seek collaboration with regional training institutes to offer specialized training courses to the banking sector through the institute. In this regard, discussions are currently being held with the Charter Institute of Bankers in Nigeria to provide specialized courses in real estate and agriculture financing; two sectors of the economy that have received very low credit extension on account of the apparent skill gaps in the banking sector in such credit operations.

# CBL ISSUES NEW REGULATIONS AND DIRECTIVES: TRANSPARENCY FOR CONSUMER PROTECTION AND ENSURING INTEGRITY OF STAFF RECRUITED IN THE BANKING SECTOR

In August, 2010, the CBL issued and published in Official Public Gazettee a new Credit Reference Bureau Regulation and an amendment to the Regulation on Asset Classification, Loan Loss Provisioning and Suspension of Interest on Non-Performing Loans. The Credit Reference Bureau Regulations provide the legal and regulatory framework for governing the operations of credit reference bureaux in Liberia. The regulations set out the licensing requirements, standards for the conduct of business and standards for customer protection and confidentiality of personal information. The regulations were developed with technical support from the FIRST Initiative of the World Bank. The development of a regulatory and supervisory framework for the establishment and operations of credit reference bureaux in Liberia is one of the important projects being implemented by the CBL to improve the credit environment in the country, which is expected to reduce information asymmetry and the cost of borrowing in the banking system.

The CBL has also amended the existing Regulation on Asset Classification, Provisions for Loan Losses and Suspension on Interest on Non-Performing Loans to reduce the general provision for loan losses of the aggregate outstanding balance of all current loans and advances from at least 2% to 1% percent. This reduction was informed by research on regional and international best practices. The CBL expects that this measure will help improve the balance sheet of banks which should help them reduce the cost of borrowing to businesses and consumers.

In further developments, the CBL has at the same time issued two new directives: (1) directive on the display of schedule of lending rates, interest rates on deposits, fees, commissions and other related charges in conspicuous areas accessible to the banking public at various places of a bank's business, including but not limited to head office, branches, and annexes; and (2) directive on due diligence on prospective and existing employees which define minimum recruitment criteria for all existing and /or prospective employees in the banking sector. The first directive is intended to enhance disclosure and transparency in banks' lending activities and promote competition in the industry while the second directive is intended to protect the integrity of the financial sector and prevent unscrupulous individuals from being hired as staff in banking institutions.

# FURTHER EXPANSION OF BANKING SERVICES TO SOUTH EASTERN PART OF THE COUNTRY EXPECTED: SINOE AND GRAND KRU

The CBL has given Ecobank Liberia Limited (EBLL) and First International Bank Liberia Limited (FIBLL) approval for the establishment of bank branches in Grand Kru and Sinoe Counties, respectively. When these branches are opened, 11 of the 15 counties will have access to commercial banking services. Like other bank branches, the two proposed branches will provide a range of financial services to the local population covering the direct deposit scheme, money transfers, credit extension and deposit mobilization.

The approval of bank branches throughout the country is in keeping with the CBL's policy to promote access to financial services to all segments of the population and to support the Government's poverty strategy. The CBL is presently working with the two banks to ensure a timely opening of these branches.

# BANKING SECTOR SHOWS STEADY GROWTH

The banking sector continues to record steady growth in total assets, loans, and deposits. During the second quarter of 2010, the deposit base increased by 8.3 percent and gross loans increased slightly by 1.0 percent and total assets increased by 7.2 percent when compared to the first quarter's data. From June, 2009 to June, 2010, total assets increased by 31.0 percent, and total deposits by 34.6 percent. For the same period, private sector lending went up by 28.4 percent and capital up by 24.0 percent. In terms of liquidity ratio and capital adequacy ratio (CAR) as at end-June, 2010, the industry recorded 44.3 percent and 25.7 percent, respectively. These ratios are far in excess of the minimum regulatory thresholds of 15.0 percent and 10.0 percent, respectively.

# PREPARATORY WORK ON THE IMPLEMENTATION OF RISK-BASED SUPERVISION PROGRESSES — PILOT EXAMINATION SCHEDULED FOR OCTOBER, 2010

As part of the implementation program of its risk-based supervisory framework, the CBL conducted a half-day sensitization workshop for Board members, senior and middle-level staffs of commercial banks on August 12, 2010. The workshop, which was facilitated by IMF Advisor providing technical assistance to the Supervision Department, highlighted the role and responsibility of the Board and senior management of commercial banks as a cardinal component of an effective risk management system. It also highlighted the expectations of the CBL of each commercial bank in the ongoing transitioning exercise to a full-scale risk-based supervision. The workshop was attended by a cross-section of staff from the various banking institutions. With the benefits of the workshop, banks are now required to update and strengthen their risk management frameworks that will ensure the safety and soundness of the individual banking institutions. A successful transitioning to risk-based supervision will prepare the CBL toward the adoption of Basle II Supervisory Standards and place the CBL supervisory regime on par with the sub-region and international standards.

There are also ongoing training activities of staff of the Supervision Department, which is being provided by the IMF Technical Advisor on various components of CBL Risk-Based Supervisory Framework. The Supervision Department is currently conducting a verification exercise of the risk management system and framework of each bank, which is a prelude to the launching of the pilot examination in October 2010.

# CBL SIGNS THE CHARTER FOR ESTABLISHING THE COLLEGE OF SUPERVISORS FOR THE WAMZ

At the recent Committee of Governors Meeting of WAMZ held in Banjul, The Gambia, the Central Bank of Liberia (CBL) signed the Charter for the establishment of a College of Supervisors in the WAMZ. The College, which is a collaborative mechanism among supervisors of the member countries, will reduce regulatory duplication and inconsistency, improve bilateral dialogue between regulators and supervisors, increase the levels of trust and enhance cooperation among supervisors regarding the activities of international banking organizations operating across member countries. The College is not a substitute for effective national supervision nor intended to supplant the legal and prudential responsibilities of respective national supervisory authorities.

The objectives of the College include: (1) facilitate the exchange of information, views and assessments among supervisors to enhance the efficiency and effectiveness of the supervision of institutions both on a solo and consolidated basis; (2) enable supervisors to develop a common understanding of the risk profile of a banking group as a starting point for risk based supervision at both the solo and consolidated levels; (3) ensure proper coordination of the decisions of the individual supervisory authorities in the zone; (4) coordinate supervisory review and risk assessment processes of members towards the establishment of supervisory plans and joint onsite visits, thus avoiding duplication of work and reducing regulatory burden; and (5) contribute to the consistent implementation of WAMZ directives and the convergence of member states' supervisory practices across the zone.

The inaugural meeting of the College was held at the Headquarters of the Central Bank of Nigeria (CBN) in ABUJA, from 16-17 August 2010. At the close of the meeting, which was attended by directors of banking supervision of member central banks, the delegates agreed to cooperate in the areas of capacity building, harmonization of regulatory and supervisory standards, and promotion and enhancement of information sharing concerning international banking organizations operating in member countries.

# CBL SETS UP PAYMENTS SYSTEM MODERNIZATION PROJECT TEAM

Following Liberia's accession to the West African Monetary Zone as a full-fledged member in February of this year, the CBL initiated discussions with the West African Monetary Institute in order for the African Development Bank (AfDB) funded payments system modernization project to be extended to Liberia. As a result of this effort, the CBL is expected to benefit from funding assistance from the AfDB for the modernization of the national payments system. The funding will be channeled through the West African Monetary Institute which is the implementing partner for the Payments System Modernization Project in the sub-region. This effort of the African Development Bank is intended to assist the countries in the sub-region to improve their payments systems and thereby pave the way for the establishment of a common regional platform for ease of processing cross-border payments. These would include the use of checks, high valued payments and settlement thereof for financial integration.

As part of the project implementation arrangement, the CBL, as required, has established a Project Steering Committee to be chaired by the Deputy Governor of the CBL with representations from the Ministry of Finance and the Liberia Bankers Association; a National Payments System Committee, chaired by the Director of the Banking Department of the CBL with representatives of all of the banks as members; and a Project Team, consisting of some personnel of the CBL who will be responsible for the various technical aspects of the project. The project document has been submitted to the WAMI for onward submission to the African Development Bank .

# IMPROVING ACCESS TO FINANCE FOR MICRO, SMALL AND MEDIUM ENTERPRISES

The microfinance sector continues to show steady growth in its key indicators for the second quarter ended June 30, 2010. The client base or total number of active borrowers increased by 10 percent to 44,451 while loan portfolio outstanding grew by 25 percent to US$3,634,172, from the first quarter ended March 2010. The CBL continues to ensure consistent application of best practice microfinance.

The CBL, in collaboration with the UNDP/ UNCDF, continues support to strengthen the microfinance sector. In June 2010, forty-six students graduated from the fourth professional level certificate Foundation Course in Microfinance conducted at Cuttington University Graduate School.

Additionally, twenty-six loan officers from the four main microfinance institutions-LEAP, Liberty Finance, BRAC and CLAP-received training at the CBL's Training Center in delinquency management in August 2010 with the aim of improving loan portfolio quality.

The CBL also hosted a Regional Course on Microfinance Operations and Regulations organized by the West African Institute for Financial and Economic (WAIFEM) at the Training Center. Twenty-six technicians from Anglophone West Africa (Gambia, Ghana, Liberia, Nigeria and Sierra Leone) attended from August 23- 27, 2010.

The CBL is also reviewing the work plan for phase II of the Launch of an Inclusive Financial Sector in Liberia (LIFS). The focus of phase II is to provide support to financial inclusion in Liberia.

**UNITED NATIONS SECRETARY-GENERAL SPECIAL ADVOCATE for INCLUSIVE FINANCE VISITS LIBERIA**

Meanwhile, Her Royal Highness, Princess Maxima of the Netherlands, U.N. Secretary-General Special Advocate for Inclusive Finance for Development paid a three-day working visit to Liberia from Monday, June 28, 2010 to Wednesday, June 30, 2010.

During her visit, the Princess met with the Deputy Governor and other senior officers of the Central Bank of Liberia. The Deputy Governor used the occasion to explain what the CBL was doing to develop the microfinance sector, and agreed with the Princess on the importance of developing a sustainable inclusive financial sector that provides access to finance for micro, small and medium enterprises. Some of the areas discussed by the Deputy Governor included the use of new technology such as mobile banking, the establishment of commercial courts, consumer protection and transparency measures undertaken by the CBL.

As a result of the Princess' visit, the CBL has joined the Alliance for Financial Inclusion (AFI), an independent network of policy makers in developing and emerging markets that provide its members with the tools and resources to share, develop and implement their knowledge of financial inclusion polices that work.

# DRAFT LEGISLATIONS FOR COMMERCIAL CODE AND COURT HAVE BEEN FINALIZED

The Central Bank of Liberia, supported by the IFC and World Bank, has been sponsoring the drafting of a Commercial Code of Liberia and the procedures and rules for the operation of a Commercial Court in Liberia in line with the Bank's desire to improve the credit environment that will provide security to lenders and make available finance to borrowers, including SMEs.

The chapters of the Code will include general legal provisions; sale of goods; leasing, composing of finance leasing and operation lease; arbitration; bankruptcy; negotiable instruments; and secured transactions and mortgages that will include provisions on chattel mortgage and realty mortgage.

Work on this Project has benefitted from contributions from several experts, including expatriates and local experts from the Louis Arthur Grimes School of Law, University of Liberia, the Liberia National Bar Association, the Liberia Bankers Association, the Law Reform Commission, the Liberia Chamber of Commerce, the Ministry of Commerce, the Ministry of State, etc. A final stakeholders' meeting for the final validation for the code took place on the 25th and 26th of August, 2010. A draft amendment to the judiciary law has also been circulated for review in preparation for a stakeholders' meeting.

In its quest to bring the Project to a logical conclusion, the finalized draft legislations for Commercial Code and Court have been sent by the CBL to the President for onward submission to the Legislature for enactment into law.

# WORK BEGINS ON CBL'S HEADQUARTERS

The Central Bank of Liberia has put out notice for tender for the completion of the head office building situated at the intersection of Ashmun, Lynch and Buchanan Streets. Meanwhile, some construction work is being done on the first phase which includes the perimeter fence, the guard house and drainage system. The contract to complete the perimeter fence was awarded to a local Liberian firm, Liberia Reconstruction and Development Company (LRDC) and is expected to last for 3 months. The second phase of the project will consist of completing the construction and decoration of the building and is expected to begin in mid December, 2010. Both local and foreign based contractors are expected to participate in the bid process. Construction work is expected to last for 12 months.

# IMF PLEASED WITH CBL 2009 BIANNUAL SAFEGUARDS ASSESSMENT AUDIT; WHILE CBL BOARD APPOINTS EXTERNAL AUDITOR FOR THE NEXT THREE YEARS.

According to an official communication to the Executive Governor of CBL from the Director of the Finance Department of the IMF, the Fund noted that there were no significant matters raised in the special audit performed by PricewaterhouseCoopers (PWC) on the Monetary Data Reporting Package (MDRP) and controls over CBL financial transactions in 2009.

PWC has been commissioned by CBL management to conduct the first half of 2010 audit in close collaboration with CBL internal auditors.

The CBL Board of Governors has now selected PricewaterhouseCoopers as external auditor for the next three years upon recommendation of the Board Audit Committee. This transparent selection process was done in accordance with the Board's approved External Auditor Selection Criteria. The selection criteria were developed in 2006 with input from the IMF.

The selection process started with the placement of announcement in our local dailies, on CBL's website and in the Daily Graphic and Business and Financial Times newspapers in Ghana. The Bank received a total of four bids tendered by the following firms:

1. Pannell Kerr Forster (PKF)-Liberia
2. Voscon Inc. Liberia/KPMG-Ghana
3. PriceWaterhouseCoopers-Ghana
4. Ernst & Young-Ghana

During the evaluation process, the technical and financial bids were unsealed in the presence of representatives of the bidding firms. The financial proposals were also read out and acknowledged by all. The evaluation of the technical bids was centered on methodology and the firm's experience (especially in IFRS complaint audits). Finally, at the end of the exercise, The Board Audit Committee declared PricewaterhouseCoopers (PWC-Ghana) as winner of the bid for 2010.

# CAPACITY BUILDING CONTINUES AT THE CBL—29 STAFF MEMBERS ENGAGED IN TRAINING PROGRAMS OUTSIDE LIBERIA

Consistent with its policy on human resource development, the CBL continues to enhance capacities of its staffs at various levels of central banking operations in order to ensure effectiveness, efficiency and maximum productivity. During the period June—August, a total of twenty-nine (29) employees of the CBL attended short-term courses/workshops outside of Liberia in various areas of central banks' activities as a way of enhancing their capacities in their respective areas of assignments.

Courses covered in these trainings/workshops included banking and financial analysis, debt analysis and sustainability, leasing and financing, swift operations, methodology for compilation of monetary statistics, liquidity forecasting, macroeconomic and financial analysis, microfinancing, Anti-Money Laundering/Combating the Financing of Terrorism (CFT) Regime, budgeting and budget control, financial accounting, introduction to management, among others.
Some staff members of the CBL also participated in local training programs including accounting and microfinance, both at the Liberia Institute for Certified Public Accounts through the Accounting Body of West Africa (ABWA) and the Microfinance Unit at the CBL, respectively.