



Financial Inclusion NEWSLETTER

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I N A U G U R A L I S S U E :



- **Bank of Sierra Leone launches its 2nd National Strategy for Financial Inclusion (NSFI-2)**
- **New Money, Same Value!** – redenomination and what it means for financial inclusion
- **Financial Inclusion – A collaborative effort** – BSL's partnerships and bi-lateral support to enhance financial inclusion
- **BSL workshops to advance financial inclusion**
- **Creating an enabling regulatory environment** – BSL Directives and Guidelines, and the Sandbox that support financial inclusion
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- **Looking forward** – upcoming financial inclusion news and events





HELLO & WELCOME

to the inaugural issue of the Bank of Sierra Leone (BSL)'s
Financial Inclusion (FI) Newsletter!



Prof. Kelfala M. Kallon
Governor
Bank of Sierra Leone

Dear Readers,

We are excited to launch Bank of Sierra Leone (BSL)'s new Financial Inclusion (FI) Newsletter. Sierra Leone is at a turning point in its financial inclusion journey, and we are ready to take the next step to advance in our efforts. We want to bring you along throughout this process to keep you informed and to keep us accountable.

Our goal is to release newsletters semi-annually with the hope to educate readers on various topics around financial inclusion. We hope you will enjoy this initiative and join us in our journey to build a more inclusive financial ecosystem here in Sierra Leone.

FSDU – WHO ARE WE:

In an effort to promote financial inclusion, the Bank of Sierra Leone (BSL) established Financial Sector Development Unit (FSDU) in 2016 under the leadership of now Deputy Governor, Monetary Stability, Dr. Ibrahim L. Stevens. Today, FSDU is a stand-alone Unit reporting to the Deputy Governor, Financial Stability. The Unit is responsible for developing policies and strategies, and implementing financial sector development initiatives geared towards the promotion of financial inclusion and financial stability.

There are two key components of the FSDU: the Financial Sector Development Project (FSDP), responsible for managing and implementing projects aimed at the development of the financial sector, and the Financial Inclusion Secretariat (FIS). The FIS was formed to promote financial inclusion for the under- and unserved communities of Sierra Leone. One of the key responsibilities of the FIS is to ensure the successful implementation of BSL and the Country's National Strategy for Financial Inclusion.



Bank of Sierra Leone launches its 2nd National Strategy for Financial Inclusion 2022 – 2026 (NSFI-2)!

After months of consultations and feedbacks, in April 2022, the Bank of Sierra Leone launched its 2nd National Strategy for Financial Inclusion (NSFI) 2022 – 2026. The new Strategy is built on the successes of the 1st NSFI (2017 – 2020) and the valuable feedbacks and recommendations from an external evaluation.

This 2nd Strategy was successfully launched by the Governor of BSL and well attended and supported by relevant Ministries, Departments and Agencies (MDAs), National Telecommunications Commission (NATCOM), World Bank, IMF, United Nations, donors, NGOs and other financial sector players. Special thanks go to Alliance for Financial Inclusion (AFI) and UN Capital Development Fund (UNCDF) for their support in the development and launch of the Strategy!



SUMMARY OF THE NSFI 2022 - 2026



ACCESS TO CLIENT-CENTRIC FINANCIAL PRODUCTS & SERVICES

- Promote the development of, and expand access to, client-centric financial products and services geared specifically towards key underserved population groups such as women, youth, rural communities, and MSMEs
- Activities focus on ensuring efficient document and regulatory processes to access financial products and services and introducing more affordable and innovative products and services

DIGITAL FINANCIAL SERVICES (DFS)

- Promote and leverage innovative technology solutions to exponentially expand access to, and usage of, affordable, safe and appropriate digital financial products and services
- Focus on building an ecosystem that drives interoperability among industry players and encourages e-payment transactions among customers



FINANCIAL EDUCATION, FINANCIAL LITERACY & CONSUMER PROTECTION

- Ensure all Sierra Leoneans have access to appropriate and consistent financial education opportunities, which improves their ability to understand and manage their finances, and allows them to confidently access and utilize available financial products and services, while ensuring their safety and protection
- Activities emphasise financial education in schools and that financial education is accessible and easy to understand by all individuals especially rural communities

“New Money, Same Value” – BSL redenominates the Leone!

What does this mean, and how will this improve financial inclusion?

On July 1, 2022, the BSL officially circulated the new redenominated Leone. As expected, there are some questions around what redenomination is, what will be the impact and benefit of it?

WHAT IS REDENOMINATION?

Redenomination involves dividing the currency unit by a defined denominator and adapting that denominator to every amount in both notes and coins. In other words, redenomination is the process where a country's currency is recalibrated through a reduction in zeros in the currency. In our case, the old Leone will be divided by a factor of 1,000 to get the new Leone number – or even more simply put, three zeros will be removed.

It is important to remember that by doing this, the value or purchasing power of the new Leone does not change, it is only the nominal number of the currency. Hence the slogan “new money, same value”!

WHY DO COUNTRIES REDENOMINATE THEIR CURRENCIES?

Redenomination is not uncommon and in fact this is not the first time that Sierra Leone has gone through a redenomination process. Many countries often redenominate their currencies with the intention to achieve economic and fiscal objectives, and to restore credibility of the currency. This is often the case when a country experiences hyper-inflationary pressures which makes the local currency unattractive.

Redenomination also poses optimism for the beginning of economic growth in a country as seen in countries such as Ghana after their redenomination in 2007.

The BSL has decided to take on this process to help reduce the volume and transaction costs of the Leone, while maintaining the same value. This initiative also attempts to address inflation, the balance of trade, budget deficit and public debt maintenance costs.

WHAT ARE THE EXPECTED BENEFITS OF REDENOMINATION?

Generally speaking, the direct or immediate impact on the real economy will be very little. This is because the value of new Leone will remain constant, and the purchasing power will remain the same – that means you can buy the same amount of goods and services with the old Leone and its corresponding new Leone. However, there are several noticeable benefits that the economy will gain in the long-run, including increased financial inclusion due to the ease and reduced cost of conducting transactions.

- Lower transaction costs
- Reduced risk of carrying large volumes of currency notes
- Increased efficiency in doing business (e.g., simplify calculations and financial data entry, simplifies reporting in financial information and processing of business transactions)
- Psychological boost to the economy as economic agents perceive the national currency as being stronger
- Improved capital inflow as foreign investors place more confidence in the currency and investment climate





BSL PARTNERSHIPS: FOSTERING FINANCIAL INCLUSION IN SIERRA LEONE

Financial inclusion requires collaboration and coordination across many different stakeholders, including government ministries, departments and agencies. That's why BSL has developed strong partnerships and memorandums of understanding (MOUs) with many organisations, all with the aim of fostering financial inclusion in Sierra Leone.

- *In March 2020 an MOU was signed between BSL and NATCOM to improve data sharing, clearly define roles and responsibilities, and coordination between organisations in particular with the mobile money operators. This allows both organisations to collaborate on developing sound policies to make mobile money more effective and cost-efficient for customers.*
- *BSL and the Directorate of Science, Technology and Innovation (DSTI) signed an MOU in July 2019 to strengthen collaboration in leveraging technology to increase financial inclusion. The partnership with DSTI demonstrates the need to innovate and embrace digital finance as a means to improve financial inclusion.*
- *MOUs with the Financial Intelligence Unit (FIU) and the Sierra Leone Insurance Commission (SLICOM) were also signed to build a strong partnership that ensures information sharing, better communication, product diversity and customer safety – all of which are key elements of financial inclusion.*
- *Statistics Sierra Leone and the BSL signed an MOU for better data sharing and collaboration in data collection. This partnership will help provide more accurate and reliable financial inclusion data, monitoring and evaluation, and will help inform policy decisions.*
- *BSL has strong partnerships with the Small and Medium Enterprises Development Agency (SMEDA), and key associations such as the Sierra Leone Association of Commercial Banks (SLACB), Sierra Leone Association of Microfinance Institutions (SLAMFI), and Sierra Leone Association of FinTechs.*

CREATING AN ENABLING REGULATORY ENVIRONMENT FOR FINANCIAL INCLUSION



- **Guidelines on Tiered Know-Your-Customer**
Reduces the requirements needed to open accounts at financial institutions for underserved groups making access to financial services more inclusive
- **Guidelines on the Use of Agents**
Allows for financial institutions to expand beyond traditional brick-and-mortar branches to reach out to broader, rural populations and more finance more inclusive
- **Guidelines for E-Money Issuers and Money Remittance Business**
Provide guidelines on the use of safe and secure e-money to spur digital financial transactions, and money remittances
- **Financial Consumer Protection Guidelines**
Enhances and promotes financial stability, protect customers, improve communication between financial service providers and their clients, and support customers in managing their finances
- **Directives on Provision of Financial Services on a Non-Discriminatory Basis**
Ensures all regulated financial services are provided without any discrimination and with fair and equitable conditions; eliminate any harmful practices to women in accessing banking and financial services
- **National Financial Literacy Framework (2020 – 2024)**
Framework to provide a roadmap and guidance on improving financial literacy
- **National Payment Systems Act**
Act to regulate the National Payment Systems

Global Partners Supporting BSL and Financial Inclusion in Sierra Leone



The Bank of Sierra Leone is a member of the Alliance for Financial Inclusion (AFI)

AFI is the world's leading organization on financial inclusion policy and regulation and promotes and develops evidence-based policy solutions that help to improve the lives of the poor. As a member country since 2009, AFI has continuously supported the country's financial inclusion journey through financial and technical assistance to conduct surveys and develop national financial inclusion strategies, and other policy documents. Their support also comes in the form of capacity building workshops and exposure visits. Most recently, AFI provided support to BSL to carry out a baseline survey, develop the second generation of the National Strategy for Financial Inclusion (2022-2026), develop financial inclusion disaggregated data template and a manual for market conduct and supervision. All of these are key tools and activities that will improve financial inclusion in Sierra Leone.

UNCDF and BSL's long standing partnership to improve financial inclusion

The United Nations Capital Development Fund (UNCDF) works with the public and private sector to drive inclusive digital economies in the world's Least Developing Countries. UNCDF has been a long-standing partner of the BSL throughout its financial inclusion journey since December 2014 by providing technical assistance and investment grants as part of the Payments Program for Ebola Response Workers. UNCDF has continued to support BSL with the development of both National Financial Inclusion Strategies, and development of policies such as the Financial Consumer Protection Guidelines to foster financial inclusion. UNCDF also provides technical assistance in shaping the digital financial services and inclusive digital economy landscape in the country. UNCDF, in collaboration with FSD Africa and BSL, conducted 2 successful FinTech Challenges. These competitions served as a feeder for the Regulatory Sandbox as winners from the Challenges entered the Sandbox.

World Bank and BSL working together to bring interoperability and digital transformation

Through a series of projects, the World Bank is working closely with the BSL to implement the Sierra Leone Financial Inclusion Project with the primary objective to increase interoperability of digital payments and access to affordable financial services through the introduction of the National Payment Switch. A 2nd phase of the project will also promote financial inclusion among individuals and micro, small and medium enterprises in Sierra Leone – focusing on women and women-owned enterprises.

The African Development Bank (AfDB) supports the Government in digitising G2P payments

Alongside AfDB, UNCDF, Ministry of Finance and the DSTI, the BSL kicked off a new project to support the digitisation of government payments in the Mano River Union. The project aims to establish a digital payments ecosystem and encourage the financial inclusion of vulnerable segments of the population by promoting government-to-people (G2P) payments and meaningful financial education.



BSL EVENTS: PROMOTING FINANCIAL INCLUSION

Collateral registry workshop raises awareness to reduce barriers to finance

From December 2021 to January 2022, BSL trainings were conducted in Freetown, Bo, Kenema and Makeni for employees at commercial banks, microfinance institutions, community banks, and the general public on the importance of the Sierra Leone Collateral Registry. The Registry, an initiative supported by the World Bank and Government of Sierra Leone helps improve access to finance particularly for MSMEs.



Compliance and technical training for non-bank financial institutions

As part of their annual workplans, the Other Financial Institutions Supervision Department held workshops in June 2022 for all non-bank financial institutions (e.g. microfinance institutions, discount houses, mobile money operators, and forex bureaus). These workshops stressed the importance of compliance with regulations and guidelines, data collection and shed light on the newly issued Financial Consumer Protection Guidelines and currency redenomination. These efforts strengthen the non-banking sector which is crucial to having an inclusive economy.

Cybersecurity and fraud prevention awareness workshops to strengthen trust in the sector

Throughout June 2022, the Banking Supervision Department held series of workshops on Fraud Awareness, AML/CFT, Cyber Security and IT Risk Management for Commercial Banks in Sierra Leone. These workshops outlined the importance of security risks such as fraud and cyber security, and anti-money laundering policies. In addition, practical cases and prevention frameworks were presented – all of which lead to a more stable and trustworthy financial sector that support financial inclusion and maintain financial integrity.



Financial training services to the clients of Catholic Agency for Overseas Development (CAFOD)

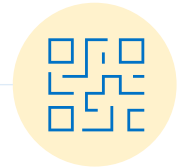
As part of CAFOD's financial inclusion and financial literacy program, in June 2022, BSL staff provided a training of trainers workshop for CAFOD's clients on financial inclusion, consumer protection, tiered-KYC and redenomination.

Financial literacy campaigns in schools

In January 2022, BSL visited various schools in the Western Area District to provide financial literacy trainings to staff of schools. This included 12 senior secondary schools in Freetown; financial literacy messages included opening up bank accounts, repaying loans, preparing budgets and how to save/invest.



BSL'S REGULATORY SANDBOX: FOSTERING INNOVATION IN FINANCIAL INCLUSION



What is the Regulatory Sandbox Program?

The BSL Regulatory Sandbox Program was established to enable innovative financial technology (FinTech) products, services and solutions to be tested and deployed in a live, but controlled environment. The Sandbox works with participants to specify parameters and timeframes to test the product or service/solution before launching to the market.

What is the importance of the Sandbox?

Many central banks and governments have created sandbox programs as part of their financial inclusion initiatives. The Sandbox helps facilitate BSL's understanding of emerging FinTech start-ups and other innovators as they conduct live experiments in a controlled environment under BSL's supervision. In addition, the Sandbox supports evidence-based approaches that advance the goals of financial inclusion and maintain financial stability.

The Sandbox is designed to foster an environment where there is innovation in digital finance to spur financial inclusion. With more evidence showing that technology solutions increases financial inclusion, the Sandbox shows the investments BSL is taking to strengthen the digital ecosystem in Sierra Leone.



HOW DOES THE SANDBOX WORK?

In accordance with the Banking Act (2019) and the Other Financial Services Act (2001), the BSL Regulatory Sandbox framework stipulates the eligibility criteria, licences and regulatory requirements for the participation in the Sandbox. Organizationally, the Sandbox is managed by the Sandbox Steering Committee reporting directly to the Governors of BSL. The Committee provides policy direction and oversight of the Sandbox, including recommendations to the Governors on granting or rejecting licensing of FinTechs that are in the Program.

Participants in the Sandbox are expected to operate in a live environment (i.e., involving actual customers using the product) but within specific parameters. This period normally runs for 12-months after which the Committee will provide further guidance on launching to the full market.

As there are risks involved with a live environment (e.g., financial loss to participants, their customers or the financial system), the Sandbox incorporates appropriate safeguards such as a temporary license, conducting "Fit and Proper Persons" assessments, written consent forms/agreements and regular monitoring.

The [BSL Regulatory Sandbox Program Guidelines and Application Form](#) have been revised and can be accessed through the [BSL website: www.bsl.gov.sl](http://www.bsl.gov.sl).

CURRENT STATUS OF THE SANDBOX:



2

participants from the 1st cohort have been granted licences to launch their products in the market



17

New applications have been received on a rolling basis

10

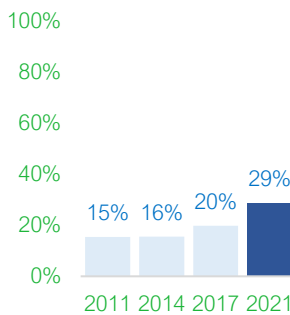
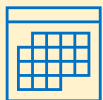
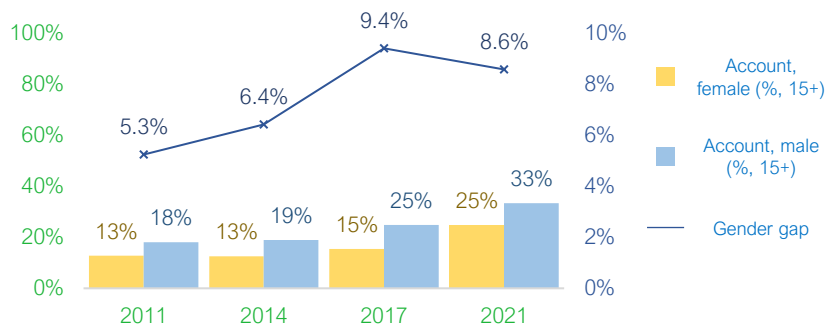
Participants have been granted temporary licences and are currently being tested; 1 other applicant is soon to be granted a licence



6 applicants currently being assessed

FINANCIAL INCLUSION EXPERT'S CORNER:
INSIGHTS & RESOURCES**World Bank Releases 2021 Global Findex Report**

The global survey provides a comprehensive data set on how adults save, borrow, make payments and manage risk. The Findex Report serves as a global standard to measure financial inclusion across countries. In 2017, the Findex database reported that Sierra Leone had an unbanked adult population of 80%. In the latest 2022 report, Sierra Leone's unbanked adult population is 71% as of 2021. While this is an improvement, there remains a significant need to make finance more accessible and inclusive.

**account ownership
(%, aged 15+)****account ownership,
male & female (% aged 15+); gender gap**

UPCOMING FINANCIAL INCLUSION ACTIVITIES

- **Start of Technical Working Groups under the NSFI-2**
In Q3, BSL will begin facilitating and organising technical working groups as we strive to move forward with the implementation of the NSFI-2
- **Financial Inclusion Baseline Survey**
BSL will conduct a financial inclusion baseline survey by the end of 2022 to better measure and monitor financial inclusion within the country moving forward
- **Launch of the National Payment Switch**
Keep an eye out – we are expecting to launch the first phase of the industry-changing National Payment Switch by Q4 2022. The Switch supports interoperability in banking which makes transactions more affordable and finance more inclusive.
- **Annual Provider Survey (APS) Report 2022**
UNCDF's Annual Provider Survey is in progress! This survey measures the development of the digital financial services market in Sierra Leone. Stay tuned for the published report!
- **2022 National Financial Literacy Campaign**
BSL's Annual Financial Literacy Campaign will be scheduled for later in 2022 – the focus will be on digital finance, redenomination and the personal financial management

Contributors and Appreciation Message:

The Financial Inclusion Newsletter initiative would not have been possible without the continued support and guidance from the Governor of Bank of Sierra Leone, Prof. Kelfala M. Kallon, and Deputy Governors Dr. Ibrahim Stevens and Sheikh A.Y Sesay.

Additional thanks to all the different Directors at the Bank of Sierra Leone for their input and participation to the FI Newsletter and financial inclusion efforts. Special thanks also to UNCDF's Wycliff Ngwabe and his team for their continued support to the FSDU and the BSL over the years.

Financial Inclusion Newsletter encourages its readers to send article contributions based on their experiences in the sector.

For inquiries, comments and/or suggestions on the Newsletter, please email: fkamara@bsl.gov.sl



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