OCTOBER 2019

The REGULATOR

Promoting financial inclusion, customer protection and financial sector development

CBL Launches Bi-monthly Economic Forum

Takes Stock of Monetary Policy Regime and Operations

The REGULATOR is the official newsletter of the Central Bank of Liberia, produced by its Corporate Communications Unit, Central Bank of Liberia, Lynch & Ashmun Streets. Website: http://cbl.org.lr

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Editorial

A New Era Dawns in CBL Monetary Policy-Making

The Central Bank of Liberia (CBL) in June 2019 officially launched its Bi-Monthly Economic Forum, an initiative intended to provide the forum for policy dialogue among various stakeholders in the Country, including the policymakers, academics, the private sector, civil society, etc. The forum also seeks to articulate the CBL policies with regard to its mandate of promoting macroeconomic and financial stability as well as supporting Government's development agenda.

The inaugural series of the forum which was held on July 11, 2019 gave participants the opportunity to understand the monetary policy regime of the CBL over the years, highlighting the monetary policy strategy and policy of the CBL.

An important announcement which emerged from the event was news of a policy shift by the CBL – from exchange rate targeting to interest rate targeting. This means that because of the difficulty for the Central Bank to defend the Liberian dollar value with adequate US dollars due to scarcity of US dollar inflows into the economy, it was necessary for the Bank to shift to the use of interest to manage Liberian dollar liquidity and reduce the pressure on the Liberian dollar. Using interest rate to make the Liberian dollar attractive will help to increase the value of the Liberian dollar and reduce the demand for US dollar to some extent. In this case, the CBL will be able to ensure relative stability in the exchange rate, contain the inflation pressure, and reverting the inflation trend downward in the medium-term. This effort, however, will require the support of the private sector, particularly the financial institutions, and by extension businesses, in terms of subscribing to the new monetary policy instruments being introduced by the Bank.

With the ushering in of the new monetary policy and the new buzz words of transparency and accountability, communications and public engagement will play a big role at the Central Bank. Monetary policy will no longer be conducted in the closet. It will be done in the open.

The public will be in the know about CBL monetary policy at every stage and will be provided with as much information as possible about the rationale for such policy so that they can base their own economic decision-making on the information that will go into the policy-making process. In the event of any deviation from CBL forecast, the public will understand.

If, for example, the public is made fully aware of CBL policy to curb inflation and, despite all efforts to rein in inflation it still persists, the public will understand why that is the case, because CBL has informed them at every stage of the policy-making process what it is doing to curb inflation and that they had already made an input in decision-making process and will therefore own up to the outcome of such policy.

It is not likely that, with public engagement and input from all the economic stakeholders, monetary policy will not yield the desired outcome and public expectation will not be contained, considering that they would have been engaged with throughout the process.

New Health Office for CBL

The Executive Governor of the Central Bank of Liberia (CBL), Hon. Nathaniel R. Patray, III, formally launched a first aid facility within the Central Bank of Liberia.

The short ceremony, which consisted of the ribbon cutting and a few words by Executive Governor Patray, was held at CBL on June 20, 2019.

Two professional nurses who run and oversee the operations of the Health Office expressed their appreciation to the Executive Governor for the initiative and for allowing them to be a part of the process.

Governor Patray cuts ribbon to the opening of the Health Office

Since its establishment in 2000, this is the first time there has ever been a health facility within the institution or any other banking institution in the country. In so many ways this is an historic event and a `game changer' in the operations of not only the banking institutions, but government-run offices and ministries within the Republic of Liberia. A few members of management and staff expressed their gratitude to the Executive Governor and their delight at having medical assistance within the confines of the work environment.

During his brief opening remarks, Executive Governor Patray said his hopes for the health office are that it be sufficiently provided with the necessities.

Present at the dedication were Chief of Office Staff, Jay D. Brown, Cyrus W. Badio, Head of the Corporate Communications Unit, Francis L. Yancy, Acting Director of the General Support Services Department, George B. Gould, Deputy Head of the Financial Sector Unit and Cllr. Joseph K. Jallah, Senior Advisor/Executive Governor's Office. ❑

CBL, NAFEBOL Dialogue on Liberian Dollar Depreciation

The Central Bank of Liberia (CBL) and the National Association of Foreign Exchange Bureaus (NAFEBOL) have agreed on the need to work together to find a solution to the depreciation in the Liberian dollar.

The decision was reached when Executive Governor, Nathaniel R. Patray, III, and representatives of the National Association of Foreign Exchange Bureaus met on Thursday, July 18, 2019, to find a strategy for addressing the depreciation in the value of the deteriorating value of the Liberian dollar.

A cross section of participants at CBL, NAFEBOL Confab.

Unscrupulous Individuals

All parties taking part in the meeting agreed that unscrupulous individuals were arbitrarily involved in over-pricing the United States dollar. Those involved in the import business were considered by NAFEBOL to be dictating a very high amount of Liberian dollars in exchange for the United States dollar. Still, others present at the meeting blamed unlicensed scratch card dealers as responsible for the depreciation because they were operating outside of the CBL framework and not bound by the agreement between CBL and NAFEBOL.

NAFEBOL suggested that if scratch dealers wanted to get involved in the foreign exchange business, they should be bound by banking regulations and build their own foreign exchange bureaus.

However, CBL Executive Governor said this is the Pro-Poor Era and that it was not feasible to have scratch dealers set up foreign exchange bureaus before qualifying to undertake foreign exchange business.

Executive Governor Patray, in his closing remarks, called on NAFEBOL to organize its leadership and hold election as soon as possible, something that has not happened for several years now. ❑

CEBSA LENDS HELPING HAND

CEBSA President, Mr. Mathias Cooper making donation of food items to the Antoinette Tubman Cheshire Home

In an effort to reach out to the less privileged in Society, the Management of the Central Bank of Liberia Staff Association (CEBSA), made several donations of food gift items to homes caring for the disabled, sick and needy.

The homes that benefited from the donations and food items include the TB Annex in Congo Town, the Antoinette Tubman Cheshire Home on 11th Street and Coleman Avenue and the Old Folks Refuge Home on Ashmum Street, Monrovia.

The donations were made possible by the CBL management through its Executive Governor, Hon. Nathaniel R. Patray, III, who sent a team out to make the donations.

Speaking on behalf of the Executive Governor, the President of the Central Bank Staff Association (CEBSA) Matthias Cooper, quoted the Bible saying, "a little is much, when God is in it".

Receiving the donations, spokepersons for the various organizations expressed satisfaction and said that the donations came at a time when they were most needed.

They appealed to the Executive Governor Patray to assist the institution with cable television.

W/Africa Central Bank Name Proposed

Directors of several key departments of the Central Bank of Liberia met on 25 June 2019 to deliberate on a name for a common West African Central Bank that would, amongst other things, provide financial and banking services for ECOWAS (Economic Community for West African States). The meeting brought together representatives from the Regulations & Supervision; Financial Markets; and Payment Systems departments, with Mr. Michael B. Ogun, Senior Advisor for Multilateral Relations, presiding.

A cross section of participants at the meeting to find a West African Central Bank name

The meeting of top directors of the Central Bank of Liberia to proffer a name for a future ECOWAS Central Bank was not an isolated event. Other central banks of ECOWAS member nations have been meeting to deliberate on their choice of names for an ECOWAS Central Bank, just as they were asked earlier this year to choose the name and design of an ECOWAS common currency. By the way, that earlier exercise bore fruit, with ECO emerging as the name of the West African common currency.

The common West African Central Bank will serve as the central bank of all 15 ECOWAS nations. It will be tasked with implementing monetary policies within the ECOWAS region, setting the official interest rate that will be used to manage both inflation and the exchange rate for the ECO, and ensure that the exchange rate takes effect through several policy mechanisms. The common West African Central Bank will also be charged with controlling the entire money supply for the 15 ECOWAS member countries and will be expected to advise the ECOWAS Commission on economic policy matters.

Currently there exists a Central Bank of West African States or BCEAO (La Banque Centrale des Etats de l'Afrique de l'Ouest). but it covers only eight, mainly French-speaking, West African countries, namely: Cote d'ivoire, Burkina Faso, Mali, Niger, Benin, Togo, Senegal, and Guinea-Bissau, with the CFA Franc as its common currency. BCEAO issues currency, manages monetary policy, and organizes and monitors banking activities, in addition to aiding WAMU member states.

A common West African Central Bank, when established, is likely to perform the functions of BCEAO, but on behalf of a much wider membership of 15 West African countries who comprise ECOWAS.

Now that the foregoing ECOWAS institutions have nearly fulfilled a key part of their mission of giving birth to a single ECOWAS currency known as the ECO, the naming of a common West African Central Bank is one of the remaining major tasks.❑

New Board Members Pledge to Restore CBL Credibility

Three Central Bank of Liberia (CBL) Board Members who were inducted into office on 12th July 2019 have pledged to work to restore the Bank's independence and credibility. The three recently confirmed members of CBL Board of Governors are Messrs. Richard A. Dorley, Timothy Thomas and James B. Dennis. They expressed their gratitude to President George M. Weah for their preferment.

New Board members (L-R): James B. Dennis, Timothy Thomas and Richard A. Dorley, pledging their loyalty to CBL

New Board members take their turns in swearing to keep CBL secrets

Mr. Richard A. Dorley, who once served on the CBL Board, promised to help address the challenges facing CBL and promised to adopt a new approach to problem-solving. He called for cooperation from CBL staff to address existing issues.

Mr. Timothy E. Thomas said he would draw on his 42-year work experience to contribute to tackling the challenges facing the national economy. He expressed the need for someone to think 'outside the box' without any pre-conceived notions and with an open mind.

Mr. James B. Dennis, who is also no stranger to CBL, said he will work to restore the credibility and independence of the institution, restoring the confidence that had somewhat been eroded by negative publicity. He promised to draw on his many years of experience at CBL.

CBL Board Member Sheba Brown, in welcoming the new members on the Board of CBL Governors said, although CBL's image had been maligned and the economy facing stress, she saw better days ahead. The imperative of the new members of the Board of Governors, she said, was to restore CBL's moral and institutional integrity, as well as address the issue of the Government of Liberia's indebtedness to CBL. She also mentioned the need to amend the CBL Act of 1999, which she said was stifling the Bank's progress.

CBL Executive Governor and Chairman of the Board of Governors, Hon. Nathaniel R. Patray, III praised the new CBL Board members, saying that they would be assets to the Bank. He promised to provide them all the necessary briefing documentation to facilitate their work. ❑

Dr. Dukuly Named Dep. Gov. /Economic Policy

The President of Liberia, His Excellency Dr. George Manneh Weah, on 18 June 2019, nominated Dr. Musa Dukuly as Deputy Governor of the Central Bank of Liberia for Economic Policy. He was successfully confirmed by the Senate in July 2019 and officially appointed to commence duty at the Bank, where he has so far exhibited exuberance, full commitment and professionalism in the handling of responsibilities.

Prior to his appointment, Dr. Dukuly served as Principal Economist with the ECOWAS West African Monetary Agency (WAMA), based in Freetown, Sierra Leone. He joined WAMA in March 2013 as Senior Economist, rising through the ranks to become a Principal Economist with the responsibilities of performing macroeconomic assessments for Cape Verde, The Gambia, Ghana, Liberia, Nigeria and Sierra Leone.

He previously worked as National Consultant on the Poverty Reduction Strategy of Liberia, especially on the Poverty Diagnostics (PD), Participatory Poverty Assessment (PPA), through the United Nations Development Programme (UNDP) that engendered the process of debt waiver for Liberia.

Dr. Dukuly obtained his Doctor of Philosophy (PhD) degree in Economics from the University of Nairobi in 2012 with a focus on financial development of Small Medium Enterprises (SMEs) in post-war environment. He served as a part-time lecturer of economic theory at the University of Nairobi in Kenya (2010-2011), United Methodist University (Liberia) in 2012 and full time at the University of Liberia (2007-2012).

He is a research network member of Africa's top economic Think Tank, African Economic Research Consortium, Nairobi, Kenya with a publication entitled: Access to Credit in Urban Liberia: Double Hurdle Approach including Credit Transmission Mechanism of Liberia's Central Bank: Is it Pro-poor? (Theoretical Discussion, Perspectives-2013). ❑

Mission Accomplished?

Heads of State of the 15-nation Economic Community of West African States (ECOWAS)

The mandate given to ECOWAS by its founders in 1975 is expected to be fulfilled by 20 January 2020. On that date, ECOWAS will officially launch a single currency, known as the ECO.

Established on May 28, 1975, ECOWAS' mission was to forge 'economic integration in all fields of activity of the constituting countries, with a view to creating a 'single, large trading bloc through economic cooperation'.

The West African Monetary Agency (WAMA) has played a key role in achieving the dream of a West African common currency, which is no small feat. The agency has had the mandate of monitoring, coordinating and implementing the ECOWAS Monetary Cooperation Programme of creating the ECOWAS single currency

The ECO is expected to boost West African cross-border trade, and by the time of its issue by a common West African Central Bank, it will enable countries across the 15-nation ECOWAS region to move and spend money without the headache of exchange rate costs. In so doing, it will improve trade, allowing member nations to specialize in the exchange of goods and services in which they have a comparative advantage. Additionally, the single currency is bound to significantly increase the independence of the central banks of ECOWAS member nations.

Notwithstanding the benefits of a single ECOWAS currency, member countries are required to meet four primary Convergence criteria:

- member nations' overall fiscal deficit must not exceed 3%;
- the average annual inflation rate be less than 5%;
- financing of budget deficit is less than 10% of previous year's tax revenue;
- gross reserves exceed 6 months import cover. ❑

African Leaders Launch Continental Free Trade Area

The world's largest free trade zone was set into motion when African leaders announced the formation of the Africa Continental Free Trade Area (AfCFTA) in Niamey, Niger on Sunday, 7 July 2019 during the 12th Extraordinary Session of the African Union (AU). The announcement came after 4 years of talks, followed by an agreement in March 2019 to form a trade bloc.

As part of the AfCFTA launch ceremony, there was a 'roll call of honor', at which the names of each of the 27 AU members who had ratified the Agreement were read. The operational instruments, including the Rules of Origin, the online negotiating forum, the monitoring and elimination of non-tariff barriers, a digital payment system, and the African Trade Observatory were launched by Cyril Ramaphosa, President of South Africa; Abdel Fattah El Sisi, President of Egypt and current AU Chairperson; and Mahamadou Issoufou, President of Niger and AfCFTA Champion. Ghana was chosen as the headquarter of AfCFTA.

The Chairperson of the African Union Commission, Mr. Moussa Faki Makamal, emphasized the need for peace and security, without which, he said, there could be no development. Niger's President and host of the 12th Extraordinary AU Summit, Mr. Mahamadou Issoufou, foresaw the dismantling of borders inherited from Africa's colonial past and full continental integration as a result of AfCFTA. Egyptian President Abdel Fattah El Sisi, for his part, spoke of the need to establish linkages with the private sector and young people as a way of ensuring the sustenance of AfCFTA.

Chairperson of the African Union (AU) Commission Moussa Faki Mahamat

The formation of AfCFTA creates a market worth US$3.4 Trillion, covering a population of 1.3 billion people, thereby making it the largest trade bloc in the World.

AfCFTA promises to bring about economic development to Africa through the intra-regional trade that it will generate and the supply chains and human capital it will unleash.

The establishment of a free trade bloc, according to the IMF, will boost trade in the medium term by up to 25% and more than double that amount if African countries can address such problems as poor transportation networks, perennial unrests, excessive border bureaucracy, and corruption.

The creation of AfCFTA could not have come at a much-needed time because Africa has been lagging virtually all the regions of the world in terms of regional trade. It is often said that Africa has integrated with the rest of the world faster than it has integrated with itself. In 2017, intra-African trade accounted for only 17% of its exports, while in contrast, North American intra-continental trade accounted for 51%; 69% in Europe; 49% in Asia; and 22% in Latin America

The gloomy intra-trade statistics for Africa means the Continent has largely missed out on the trade opportunities that other regions of the world have benefited from

The IMF thinks the establishment of an African trade bloc could be a 'game changer' but cautioned that the elimination of tariffs may not be enough. AfCFTA may have to go further than a free trade bloc, which only focuses on the elimination of tariffs. An African Common Market is recommended as it will, in addition to the removal of tariffs or quotas, entail the free movement of people, goods, services, labor, and capital, as is the case in the EU Common Market. ❑

Governor Patray Calls for Increased Financial Inclusion

Speakers at the Financial Inclusion Strategy validation workshop: (L-R) Dr. Nicholas Smith and Hon. Nathaniel R. Patray, III

The Executive Governor of the Central Bank of Liberia (CBL), Hon. Nathaniel R. Patray, III has underscored the importance of financial inclusion to economic growth and poverty alleviation. Executive Governor Patray said financial inclusion plays a critical role in reducing poverty because access to financial services helps individuals, families, and businesses to invest in income-generating activities and save for the future. He noted that only 36% of Liberians have access to financial services. Worse still, only 28% of women and 27% of the poorest 40% of the population have access to any form of financial services.

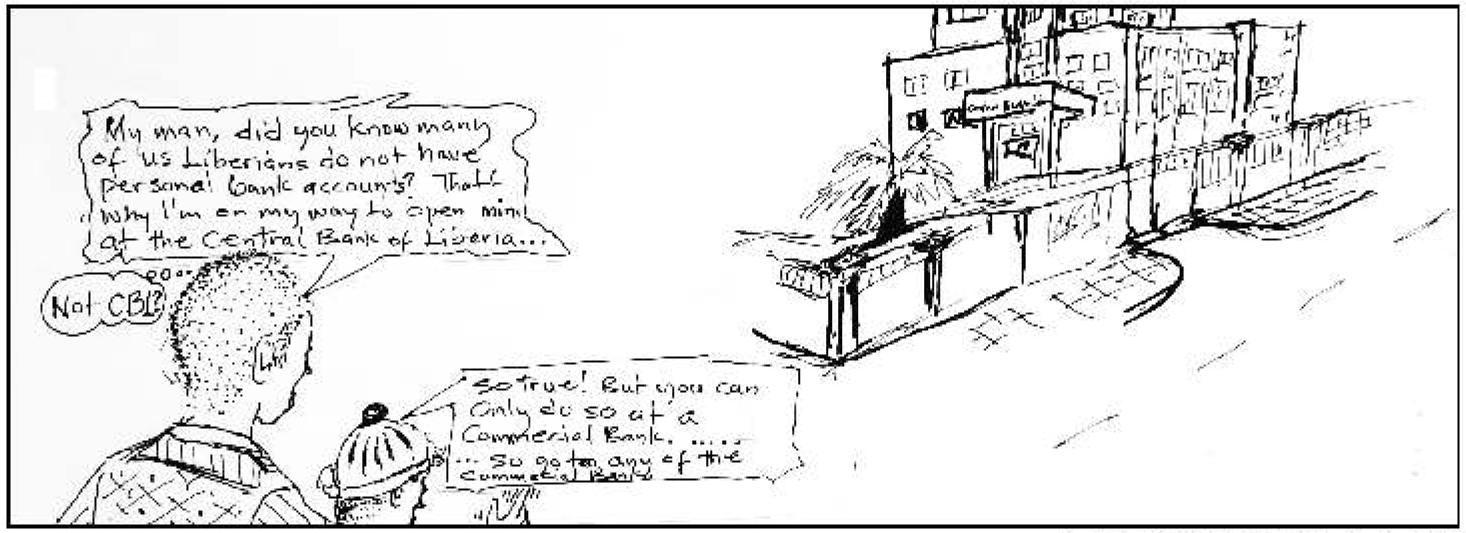
A cross section of participants at the Validation Workshop

Although the statistics on financial inclusion appeared gloomy, The CBL Executive Governor expressed confidence that a coordinated National Financial Inclusion Strategy (NFIS) could reverse the trend. He said the 2019 - 2024 Strategy, which is about to be launched, builds on the results of the National Financial Inclusion Strategy that expired in 2018 and the existing Financial Sector Development Implementation Plan (FSDIP) as well as the Government's Pro Poor Agenda for Prosperity and Development (PAPD).

While upbeat about the prospects of a National Financial Inclusion Strategy, the CBL Executive Governor stressed the importance for 'all hands to be on deck', saying that "the National Financial Inclusion Strategy is only a strategy, the success of which is contingent ultimately on actions to be taken by all the stakeholders".

The CBL Executive Governor made the remarks during the validation workshop of the 2019-2024 National Financial Inclusion Strategy held at the Central Bank of Liberia on Wednesday July 3rd.

Also speaking during the NFIS Stakeholder Validation Workshop, Dr. Nicholas Smith, who heads the World Bank Technical Support Team, stressed the importance of financial inclusion, which he said was all about having a bank account, access to loans and the use of mobile money. He said financial inclusion is critical to national development and enables people to save for retirement, invest in their business, save for a new purchase and insure against risk. ❑



'I am a team player'

-New CBL Acting Dep. Gov./Ops

In the presence of the CBL Board of Governors and senior staff members, Madam Nyemadi D. Pearson was sworn into office as Acting Deputy Governor for Operations at the CBL Board Room on July 12, 2019. She pledged an oath of fidelity to CBL, promising that she will not divulge to any third party, information and secrets that she may be privy to during and after her employment with CBL. Madam Pearson also pledged that, during her tenure in office at the CBL, she will not receive any financial benefits for services rendered to any financial institution in Liberia.

Ms. Nyemadi D. Pearson kissing the Bible at the Induction Ceremony

Delighted in being appointed as the new Acting CBL Deputy Governor of Operations, the new CBL Executive pledged her unswerving commitment to serve the organization. "I am a team player and very humble. I am here to serve and look forward to serving", she pledged.

Madam Pearson is not new to the Central Bank of Liberia. She served as a senior staff member before being appointed by President George Weah as Managing Director of the Liberia Petroleum Refining Company (LPRC) in 2018.

Mrs. D. Sheba Brown, a member of the Board of Governors, reinforced that point when she welcome Madam Pearson back to the Central Bank of Liberia and pledged her support to Madam Pearson, urging all staff members to do the same for the sake of Liberia. ❑

Hon. Nyemadi D. Pearson, pledging the oath of fidelity to CBL

Liberia's Financial System Transitions to Digital Super Highway

CBL Executive Governor, Hon. Nathaniel R. Patray, III, speaking during signing ceremony of a Memorandum of Understanding (MoU) of the Financial Sector Super Data Highway (FISSDaH) Project, disclosed that Liberia's financial sector will benefit from a more robust, resilient, secured, accessible and available medium through which data and financial transactions will be processed to meet requirements for interoperability and connectivity within the financial sector ecosystem.

Cross section of participants at the FISSDaH Project signing ceremony

The new Project replaces the Metropolitan Area Network (MAN) that has been in use since 2015, as part of the African Development Bank-funded modernization of Liberia's Payment System. The MAN technology made use of point-to-point radio links via antennas constructed on top of CBL buildings and those of commercial banks throughout Liberia. The original capacity of MAN was limited to two megabytes and subsequently augmented to six megabytes but FISSDaH, its replacement, has a capacity of 1,000 megabytes, far superior than the MAN that it now replaces. Another major weakness of the MAN technology is that it is highly susceptible to the uncertainties of the weather and entailed maintenance costs, unlike the FISSDaH Project, which does not require connectivity to function.

Signatories to the Memorandum of Understanding for the FISSDaH Project

FISSDaH is made of a fiber ring that lies beneath the City of Monrovia and its environs. It adapts to all protocols and solutions, and processes transactions at high speed. With FISSDaH, the perennial problem of systems failure will be a thing of the past. Better still, FISSDaH will save the CBL an annual bill of US$500,000.

Stakeholders that signed the Memorandum of Understanding at the CBL Board Room were drawn from across the financial ecosystem. They included commercial banks, non bank financial institutions, the Liberia Revenue Authority, the Ministry of Finance, commercial telecommunications and mobile money operators and the Liberia Telecommunications Corporation. These institutions will take over ownership of the project from CBL.

The MoU commits the CBL to serve as a liaison between the participants, and to ensure that LIBTELCO provides the required service.

Commercial banks, non-bank financial institutions, Liberia Revenue Authority (LRA), and Ministry of Finance & Development Planning (MFDP), who hold current accounts with CBL, will issue standing orders instructing CBL to automatically debit their accounts for the agreed amount and intervals, while those that do not have accounts with CBL will set up standing orders to remit the agreed amounts to CBL. LIBTELCO, for its part, will have full responsibility for maintaining the service.

Participants welcomed the technological breakthrough and praised CBL Executive Governor Nathaniel Patray for overseeing the modernization of Liberia's financial sector. ❑

CBL Launches Bi-monthly Economic Forum

--- Takes Stock of Monetary Policy Regime and Operations

A series of public dialogues on monetary and financial policies kicked off at CBL on July 11, 2019. The bi-monthly economic forums aimed to create awareness among key CBL stakeholders on issues affecting the Liberian economy and CBL policies to resolve those economic challenges.

(Left to Right) Messrs P. Mah Kruah, (Assistant Directors of Statistics, Musuah Kamara, Director of Research, Public and Planning Department; and Hon. Nathaniel R. Patray, III, Executive Governor of the Central Bank of Liberia

The theme of the July 11, 2019 Economic Forum, organized under the auspices of the CBL Research, Policy & Planning Department, was: ***Taking Stock of the Central Bank of Liberia's Monetary Policy Regime and Operations over the Last Eighteen Years (2000 – 2018)***.

In formally launching the Economic Forum, Executive Governor Patray stated the Bank's principal objective of promoting price stability and used the occasion to announce new CBL Monetary Policy, saying that, after several years, the CBL was shifting its monetary policy from that of exchange rate targeting to interest targeting to keep pace with modern monetary policy trends. This means that Liberia will, unlike before, want to take control of its own monetary policies and not leave it to external economic shocks.

In the meantime, CBL will adopt a contractionary monetary policy, which includes the CBL-indexed Bill, Standing Deposit Facility and Standing Credit Facility. The Central Bank's Remittance Split Policy is a key instrument for building Liberia's gross international reserves, something that will enable Liberia to withstand unexpected external economic shocks.

Mr. P. Mah Kruah, Assistant Director for Statistics in the Research, Policy & Planning Department, serving as the keynote speaker, took stock of the Central Bank's monetary policy regime and operations from 2000 to 2018.

Mr. Kruah stated that the key monetary policy instruments used between 2000 and 2018 were the weekly foreign exchange auctions, which involved the sale and purchase of US dollars at specified Liberian dollar rates, as well as reserve requirements computed on a bi-weekly or monthly basis, requiring the Central Bank to keep a specified percentage of the deposits made to commercial banks.

A cross-section of participants at the CBL bi-monthly Economic Forum

Mr. Kruah said between 2013 and the present, CBL's monetary policy instruments have included foreign exchange sales, issuance of Treasury bonds and Central Bank Bills in which commercial banks and the public have invested and profited, with the Central Bank raising much-needed revenues to ease its liquidity challenges. Standing facilities for both lending and deposits have also been used to enable commercial banks to either absorb excess liquidity or get credit to meet their reserve requirements.

Some major challenges facing CBL, Mr. Kruah said, included:

- Limitations placed on the efficacy of CBL monetary policy due to very high level of dollarization.
- Limitation of the CBL Act of 1999, especially its vagueness about the establishment of a monetary policy committee that will implement inflation targeting.
- Poor fiscal and monetary coordination, and an
- Underdeveloped financial sector

Notwithstanding the challenges, the establishment of the Economic Forum will create public awareness and understanding about CBL's monetary policy and regulatory functions and the way ahead. It is also hoped that this new series of public dialogues will garner public feedback on the Bank's policies, enabling the bank to make adjustments when necessary.

The establishment of the CBL Economic Forum will therefore enable CBL to reach out to the public and dispel the negative public perception brought on by recent negative publicity in the media, renewing their confidence in the Bank because of the transparency that the Forum will create. ❑

AACB Holds Confab on Rising African Sovereign Debt

The Association of African Central Banks (AACB) held its annual meetings in the Rwandan capital of Kigali from 28th July to 1st August 2019 to discuss the rising African sovereign debt and its implications for monetary policy and financial stability. The annual meetings included the meeting of the Technical Committee (28-29 July 2019), the meeting of

the AACB Bureau on 30 July 2019, the Governors' Symposium on 31 July 2019, and the 42nd Ordinary Meeting of the Assembly of Governors on 1st August 2019.

CBL Executive Governor Nathaniel R. Patray, III, served as a panelist during the plenary session of the meetings, during which time he shared his experience on Liberia's sovereign debt and its implication for monetary policy and financial stability.

In discussing the Liberian experience, Executive Governor Patray said Liberia was only at a moderate risk of debt distress, with its debt stock at about 32% of its gross domestic product (GDP), in comparison to 600% prior to the period when it was placed in the highly indebted poor country (HIPC) category. Currently, Liberia's total debt as a share of GDP is far below the debt-to-GDP ratio of sub-Saharan Africa, the Executive Governor said.

The main challenges facing Liberia, according to Executive Governor Patray, included the serious issue of borrowing to finance development as well as rising inflation, brought on by rapid exchange rate depreciation. The reduction in Liberia's international reserves, also brought on by deficit financing has limited the Central Bank's ability to intervene in the Liberian economy to stabilize the exchange rate volatility.

Liberia's dual currency regime has also largely impaired the effectiveness of monetary policy, because the US dollar is outside of the control of the Central Bank of Liberia, Governor Patray stressed. This situation has not been helped by the free movement of the US dollar in and out of Liberia, caused by 'economic agents' from countries neighboring Liberia.

There is a ray of hope, however, according to the CBL Executive Governor, because the Bank has recently announced a shift in monetary policy, away from exchange rate targeting to an interest rate-based monetary policy framework which, it is believed, will help mitigate the macroeconomic challenges that Executive Governor Patray cited at the AACB confab.