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National Financial Inclusion Strategy 2020-2024

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Foreword

We believe that access to financial services, particularly through digital channels, will improve livelihoods by providing tools to Liberians across all segments of society to borrow, save, make payments, build resilience against shocks, and create an environment for businesses to thrive. Over the last few years, there have been many strategic efforts specifically focused on access to financial services. CBL has led the implementation of two financial inclusion strategies from 2009-2013 and then, 2014-2018. The former focused on establishing a sustainable microfinance industry to enhance access to diversified financial services, and the latter helped bolster national efforts to promote access to financial services more broadly.

The next National Financial Inclusion Strategy (NFIS) 2020-2024 is therefore, aligned to support the government's efforts in achieving the objectives of the national development strategy, the Pro-Poor Agenda for Prosperity and Development (PAPD), which is geared towards poverty reduction and achieving inclusive economic growth and development.

According to 2017 Findex data, 35.7 percent of the population have accounts at a financial institution or with a mobile money provider, which is an increase from 18.8 percent with an account at a financial institution in 2011. While Liberia has certainly made progress in terms of increasing financial inclusion, much remains to be done. Poverty and exclusion from formal financial services still persists thereby generating social and economic consequences for marginalized segments of the population.

The National Financial Inclusion Strategy (NFIS), 2020-2024, aims to leverage the progress achieved with previous financial sector development efforts to address remaining challenges. Our vision is to "to build a sustainable financial sector that is deeply rooted in digital financial services (DFS) in order to provide access to and enhance usage of a wide range of affordable financial services." The NFIS strives to increase access to formal financial services for the population (aged 15 years and older) by 40 percent from 35.7 percent to 50 percent by 2024.

The NFIS Framework is built on three main pillars: i) Access to Financial Services and Credit, ii) Digital Financial Services, and iii) Consumer Protection and Financial Capability. Thus, outlining the key focus areas to achieve the NFIS vision and address the underlying issues that serve as barriers to increasing financial inclusion in Liberia. Through the NFIS, CBL will develop the core underlying financial infrastructure, and institutional and consumer capacity necessary to achieve progress towards financial inclusion for all.

Several countries across the globe now look at financial inclusion as the means for more inclusive growth, wherein, each citizen of the country can use his/her earnings as a financial resource that they can put to work to improve their future financial status and livelihood and simultaneously contribute to the nation's progress. Liberia is part of over 60 countries that have launched or are developing such strategies. Implementation of the NFIS will be guided by a steering committee comprised of representatives from various government agencies, development partners and private sector associations.

I trust that this Strategy will act as the framework to build the necessary momentum to create an inclusive financial sector, contributing towards economic growth and supporting the achievement of objectives under PAPD.

Sincerely yours,

Hon. J. Aloysius Tarlue, Jr
Executive Governor
Central Bank of Liberia

Acronyms and Abbreviations

ACH	Automated Clearing House
ADR	Alternate Dispute Resolution
AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
ATM	Automated Teller Machine
CBL	Central Bank of Liberia
CICO	Cash-in Cash-out
CP	Consumer Protection
DFS	Digital Financial Services
EFT	Electronic Fund Transfer
FIA	Financial Institutions Act
FIB	Financial Inclusion Baseline Survey
FIS	Financial Inclusion Secretariat
FSDIP	Financial Sector Development Implementation Plan
FX	Foreign Exchange
G2P	Government to Person
G2B	Government to Business
P2G	Person to Government
GPFI	Global Partnership for Financial Inclusion
GDP	Gross Domestic Product
GoL	Government of Liberia
IC	Implementation Committee
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System

IMF	International Monetary Fund
KFS	Key Fact Statement
KYC	Know Your Customer
M&E	Monitoring and Evaluation
MDI	Deposit-taking Microfinance Institution
MFDP	Ministry of Finance and Development Planning
MFI	Microfinance Institution
MIS	Management Information System
MNO	Mobile Network Operator
MSME	Medium, Small and Micro Enterprises
LBA	Liberian Banking Association
LCUNA	Liberian Credit Union National Association
LRD	Liberian Dollar
NAMI	National Association for Microcredit Institutions
NBCI	Non-bank Credit Only Institution
NBFI	Non-bank Financial Institution
NEPS	National Electronic Payment Switch
NFES	National Financial Education Strategy
NFIS	National Financial Inclusion Strategy
NFISC	National Financial Inclusion Steering Committee
NIR	National Identification Registry
NPL	Non-Performing Loans
PAPD	Pro-Poor Agenda for Prosperity and Development
POS	Point-of-Sale
PSA	Payment Systems Act

RCFI	Rural Community Financial Institution
RTGS	Real Time Gross Settlement
RSD	Regulation and Supervision Department
SDG	Sustainable Development Goal
SSA	Sub-Saharan Africa
SSS	Securities Settlement System
USD	United States Dollar
USSD	Unstructured Supplementary Service Data
VSLA	Village Savings and Loan Association

Executive Summary

The National Financial Inclusion Strategy (NFIS), 2020-2024, aims to leverage progress made with recent financial sector development efforts to further advance access to financial services in Liberia in a coordinated and strategic manner. Access to financial services, particularly through digital channels, can provide tools for all segments of Liberian society to borrow, save, and make payments more affordable and easier, among others, thus, advancing poverty alleviation in line with the Government of Liberia (GoL)'s Pro-Poor Agenda for Prosperity and Development (PAPD). The NFIS will serve as a platform to develop the core underlying financial infrastructure, bolster the regulatory framework, and enhance institutional and consumer capacity to achieve progress towards financial inclusion for all.

Liberia has made progress in terms of increased financial inclusion. According to 2017 Findex data, 35.7 percent of population have accounts at a financial institution or with a mobile money provider, which is an increase from 18.8 percent with an account at a financial institution in 2011 – prior to the introduction of mobile money. Mobile money has been the driving force behind these gains in financial inclusion, as presently 21.6 percent of the population have accounts at a financial institution, a 2.8 percentage point increase from 2011, while 20.8 percent of Liberian population reported having a mobile money account. In this context, 27.6 percent of Liberians reported making or receiving digital payments.[1] Mobile money services are available in all 15 counties in Liberia through a large mobile money agent network (6,995 agents as of 2018).[2]

While much has been done to develop an inclusive financial system, the Liberian financial sector faces challenges which continue to negatively impact financial inclusion, including but not limited to:

- Limited access points, particularly in rural areas
- Many Liberians lack the required documentation for account opening
- Expensive and complex financial products
- Gaps in the legal and regulatory framework which pertain to NBFIs
- Weak credit infrastructure
- Supporting infrastructure to facilitate digital payments is limited
- Cost of digital financial services is high
- Inadequate disclosure requirements and poor complaints handling system
- Limited financial capabilities among population

In light of such challenges in the financial sector, the NFIS strives to increase access to formal financial services for the population (aged 15 years and older) by 40 percent from 35.7 percent to 50 percent by 2024. This goal is achievable, but ambitious given the current state of the financial sector and financial inclusion, which therefore necessitates a clearly delineated path and coordinated effort as is provided in this NFIS. As the introduction of mobile money provided a key initial boost in access to financial services, the strategy lays out measures which will provide such additional increases in financial inclusion across multiple areas of the financial sector, and

[1] 2017 Global Findex
[2] CBL

also financial sector deepening, where consumers have access to diverse services beyond financial and mobile money account ownership. Beyond enabling financial access and deepening, the NFIS strives to address existing financial sector challenges through policy actions that will create an ecosystem that incentivizes usage of formal financial services. Therefore, the vision for financial inclusion in Liberia is to build a sustainable financial sector deeply rooted in digital financial services (DFS) in order to provide access to and enhance usage of a wide range of affordable financial services.

The NFIS Framework outlines the key focus areas to achieve the NFIS vision and address the underlying issues that serve as barriers to increasing financial inclusion in Liberia. Thus, the Framework is built on three main pillars: i) Access to Financial Services and Credit, ii) Digital Financial Services, and iii) Consumer Protection and Financial Capability.

Vision: To build a sustainable financial sector deeply rooted in digital financial services (DFS) in order to provide access to and enhance usage of a wide range of affordable financial services.		
Pillar 1: Access to Financial Services and Credit	**Pillar 2: Digital Financial Services**	**Pillar 3: Consumer Protection and Financial Capability**

Pillar 1 aims to establish an ecosystem wherein Liberians have adequate access to the formal financial sector. The NFIS addresses the low number and concentration of financial access points which serve as a barrier to financial inclusion through the key policy actions that:

- Expands agent banking
- Eases documentation requirements for account opening
- Creates linkages between the existing informal financial sector to the formal sector through targeted linkage programs (e.g., Village Savings and Loan Associations (VSLAs) given a group mobile money wallet)

Given the significant role that non-bank financial institutions (NBFIs) play in providing financial services to Liberians, the NFIS will support efforts to put in place a legal and regulatory framework that would help professionalize these institutions to provide financial services to the financially excluded in an effective, responsible manner. Targeted to the NBFI sector, the NFIS will include key policy actions that:

- Establishes a tiered regulatory framework for NBFIs
- Builds CBL supervisory capacity and improves NBFIs' reporting and operational capacity

Access to credit is integral to stimulating inclusive economic growth in Liberia. Creating a level playing field wherein all segments of the population are able to generate economic opportunities through adequate access to credit is an important focus area of the NFIS and aligned with overall

strategic efforts of GoL, most notably PAPD. Hence, the NFIS will aim to facilitate increased access to credit through key policy actions that:

- Establishes a modern credit registry
- Facilitates increased usage of the collateral registry
- Creates a sustainable financing framework targeted to MSMEs

Pillar 2 aims to bolster DFS to support participation in the digital economy. The NFIS aims to bolster the legal and regulatory framework for payment systems and establish an oversight framework through the following key actions:

- Amend the Payment System Act
- Amend e-payment services regulations
- Establish oversight policy framework for payment systems

In terms of developing the payments system for Liberia and then incentivizing usage, the NFIS prioritizes actions to:

- Enhance interoperability between commercial banks and MNOs
- Establish initiatives to digitize government payments and remittances
- Facilitate introduction of digital credit
- Develop a more competitive pricing structure for mobile money payments

The overarching objective of pillar 3 is to enhance consumers' ability to demand responsible finance while providing them the requisite protection against misleading practices. There has been significant progress on consumer protection in recent years, however, gaps still exist, particularly with regard to NBFIs and mobile money services. The NFIS prioritizes actions that:

- Harmonize consumer protection requirements across financial service providers
- Build capacity to enhance implementation and enforcement of existing consumer protection regulations
- Strengthen disclosure requirements and complaints handling mechanisms
- Implement the National Financial Education Strategy

In addition to the high priority actions for financial inclusion described above, the NFIS contains a detailed action plan with a comprehensive set of 36 targeted actions reflecting the NFIS pillars. The achievement of these actions is expected to result in the attainment of the NFIS vision and targets. Implementation of the NFIS will be guided by a coordination structure that includes a Steering Committee, which leverages expertise and resources from the public and private sector to ensure focused coordination of various initiatives under the NFIS. Measurement of progress toward the NFIS vision and targets will be supported by a robust monitoring and evaluation system, which includes a range of impact-level and intermediate key performance indicators and targets. In implementation of these actions, it will be important for both public and private sector actors to consider the implications for gender, youth, and the rural population, among other financially underserved groups, to ensure the NFIS policy actions take proactive steps to address the needs of these groups.

1 Introduction

Access to financial services acts as a key enabler to promoting economic growth and poverty reduction. Financial services provide the tools to invest in income generating activities and jobs, and save for the future, to just name a few. With high unemployment for women and youth, insufficient economic growth to facilitate robust development, and 50.9 percent of the Liberian population living in poverty,[3] strengthening national efforts aimed at promoting access to financial services is critical to fueling economic growth and ensuring that consumers' diverse financial needs are met.

Since the end of the second civil war in 2003, Liberia has a track record of promoting financial sector development through key policies. In 2006, the Central Bank of Liberia (CBL) strengthened the commercial banking sector through increased capitalization and reserve requirements. Recognizing the importance of a robust supervisory and regulatory framework for the financial sector, CBL adopted a 2014–2018 Strategic Plan for the Regulation and Supervision Department (RSD), which helped address weaknesses or gaps in issuing regulation or supervision of the financial sector. CBL undertook steps to modernize their payment systems through investments in the Automated Clearing House (ACH), the Real Time Gross Settlement (RTGS) System, and the national switch, all of which went live in 2016. In 2016, with support from the World Bank, CBL launched the Financial Sector Development Implementation Plan (FSDIP), which reinforced the need for well-developed financial infrastructure and other activities that leverage digital technologies to bring the unserved or underserved segments of the population into the formal financial system. Finally, CBL's Strategic Plan (2016 – 2018) aims to modernize the financial sector, promote financial inclusion, and reorganize CBL. The NFIS will also be aligned with the forthcoming National Retail Payments Strategy, which specifically focuses on various aspects of the payments landscape in Liberia and is integral to enabling financial inclusion.

Over the last few years, there have also been many strategic efforts specifically focused on access to financial services. CBL has lead implementation of two financial inclusion strategies from 2009-2013 and then, 2014-2018. The former focused on establishing a sustainable microfinance industry to enhance access to diversified financial services, and the latter helped bolster national efforts to promote access to financial services more broadly. To support implementation of key financial inclusion related items from the FSDIP, CBL and the World Bank put in place a three-year USD 1.1 million Technical Assistance (TA) program, Increasing Financial Inclusion, which aided in bolstering the regulatory framework and supervisory capacity, developing the National Financial Education Strategy and this National Financial Inclusion Strategy 2020-2024. Additionally, the Ministry of Finance and Development Planning and the CBL with support from the World Bank implemented the USD 4.8 million MSME and Rural Finance post Ebola Reconstruction project "MSME project", which provided a line of credit to banks and MFIs, along with capacity building TA for these institutions and MSMEs.

As a result of such efforts and the introduction of mobile money, financial inclusion now stands at 35.7 percent, almost double 2011's 18.8 percent. Despite such efforts, many challenges remain, including:

[3] 2016 Household Income and Expenditure Survey, World Bank.

- Limited access points, particularly in rural areas
- Many Liberians lack the required documentation for account opening
- Expensive and complex financial products
- Gaps in the legal and regulatory framework which pertain to NBFIs
- Weak credit infrastructure
- Supporting infrastructure to facilitate digital payments is limited
- Cost of digital financial services is high
- Inadequate disclosure requirements and poor complaints handling system
- Limited financial capabilities among population

CBL and GoL recognize that further efforts are needed to address the remaining challenges. The National Financial Inclusion Strategy (NFIS), 2020-2024, aims to leverage the progress achieved with previous financial sector development efforts, and will build on the momentum of previous NFIS efforts, to continue driving forward in a collaborative fashion, the financial inclusion agenda in Liberia.

The NFIS is a multi-stakeholder effort led by CBL and aligned with other GoL efforts. It supports the objectives of PAPD to reduce poverty and achieve inclusive economic growth. The NFIS will be guided by a steering committee comprised of representatives from various government agencies, development partners and private sector associations to ensure it has high-level buy in and reflects diverse and context-specific solutions.

1.1 Rationale for a National Financial Inclusion Strategy

Financial inclusion stands to augment efforts by GoL to achieve balanced and inclusive economic growth. Access to financial services can provide tools to Liberians across all segments of society to save, build resilience against shocks, and create an environment for businesses to thrive.

The NFIS, as a result, serves to support other ongoing GoL efforts such as PAPD. Through the NFIS, CBL will develop the core underlying financial infrastructure, institutional and consumer capacity necessary to achieve progress towards financial inclusion for all. Liberia is part of over 60 countries that have launched or are developing such strategies. These strategies are a critical tool in translating policy reform recommendations into action to achieve national financial inclusion goals.

The NFIS, thus, provides an effective tool to define and chart the course for advancing financial inclusion in Liberia. Within the framework of an NFIS, the stakeholders jointly define objectives of financial inclusion, identify the relevant obstacles and opportunities, and devise an action plan to tackle the obstacles and to seize opportunities in a coordinated way.

1.2 Defining Financial Inclusion

Financial inclusion as a concept is defined to establish a common understanding of the goal that the NFIS seeks to achieve and the key elements that advance financial inclusion in the context of Liberia. The definition enables all stakeholders to share the same vision, while measuring the success of the NFIS in achieving its goals and objectives. For that purpose, financial inclusion is defined as:

> A state where population (15+ years in age) have access to affordable and consumer-friendly formal financial services that they can understand and easily use, and which are designed to meet their diverse needs.

1.3 Vision

This strategy will strive to continue building momentum from the previous NFIS' and address present day challenges in Liberia as follows:

> To build a sustainable financial sector that is deeply rooted in digital financial services (DFS) in order to provide access to and enhance usage of a wide range of affordable financial services.

The focus on digital solutions to enhance access and usage of financial services, is in line with CBL's 2013 "Maya Declaration" commitment along with 45 other Central Banks around the world to embrace mobile money as a primary instrument to rapidly increasing financial inclusion. In its Maya Declaration, CBL committed to: (1) undertake initiatives to ensure that mobile financial services reach at least fifty percent of the rural population of Liberia by December 2014 and (2) to enhance the existing mobile money guidelines to promote greater competition in the delivery of mobile financial services. The G-20 High-level Principles for Digital Financial Inclusion defines DFS as "financial products and services, including payments, transfers, savings, credit, insurance, securities, financial planning and account statements. They are delivered via digital/electronic technology such as e-money (initiated either online or on a mobile phone), payment cards and regular bank accounts."[4] The NFIS' focus on DFS, which includes mobile money services and a wide range of other products, comprehensively addresses the main challenges with driving financial inclusion in Liberia. It is also aligned with GoL's efforts to bolster the digital economy, which it is currently pursuing with the World Bank and African Union.

1.4 Goal

The overall target for the NFIS is to increase access to formal financial services for the population (aged 15 years and older) from 35.7 percent to 50 percent by 2024. Expected

[4] G20, G20 High-level Principles for Digital Financial inclusion, p. 3. https://www.gpfi.org/sites/default/files/documents/G20%20High%20Level%20Principles%20for%20Digital%20Financial%20Inclusion%20-%20Full%20version-.pdf

progress towards this goal is further defined and operationalized via high-level and intermediate key performance indicators (KPIs) and targets set forth in the NFIS Monitoring and Evaluation (M&E) System (Section 5). These targets will be regularly monitored to ensure that the key actions and reforms detailed in the NFIS translate into real progress towards achieving financial inclusion.

2 Assessment of the Current State of Affairs

2.1 Overview of the Financial Sector

The Liberian financial sector is primarily made up of banks and NBFIs. It consists of nine commercial banks (including microfinance departments within commercial banks) and various non-bank financial institutions (NBFIs), including 12 Rural Community Financial Institutions (RCFIs), less than five non-deposit taking microfinance institutions (MFIs), one deposit-taking microfinance institution (MDI), approximately 275 credit unions, approximately 1,450 informal Village Savings and Loan Associations (VSLAs), one finance company, two mobile money operators, and 19 insurance companies. The non-deposit taking MFIs plus the one finance company comprise the non-bank credit institution (NBCI) sector. Most banks operate as general private commercial banks, with Access Bank focusing on microfinance/SME lending and Afriland Bank on agricultural finance.

The financial sector has made significant progress since the end of the second civil war in 2003 but has challenges with profitability. The number of banks has grown steadily, increasing from three to nine between 2004 and 2016, with a total of 81 branches in 2018. Between December 2015 to October 2018, Return on Equity (ROE) grew from -5.14 percent to 6.36 percent and Return on Assets (ROA) grew from -0.72 percent to 1.05 percent. Non-performing loans (NPLs), while still high, decreased from 18.6 to 13.76 between 2015 and 2018. For MFIs, the lack of capital, coupled with inadequate management information systems (MIS) and payment systems, among others, make it difficult for MFIs to operate profitably due the cost from manual transactions and expanding access beyond Monrovia. In fact, many MFIs operate at a loss, have limited access to resources to lend, and some have legacy debt to CBL from serving as a vehicle to channel funds for government directed lending programs.

Table 1. Liberian Banking Industry

BANKING INDUSTRY DATA FOR 2015-2018 (%)				
Indicator	**2015**	**2016**	**2017**	**2018**
NPLs	18.60	14.48	14.66	13.76
ROE	-5.14	2.58	9.53	6.36
ROA	-0.72	0.45	1.63	1.05
Capital Adequacy Ratio	27.20	26.00	36.01	26.19
Liquidity ratio	50.40	48.41	41.58	40.73

Source: Central Bank of Liberia

Financial service access points are geographically limited and small in number. As of 2018, there were only two ATMs per 100,000 population and the bank branch network is limited outside of Monrovia and the greater Montserrado County. BRAC (a non-deposit taking MFI), Rural

Community Financial Institutions, and Credit Unions are the primary providers of financial services in rural areas outside of Monrovia; however, the latter two institutional categories are weak and face an array of challenges that compromise their development and diminish their contribution to financial inclusion. Severe infrastructure weaknesses (road, communications and electricity) increase financial institutions operating costs, deterring them from expanding in rural areas. For example, of the 12 countries that BRAC operates in in the world, Liberia is the most expensive. With the adoption of the agent banking regulations in 2017, there are 53 banking agents (2018) that have started to provide agent banking services. This will help banks reach out to the unserved or underserved in a more cost-effective manner, particularly those that live in remote areas with limited accessibility.

NBCIs have greater outreach when compared to commercial banks despite their higher cost of services. Even though commercial banks hold 90 percent of total financial assets,[5] MFIs play an important role in providing access to financial services for those who are traditionally not served or are underserved by the commercial banking sector, particularly in remote areas. According to data from the 2014 IMF Financial Access Survey, there were 24.8 loan accounts with MFIs per 1,000 adults, as opposed to only 14.8 for commercial banks. Services offered by MFIs, however, are costly; in a report on Liberia published by the IMF in 2016,[6] the average borrowing rate of commercial banks is approximately 14 percent compared to more than 25 percent for MFIs and 40 percent for Credit Unions, which likely reflects the risk and cost of microfinance operations, and the cost of these institutions in accessing credit themselves. Yet, despite cheaper lending rates, credit from commercial banks is limited because Liberian banks lack adequate credit screening mechanisms, largely do not have the financial products or experience in the micro and small enterprise market segment to lend downstream, and prefer larger loans that leverage land as collateral, among other reasons.

In the broader financial sector and economic context, access to credit and lending activity are limited. While there are limited loans targeted at small and medium enterprises, high NPLs diminish banks appetite for lending, while limited viable investment opportunities further constrain it. Although credit to the private sector has maintained an increasing trend from 7.7 percent in 2009 to 14.6 percent in 2017, it remains behind the regional average (26.4 percent) and median (17.2), and the average for countries in fragile states (16 percent) in 2017.[7] This trend also persists when compared against comparator countries like Ghana (17.8 percent) and Kenya (28.3 percent).[8] Credit is currently concentrated in the trade sector and remains low in other economic sectors, such as agriculture and MSMEs.

There is currently a missing, or small range of "middle" sized loans in the Liberian financial sector. At present, MFI loans are capped at USD 7,000, while bank loans are typically larger than USD 200,000-300,000, resulting in insufficient availability of loans ranging from USD 7,000 to USD 300,000. At present, only Access Bank targets this "middle" range. The issue of MFI loan sizes can be addressed with the adoption of a tiered risk-based approach to microfinance regulation and supervision, which would allow some MFIs to lend up to USD 50,000 depending on their

[5] www.imf.org/external/pubs/ft/scr/2016/cr16239.pdf
[6] Ibid
[7] IMF Regional Economic Outlook 2018.
[8] Ibid.

capital base. Additionally, the MFDP and WB MSME project piloted capping loan sizes at USD 50,000, which resulted in banks' lending downstream and meeting the need for smaller sized loans from banks.

Creditor recovery in the event of default continues to be problematic in Liberia, as it impacts lenders' propensity to lend. Despite several key reforms in this area, such as the creation of a specialized Commercial Court in 2011 and the adoption of a modern insolvency law in 2016, debt resolution is inefficient and results in value destructions. According to Doing Business 2019, it takes creditors three years on average to foreclose on a mortgage (without taking into account possible appeal by the debtor), and the recovery rate is 17.2 cents on the dollar (lower than the regional average for Sub-Saharan Africa (SSA), 20.3).[9] Enforcing a non-secured debt in Liberian courts takes over three and a half years, which is more than double the regional average for SSA.[10]

Limited access to capital for MFIs constrains their growth and hinders their ability to fill the gap in providing formal financial services. In many cases, non-deposit taking MFIs are at the mercy of small and irregular capital injections (ranging from USD 1,000 – 5,000) from their owners and/or sponsors. Borrowing from commercial banks is not always a viable option as it is expensive with high interest rates. Social investments often require borrowing in USD and with short maturity which is not viable for MFIs given: i) they lend in Liberian Dollars (LRD), which results in foreign exchange risk especially in an environment of a depreciating LRD, and ii) short-term loans to MFIs do not lend themselves to MFIs building a robust lending portfolio, respectively. The MSME project showed the value of sustainable and market-based investments with the Government helping absorb some risk, by providing participating financial institutions access to cheap capital to on-lend to consumers at market rates. Ultimately, such efforts, on a larger scale are essential to helping MFIs build up a sufficient loan portfolio to reach economies of scale that enable them to be profitable and serve more Liberians.

Liberia's economy is primarily cash based, with both the Liberian dollar and US Dollar accepted as legal tender. With only a small segment of the population with access to an account or electronic payment instrument, most transactions are undertaken using cash. This is both the consequence of and impacted by the fact that electronic payment systems are at a nascent stage. The predominant use of cash also reflects the informal nature of the economy – of which 85 percent of the population participate in.[11]

Significant steps have been taken to modernize Liberia's national payments systems and lay a strong foundation for DFS. In 2016, the Real Time Gross Settlement System (RTGS), Automated Clearing House (ACH), and check processing systems, as well as its securities settlement system (SSS) went live. In 2016, the CBL's national switch (National Electronic Payment Switch- NEPS) also went live, helping to facilitate transactions between ATMs thus far. Yet, electronic payment systems like the ACH and national switch are largely underutilized with no ACH debits and many functions of the switch not yet operational.

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[9] Doing Business 2019 Report, World Bank Group, Resolving Insolvency Indicator
[10] Doing Business 2019 Report, World Bank Group, Enforcing Contracts Indicator
[11] From Growth to Development: Priorities for Sustainably Reducing Poverty and Achieving Middle-Income Status by 2030. http://documents.worldbank.org/curated/en/585371528125859387/pdf/LBR-SCD-draft-10-06012018.pdf

Efforts are being made to improve interoperability through the national switch, but key functionalities are currently not available. Phase one of the switch project has been completed; four banks are fully integrated, switching ATM transactions. Participation is, however, limited and does not include all financial institutions. The switch is underutilized, in part, due to the push functionalities not being live, while the pull module has not yet been procured. Additionally, the switch does not facilitate transactions in LRD, precluding more impoverished segments of society, which largely transact in LRD, from benefiting. Coordination and cooperation between CBL, banks, and MNOs also needs to be bolstered to facilitate increased understanding of the switch's functionalities and to enhance plans and timelines to improve its functionalities.

The use of mobile money services has, however, been rising. CBL issued mobile money guidelines in 2011 which initiated the delivery of mobile money services in Liberia. The 2014 Mobile Money Regulation allowed for the establishment of certain institutions to provide mobile money. There are two major mobile money providers (licensed and registered by CBL), Lonestar Cell and Orange. Mobile money services are available in all 15 counties in Liberia through a large mobile money agent network (6,995 agents as of 2018). At present, mobile money is only cash in/cash out (CICO), and digital credit is not yet available, but is envisioned in the near future with ongoing support from CBL. In this context, the number of mobile wallets/subscribers has increased more than ten times since 2014 to 2.8 million in 2018, while the active number of users remains significantly smaller at 338,844 in 2018.

Table 2. Growth in Mobile Money Accounts/ Users

Mobile Money Transactions (2014-2018)					
Indicators	**2014**	**2015**	**2016**	**2017**	**2018**
Number of wallets/subscribers	265,625	774,750	1,139,676	1,868,821	2,825,388
Active Users	99,464	123,282	224,798	247,042	338,844

Source: Central Bank of Liberia

There are a number of strategic initiatives to develop retail payments and DFS. The National Retail Payment Strategy (NPRS) document 2019-2023 is being developed while the Digital Financial Services Strategy document was developed in 2017. The retail payment strategy document outlines the strategic focus for the downstream retail payments market in Liberia. The objective of the document is to provide strategic focus for the payments systems department at CBL in developing the retail payments market in Liberia.

Liberia has a centralized regulatory and supervisory system, with CBL being the only regulatory and supervisory authority of the financial sector. CBL regulates a spectrum of financial services and providers. The Financial Institutions Act (FIA) of 1999 is the main law that governs the activities of commercial banks and other financial institutions in Liberia. The FIA grants CBL the authority to enact its mandate and implement its powers to regulate and supervise the sector. It is a comprehensive banking act that lays out the requirements on financial institutions' licensing, financial management and reporting, prudential norms, resolution procedures and provisions. CBL also established the Microfinance Policy, Regulatory and Supervisory

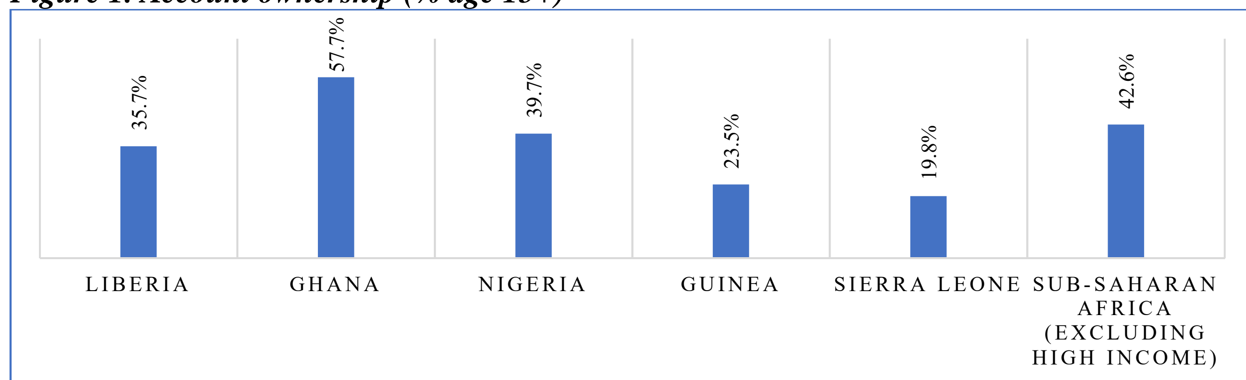
Framework for Liberia in 2009,[12] but there are no regulations in force for non-deposit taking MFIs in Liberia at present. In addition, CBL has issued numerous prudential and market conduct regulations and guidelines for banking, microfinance, credit unions, mobile money. Key among all of these include the following:

- Financial Institutions Act (FIA) of 1999
- 2012 Regulations for Microfinance Deposit-taking Institutions (MDI)
- 2012 Regulations for Non-bank Financial Institutions
- 2014 Mobile Money Regulation
- 2014 Payment System Act
- 2015 Regulations for Credit Unions
- 2016 Regulations for Rural Community Financial Institutions
- 2017 Agent Banking Regulation

2.2 State of Financial Inclusion

In context of the broader financial sector, and as a result of CBL's efforts on financial sector development and the introduction of mobile money, Liberia has made significant gains in financial inclusion. According to 2017 Findex data, 35.7 percent of population have accounts at a financial institution or with a mobile money provider which is an increase from 18.8 percent with an account at a financial institution in 2011 - prior to the introduction of mobile money.[13] Account ownership, however, lags behind the Sub-Saharan Africa (SSA) regional average of 42.6 percent and other comparator countries like Ghana (57.7 percent) and Nigeria (39.7 percent). Mobile money has been the driving force behind the gains in financial inclusion in Liberia, as presently 21.6 percent population have accounts at financial institution, a 2.8 percentage point increase from 2011, while 20.8 percent of Liberian population reported having a mobile money account. In this context, 27.6 percent of Liberians reported making or receiving digital payments. Mobile money services are available in all 15 counties in Liberia through a large mobile money agent network (6,995 agents as of 2018).[14]

Figure 1. Account ownership (% age 15+)



[12] CBL. Microfinance Regulatory and Supervisory Framework for Liberia. 2009.
[13] All financial inclusion figures come from Global Findex measured in 2017, unless otherwise noted.
[14] CBL

Despite advances in overall account ownership, a gender gap persists. Liberian women are less likely to have an account as compared to men (28.2 percent versus 43.7 percent). This gap is much wider than the account ownership levels between men and women at the regional level and most other comparator economies, except for Nigeria. For mobile money accounts, the same trend persists (18.3 percent for women versus 23.5 percent for men), but the gap is smaller and aligned with the gender gap at the regional level.

Figure 2. Gender Gap in Overall Transaction Account Ownership (% age 15+)

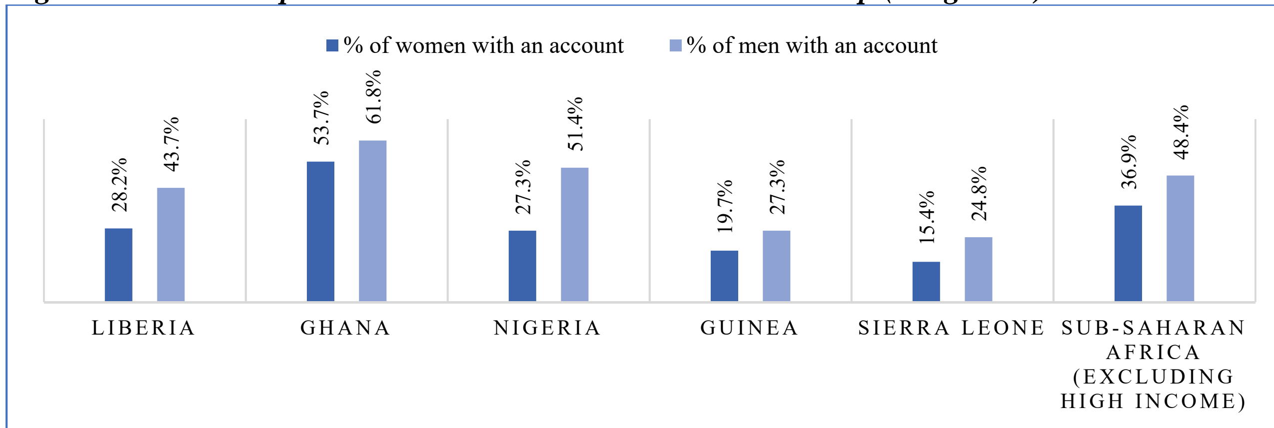
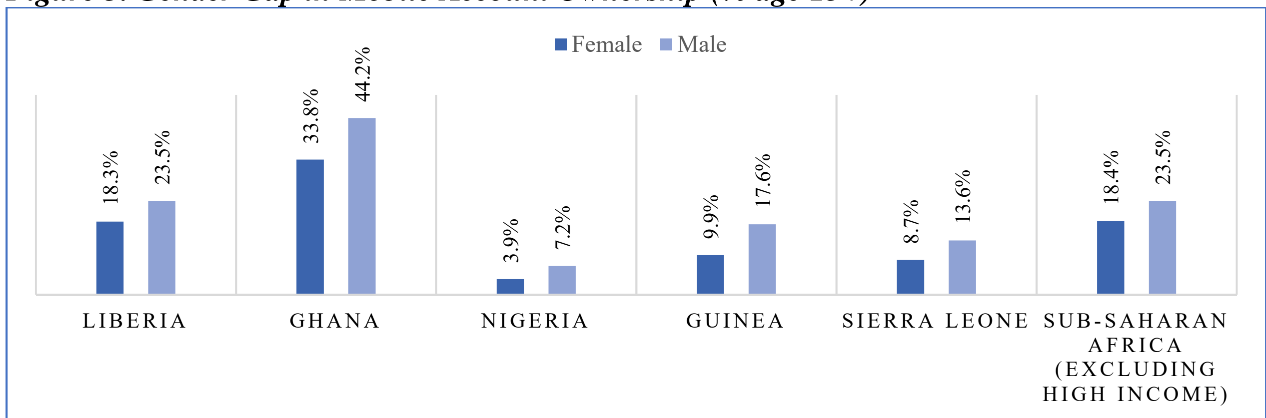


Figure 3. Gender Gap in Mobile Account Ownership (% age 15+)

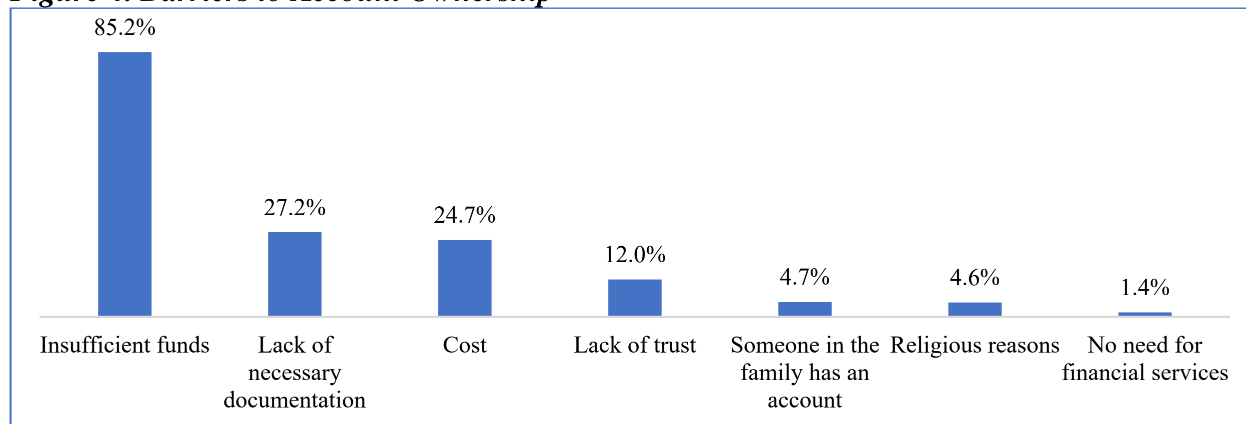


Account ownership levels between youth (ages 15-24) and older population are similar, but differences in education and income levels demonstrate a gap in account ownership. 2017 Global Findex shows that 36.1 percent of Liberian youth have a transaction account compared to 35.5 percent of older population (above age 25). The segment of the population with secondary education or more, however, is far more likely to have an account (58.7 percent) when compared to those with primary education or less (25.5 percent). Similarly, while account ownership levels for Liberians with high income levels (richest 60 percent) is higher than the poorest 40 percent (41.8 percent versus 26.6 percent), it lags behind the regional account ownership average among the higher income level population segment (richest 60 percent) which stands at 49.7 percent.

Many Liberians lack the necessary documentation required to open an account. 27.2 percent of population Liberians are unable to meet account opening documentation requirements, out of

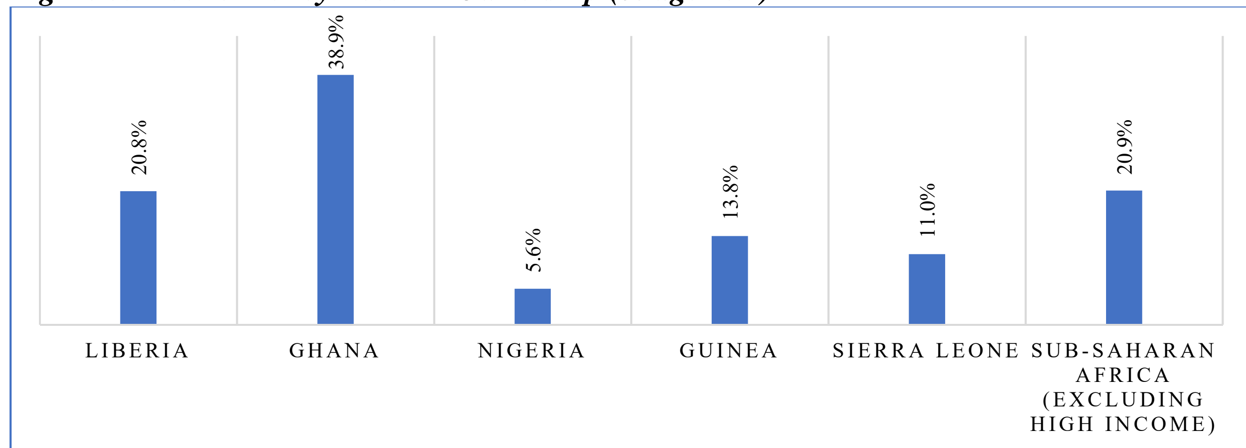
which 53.1 percent were women. At present, there is no tiered approach in the banking sector to account opening that eases Know-Your-Customer (KYC) requirements for low risk, low-value accounts. Some of the other barriers to account ownership are insufficient funds (85.2 percent), cost (24.7 percent), and lack of trust in financial institutions (12 percent).

Figure 4. Barriers to Account Ownership



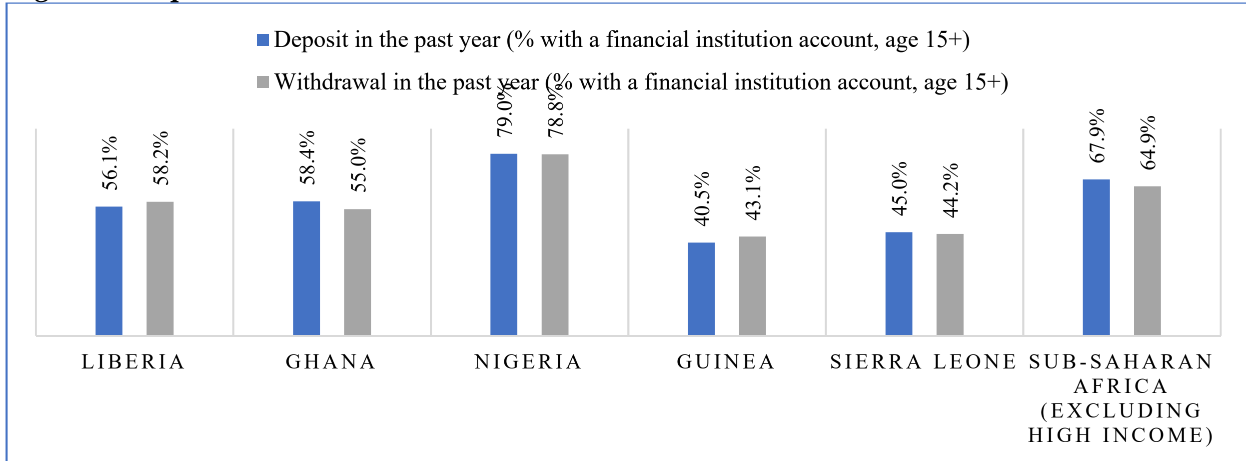
Mobile money account ownership is on par with the regional average and above most comparator economies. Approximately 20.8 percent of Liberian population reported having a mobile money account compared to 5.6 percent in Nigeria and 11 percent in Sierra Leone. Mobile money accounts have helped increase overall financial inclusion in Liberia and can be leveraged to offer innovative products to encourage usage and reduce dependence on cash using alternative channels and business models.

Figure 5. Mobile Money Account Ownership (% age 15+)



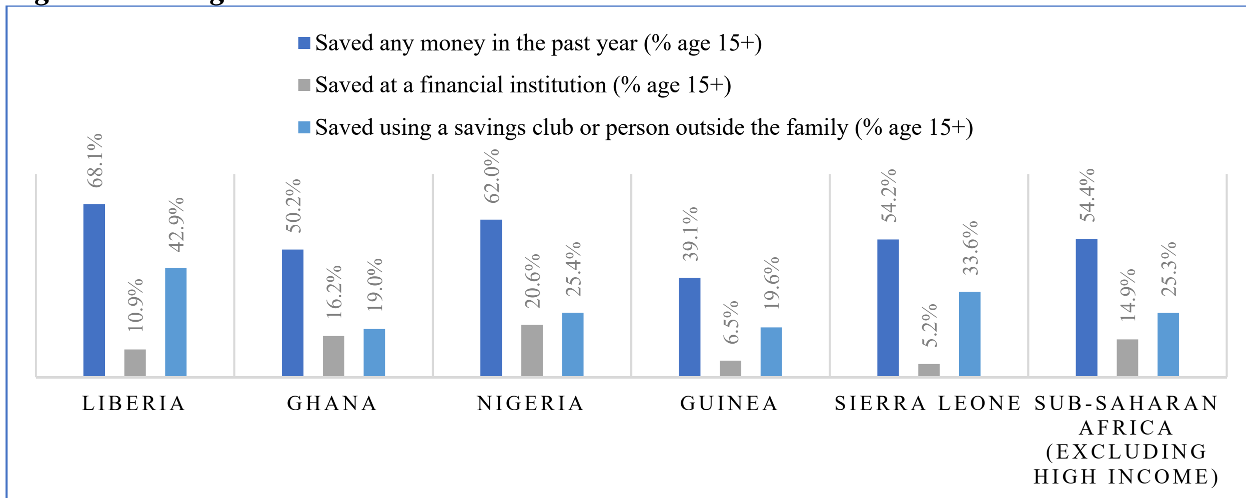
Achievements in account ownership need to be accompanied by continued usage of accounts. In 2017, 56.1 percent of account holders used their accounts to deposit funds and 58.2 percent to withdraw money. Account usage in terms of deposits and withdrawals is below the regional average and Nigeria, but on par with Ghana, and above comparator countries like Guinea and Sierra Leone (**Error! Reference source not found.**). Limited physical network for access points (see section 3.1.1) along with nascent agent banking and digital access points, contribute to reduced account usage.

Figure 6. Deposits and Withdrawals



While Liberians do save, it is largely informal in nature. 68.1 percent of Liberian populations report saving, but only 10.9 percent save in a financial institution. Men are marginally more likely to save in formal financial institutions as compared to Liberian women (13.4 percent versus 8.5 percent of women). Saving for a farm or business is more common than saving for old age. 35.4 percent report saving for the former, while only 10.8 percent report saving for old age. Saving behaviors seem to differ between men and women when it comes to saving for old age, 15 percent of men report saving for old age compared to 6.7 percent of women. However, the gender difference is not as prominent when saving for a farm or business, over 30 percent of both men and women report saving to start, operate, or expand a farm or business. While saving for old age is a measure of financial capability and self-reliance, saving to start a farm or business positively impacts the economy through creating jobs and increasing economic activity.

Figure 7. Saving



The Ebola crisis adversely impacted financial inclusion in Liberia. The IMF reviewed the impact that the Ebola crisis had on financial inclusion, and while it is difficult to directly measure,

they highlighted a number of negative financial sector outcomes during the period.[15] For example, the number of MFIs decreased from 23 to 20 in the course of 2015, due to low loan repayment, reflecting the epidemic's disruption of microenterprise activities and household incomes. The crisis triggered extensive bank deposit withdrawals with demand deposits falling by 12 percent, during the early stage of the crisis (March through September 2014). In addition, the economic slowdown during the crisis constrained borrowers' assets and activities. Banks' NPLs increased during the epidemic from 14.5 percent of total loans in March 2014 to 19.2 percent in June 2015. Private credit growth rates fell rapidly in 2014, going negative in January 2015 and recovering only marginally in the following months. As described above, low profitability in the financial sector has continued to persist and this affects the ability for financial service providers to extend products and services to unserved and underserved segments of the population.

3 NFIS Framework

Providing access and enhancing the usage of a wide range of affordable financial services in Liberia, requires an NFIS framework, which organizes and guides strategic actions and priorities to achieve the country's vision for financial inclusion. The NFIS framework is structured around three pillars that address the gaps and underlying issues that serve as barriers and creates opportunities to increase financial inclusion in Liberia. The pillars will guide implementation of the NFIS, shape the Action Plan and monitoring and evaluation system to ensure progress.

Figure 8. NFIS Framework

<table>
<tr><td colspan="3">Vision: To build a sustainable financial sector deeply rooted in digital financial services (DFS) in order to provide access to and enhance usage of a wide range of affordable financial services.</td></tr>
<tr><td>Pillar 1: Access to Financial Services and Credit</td><td>Pillar 2: Digital Financial Services</td><td>Pillar 3: Consumer Protection and Financial Capability</td></tr>
</table>

Pillar 1 – Access to Financial Services and Credit, focuses on three main areas - increasing usage of financial services and improving accessibility; strengthening the NBFI sector so that they are equipped to serve financially excluded Liberians in a responsible manner; and facilitate increased access to credit to drive economic growth.

Pillar 2 – Digital Financial Services, aims to bolster the ecosystem for promoting cost effective and efficient delivery of DFS.

Pillar 3 – Consumer Protection and Financial Capability sets out to enhance consumers' ability to demand responsible finance while providing the requisite protection against misleading practices.

[15] Liberia – Selected Issues. IMF Country Report No. 16/239. July 2016.

3.1 Pillar 1: Access to Financial Services and Credit

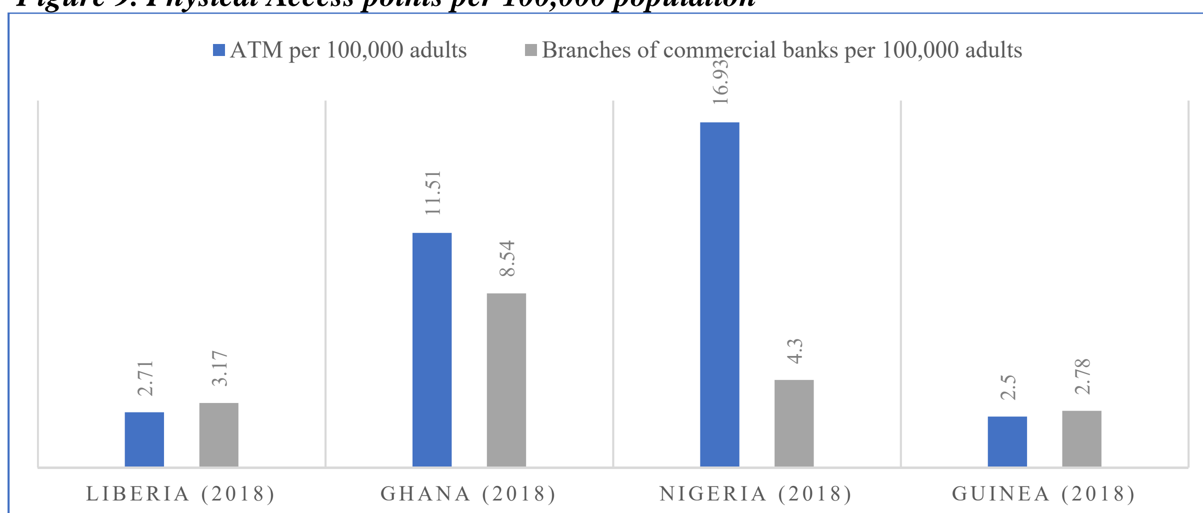
3.1.1 Expand and Diversify Access Points

The availability of enough access points where individuals can conduct financial transactions is critical to facilitating overall access to financial services to unserved or underserved Liberians. Limited access points prevent individuals from opening accounts, saving, and accessing credit. For those with accounts, the benefits of financial inclusion can only be realized if there are enough access points that allow them to regularly use a wide range of financial products and services to improve their financial lives. While there have been advancements with increasing accessibility, Liberia faces many challenges in this area, further described in this section.

The low number and concentration of financial access points is a major barrier to increasing financial inclusion in Liberia. As of 2018, there were only 3.17 commercial bank branches and only 2.71 ATMs per 100,000 adults.[16] Only four of the nine banks in Liberia have ATMs, while none of the deposit taking types of MFIs, including Access Bank, have ATMs. Limited ATM coverage restricts access to funds and thus, limits usage. In addition, it curbs the prospect of using ATMs for deposits or fostering interoperability with mobile money, especially for those without bank accounts. The problem of few ATMs is further compounded by the concentrated nature of the banking branch network. Around 60 percent of commercial bank branches are concentrated in the capital region, where just about one quarter of the population lives.[17] Physical access points in rural areas are sparse, in which four out of fifteen counties are not served by any bank branch.[18] This level of access is lower than that of comparator economies like Ghana and Nigeria (see

Figure 9).

Figure 9. Physical Access points per 100,000 population

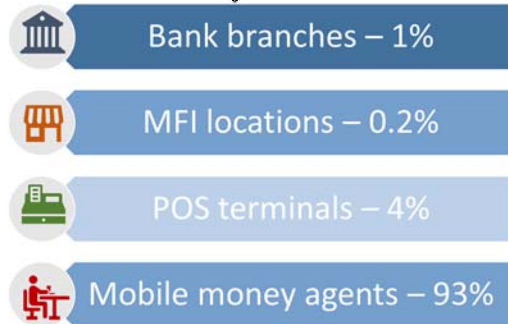


Source: IMF Financial Access Survey

[16] IMF Financial Access Survey (FAS).
[17] www.imf.org/external/pubs/ft/scr/2016/cr16239.pdf
[18] Ibid.

Mobile money agent locations make up 93 percent of access points in Liberia. As with many African markets, mobile money agents comprise the largest proportion of formal access points throughout the country. Bank branches account for one percent, MFI locations 0.2 percent, and Point-of-Sale (POS) terminals four percent.

Figure 10. Distribution of Access Points



The agent banking model is being leveraged to improve access to financial services, with implementation just beginning to take off. CBL enacted the regulation on agent banking in 2017, which allows business enterprises, MNOs or individuals to act as agents of banks, MDIs, or RCFIs, to conduct financial transactions on their behalf. However, the core objective now is to further implement the model, and to develop a sustainable, dependable, and cost-effective system while preserving the quality of services and ensuring protection of customers' financial information. In this respect, it will be important for CBL to revisit the issue of allowing agent exclusivity, which precludes the development of super agents and deprives the national switch of fully leveraging this institutional type for volume thereon. Developing a training of the trainer's program for relevant players across the financial sector has the potential to speed up implementation of agent banking. The Liberian Banking Association (LBA) in cooperation with CBL are well positioned to take the lead here.

Agents for banks are regulated separately from agents for mobile payments. The mobile money agent network (6,995 as of 2018) makes up the largest number of access points and there is a growing number of banking agents, with 53 agents in 2018.[19] The difference in regulation, however, between banking agents and mobile money agents can easily cause regulatory arbitrage since treatment of the two types of agents is not fully consistent. For instance, super-agents are regulated in detail in the regulations concerning agent banking which specifically apply to banks, deposit-taking MFIs, and RCFIs. Similar detailed and explicit provisions are, however, not present in the case of mobile money agents' regulations. This regulatory barrier will need to be addressed to increase take-up of agent banking, particularly banking agents, to fill the existing gap in availability of access points.

Poor identification mechanisms for individuals and firms impedes access to financial services. With the establishment of the National Identification Registry (NIR) in 2015, a key first step has been taken to promote the development of the biometric ID which can be leveraged to advance access to financial services. The lack of documentation was identified as a barrier to

[19] CBL.

account ownership by 27.2 percent of Liberians. Recent advances with the roll-out of unique biometric IDs can firmly link an individual to their ID and should be leveraged to reduce the use of fraudulent IDs and mitigate Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) risks. Thus far, biometric ID enrollment has been rolled out with a portion of civil servants, which is a key first step, but more widespread roll out is necessary. Additionally, it will be important for implementation to have a gender focus to ensure women are enrolled at the same rate as men.

There is no tiered account scheme that eases Know-Your-Customer (KYC) requirements for low-cost basic transaction accounts in the banking sector. Given the challenges within the Liberian market with low levels of financial literacy, limited trust in the financial system, poor coverage of access points, and low-income levels/high poverty rate, financial service providers should work to develop basic transaction accounts at brick and mortar financial institutions. Basic transaction accounts, including mobile wallets, serve as a gateway to other financial services, allowing individuals to store money and send and receive payments. These should be designed to have no minimum balance requirement and with little to no account maintenance fees. With growing mobile phone penetration, such accounts should be designed to allow account opening and access using phones, particularly USSD feature phones, to ensure that more impoverished segments of the population, which utilize such phones, can better participate in the financial sector. In fact, KYC requirements from mobile phone ownership can be leveraged to open basic transaction accounts by phone.

Overall Liberia has a large informal financial sector, which would benefit from linkages to the formal financial sector. Saving through informal channels, such as a savings club or persons outside the family is much higher than the regional average and that of other comparator economies (43 percent). Similarly**,** family and friends seem to be the most common source of credit, 36 percent of Liberians report borrowing from family and friends. One of the main objectives of the financial inclusion agenda in Liberia, will be to shift reliance on informal financial service providers to the formal financial sector. Thus, it is critical to link formal digital financial products to informal financial service providers or groups, such as VSLAs or susus. An example of this, are the so-called linkage programs whereby VSLAs are provided a tool like a group phone with a link to a group account/mobile wallet, and financial literacy around DFS. Such an approach helps formal financial service providers serve downstream and brings financially excluded to the formal sector while maintaining informal group dynamics.

Key Challenges
• Sparse ATM and branch network in rural areas • Limited implementation of agent banking regulations • Banking agents are exclusive, and this hampers the development of super agents • Agents for banks are regulated separately from agents for mobile payments • Poor identification mechanisms for individuals and firms • No tiered approach to account opening in the banking sector • Large informal financial sector

Policy Actions:

- Support expansion of physical network of access points based on analytically driven assessments
- Amend Agent Banking regulations to facilitate agent non-exclusivity and harmonize with requirements that pertain to mobile money agents
- Develop a training of trainer's program to support the uptake of agent banking
- Establish tiered system for account opening and roll out corresponding basic transaction accounts
- Promote policies to support linkages between formal financial sector and VSLAs

3.1.2 Professionalizing the NBFI Sector

The NBFI sector forms a significant part of the Liberian financial sector. Given the potential scale at which they can reach financially excluded Liberians, previous strategies and CBL efforts have focused on strengthening the NBFI sector. This strategy will aim to address remaining gaps and identify actions that will strengthen and advance previous efforts.

The legal and regulatory framework for NBFIs, is weak and largely ineffective. At present, there are a variety of regulations which govern the spectrum of NBFIs. The regulations, however, are fragmented with varying levels of requirements and standards for different institutional types, with similar activities and functions, regardless of capital levels, which provides for regulatory arbitrage. The lack of a coherent framework prevents MFIs and other NBFIs from professionalizing and becoming more sustainable, and thus better positioned to help Liberians meet their financial needs.

Many MFIs, RCFI and credit unions do not meet the existing key requirements that pertain to reporting and governance. Most, if not all, RCFIs, do not meet their capital requirements, and all but one non-deposit taking MFI can meet the minimum capital of USD 2 million required by CBL for "credit institutions" to obtain a non-bank financial institution license per the Financial Institutions Act of 1999. At present, non-deposit taking MFIs do not have regulations and have not been licensed since 2015, they are, however, required to register with CBL, and maintain basic financial statements and an accounting system to track client accounts. Credit union regulations were issued in 2015 providing Liberian Credit Union National Association (LCUNA) with delegated supervision, but the regulations have never been enforced nor was LCUNA empowered with the capacity to serve in this role.

There is a cap on loans that MFIs can make which limits their role in advancing financial inclusion. MFIs, including the one deposit-taking MFI (or MDI), are restricted from providing loans over USD 7,000, which ensures that these institutions provide loans to micro and small entrepreneurs. The limit, however, is arbitrary and should instead be proportional to institutions' capital levels, with a higher ceiling to ensure MFIs are able to serve all segments of the Liberian population with the size of loans aligned with their needs, particularly the MSME market segment.

To harmonize the broader NBFI regulations, CBL is in the process of developing a tiered risk-based approach to the regulation and supervision of NBFIs. The development of the tiered risk-based approach for non-banks provides amendments to the FIA and regulations on: i) non-bank financial institutions[20] which is being expanded to provide regulations for non-deposit taking MFIs, ii) credit unions, iii) RCFIs, iv) MDIs, and v) asset classification. These amendments reflect the need to improve clarity and legal certainty on the entire regulatory framework for NBFIs; introduce a tiered system of provision for microfinance services that would be applicable to all *de facto* providers of microfinance services in the country (capturing currently unregulated non-deposit taking MFIs); and modify the prudential and non-prudential regulatory requirements in all applicable regulations to proportionately regulate the market using a risk-based approach (e.g., start-up capital requirements, capital adequacy, minimum liquidity, asset classification, exposures and maximum lending amount, and definition of micro loans, among others).

Supervision of MFIs can be further strengthened. CBL has separate supervisory units which regulate segments of the broader MFI sector; the bank supervision unit oversees the one deposit taking MFI and the microfinance bank, and there is a unit in charge of supervising RCFIs and to oversee the activities of non-deposit taking MFIs. For the remaining institutional categories, VSLAs are rightfully not regulated and credit unions fall under a delegated supervisory arrangement with LCUNA, which is not operational. In many cases, there have not been onsite examinations of non-deposit taking MFIs in at least a year's time. For RCFIs, onsite examinations are planned for once a year. In both cases, this supervision is insufficient and allows for problems in compliance with regulations and illegal activities. Hence, there is a need to bolster CBL examiners capacity to more effectively supervise NBFIs.

Credit Unions, in particular, could benefit from a revised supervision arrangement. Regulations for the Licensing and Operations of Credit Unions were adopted in 2015, but these regulations are not operational and in practice credit unions are not currently supervised, particularly due to the capacity constraints of LCUNA to perform supervisory functions. Under the 2015 regulations, the LCUNA was given delegated supervisory functions for credit unions by CBL, but these functions are not clearly articulated in the regulation. Moreover, the inherent conflict of interest where credit union directors and managers are part of LCUNA results in credit unions invariably supervising themselves. CBL is making efforts to improve the existing supervisory arrangement through ongoing technical assistance efforts with the World Bank to establish a tiered system of regulation and supervision. The tiered approach will be effective in improving supervision of various types of MFIs, which includes credit unions. Delegated supervision may be appropriate down the road. However, currently no apex body has the capacity or resources to do this, and NBFIs are not likely to generate enough resources in the near future to finance an apex body to provide this service.

The existing institutional arrangement for supporting RCFIs is complicated and will need to be clarified to help bolster their capacity to support financial inclusion efforts. The services of Afriland First Bank were initially used to establish RCFIs. Under contract with CBL, Afriland First Bank set up the IT infrastructure for RCFIs. In addition to having initially equipped Liberian RCFIs, Afriland First Bank now receives the payroll of over five thousand government employees to be paid through the RCFIs. As of December 2018, RCFIs had 5,196 shareholders. In 2016,

[20] Provides for 3 categories: Mortgage Finance, Finance Company, and Credit Only

RCFIs had 8,041 government salary and deposit accounts, and approximately USD 495,000 in savings mobilized. Beyond a formal agreement to provide IT to RCFIs, there is no formal contract between RCFIs and Afriland, which outlines the roles and responsibilities of the two entities. This lack of clarity results in poor liquidity management, no reconciled accounting statements between the RCFIs and Afriland, low capacity at RCFIs, minimal intermediation of deposits into loans, and endangerment of consumers' deposits, which in some cases are being used to finance the RCFIs' operations.

Beyond the need for improved underlying infrastructure that pertains to the NBFI sector, MFIs that operate in Liberia face challenges with low profitability. The MFI sector has an outstanding loan balance of at least USD 12.3 million in 2017.[21] For example, BRAC was operating a negligible net profit after taxes, excluding grants in 2017. Many non-deposit taking MFIs and RCFIs, are insolvent based on World Bank and CBL reviews. One of the largest local MFIs closed due to bankruptcy in 2012 and many more have since closed with only approximately five non-deposit taking MFIs currently in operation. The Ebola crisis in 2014 put further strains on an already fragile sector, causing more MFIs to exit the market. Some of the reasons for insolvency particularly among small MFIs are weak governance, a small customer base, limited access to capital to on-lend to consumers, and seemingly a lack of concrete plans to grow and attract capital.

The limited capacity of MFI staff inhibits their ability to provide quality financial services. According to an assessment of the microfinance sector carried out by the World Bank in 2017, field interviews with MFI management unearthed a lack of knowledge on basic financial terms and definitions amongst key staff. In addition, most MFIs also complained of high staff turnover, especially at the accountant level. CBL recognizes that the MFI sector is plagued with significant institutional and operational weaknesses that make them unlikely to become significant players in the financial sector unless significant capacity building is provided to address the array of issues they face in areas, such as accounting, financial management, and business planning, among others. In this context, MFIs continue to operate poorly as they are not required and do not have an incentive to professionalize and improve their operations beyond the risk of closing from the lack of profitability.

There is weak financial reporting by MFIs. Overall productivity of the Liberian financial sector is further dampened by shortcomings in risk management. Limited technical knowledge and skills, among MFIs, to compile the required reports is a major barrier to ensuring adequate financial reporting. Most MFIs, in particular, lack modern record keeping and proper risk management systems and controls. Poor infrastructure in terms of core banking system, electricity, and internet services, makes it difficult to send reports to CBL on a timely basis.

Key Challenges

- The legal and regulatory framework for NBFIs is weak and fragmented
- Licensing and minimum capital requirements for NBFIs do not reflect a tiered risk-based approach to regulation and supervision

[21] Exact figures are not known for many of the smaller institutions

- MFIs are restricted from providing loans over USD 7,000 and should be proportional to institutions' capital levels
- Supervision of the MFI sector is not effective
- Supervision of credit unions is delegated to LCUNA, but ineffective and has an inherent conflict of interest in its design
- Unsustainable institutional arrangement between Afriland Bank and RCFIs
- Weak MFI sector
- Low institutional capacity of MFIs
- Poor infrastructure for MFIs, limits reporting

Policy Actions:

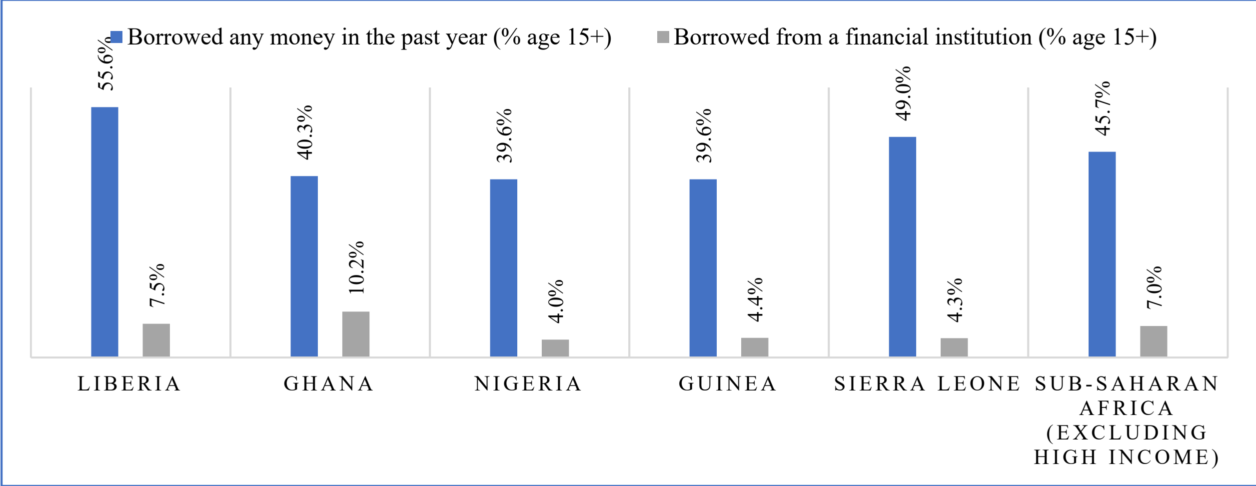
- Adopt and implement tiered regulatory framework for NBFIs
- Bolster supervision of MFIs, including capacity building for CBL examiners
- Establish clear guidelines and formal agreement on the role of Afriland Bank with RCFIs
- Improve overall MFI operational capacity
- Improve MFIs' reporting to CBL

3.1.3 Access to Credit

Access to credit is a key dimension to increasing financial inclusion, as it can serve to provide investment or working capital to fuel inclusive economic growth. Effective credit infrastructure and an enabling ecosystem to deliver affordable credit in a responsible manner is critical to allowing both individuals and MSMEs to leverage the formal financial sector to meet their financial needs and drive inclusive economic growth.

Borrowing from formal financial institutions is limited. While 55.6 percent of Liberians borrowed money in the past year, only 7.5 percent borrowed from a financial institution. This is on par with borrowing patterns in the region, the SSA regional average for borrowing from formal sources also stands at 7 percent.

Figure 11. Borrowing of Individuals



Limited infrastructure for credit screening constrains lending. Overall lending is limited, credit to the private sector as a percentage of GDP was only 14.6 percent in 2017.[22] Accelerating the breadth and efficiency of the credit information system, enhanced by a national biometric identification system, would improve banks' ability to appraise credit and reduce moral hazard, which, in turn, would help reduce bad loans. CBL which houses the credit registry system currently needs at least two weeks, given the manual nature of referencing the excel-based system, to process a credit check request for loans above the threshold limit.

It is recognized that more efforts are required to modernize the existing credit information system. While a digital ID system is being rolled out, the current credit registry system is excel-based and does not allow for online access. It provides lenders with basic information (not credit scores) on the credit exposure of prospective borrowers (both firms and individuals and without limitation on loan amount). Both positive and negative credit data is distributed, but only for the time of the query (historic data is not provided). The lack of a modern credit information system, thus, diminishes the ability of lenders to obtain information on customers' credit histories and therefore more thoroughly understand borrowers' credit risk profile and provide credit accordingly.

The credit information system needs to expand its coverage, particularly for MSMEs. According to the 2019 World Bank Doing Business Survey, Liberia ranked 112th for getting credit and only 1.8 percent of populations are covered by the credit registry compared to 7 percent in Sub-Saharan Africa. Moreover, there is no private credit bureau coverage, which are typically designed to support lenders sharing and receiving information on borrowers' credit history.

While much progress has been made with establishing an insolvency framework, the legal framework for debt resolution is incomplete. According to the 2019 World Bank Doing Business Rankings, Liberia scored 10 out of 16 on strength of insolvency framework. Liberia adopted several important commercial law reforms in recent years, including the Commercial Code and Commercial Court Law, and more recently the Insolvency & Restructuring Law (in force, since January 2017). The latter law introduced a new insolvency scheme, seeking to meet current best practices and promote the rehabilitation of distressed businesses, or, where that is not possible, efficiency and value maximization for creditors in liquidation. However, necessary secondary legislation, in the form of rules and regulations, has not been enacted, leaving a substantial gap in the legal framework.

There are gaps in enforcement of the insolvency regime and improvements in debt enforceability is critical to closing the loop in financial inclusion. In most cases, a borrower's financial distress still leads to liquidating the debtor's assets by piecemeal sale and with little left for unsecured creditors. Although the new mediation program within the Commercial Court holds promise of improving recovery on delinquent debt, the current options for enforcement, are slow and expensive. Hence, there is a need to build capacity of lending practitioners, judges, insolvency administrators, and lawyers on the procedure and practice of resolving insolvency.

MFIs lack access to capital and this limits their ability to lend to segments of the market that

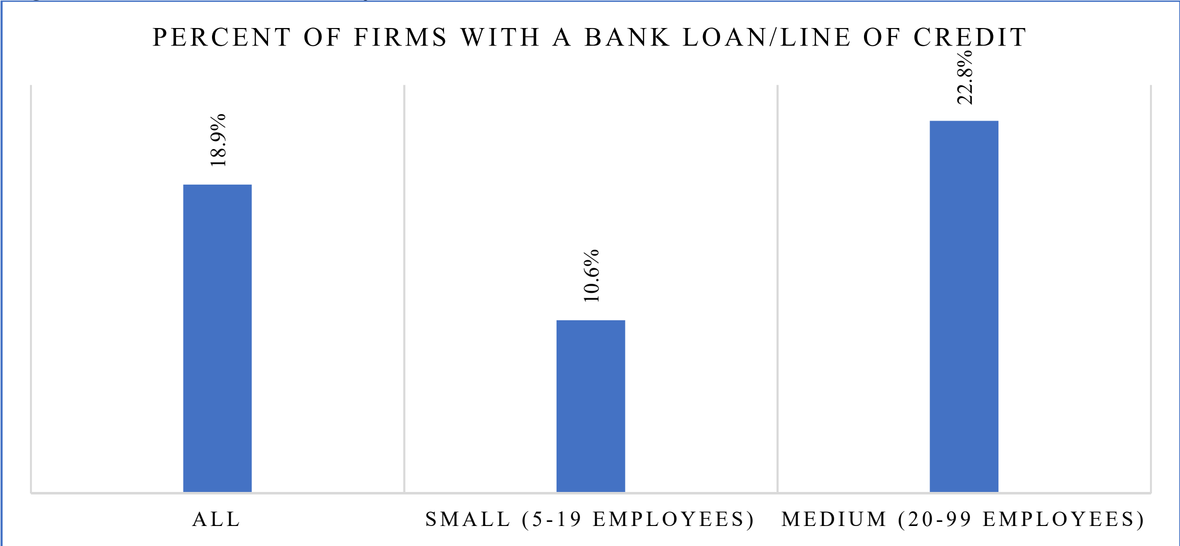
[22] IMF Regional Economic Outlook 2018.

are most in need of credit. Currently the options for MFIs to raise capital have been/are limited to directed lending programs, limited donors or investors, or borrowing from banks which can be expensive. CBL and the GoL recognize the need to develop a sustainable and market-oriented approach to accessing capital, which is critical given the history of directed lending programs, which have harmed institutions through interest rate caps and unsustainable on-lending methods. There are currently discussions to establish an MSME Financial Trust Fund based on the framework set up by the World Bank financed MSME project managed by the Ministry of Finance and Development Planning.

MSMEs heavily depend on informal sources or non-banks for credit. In Liberia, MSMEs play a leading role in providing employment, responsible for approximately 80 percent of income generation, particularly those at the bottom of the economic pyramid. Therefore, development of this sector through improved access to finance is crucial to overall jobs creation and economic growth. The MSME sector is also integral to supporting women's empowerment through increasing their ability to generate income and support their families, among others. However, the majority of MSMEs are informal and typically only registered businesses can borrow from a financial institution. According to the 2017 World Bank Enterprise Survey, only 19 percent of firms have a bank loan or line of credit and 38 percent report access to finance as a major constraint. Small-sized firms are less likely to have a bank loan or line of credit. Less than a third of firms (19-20 percent) used banks to finance investments or working capital.

MSMEs are less likely to have the required accounting and other necessary skills to prepare loan proposals acceptable to banks. Hence, the lack of adequate supporting documentation on financial statements for loan applications makes it difficult for Liberian financial service providers, which themselves face limitations in their skills base and resources, to accurately assess the credit risk profile of MSMEs in order to lend to this sector.

Figure 12. Access to Credit for Firms



Source: World Bank Enterprise Survey, 2017

High collateral requirements required by banks to securitize loans limit the availability of formal credit. According to the 2017 World Bank Enterprise Survey data, high collateral demands

to mitigate risk, at 172 percent of loan value,[23] constitute the most pressing obstacle for local businesses to access formal credit. Similar to individuals, MSMEs lack adequate collateral in terms of non-moveable assets, but in practice may have various moveable assets in the form of equipment and machinery for the business that could be also be used to meet collateral requirements.

The collateral registry has indeed played an important role in supporting access to finance. The collateral registry was launched at the height of the Ebola crisis in 2014, with support from the International Finance Corporation (IFC) and helped facilitate more than USD 226 million in loans to SMEs in one year of its launch.[24] The movable collateral registry allows individuals and MSMEs without traditional collateral, to register their movable assets as collateral to access credit. Financial service providers can refer to the moveable collateral registry to ensure consumers are not pledging their assets at multiple institutions. Some banks and smaller NBFIs, however, continue to have a preference of lending against land for which there is a title deed and proof of taxes paid, which significantly limits the pool of potential borrowers registered on the collateral registry. Building capacity and encouraging financial service providers on utilizing movable asset financing to securitize loans will be key to enabling increased access to credit for MSMEs and individuals.

CBL has implemented several directed credit initiatives in an effort to enhance access to finance in Liberia. Directed lending programs were established to address the perceived market failures in credit provision particularly to micro-clients, MSMEs, and farmers. Given the large proportion of the population excluded from the formal financial sector, the following stimulus packages were developed in Liberia to increase access to finance to specific segments of the economy: (1) the Loan Extension and Availability Facility (LEAF); (2) the Agriculture Stimulus Initiative; (3) the Liberian-owned MSME Credit Stimulus Initiative; and (4) the Housing Finance Stimulus Fund. A description of each initiative is summarized as follows:

Table 3. Directed Lending Programs

Fund	Description	Amount	Interest Rates	Status
LEAF	Facility to increase access to microfinance services. Loans for MFIs, credit unions, and VSLAs.	USD 5-6 million	3 percent p.a.[25] to MFIs; 8 percent p.a. for on lending.	2012-2016 Repayment difficulties; high NPLs.
Agriculture Stimulus Fund	Loans to increase farmers' access to finance administered through Afriland First Bank.	USD 7.5 million	4-5 percent p.a. to Afriland. First Bank to be onlent at 8 percent p.a.	2012 - ongoing

[23] World Bank Enterprise Survey, 2017.

[24] http://www.worldbank.org/en/news/feature/2015/11/18/liberia-collateral-registry-expands-access-to-finance-amidst-ebola-crisis

[25] p.a. signifies per annum

MSME Credit Stimulus	Loans to commercial banks to on-lend to MSME sector.	Not available.	5 percent p.a. to banks for on-lending at 8 percent p.a.	2012-2015; new funding round to begin in late 2017.
Housing Fund	Mortgage loan facility administered through LBDI for mortgage loans	USD 10 million	8 percent p.a. to end borrower. Loans paid to seller or builder of homes. Tenure for 10 years.	2012 - ongoing
Source: Microfinance Operations Unit, CBL				

Even though directed lending programs may be popular with target beneficiaries, repayment is very low. Often beneficiaries see these "loans" as grants from the government that do not need to be repaid, especially funds that are managed directly by CBL, like the LEAF stimulus initiative. During the Ebola crisis, the CBL encountered major difficulties in getting MFIs, credit unions, and VSLAs to pay back their LEAF loans. While the LEAF initiative had the lowest interest at which financing was provided, as of February 2017, the LEAF fund only had a repayment rate of 63 percent.[26] High delinquency rates were reportedly due to a combination of factors, namely: (1) limited information for CBL to identify good credit unions and limited reliance on the LCUNA network to help evaluate credit risk; (2) weak management and governance structures of credit unions; and (3) delays with collecting loan repayments. CBL recognizes that it did not have an adequate system to monitor loans to numerous small institutions, like VSLAs and credit unions, spread across the country**.** Similar challenges have impacted repayment with other directed lending programs.

Considering these challenges, GoL implemented the MSME project under market principles. The project illustrated that there was demand for market-based finance (interest rate caps were not permitted under the project) from both consumers and financial institutions and has experienced high repayment. To ensure MSMEs continue to receive such support, but under a sustainable framework, there is a need to write-off nonperforming debt from previous directed lending programs to not preclude them from eligibility in future such efforts. Additionally, there is a need to develop a sustainable financing framework based on the MSME project funds and framework, which incentivizes private financial institutions to expand their customer market downstream to increase access to finance for MSMEs. The project also designed a partial credit guarantee system that could help de-risk loans by absorbing some of the potential losses from loans to underserved market segments which are perceived and/or deemed riskier, such as agriculture, to help incentivize banks to lend downstream.

[26] Central Bank of Liberia – Microfinance Supervision Unit.

Given the setbacks with financial inclusion and access to credit for women and those in rural areas, there is a limited range of products and services specifically targeted towards those financially excluded groups. The main financial product offered by most non-deposit taking MFIs, for women, is a standardized group loan. However, some institutions, like Foundation for Women, offer individual loans specifically for women. Bolstering the array of financial products, such as those related to credit, which support women entrepreneurs or address their needs, is critical to achieving gender parity in access. In addition, RCFIs which have the strongest presence in rural Liberia, serve to primarily facilitate Government salary payments and provide salary advances for government civil servants. The digital credit framework that is being established will help overcome existing barriers in terms of accessibility with accessing credit among women. For those in rural areas, products that leverage digital channels, particularly mobile payments, will be critical to advancing access to credit. Rolling out of such innovative products through digital channels is limited. At present, only BRAC is piloting the use of mobile money services to collect loan repayments. To facilitate the roll out of digital credit, it will be important to build the capacity of financial institutions to provide mobile microcredit, which has the potential to reach target populations that are typically underserved, such as women – digital credit is discussed further in the Facilitating DFS Usage (3.2.3) and Consumer Protection (3.3.1) sections.

Key Challenges
• Borrowing from formal financial institutions is limited • Limited infrastructure for credit screening constrains lending • Legal and regulatory framework for debt resolution and insolvency is incomplete • Implementation of existing insolvency framework is limited, and institutional capacity is lacking • MFIs lack access to sufficient capital to on-lend to consumers • MSMEs are less likely to have the required accounting and other necessary skills to prepare bankable loan proposals • High collateral requirements by formal providers of credit • Limited usage of the collateral registry • Even though directed lending program may be popular with target beneficiaries, repayment is very low • Limited innovation with credit products targeted to financially excluded population segments, namely women and those in rural areas.

Policy Actions:

- Establish a modern credit registry and support usage thereof
- Expand usage of the collateral registry and acceptance of movable assets through capacity building and sensitization efforts to improve access to finance
- Enact secondary legislation to implement the Insolvency & Restructuring Law, 2017, specifically to regulate the insolvency administrator's profession
- Develop the insolvency practitioner profession and build capacity of lending practitioners, judges, insolvency administrators and lawyers through targeted training on restructuring and insolvency procedures, under the new regime

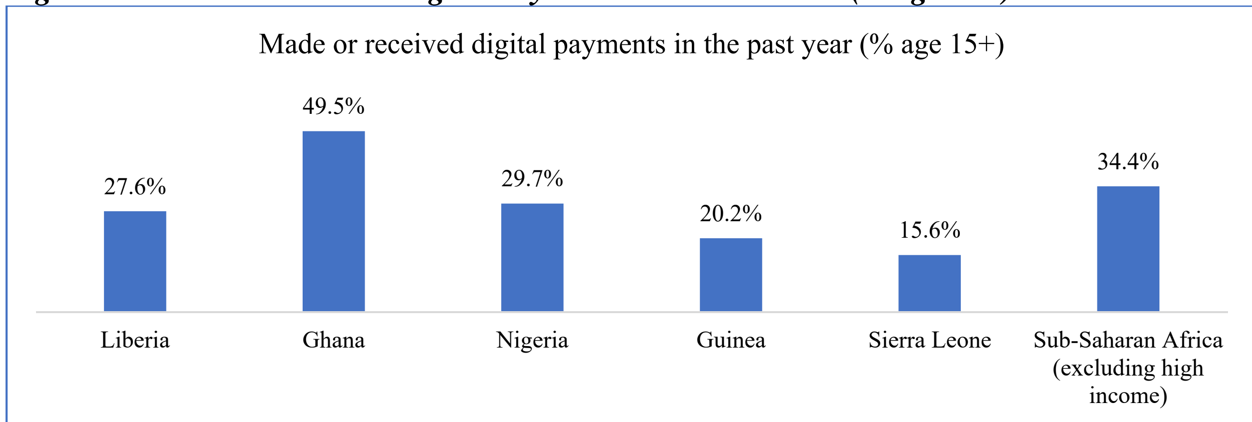
- Write off financial institutions non-performing debt from directed lending programs accumulated prior to July 2017
- Adopt permanent facility for MSME project funds, based on market principles

3.2 Pillar 2: Digital Financial Services

Supporting the digitization of payments in the retail payment space will significantly increase citizens' participation in the digital payment ecosystem. Specifically, women who play a significant role in the buying and selling of goods and those in rural areas with limited access, will particularly benefit, given the very low levels of financial inclusion amongst this target group. The objective of this pillar is to create an ecosystem that facilitates digital financial transactions and thus improve levels of financial inclusion in Liberia. In going forward, it is recognized that such policies and efforts require a gender lens to ensure digital financial services support greater access and usage by women.[27]

Usage of digital payments in Liberia is limited. Only 27.6 percent of Liberians make or receive digital payments in the past year, which is below the regional average of 34.4 percent and lags behind most other comparator countries except for Sierra Leone. Low usage of digital payments overlaps with low usage of digital channels to access accounts, only 21 percent of Liberian populations used their mobile or the internet to access an account.

Figure 13. Made or Received Digital Payments in the Past Year (% age 15+)



3.2.1 DFS Legal/Regulatory Framework and Institutional Capacity

CBL has made initial strides with strengthening the legal and regulatory framework for payments, but it requires updating. Such progress is exemplified by the drafting of the Payment Systems Act (2014) (PSA) and Mobile Money regulations (2014). The PSA addresses all major topics to enable the development of a sound and efficient payment system in Liberia. However, since the market is constantly developing, a number of changes have occurred since the PSA was adopted, requiring several issues to be addressed anew. For instance, no regulation is in place for payment initiation services (such as provided by aggregators), which, at present, are essential for e-commerce.

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[27] The Alliance for Financial Inclusion's *Policy Framework for Women's Financial Inclusion Using Digital Financial Services* can be helpful guide.

The oversight of payment systems and of payment services require different standards and some involvement by CBL. The PSA should better distinguish between treatment of systems and treatment of services and issuance and management of instruments. The above operation for clarification and systematization should also be mirrored at the level of secondary measures. While CBL is in the process of setting up an Oversight Unit, at this stage, competing (or potentially competing) service providers, such as remittance service providers and mobile money issuers are regulated by different pieces of regulation, which are not fully consistent. As an example, remittance service providers are licensed and subject to supervision, while mobile money providers are authorized and subject to oversight. Remittance providers can only provide a limited number of payment services, while other non-financial providers can potentially provide a wider range of services.

There is a need to establish clarity between the e-payment services regulation and regulation on mobile money. The draft e-Payment Services Regulation overlaps with the regulation on mobile money, since the latter is a type of e-money. Indeed, exclusive regulation on mobile money would not respect the principle of technology neutrality since it addresses one kind of instrument (mobile phones) while all instruments performing the same services and raising in general the same risks should be regulated alike (possibly under the same regulation).

Progress has been made with setting up a National Payments Council (NPC), but further actions are required to make the Council more effective. The NPC was established in 2018 and has representatives from a range of public and private institutions. The purpose of the NPC was to play a strategic role in the development of the payment system – serving as a forum to secure commitment and cooperation from key stakeholders that have an interest in payment systems. Whilst the council has been established, it is yet to be used in the manner which was intended, with very few meetings scheduled to discuss the development of the payment systems.

CBL's institutional arrangement for DFS requires harmonization with payment systems. The Regulation and Supervision Department at CBL contains a DFS and Consumer Protection Unit that oversees consumer protection (CP) and DFS (effectively mobile money), and there is another unit on payment systems. In this context, payment systems and DFS, should be merged given their overlap, while consumer protection should have its own unit or department.

Key Challenges
• Regulatory framework for payment systems is limited in its scope. For instance, there is no regulation in place for payment initiation services which is essential for e-commerce • There is a need for the PSA to better distinguish between treatment of systems and treatment of services and issuance and management of instruments, which should also be mirrored at the level of secondary measures • Competing (or potentially competing) payment service providers are regulated by different pieces of regulation, which appears to lack consistency • The draft e-Payment Services Regulation overlaps with the regulation on mobile money, since the latter is a type of e-money • NPC is not fully functional

- The Regulation and Supervision Department at CBL contains a DFS and Consumer Protection Unit that oversees CP and DFS, while payment systems are in another unit

Policy Actions:

- Amend the Payment Systems Act
- Adopt secondary regulations that: i) establish a single set of principles for non-paper instruments, including the draft e-Payment Services regulations; and ii) unify rules on agents and outsourcing
- Operationalize National Payments Council
- Harmonize CBL units on payment systems and DFS into one department

3.2.2 Oversight Framework

There is currently no coordination mechanism for payment systems oversight. Internally there is no regular exchange of information between the Payment Systems Department and the Regulation and Supervision Department. All information is requested on a case by case basis. On one side, the Payment Systems Department is working on different initiatives for financial inclusion, regional integration, and the terms of references for an NPC. On the other side, the Regulation and Supervision Department is engaging in the licencing and monitoring of the payment service providers and products. Hence, CBL recognizes that while oversight of payment systems is conducted in a decentralized manner, there is no dedicated unit for performing oversight activities. CBL has initiated the process to establish an Oversight Framework and an Oversight Unit.

Data collection on the use of retail payment instruments is integral to the functioning of the payment systems and needs to be strengthened. Data collection is currently paper-based and does not cover key variables. To improve understanding of how the payment system and payment instruments are being used by the general public, CBL must develop robust data collection and reporting processes, as well as an effective analysis framework to draw out insights on how the market is functioning. Effective data collection and analysis tools will also provide key indicators to assess progress against financial inclusion objectives. It will also be vital to providing consumers with the necessary information on costs associated with various retail payment instruments. The Regulation and Supervision Department controls the monthly reports from mobile money providers on their transactions and balances as prescribed by the mobile money regulation. However, CBL's collection of information should be strengthened and consolidated in the unit (the Payment Systems Department) responsible for oversight.[28] In addition, reporting agents should be encouraged to submit electronic reports and paper reports should be phased out.[29]

Key Challenges
• No dedicated unit to conduct oversight activities of payment systems • Poor data collection and reporting processes on payment systems

[28] IMF Recommendation
[29] IMF Recommendation

Policy Actions:

- Establish and operationalize the oversight policy framework for payment systems

3.2.3 Facilitating DFS Usage

While all commercial banks are participating in the RTGS, ACH, and SSS infrastructure, NBFIs do not have direct access. NBFIs such as RCFIs, credit unions, and mobile money providers however, currently do not have direct access to the financial sector's infrastructure, including the national switch. Participation is typically facilitated through banks, which is standard practice when looking at participation requirements for payment systems in most countries.

The national switch – National Electronic Payment Switch (NEPS) – is significantly underutilized. Currently only five banks issue cards and/or operate ATMs and POS terminals, while 4 banks are fully integrated onto the switch, with one MNO and bank in the process of doing so. In this context, NEPS only switches ATM transactions, under 10,000 a year. It is critical to integrate other institutions onto the switch to help drive transaction volume, but the lack of a business case for financial institutions to use the switch, diminishes interest therein. Moreover, the national switch has the functionality for push transactions, but this is still in the testing phase, and efforts are underway to finance the pull functionality for the switch. In the case of mobile money providers, there has been reluctance to integrate, as well as requirements to improve security measures within the switching protocols – which have been addressed.

The payment card infrastructure is in a nascent stage with a continued high usage of cash. There has been an increasing trend in the volume of ATM transactions. In 2018, there were around 1.08 million ATM transactions, an approximate four percent increase from the number of ATM transactions in 2017 (see Table 4). The volume of POS transactions, however, is low (see Table 4) and this reflects the fact that only few banks are participating in the acquiring market – limiting the number of operational POS terminals, and therefore, the number of transactions. This, however, is expected to improve with several banks and Mastercard planning to enter the market.

Table 4. Digital Channels – Transaction Volume (in USD)

Payment Channel	2016	2017	2018
RTGS	2,190	10,007	12,497
ACH	27,768	83,071	86,181
Direct Credit	5,760	11,953	11,046
ATM	-	1,039,195	1,083,987
POS	-	41,658	67,595
NEPS	2,292	4,368	8,322

Source: Central Bank of Liberia

Payment instruments in Liberia are limited. Cash is the most prevalent payment instrument used in Liberia. Checks are the leading non-cash payment instrument (by value), this is followed by mobile money, which is growing quickly. Debit Cards are not readily used or readily available, and credit cards are used less frequently. In 2018, over 203,000 checks were processed (either through the ACH or manually) to the value of USD 1.4 billion. Mobile money is quickly growing, however, and will likely over take checks in the coming years as the most widely used non-cash payment instrument. In 2018, there were a total of 11 million mobile money transactions (CICO, Bill payment, P2P combined) completed, worth a total USD 272.9 million.

Unlike other payment instruments, LRD transactions are most prevalent in mobile money, but the national switch only facilitates transactions in USD, despite its ability to do LRD. USD transactions for other payment instruments and/or payment methods are significant (see Table 5). However, in the case of mobile money transactions, the majority are done in Liberian dollars. This reflects their use as a payment instrument within the larger informal economy. When looking at the volume of transactions, in 2018, 8.9 million CICO transactions were conducted in LRD, compared to only 453,000 in USD.

Table 5. LRD and USD Transaction Volume and Value

		2015	2016	2017	2018
CICO volume and value	LRD Volume	1,498,593	423,016	3,623,535	8,990,186
	LRD Value	5,207,258,372.13	140,671,875.61	16,280,335,311.64	35,465,807,968.75
	USD Volume	N/A	30,035	359,267	453,619
	USD Value	N/A	26,567.13	25,676,168.99	40,209,208.01

Source: Central Bank of Liberia

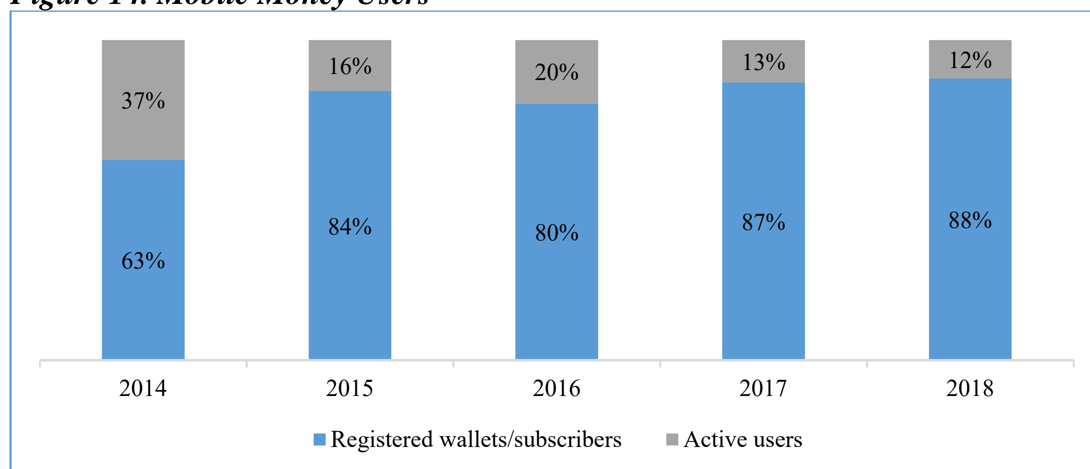
Product development to incentivize usage of DFS is still in its early stages. Currently, payment service providers are limited to banks and mobile money providers, hence both institutional categories are the main providers of DFS in Liberia. The fintech sector is yet to emerge, in part because of the lack of a fully functional national switch. Several banks have launched or are in the process of launching mobile banking solutions, in conjunction with developing their agent banking networks. A range of services are being offered through mobile banking, including domestic and international remittance services, utility bill payment, and airtime top-up. However, at present, USD messaging is not accessible to non-mobile network operators, which acts as a barrier to leverage mobile phone-based platforms for delivery of financial products and services.

Significant progress has been made in terms of improving the supporting infrastructure for payment systems. The national switch infrastructure implemented in Liberia has the capability to enable smaller banks in the country to issue cards and connect their ATM and POS machines to offer digital access to their account holders. Efforts are underway to improve the infrastructure for domestic card issuance and allow smaller banks to actively promote digital access. Similarly, a gateway to international payment schemes is also being established, which will allow acceptance

of cards at ATMs and POS terminals across the world and online, as well as facilitating international cards to be accepted within Liberia.[30]

While the number of mobile wallets in the country are increasing, the percentage of those that are active is decreasing. Between 2014 and 2018, the number of registered mobile money wallets increased from 265,000 to 2.8 million. In 2014, 37 percent (99,464) of wallets were active.[31] As of 2018, this has fallen to 12 percent of active users, but with growth in the total number of active users (338,844). While there is currently a challenge with agents opening multiple mobile accounts against a single name – effectively manipulating the system to obtain greater commissions – the trend in the declining percentage of active users suggests more needs to be done to stimulate usage from the demand and supply side. This issue also needs to be addressed to avoid operational risks especially considering the forthcoming introduction of digital credit. In this context, it will be critical to hold consultations between stakeholders to help increase DFS uptake and usage.

Figure 14. Mobile Money Users



Source: Central Bank of Liberia

Digital credit is vital to facilitating financial inclusion and increasing DFS usage, but there are some regulatory challenges to its introduction. Digital credit, typically small in size, will enable inclusion for those that are presently unable to borrow from the financial sector or only need small and short-term loans to borrow, e.g., market vendors. Allowing financial institutions to utilize digital means to offer, disburse, and collect credit is critical to addressing the high overhead costs institutions incur from providing loans. Yet, the regulatory framework surrounding digital credit needs to be clarified with financial institutions. The legal and regulatory framework consists of the Mobile Money regulations, Consumer Protection regulations, and the pending tiered risk-based regulatory and supervisory framework for NBFIs. At present, the mobile money regulations and pending amendments for tiered NFBI regulations, allow for digital credit in which either banks and some NBFIs can offer credit through digital means, implying that these financial institutions can partner with mobile money operators or that mobile money operators can create a subsidiary bank or NBFI. Yet, to date no institution has begun to offer such credit. There needs to be clear

[30] http://www.tpsonline.com/website/casestudies/pdf/Case-study-Central-Bank-of-Liberia.pdf

[31] Meaning they were being used at least once within 90 days.

messaging and legal clarity to dispel doubts about financial institutions being permitted to offer digital credit. Furthermore, digital credit can currently only be offered through smart phones given the truth in lending requirements in the Consumer Protection regulations – discussed further in the forthcoming consumer protection section (3.3).

Key Challenges
• NBFIs and mobile money providers do not have direct access to the financial sector's infrastructure, including the national switch • National Switch facilitates only USD transactions, push functionality is not fully operational, and it lacks pull functionality • Few financial institutions use the national switch resulting in low transaction volume • Limited participation of banks in the acquiring market resulting in low volume of POS transactions • Limited POS terminal deployment • Payment instruments in Liberia are limited and cash is the most prevalent payment instrument • USSD messaging is not accessible to non-mobile network operators • Number of active mobile wallets is decreasing, despite increase in the number of registered mobile wallets • Lack of clarity around requirements that pertain to providing digital credit

Policy Actions:

- Implement all functionalities of the national switch to enhance interoperability, particularly enabling push and pull functionalities and facilitate LRD transactions
- Complete integration of all commercial banks and MNOs to the national switch
- Open access to the USSD channel via appropriate legal or regulatory method
- Facilitate the development of digital credit through industry consultations and adopting various regulatory and legal amendments to establish a tiered risk-based approach to NBFI regulation and supervision and amended consumer protection regulations

3.2.4 Leveraging Large Volume Flows to Increase Digital Payments and Financial Inclusion

Leveraging existing large volume flows stand to not only help increase digital payments but also overall DFS. By digitizing payments which are currently cash-based, there is an opportunity to support those who do not have traditional brick and mortar-based accounts to obtain them, and also to help increase DFS usage, by providing individuals mobile wallets that will facilitate easier access of funds. In all such cases, increased volume on the payment systems infrastructure will promote the viability of this infrastructure through increased revenues and drive down costs from increased usage.

Government payments are heavily cash-based. Almost all Government-to-Person (G2P) and Government-to-Business (G2B) payments are currently undertaken in cash or with the issuance of

checks, which are manually cashed at CBL; Government constitutes the largest user of payment services. At present, CBL operates as the banker for the government, manually cashing in and out check-based transactions on behalf of various ministries, agencies, and commissions. The ongoing use of manual check clearing is due to the use of old check paper formats by government agencies, which do not carry a magnetic ink code and are not machine readable.[32] The costs associated with these processes are high – both in terms of cash handling costs at the central bank, as well as with the continued cost of purchasing checks from the United Kingdom to be issued in Liberia. However, as of 2018, the number of checks cleared via the ACH is beginning to overtake the manual process (by volume only).

Table 6. Check-based Transactions

Volume	2016		2017		2018	
	USD	LRD	USD	LRD	USD	LRD
Manual Check clearing	93,915.00	32,963.00	63,528.00	34,729.00	65,098.00	28,390.00
ACH Check Clearing	72,768.00	12,416.00	83,071.00	25,246.00	86,181.00	23,674.00
Value	2016		2017		2018	
	USD	LRD	USD	LRD	USD	LRD
Manual Check clearing	1,221,348,795.53	34,878,656,060.77	557,953,357.00	42,370,696,235.00	457,324,295.00	29,814,041,567.00
ACH Check Clearing	482,390,832.85	6,725,033,800.19	612,827,753.00	27,098,346,927.10	660,109,504.00	28,378,332,703.70

Source: Central Bank of Liberia

GoL has recognized the inefficiencies associated with cash-based and check-based payments and there is a drive to pay government salaries digitally. The Comptroller General's office in the Ministry of Finance is leading this initiative. They have established a mobile money unit to migrate 50,000 government workers onto mobile money to receive salary payments. Government salaries are currently paid in multiple ways – predominantly through checks which can be deposited into an account, or cashed at CBL; or through bank transfer, where a file with the bank details of all civil servants at a particular bank are listed, then a check is issued by the Comptroller General for the total amount to be paid to civil servants who have accounts with that particular commercial bank. Of their 50,000-enrollment target, thus far 5,000 government workers have been successfully enrolled onto mobile money and are receiving their salary payments through this channel. Due to capacity issues – a lack of funding and other resources – the unit has struggled to reach civil servants outside of Monrovia.

A key challenge of digitizing government payments is that there is currently no connection between MFDP's Integrated Financial Management Information System (IFMIS) and CBL's Electronic Fund Transfer (EFT) system. While CBL can process digital payments through the ACH or switch, with no connection between MFDP's IFMIS and the EFT system,

[32] The Ministry of Finance is planning to fully migrate to machine-readable checks by next year with the start of the next budgetary year.

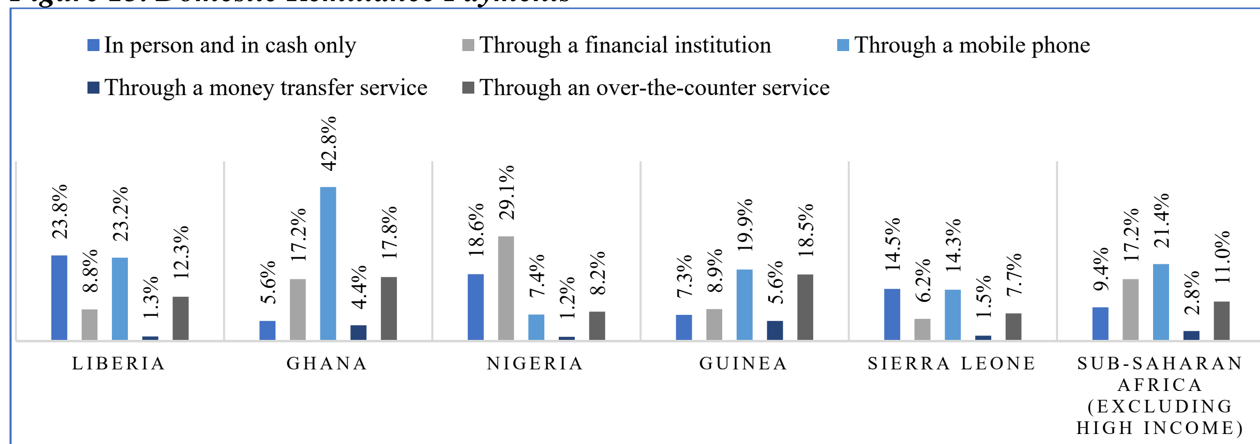
government payments are processed manually without a seamless integration between the two systems. This means that MFDP provides a check(s) to CBL with a list of names and amounts, CBL deposits the check, and then manually processes the payments electronically.

Efforts to facilitate digital Person-to-Government (P2G) payments are underway but will also depend on progress made with enabling the ACH debit and pull functionalities with the national switch. Among those that pay utility bills, 71.7 percent use cash only and only 3.5 percent pay their utility bills using an account.[33] Efforts to facilitate digital payments for electricity and water is already underway via mobile money, but not yet via ACH debits. In the case of electricity, customers can purchase pre-paid electricity through their bank and through mobile money – facilitated via an integration with a wholesale purchaser of pre-paid electricity. Some banks have integrated with the water company to offer bill payment solutions to their banked customers, but not via the ACH debit, which is not yet operational. Utility bill payment is not yet integrated into the national switch. CBL is working towards integrating the national utilities to take advantage of the bill payment functionalities built into the switching platform. The integration of such institutions would generate significant volume, thus improving the business case and sustainability of the national switch.

The digitization of remittances stands to increase the ease and efficiency in access to financial services. At present, a significant portion of domestic remittances are conducted in cash, while international inbound remittances are exclusively transacted in cash. By digitizing remittances, there is an opportunity to ensure people, especially women, transact through an account, and thus increase the number of Liberians with account.

Sending or receiving domestic remittances is mostly through cash. According to 2017 Global Findex data, 23.8 percent sent or received domestic remittances in person and in cash. Reliance on cash for domestic remittances is much higher than the regional average of 9.4 percent and comparator countries like Ghana where cash is not used as heavily for remittances, and only 5.6 percent made a remittance payment using cash. Thus, there is space to further digitize domestic remittances and increase access to accounts and the ease of conducting transactions.

Figure 15. Domestic Remittance Payments



[33] 2017 Global Findex

With over USD 570 million of inbound remittances being sent to Liberia each year, this flow of funds presents an opportunity for digital termination and also for financial inclusion. Inbound remittances are the equivalent of 25.9 percent of GDP. The largest flow of remittances to Liberia comes from the United States, followed by Nigeria and Sierra Leone.

The cost of sending international remittances is higher than the global average. Remittance Prices Worldwide surveys the USA-Liberia corridor and estimates the total cost for sending USD 200 at 9.23 percent of the amount being sent, compared to the global average of 6.95 percent of the amount being sent. The cost is quite high, given that the sustainable development goal (SDG) target is 3 percent. By increasing competition in the Liberian remittances market through outlawing practises, such as exclusive agreements between remittance service providers and their local partners, the price of sending remittances to Liberia can begin to drop – falling closer to the SDG target.

Current regulations for international remittances only permit commercial banks to participate in the inbound and outbound remittances market, while also only allowing them to be paid out in cash. By only allowing commercial banks to participate, with less than 100 branches across the country, there are very few places that individuals can go to collect their money transfers. With over 6,500 mobile money locations throughout Liberia, including a high proportion of women using mobile money, there is a significant opportunity to improve the user experience of remittance beneficiaries by allowing remittances to be paid directly onto mobile money wallets through regulatory amendments. Leveraging mobile money will incentivize remittances beneficiaries, including women, to sign up for services, so they can have their remittance transactions paid directly into their mobile wallets, which is a more convenient solution than travelling to widely dispersed bank branches and their agents. By leveraging inward remittances in this manner, beneficiaries of such transactions can be included in the formal financial sector.

Key Challenges
• The majority of G2P and G2B, P2G and remittance payments are cash-based • Government receipts are predominantly check or cash-based • No connection between MFDP's IFMIS and CBL's EFT • Utility bill payment not yet integrated into switch and cannot be made via ACH debit • The cost of sending international remittances is higher than the global average • Only commercial banks can participate in the inbound and outbound remittances market and it must be paid out in cash.

Policy Actions:

- Conduct mapping of Government payments to assess opportunities to digitize G2P, P2G, and G2B payments and provide support thereto
- Implement connection between MFDP IFMIS and CBL EFT
- Facilitate digital termination of inward international remittances with a focus on mobile money termination through amendments to the regulations on remittances

3.3 Pillar 3: Consumer Protection and Financial Capability

3.3.1 Consumer Protection

Promoting robust financial consumer protection and financial capacity are critical to increasing and maintaining financial inclusion. Efforts to ensure responsible delivery of financial services through regulation and enforcement, while strengthening financial capability to improve financial decision making are integral to the financial inclusion agenda.

CBL has made significant progress on consumer protection in recent years, however, gaps still exist, particularly with regard to consumer protection regulations that pertain to NBFIs. CBL established a regulatory framework for consumer protection and market conduct in 2014 and a Consumer Protection Unit within the Regulation and Supervision department in the same year. The regulations issued on Consumer Protection and Market Conduct ("CP Regulation") cover most major aspects of financial consumer protection; however, in practice the CP Regulation only applies to commercial banks and not NBFIs. CBL recognizes this gap and is in the process of amending the CP Regulation to extend its application to NBFIs.

Consumer protection requirements, including ones contained in different CBL Regulations, should be applied consistently. CBL plans to conduct a revision of its regulations to ensure an equal and level playing field for different financial service providers and to make sure that relevant CP requirements are applied across all providers based on the product and activity (e.g., saving, credit, payment transfer, etc.) rather than type of a financial institution. For example, the CBL Directive on the Introduction of Financial Products and Services for Commercial Banks is not applicable to non-deposit taking MFIs. Such mismatches, including potentially those in the DFS space, across regulation that pertain to specific providers that are permitted to conduct the same activity creates an uneven playing field and reduces the efficiency of consumer protection measures.

Implementation and enforcement of existing CP Regulations have been slow. Many of the requirements contained in the CP regulations, lack the necessary detail and guidance, which in turn reduces the effectiveness of the requirements and might impede their enforcement. Implementation and enforcement of consumer protection regulations has been lagging behind, primarily due to limited capacity of the newly established Consumer Protection Unit, which has only three staff members, including the head of the unit.

Disclosure practices could be further strengthened to improve transparency of financial products and services. The format and content of contractual documentation varies across providers as there is no practice of providing Key Facts Statements (KFS) for financial products. CBL, however, recently issued a Truth in Lending form (a KFS document) requiring all the banks to use it, which improves disclosure practices for credit products. Additionally, CBL is working on formally issuing a KFS form for savings (as part of the process of amending the CP regulation) and one on digital credit. Regarding the latter, there is a need to adopt pending amendments to the consumer protection regulations to shorten the disclosure statements for display on feature phones (USSD), as the length of the current disclosure requirements could only work for smart phones.

Without such an amendment, those without smartphones – which is disproportionately the poor and who would be the primary beneficiaries of digital credit – would effectively be precluded from benefitting.

Requirements for fair treatment and business conduct to ensure affordability and responsible lending are limited in their scope. Financial service providers do not have formal internal procedures and controls over sales practices, debt collection, and ensuring product suitability. There is reported practice of capitalization of unpaid interest in addition to applying a daily fixed penalty on missed payments for borrowed credit. Fees and charges for transfers, ATM withdrawals, and other services are also quite high in Liberia. Improved disclosure practices will attempt to resolve issues related to lack of affordability and responsible lending.

The dispute resolution mechanisms need to be strengthened. Contracts for financial products do not yet contain provisions on the consumer's right to file a complaint or contacts for filing a complaint. There is an underdeveloped formal complaint handling process among financial service providers or dedicated staff to handle consumer complaints, while branches in rural areas rarely have a help desk or staff to handle complaints. Given the lack of robust internal complaints handling systems, financial service providers do not maintain a database of received complaints or track whether complaints have been addressed or resolved. Only commercial banks are expected to send complaints reports to CBL on a monthly basis, but the same does not apply to NBFIs or DFS providers which are key providers of financial services in Liberia. CBL is actively working on improving its own complaints handling system as part of the Consumer Protection Unit mandate, with consumers being able to report issues directly to CBL.

Given the limited resources at CBL, it is important to strengthen internal dispute resolution mechanisms and set up an effective Alternative Dispute Resolution (ADR) mechanism. In addition to establishing policies to improve internal dispute resolution, a functioning ADR mechanism is vital to ensuring public confidence in the financial sector, especially since court procedures are costly and inefficient. Many countries are seeking to establish an adequately resourced office of ombudsman to deal expeditiously, independently, professionally and inexpensively with consumer disputes that do not get resolved internally by financial service providers. The establishment and sustainability of such offices, through a banking ombudsman or equivalent institution, in Liberia, is regarded as a requirement for sound consumer protection.

Key Challenges
• CP Regulation does not apply to all financial service providers licensed and regulated, especially NBFIs, by CBL, but in practice applied only to banks • CP requirements are applied based on type of financial institution and not product or activity • Limited capacity for implementation of existing CP regulations • General lack of transparency on financial products and services due to limited disclosure • Disclosure statements not yet customized to be displayed on feature phones • Requirements for fair treatment and business conduct are limited in their scope • Interest rates, fees and charges for transfers, ATM withdrawals, and other services are high • Poor complaints handling mechanisms

Policy Actions:

- Build capacity of the consumer protection unit through increased training and additional human resources to enhance market conduct supervision
- Revise CP regulations to ensure that relevant CP requirements are applied across all providers based on the product and activity rather than type of financial institution
- Issue KFS form for savings
- CBL to adopt revised consumer protection regulations with amendments to introduce the disclosure standards which would enable digital credit on feature phones
- Establish requirements for effective internal dispute resolution
- Provide an external dispute resolution body for all financial consumers.

3.3.2 Financial Capability

Financial capacity is integral to bolstering financial inclusion, as it enables consumers to demand responsible financial services. Being financially capable means having the financial knowledge, skills, attitudes, confidence and behaviors to manage financial resources and understand, select, and make use of financial services that fit one's needs.[34] Promoting financial capability in Liberia is imperative for promoting responsible and informed use of financial products and services. Additionally, financial capability and consumer protection coincide: only informed and educated users of financial services can be fully empowered to take advantage of the opportunities that the formal financial sector provides.

Yet, financial literacy in Liberia is limited. Low level of financial literacy has been identified by financial sector representatives as one of the key challenges in financial inclusion. The FIB Survey conducted in 2013, while outdated, remains relevant and shows that the level of financial literacy is generally low in Liberia.[35] The survey found that Liberians have limited experience with formal financial services and have a limited understanding of products and services offered by commercial banks and other financial service providers. Approximately, 68 percent of respondents cited that banks are a place to keep their money, but only 26 percent of the respondents acknowledged that banks also lend money. Just 56 percent of Liberian population are aware of NBFIs. On digital financial services, 55 percent reported having knowledge of mobile money, but 71 percent did not know how it worked. Moreover, the same survey found that only three percent of Liberian population reported always having sufficient funds to cover their expenses and 21 percent found their planning of expenses to be always effective.

The CBL Consumer Protection Unit has a mandate for financial education and is soon to implement the National Financial Education Strategy (NFES). Given the strong linkage between financial capability and consumer protection, it is important that CBL takes an active role in financial education initiatives. The Financial Education Strategy, developed with support from the World Bank, charges CBL with coordination and driving forward the efforts of all stakeholders that are involved in the provision of financial education in Liberia, but implementation is

[34] Responsible Finance. World Bank. http://responsiblefinance.worldbank.org/
[35] As educational attainment and quality figures, along with usage of formal financial products remain low, the survey may still relatively describe the Liberian context accurately.

constrained by the lack of adequate resources. The NFES promotes initiatives aimed at increasing financial capability and to strengthen coordination among the various stakeholders involved (see Action Plan for the NFES in Annex 1). Given that this strategy has been developed, efforts to bring together key public and private stakeholders to implement the strategy is the critical next step in going forward.

Objectives of the National Financial Education Strategy:

- People throughout Liberia have improved knowledge, understanding, skills, motivation and confidence to secure positive financial outcomes for themselves and their families;
- The financial inclusion of the population is strengthened;
- A broad range of stakeholders' work within the framework of the National Financial Education Strategy to develop and implement financial education programs and other initiatives; and
- All children receive financial education while at school.

Target audiences for the Strategy are as follows:

- Schoolchildren;
- Youth;
- People who live in rural areas; and
- People who live in urban areas.

Key Action Items in the National Financial Education Strategy

- Integrate financial education into curriculum at the primary/junior school level, senior high school level, TVET college level and University level;
- Delivery of financial education messages and guidance through intermediaries/teachable moments; and
- Radio broadcasts.

Key Challenges

- Low levels of financial literacy among individuals on general financial issues, but also on the benefits and risks of financial products and services
- NFES awaiting implementation

Policy Actions:

- Bolster capacity of CBL around financial literacy
- Implement the National Financial Education Strategy

4 Coordination and Implementation Mechanism

This NFIS contains a diverse range of initiatives that rely on multiple stakeholders in the private and public sectors, and development partners, for implementation. A well-defined national governance arrangement is critical to ensuring that all stakeholders are working on the same broader agenda and maximizing resources to achieve the policy actions outlined in the NFIS. The NFIS takes a streamlined approach to coordination by: i) having a National Financial Inclusion Steering Committee comprised of senior management of various government agencies and partner organizations to ensure high-level buy-in and decision making, ii) an Implementation Committee made up of senior officers from relevant stakeholder institutions that hold responsibility for implementation of the action items being led by their respective institutions, and iii) a Secretariat, the Financial Inclusion Secretariat, which is housed in the Financial Sector Development Unit at CBL, and charged with implementing the broader financial sector strategy, the FSDIP.

Figure 16. Governance Arrangement

National Financial Inclusion Steering Committee

The National Financial Inclusion Steering Committee (NFISC) will act as the decision-making body for the development and implementation of the NFIS and provide overall policy guidance to achieve Liberia's vision for financial inclusion. The NFISC will be comprised of high-level officials/heads from relevant government ministries, heads of regulatory authorities and government agencies, and chairpersons of practitioner associations, which take on responsibility for implementation of the NFIS. The NFISC will meet twice a year and when there is any urgent matter that requires policy guidance. The NFISC will take on the responsibility for overall strategic direction and oversight of the financial inclusion agenda. The NFISC will be chaired by the CBL Governor and its key tasks will include:

- Set the strategic direction for financial inclusion in Liberia
- Review and approve the NFIS Action Plan
- Mandate actions to various institutions
- Secure and allocate adequate resources for implementation of the Action Plan
- Address bottlenecks to implementation
- Approve target indicators for results framework
- Review and approve quarterly and annual progress reports on the Action Plan and results framework
- Review and make decisions on proposals
- Add to the voice and influence of financial inclusion in broader development policies, strategies or programs of national interest
- Provide direction on any other issues related to the implementation of the financial inclusion initiatives as needed

Implementation Committee

The Implementation Committee (IC) will report to the NFISC. The IC will be responsible for providing implementation support and reporting progress of financial inclusion initiatives in the country. The IC will form a link between stakeholder institutions and the Secretariat and NFISC, as members share experiences on initiatives and challenges faced by their institutions in implementing the NFIS. Specifically, the role of the IC is to:

- Provide oversight for NFIS coordination and implementation
- Create public awareness of the NFIS
- Oversee reports on progress on implementation on quarterly basis
- Provide inputs to NFIS quarterly reports and annual report prepared by the Financial Inclusion Secretariat
- Provide technical advice to the NFISC on the Action Plan
- Foster strategic partnerships with the private sector and with donors to identify sufficient resources for the implementation

The IC will meet quarterly and will be comprised of senior officers from relevant government ministries and agencies, regulatory authorities, and practitioner associations that hold responsibility for implementation of the action items being led by their respective institutions. Private sector stakeholders and development partners can also be brought in for consultations to help foster collaborative implementation, including budgeting.

Financial Inclusion Secretariat

The Financial Sector Development Unit will be the seat of the Financial Inclusion Secretariat (FIS). The FIS will be responsible for providing technical and administrative support to the various CBL departments, GoL agencies, private sector actors, and development partners, to facilitate implementation of the NFIS. It will be responsible for the collection, compilation, and dissemination of information on financial inclusion in Liberia.
The FIS will:

- Provide administrative support to coordinate the convening of various teams and committees aimed at advancing financial inclusion in Liberia, particularly the NFISC and IC
- Coordinate implementation of the Action Plan activities among the various implementing stakeholders
- Provide secretarial support to the NFISC and IC
- Develop and implement the Action Plan tracker (and associated reporting templates) to monitor implementation progress of NFIS actions
- Track national financial inclusion progress through analysis of demand-side and supply-side data
- Collect and compile financial inclusion information and distribute as required
- Determine areas where policy guidance or additional resources are needed
- Mobilize external financial resources under the Action Plan on behalf of the NFISC
- Prepare quarterly and annual progress reports for the NFISC with coordination and inputs from the IC
- Develop and implement a communications strategy for the NFIS (e.g., via a public website)

5 Monitoring and Evaluation System

It is essential that there be a mechanism in place to measure progress towards the achievement of the objectives of the NFIS. A robust monitoring and evaluation (M&E) system that is accepted by the full range of stakeholders is critical to NFIS implementation. The M&E system must be in line with the core actions of the strategy to ensure that there is progress on all these objectives. A sufficiently resourced and well-coordinated M&E system acts as a powerful accountability tool that will help identify obstacles, highlight results, and efficiently allocate resources to meet the objectives of the NFIS. In order to track progress and chart the course of NFIS implementation, the M&E system will be comprised of two elements:

- A results framework comprised of Key Performance Indicators (KPIs) to facilitate measurement of impact-level and intermediate-level financial inclusion outcomes
- Tracking methodology to ensure that execution of NFIS actions are on track

5.1 NFIS Results Framework

The NFIS results framework is an explicit articulation of the results expected from the development and implementation of the NFIS. It establishes KPIs that allow implementing institutions and other stakeholders to monitor progress toward the vision and goal of the NFIS. The KPIs reflect the full range of available data resources produced by a range of stakeholders. The indicators are structured as: i) national financial inclusion rate impact indicators and ii) intermediate indicators. National level impact indicators represent national-level targets that measure progress towards overall financial inclusion and will be analyzed alongside factors outside the scope of the NFIS, such as population growth, economic growth and progress in education. The second element of program level intermediate indicators are those which capture progress towards the national level impact indicators.

Table 7. NFIS Results Framework

	#	National Financial Inclusion Rate Impact Indicators	Baseline	2024 (target)	Source	Reporting Frequency
National Financial Inclusion Rates	1	% of population with an account	35.7	50	Findex	Triennial
	1a	% of women with an account	28.2	45	Findex	Triennial
	1b	% of youth with an account	36.1	51	Findex	Triennial
	1c	% of rural residents with an account	32.9	45	Findex	Triennial

Note: All baseline figures for Findex are as of 2017.

NFIS Pillar	#	Intermediate Indicators	Baseline	2024 (target)	Data source	Reporting Frequency
Access	2	Percent of account holders with dormant account (no deposit/withdrawal in past year)	5.1	4	Findex	Triennial
	3	Number of agents of financial institutions	53 (2018)	300	CBL	Annual
	4	# of bank branches per 100,000	3 (2018)	6	CBL/ IMF FAS	Annual
	5	# of ATMs per 100,000 population	2 (2018)	4	CBL/ IMF FAS	Annual
	6	# of POS terminals per 100,000 population	5 (2015)	10	GPSS	Triennial
	8	Private Credit to GDP	14.6 (2017)	19	IMF	Annual
	9	# of loans of MSME trust fund	2116	TBD	MFDP	Annual
	10	Strength of legal rights index (regarding collateral and bankruptcy)	9.0 (2019)	12.0	Doing Business	Annual
	11	% of population covered by the credit registry	1.8 (2019)	20	Doing Business	Annual
	12	% covered by the movable collateral registry	24	50	CBL	Annual
	13	Strength of insolvency framework index (0-16)	10.0 (2019)	12.0	Doing Business	Annual
	14	Creditor Recovery Rate (cents on the dollar)	17.2 (2019)	20.3	CBL/ WBG Doing Business	Annual
	15	Number of MFIs reporting to CBL on a monthly basis	5	100	CBL	Monthly
DFS	16	% of population with a mobile money account	20.8	35	Findex	Triennial
	17	# of national switch transactions	11,195	61,398	CBL	Annual
	18	# of digital credit loans	0	100,000	CBL	Annual
	19	% of remittances terminated onto mobile wallets (in USD)	0	25	CBL	Annual

	20	Volume of electronic payments (in USD)	1,261,306 (2018)	3,000,000	CBL	Annual
	21	% of population making or receiving a digital payment	27.6	35	Findex	Triennial
Consumer Protection and Financial Capability	22	# of institutions reporting complaints statistics to CBL	11	75	CBL	Biannual
	23	# of institutions with developed formalized internal complaints handling systems	0	100	CBL	Annual
	24	# of individuals reached by implementation of financial literacy activities	0	200,000	CBL	Triennial

Note: Access refers to pillar 1 "Access to Financial Services and Credit" and all baseline figures are from 2017 unless otherwise indicated

5.2 Tracking Implementation of the NFIS

A key component of the M&E system is a tracking methodology to ensure that the NFIS Action Plan is being executed by the responsible entities according to the specified timeline and linked to the results framework. The implementing institutions (as is noted in the Action Plan of the NFIS) will be responsible for reporting to the financial inclusion secretariat (CBL's FSD, as is noted in the coordination structure) on implementation status and highlighting deviations from the NFIS Action Plan and targets, so that corrective actions can be adopted to adjust the NFIS Action Plan in a timely manner by the FIS.

The tracking methodology will be developed by the FIS. The tracking methodology will include implementation summaries and Action Plan status overviews on a periodic basis, which will be used to produce quarterly reports, an annual national financial inclusion report, program level and component level data.

6 Action Plan

The following action plan is intended to achieve the objectives of the NFIS. The Action Plan is structured around the three pillars of the NFIS framework and identifies key actors who will be involved in implementing specific actions. As noted in the M&E section, it will be essential to monitor ongoing progress on the activities of the NFIS, as well as to gauge the effectiveness of the programs so that informed decisions can be made by the governing bodies and the Action Plan can be revised accordingly.

Action	Implementing Entity		Priority	Timeframe – Year(s)
	Primary Entity	Secondary Entity		
Access to Financial Services and Credit				
Expand and Diversify Access Points				
1. Support expansion of physical network of access points based on analytically driven assessments	Private Sector	MFDP	Low	3+
2. Amend Agent Banking regulations to facilitate agent non-exclusivity and harmonize with requirements that pertain to mobile money agents	CBL	CBL	High	1
3. Develop a training of the trainer's program to support the uptake of agent banking models	CBL	LBA, Development Partners	Medium	2
4. Establish tiered system for financial account opening and roll out corresponding basic transaction accounts	CBL	LBA, Development Partners	Medium	2
5. Promote policies to support linkages between formal financial sector and VSLAs	Private Sector	Development Partners	Medium	2+
Professionalizing the NBFI Sector				
1. Adopt and implement tiered regulatory framework for NBFIs	CBL	WB	High	1
2. Bolster supervision of NBFIs, including capacity building for CBL examiners	CBL	Development partners	High	1+
3. Establish clear guidelines and formal agreement on the role of Afriland Bank with RCFIs	CBL	Afriland	Medium	1

Action	Implementing Entity		Priority	Timeframe – Year(s)
	Primary Entity	Secondary Entity		
4. Improve overall MFI operational capacity	Development Partners	CBL, MoCI	Medium	1+
5. Improve MFIs' reporting to CBL	CBL	Development Partners	Medium	1+
Access to Credit				
1. Establish a modern Credit Registry and support usage thereof	CBL	Development Partners	High	2
2. Expand usage of collateral registry and acceptance of movable assets through capacity building and sensitization efforts to improve access to finance	CBL	LBA, Private Sector, IFC	Medium	1+
3. Enact secondary legislation to implement the Insolvency & Restructuring Law, 2017, specifically to regulate the insolvency administrator's profession	CBL	MOJ, Law Reform Commission	Medium	2
4. Develop the insolvency practitioner profession and build capacity of lending practitioners, judges, insolvency administrators and lawyers through targeted training on restructuring and insolvency procedures, under the new regime	Judiciary, MoJ, LBA	Development Partners	Medium	3+
5. Write off financial institutions non-performing debt from directed lending programs accumulated prior to July 2017.	MFDP, CBL		Medium	1
6. Adopt permanent facility for MSME project funds, based on market principles	MFDP	CBL, MoCI, WB	High	1
Digital Financial Services				
Legal/Regulatory Framework and Institutional Capacity				
1. Amend the Payment Systems Act	CBL	WB	High	1
2. Adopt secondary regulations that: i) establish a single set of principles for non-paper instruments, including the draft e-Payment Services Regulations; and ii) unify rules on agents and outsourcing;	CBL	LTA, development partners	High	1
3. Operationalize National Payment Council	CBL	Stakeholders	Medium	1
4. Harmonize CBL units on payment systems and DFS into one department	CBL		Medium	2

Action	Implementing Entity		Priority	Timeframe – Year(s)
	Primary Entity	Secondary Entity		
Oversight Framework				
1. Establish and operationalize the oversight policy framework for payment systems	CBL	WB	Medium	1
Facilitating DFS Usage				
1. Implement all functionalities of the national switch to enhance interoperability, particularly enabling push and pull functionalities and facilitate LRD transactions	CBL	Private Sector	High	1+
2. Complete integration of all commercial banks and MNOs to the national switch	CBL	Private Sector	High	1
3. Open access to the USSD channel via appropriate legal or regulatory method	MoPT, LTA, CBL	Libtelco	Medium	2
4. Facilitate the development of digital credit through industry consultations and adopting various regulatory and legal amendments to establish a tiered risk-based approach to NBFI regulation and supervision and amended consumer protection regulations	CBL	CBL	High	1
Leveraging Large Volume Flows to Increase Digital Payments and Financial Inclusion				
1. Conduct mapping of Government payments to assess opportunities to digitize G2P, P2G, and G2B payments and provide support thereto	CBL, MFDP, LRA	Participants (banks, Telco/ MNOs, FINTECH), Services provider	Medium	1+
2. Implement connection between MFDP, IFMIS and CBL EFT	MFDP, CBL		High	1+
3. Facilitate digital termination of inward international remittances with a focus on mobile money termination through amendments to the regulations on remittances	CBL	Private sector	High	1
Consumer Protection and Financial Capability				
Consumer Protection				

Action	Implementing Entity		Priority	Timeframe – Year(s)
	Primary Entity	Secondary Entity		
1. Build capacity of the consumer protection unit through increased training and additional human resources to enhance market conduct supervision	CBL	Development Partners	Medium	2+
2. Revise CP regulations to ensure that relevant CP requirements are applied across all providers based on the product and activity rather than type of financial institution	CBL		High	2
3. Issue KFS form for savings	CBL		High	1
4. CBL to adopt revised consumer protection regulations with amendments to introduce the disclosure standards which would enable digital credit on feature phones	CBL	LTA	High	1
5. Establish requirements for effective internal dispute resolution	CBL		Medium	2+
6. Provide an external dispute resolution body for all financial consumers	CBL	MoJ, Liberia Bankers Association	Low	4
Financial Capability				
1. Bolster capacity of CBL around financial literacy	CBL	WB	Medium	1+
2. Implement the National Financial Education Strategy	CBL	Stakeholders: MoE, MFDP, MIA, LBA, LMA, CSOs, Media, etc.	High	1

Annex 1: NFES Action Plan

Activity	Lead implementing organisation	Timeline (measured from date of publication of the NFES)
Leadership and co-ordination • Appoint members of Steering Committee • Appoint members of Working Groups • Steering Committee to meet quarterly to provide oversight, strategic advice, etc • Working Groups to meet monthly to drive forward, coordinate, etc work on topics for which they are responsible	CBL	 Q1 Q1 From Q1 From Q1
Financial education in schools – primary/junior schools • Decide on the curriculum subject(s) into which financial education should be introduced • Decide on the topics to be covered, incorporate financial education into the curriculum and develop resources • Train master teachers • Master teachers train other teachers • Financial education delivered to students	Ministry of Education	 Q1 Q1-4 Q5 Q6-7 Q9
Financial education in schools – senior high schools • Decide on the curriculum subject(s) into which financial education should be introduced • Decide on the topics to be covered, incorporate financial education into the curriculum and develop resources • Train master teachers • Master teachers train other teachers • Financial education delivered to students	Ministry of Education	 Q9 Q9-12 Q13 Q14-15 From Q17

Activity	Lead implementing organisation	Timeline (measured from date of publication of the NFES)
Financial education in TVET colleges • Decide on the curriculum subject(s) into which financial education should be introduced • Decide on the topics to be covered, incorporate financial education into the curriculum and develop resources • Train master teachers • Master teachers train other teachers • Financial education delivered to students	Ministry of Education	Q9 Q9-12 Q13 Q14-15 From Q17
Financial education in universities • Decide on how to provide financial education to university students • Decide on the topics to be covered and develop resources • Train relevant professors/trainers • Financial education delivered to students	Ministry of Education	Q9 Q10-11 Q12-13 From Q14
Delivery of financial education messages and guidance through intermediaries/teachable moments • Decide on appropriate intermediaries/teachable moments and on the topics to be covered • Develop materials and engage intermediaries and distribution channels: obtain funding, engage communication professionals, conclude agreements with relevant organisations to enable engagement with intermediaries and distribution channels, develop and test materials/channels, print or replicate materials, translate into local languages, engage intermediaries and distribution channels • Roll out materials and make use of intermediaries and distribution channels	CBL	Q2 Q3-6 From Q7
Radio broadcasts • Decide on the messages to be delivered • Develop the messages or programmes, test messages/programmes, identify radio stations and negotiate terms • Broadcast messages and programmes	CBL	Q2 Q3-6 From Q7

Activity	Lead implementing organisation	Timeline (measured from date of publication of the NFES)
Monitoring and evaluation • Indicators developed to measure the effectiveness of the Strategy • Measure the effectiveness of the Strategy • CBL liaises with other stakeholders to put in place monitoring and evaluation arrangements for financial education programmes • Monitor and evaluate financial education programmes	CBL	 Q1 Annually from Q5 From Q1 From Q1