



UNCDF Evaluation

Digital Financial Services in Sierra Leone

Final Evaluation: Draft Report

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Programme Data Sheet

Country:	Sierra Leone
Programme Title (long)	Digital Financial Services in Sierra Leone
Programme Atlas Code (by donor)	

Financial Breakdown (by donor)

Commitments	As per Prodoc (amount USD)	Actual project budget (amount USD)
UNCDF	510,000	510,000
IBSA Fund	1,000,000	1,000,000

Delivery to date (per donor)

Donor	2019	2020	2021 (Nov)	Total
UNCDF				
IBSA Fund	189,766	382,097	294,971	866,834
Total project budget:				

Project implementation

Executing Agency	UNCDF
Implementing Agency	UNCDF
Key Project Partners	Bank of Sierra Leone
Approval Date of Project	22 nd August 2018 (Programme document signed)
Project Duration as per Project Document	Two years
Project Amendment	No cost extension to June 2021
Evaluation Date	December 2021 - March 2022

Project context

Other current UNCDF projects in-country	
Previous UNCDF projects (if relevant)	MM4P
Previous evaluations (if relevant)	None
Dates of audits	

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Acronyms and abbreviations

BSL	Bank of Sierra Leone
DFS	Digital Financial Services
EU	European Union
FSP	Financial Service Provider
IBSA	The India, Brazil and South Africa Facility for Poverty and Hunger Alleviation
IDE	Inclusive Digital Economies
IPA	Innovation for Poverty Action
KYC	Know Your Customer
MSMEs	Micro, small and medium enterprises
NFIS	National Financial Inclusion Strategy
OECD-DAC	The Organisation for Economic Co-operation and Development Development Assistance Committee
OPM	Oxford Policy Management
SDG	Sustainable Development Goals
TOC	Theory of Change
TOR	Terms of Reference
UNCDF	United Nations Capital Development Fund

Executive Summary

Programme Profile

The Digital Financial Services in Sierra Leone project is funded by the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation (IBSA Fund), hosted by the UN Office for South – South Cooperation (UNOSSC). The project was initially planned to run from January 2019 to August 2020. Due to COVID related delays, a no-cost extension until end June 2021 was approved by IBSA, subsequently extended again until December 2021. The total budget for the project was US\$1,510,00, of which US\$1 million was contributed by IBSA and US\$510,000 by UNCDF. The project is managed under the 'Direct Implementation Modality', under which UNCDF manages and implements project activities directly.

The objective of the DFS project in Sierra Leone is to strengthen the financial sector and widen financial inclusion through promoting the provision of digital financial services. The project has three components focusing on catalysing fintech innovation, supporting improved regulation of fintech and dissemination of knowledge and best practice. The country's central bank, the Bank of Sierra Leone, is the key partner for the project.

Evaluation Approach

The objectives of the evaluation cover both learning and accountability requirements. A theory-based approach to the evaluation was agreed, aiming to understand and validate project logic: how project activities are expected to lead to outputs and outcomes while accounting for the context in which project interventions take place, including potential alternative drivers of any changes seen. An evaluation matrix was developed and approved during the inception phase. It included the evaluation questions organised by OECD-DAC criteria, the criteria or means of assessment, and research activities which were carried out to answer each question. The three research activities carried out as part of the evaluation were: a DFS Market review, a Partner Institution review and a Project Management and Governance review. The following data collection methods were employed: review of project documentation; secondary data and literature review; key informant interviews; and one case study.

Findings

Relevance. The objectives of the DFS Sierra Leone project are closely aligned with government policy on financial sector reform, digital financial services and financial inclusion. Clear references to these priorities are evident in the Medium Term National Development Plan and the National Financial Inclusion Strategy 2017-2020. The Bank of Sierra Leone acknowledged that project support, and wider mentorship from UNCDF, was highly relevant to their needs. However, BSL also reported that their greatest capacity issue relates to staff numbers rather than expertise. Fintech companies also reported that support from UNCDF was relevant, including technical advice and networking support as well as financial support. The DFS Sierra Leone project is most relevant to the cross-cutting issue of gender equality, with very limited relevance to human rights or climate change adaptation.

Coherence. Work of the DFS Sierra Leone project is highly complementary to the support provided by the World Bank to the Bank of Sierra Leone to establish and run the National Switch. There are

no duplication concerns though poor co-ordination was raised as an issue by the World Bank, particularly regarding technical assistance for the drafting of regulations such as the Tiered KYC and Agent network guidelines. The African Development Bank acknowledged the strong co-ordination and support provided by UNCDF in its G2P payments project. UNCDF's work on financial literacy, provision of information on financial services through development of client protection guidelines and dissemination of quality data for decision making through the Annual Provider Survey are specifically linked to overall UN priorities set out in the United Nations Sustainable Development Cooperation Framework (UNSDCF) 2020-2023.

Efficiency. By end November 2021, 87% of the US\$1 million IBSA grant and 82% of the \$510,000 UNCDF budget contribution had been spent. Of the \$1,285,791 total expenditure over three years, 61% (US\$786,776) was spent on UNCDF salaries. In terms of grants, \$133,000 was reported to have been spent from IBSA funds on 4 project initiatives, significantly less than the original project budget for grants of \$500,000. The project results framework has a number of design weaknesses which have limited its effectiveness in measuring results and contribution to overall objectives. A variety of functions managed outside of Sierra Leone cause delay and inefficiency in project management, notably the process for approval of grants and international recruitment managed by Human Resources at headquarters. No specific resources have been allocated in the project to integrate gender equality or human rights in project implementation. COVID related restrictions were relatively light in Sierra Leone. Nevertheless, activities effected included client training by Mosabi and overseas study tours for Bank of Sierra Leone that were cancelled.

Effectiveness.

Output 1. DFS project activities under Output 1 have made a limited contribution to improving access to DFS, credit and savings for women, youth and MSMEs in Sierra Leone. Four innovation grants were provided from the Investment Facility for Innovation. These included the Mosabi-Salome Microfinance Trust financial education app and digital loan product, developing subsequently into the COVID-19 recovery loan; a payment platform product to be developed by Cellulant Nigeria; a digital banking platform to be developed by Innovation SL; and an agent network expansion project, combined with financial education and a new digital loan product, to be developed by a consortium led by Orange Money. Minimum viable products were developed by the three fintech partners but only one, Mosabi-SMT, had been able to formally pilot the product by the time of the evaluation.

Output 2. The project has made a significant contribution to strengthening the regulator's institutional capacity to formulate and implement the fintech regulatory framework for Sierra Leone. The DFS Sierra Leone project has supported mainly online training for 8 Bank of Sierra Leone staff on topics such as digital financial services, supervision of fintech, consumer protection and digital identity. The project has also provided technical assistance to the Bank of Sierra Leone in the drafting of three sets of regulations and guidelines: the Tiered KYC guidelines, the agent network guidelines, both of which were published in 2020, and the consumer protection guidelines. The Tiered KYC guidelines have provided opportunities to commercial banks to develop simple products for lower income customers but have tended to constrain the mobile money operators who were previously subject to looser regulatory controls. In the absence of updated demand side survey data, the Annual Provider Survey has provided very useful data for market participants on the state of DFS service provision in the country. The evaluation of the National Financial Inclusion Strategy (NFIS) will help to inform drafting of the new strategy but this has been delayed due to the lack of up to date demand side information.

Output 3. UNCDF Sierra Leone communicates primarily through the UNCDF website, through publication of reports, blogposts and news items. Communications in 2019 focused on the 2017

and 2018 Annual Provider Surveys, the launch of the 2019-20 Fintech Challenge and the drafting of consumer protection guidelines. In 2021, output focused on the Annual Provider Surveys of 2019 and 2021, the evaluation of the NFIS and the announcement of the new project with Orange Money. Unique views of publications, blogs and news on the UNCDF website are relatively low, though it has not been possible to establish a benchmark comparison.

Impact. GDP growth rates in Sierra Leone have been volatile with significant negative shocks caused by Ebola and the fall in iron ore prices in 2015 and by the COVID-19 pandemic in 2020. The contribution of digital financial services to GDP growth is likely to be negligible. Data is not available to confirm trends in financial inclusion since the last Findex survey in 2017. However, it is clear that, since then, the growth in mobile money usage has led to a significant increase in the percentage of adults holding a formal account with a regulated financial institution. The contribution of the DFS Sierra Leone project is likely to have been limited. Fintech innovations supported under the project have yet to result in a significant increase in access to financial services. Similarly, regulatory and policy changes have been relatively recent and have made a limited contribution to the surge in mobile money usage.

Sustainability. Turnover of staff at the Bank of Sierra Leone has been relatively low but, in certain departments, staff attrition has jeopardised long term capacity to implement the regulatory framework. The lack of human and financial resources still hampers the ability of the Bank of Sierra Leone to make full use of TA and to take forward the implementation of guidelines drafted with this technical support. The Presidential election scheduled for June 2023 is the cause of anticipated instability and related risk to the financial system. Political interference has been identified as a potential obstacle to financial sector and DFS growth for example through limitations to P2G payment pilots, blocking access to international funds and political interference in distribution of subsidised credit. However, political commitment to the objectives of the DFS Sierra Leone project is unlikely to change. Continued investment by mobile money companies and the expected deployment of the National Switch should both contribute to continued growth in digital financial services.

Conclusions

Between 2019 and 2022 there has been a significant increase in use of digital financial services and of financial inclusion in Sierra Leone. The 2021 Annual Supplier Survey records an increase from 1.4 million 90 day active accounts in December 2019 to 2.2 million in December 2020.

However, it seem unlikely that this increase has been achieved largely as a result of improved regulation or of fintech innovation. The main underlying factors include: i) the impact of COVID-19 and the increased necessity of digital transactions; ii) the spread of mobile phones and mobile signal throughout the country; iii) the low levels of outreach by commercial banks; iv) the continued use of mobile money channels by development agencies to make bulk social payments; v) requirements to make certain payments by mobile money.

An improved regulatory framework, including the types of tiered KYC and agent network guidelines supported by the project, should enable more stable and balanced growth in the sector. Indeed, these guidelines have been seen as a means of strengthening the position of banks to compete with mobile money.

The DFS Sierra Leone project has shown diligence, flexibility and responsiveness in its highly valued support to the Bank of Sierra Leone. It has enabled UNCDF to develop a trusted relationship with BSL which has also been leveraged to help other development partners communicate and work more effectively with the regulator.

While technical assistance to develop Tiered KYC, Agent Network and Consumer Protection guidelines has been highly relevant to the Bank of Sierra Leone's needs, there is a potential that guidelines may remain limited in impact due to insufficient resources and manpower within the Bank of Sierra Leone to disseminate, monitor and enforce them. The model of providing technical assistance to an institution with insufficient capacity to absorb and use it fully carries risks in terms of longer term sustainability of impact.

Fintech remains a small and young sub-sector within the financial services industry and has not yet been able to contribute significantly to increasing financial inclusion in Sierra Leone. Despite establishment of the regulatory sandbox, regulatory constraints remain, including delays in accessing the sandbox and difficulties in accessing USSD codes. Fintechs have also faced challenges in working with the two main mobile money operators which remain sceptical about the viability and capacity of local fintech firms. As a result, only one fintech product – the Mosabi financial education app – has been developed beyond Minimum Viable Product stage.

In terms of disseminating knowledge, lessons learned and best practice, the DFS Sierra Leone project has played an important role in generating basic sector level data through the Annual Supplier Survey. The project has played less of a role in disseminating best practice in DFS within Sierra Leone or of disseminating lessons from the project more widely in the region or with other 'Southern' countries.

The project's Theory of Change, therefore, is valid but incomplete. A conducive regulatory framework, fintech innovation and dissemination of lessons and best practice can contribute to widening financial inclusion but have not proved to be decisive factors in what appears to have been a spectacular growth in DFS and financial inclusion over the period of project implementation. That does not mean that the wrong choices were made in project design: the relevance of the project to the sector and to partner organisations has remained clear. Rather, it demonstrates that the real drivers of DFS growth were already in place: relative political stability, high mobile phone usage, limited banking sector outreach, some strong use cases for mobile money and, latterly, the drive created by COVID-19 restrictions.

Lessons

- 1. Technical assistance in the drafting of the regulatory framework for DFS is useful, particularly in introducing and applying international experience in the local context.** However, to ensure that the regulatory framework is then disseminated, implemented and enforced may require more intensive, ongoing support to regulatory authorities if institutional capacity is limited. This requires higher levels of investment but potentially also greater selectivity in terms of issues covered.
- 2. While fintech innovators value initial financial and technical support to develop and pilot their ideas, it is also important to link with financial institutions that can partner with fintechs, bring their innovations to market and commercialise products.** Small and innovative fintech companies, supported by development agencies, can face challenges in finding partner banks and MNOs for the piloting and roll-out of their innovations. Brokering partnerships between innovators and major financial service providers is potentially an important role for development partners seeking to foster the fintech sector.

3. **Supporting government capacity to collect, analyse and disseminate data relevant to the financial sector.** Lack of demand side data on the extent of financial inclusion, its characteristics and causes, makes it difficult for central banks and development agencies to develop strategies and solutions which can address constraints and utilise opportunities in a specific country context.
4. **In addition to supporting regulatory capacity and fintech innovation, development partners should seek out opportunities to work with DFS providers to develop, pilot and prove a more diverse range of uses cases for DFS.** The DFS Sierra Leone project attempted this in work with local government on P2G payments but faced political barriers. Working with a wider set of partners might help to overcome these barriers.

Recommendations

1. In follow-on project support in Sierra Leone, UNCDF should utilise lessons learned from the project outlined above to inform project design and intervention priorities:
 - More intensive and focused support to build regulatory capacity should combine technical assistance for drafting of regulations with institutional support for implementation. UNCDF may need to be more selective in choice of topics. Work on financial education, client protection, fintech regulation, digitising the credit bureau, would require long term focus and investment.
 - Supporting fintech through linkage with financial institutions. Future work to support fintech should combine financial support for technical innovation with brokering and networking which can link fintech innovators with potential commercial partners.
 - UNCDF could build on the success of the Annual Provider Survey to develop Bank of Sierra Leone capacity in collecting both supply and demand side data. The recent decision to establish a Research and Data Department by the Bank of Sierra Leone has created an opportunity for UNCDF to support this important initiative.
 - Work with DFS providers to develop, pilot and prove a more diverse range of uses cases for DFS. Social bulk payments remain an important market for mobile money providers. Other opportunities could be explored, including digitisation of agricultural value chains and linkages with international remittance services for the diaspora.
2. Improve the results measurement system. In future projects, a results framework should be developed with realistic impact objectives which are distinct from project outcomes. Output targets should be set that are not just a means of ensuring that activities have been completed but actually measure the result of these activities.
3. Streamline accountability and administrative procedures. Procedures for grant selection, approval by the Investment Committee and signature by the Executive Secretary is currently causing delay and inefficiency. Measures should be considered to reduce these delays without compromising accountability requirements. Processes for international recruitment should be reviewed to minimise delays and staffing gaps.
4. Improve communication and co-ordination with the World Bank. It is evident that greater efforts should be made by Bank of Sierra Leone, World Bank and UNCDF to ensure regular communication and co-ordination of activities.

1. Evaluation Scope and Objectives

The objectives of the evaluation cover both the learning and accountability requirements of UNCDF and the funder, the - India, Brazil and South Africa Facility for Poverty and Hunger Alleviation (IBSA Fund) which is hosted by the UN Office for South – South Cooperation (UNOSSC). The TOR also states that there is also a particular need to understand the impact of COVID-19 on overall project implementation. Specific objectives are as follows:

- “To assist UNCDF and its partners to understand the relevance, coherence, efficiency, effectiveness, and the likely pathways towards impact and sustainability of the DFS project while understanding the context and challenges in which the DFS project operated.
- “To understand better how the DFS project is working with UN agencies and other UNCDF programmes as well as with national partners in achieving its objectives.
- “Based on the results of the evaluation, and in support of the principles of adaptive management, to validate and/or refine the project’s theory of change and intervention logic as necessary to support onward implementation.”

This final evaluation was commissioned at this point because the three - year IBSA funding for project activities came to an end at end December 2021. However, the UNCDF intervention to support the development of digital financial services in Sierra Leone predates this project and will continue after the IBSA funded project is completed. UNCDF has developed a €16 million programme with EU funding which will start in 2022. The new programme will support the regulation of digital financial services, as well as promoting access to insurance and access to finance for SMEs. The IBSA project evaluation is therefore expected to generate lessons that can inform implementation of this new programme.

The IBSA-funded project was initially planned to run from January 2019 to August 2020. However, in August 2020, a no-cost extension until end June 2021 was approved by IBSA. COVID-19 related restrictions created delays in project implementation, resulting in the need for project extension. The project has since been extended again until December 2021. This evaluation will cover IBSA funded activities during the three-year period from January 2019 to December 2021. The geographic scope of the evaluation covers the whole of Sierra Leone, though activities have been focused in Freetown. The evaluation will cover all three interventions of the project, which broadly cover support for DFS and fintech innovation, regulation and supervision of fintechs and knowledge management on DFS. In terms of cross-cutting issues, gender is the most relevant to the project. The evaluation will examine the extent to which gender issues have been incorporated into project design as well as the effectiveness and impact of the project in terms of gender.

2. Programme Profile

2.1 PROGRAMME DESCRIPTION, STRATEGY AND BACKGROUND

The objective of the DFS project in Sierra Leone is to strengthen the financial sector and widen financial inclusion through promoting the provision of digital financial services. This is expressed in the outcome objective which also specifies the particular target groups for financial inclusion, including MSMEs, women, smallholder farmers and youth. Through this outcome, the project expects to contribute to resilient and inclusive economic growth, and achievement of the SDGs, as outlined in the impact objective.

Table 1: Impact and Outcome objectives and indicators

<p>Impact objective:</p> <p>Support resilient and inclusive economic growth through provision of digital financial services which are available, accessible and affordable to all Sierra Leoneans and MSMEs contributing to the achievement of Sierra Leone’s post 2015 Sustainable Development Goals and national financial inclusion goals through digital financial services.</p>	<p>Indicators: % increase in financial inclusion</p> <p>Baseline: less than 20% of population (NFIS, 2017)</p>
<p>Outcome objective:</p> <p>By the end of the project, the financial sector is strengthened and is better able to support financial inclusion through provision of digital financial services to low income populations particularly focusing on MSMEs, women, smallholder farmers and youth who will have access to affordable, timely, quality, responsible and effective Digital Financial Services (especially savings and loans) with 100,000 people directly benefiting from the project.</p>	<p>Indicators: % change in financial inclusion among the project target groups, nature and suitability of financial products on offer</p> <p>Baseline: To be established</p>

The project has three components focusing on catalysing fintech innovation, supporting improved regulation of fintech and dissemination of knowledge and best practice. These correspond to the three impact pathways along which the project expects to bring about change: innovation, regulation and knowledge. The output objectives and planned activities within the three components are set out in Table 2 below:

Table 2: Output Objectives and planned activities

Intervention 1: Investment facility (catalytic fund) for innovation	
<p>Women, youth and MSMEs have improved access to digital financial services (credit and savings) by the end of the project.</p>	<ol style="list-style-type: none"> 1.1. Invest in DFS/FinTech institutions and partnerships (risk capital grant support and technical assistance) through a catalytic fund 1.2. Provide partners with direct technical advice and exposure to global best practices for developing suitable financial products and services. 1.3. Hold discussions/events to stimulate market/private sector investments (i.e. create investment network)

Intervention 2. Advocacy and Regulatory Capacity Building for FinTech	
Regulator has strengthened institutional capacity to formulate and implement FinTech regulatory framework for Sierra Leone by the end of the project.	<p>2.1. Provide capacity building, training and technical assistance to regulators from Bank of Sierra Leone (e.g. fintech boot-camp a two-three-day workshops between regulators and FinTechs on how best to regulate fintech in SL) and organise exposure visits for regulators to global best practices in FinTech and approaches in other markets.</p> <p>2.2. Provide direct policy technical assistance and recommendations for operationalisation of FinTech regulatory framework for SL (on site assistance, working group, technical advice).</p> <p>2.3. Promote FinTechs among market actors, and government in SL through dialogue, events and other dissemination approaches.</p>
Intervention 3. Evidence Based Knowledge and Learning	
Lessons and best practices about implementing FinTech innovations in Sierra Leone have been documented and disseminated by the end of the project.	<p>3.1. Document innovations from start to end by commissioning research (e.g. innovation process documentation).</p> <p>3.2. Write and publish one to two brief case studies on innovation implementation in fragile states aimed at practitioners, donors, regulators).</p> <p>3.3. Organise regular partner meetings and on-line events to share best practices, learnings, to identify problems and find solutions.</p>

Under the Investment Facility for Innovation (Output 1), DFS Sierra Leone has supported the following pilot projects:

Table 3: Projects supported under the Investment Facility for Innovation

Grantee	Amount supported	Date of grant	Activity
Mosabi (formerly Invest Ed)	\$63,000 (after initial \$15,000 from Fintech Challenge)	Feb. 2019	In partnership with Salone Microfinance Trust, pilot the implementation of a financial education application which was developed to a Minimum Viable Product with initial support from the 2017 Fintech Challenge.
Innovation SL	\$20,000	April 2020	Winner of 2019-20 Fintech Challenge. Piloting of Marketplace and BaaS Digital Banking Platform for savings, payments and collections through mobile channels. Development of Minimum Viable Product.
Cellulant Nigeria	\$20,000	Feb. 2020	Winner of 2019-20 Fintech Challenge in partnership with Big Bang World Inc. Development of a Minimum Viable Product for a fintech platform for payments, savings and credit product for the unbanked.
Orange	\$30,000 IBSA funded. (\$150,000 total)	Nov. 2021	Together with Fintech Mosabi and MFI Empire, implement a project to improve distribution of digital financial services, leveraging innovative agent models, financial literacy and digital credit and savings.
Total IBSA funding	\$133,000		

The country's central bank, the Bank of Sierra Leone, is the key partner for the project. The bank is the main focus of support under component 2 on building regulatory capacity for Fintech. For

component 1, the Bank of Sierra Leone also runs the regulatory sandbox which provides the operating environment for projects supported under the investment facility for innovation. Other important partners for the project include fintech companies and the financial institutions with which they are partnering. The ultimate beneficiaries of the project are potential new clients of digital financial services, particularly MSMEs, women, smallholder farmers and youth.

2.2. PROJECT GOVERNANCE

The project is managed under the 'Direct Implementation Modality', under which UNCDF manages and implements project activities directly. The project is governed by a Project Steering Committee which includes representatives from UNCDF, the Bank of Sierra Leone and IBSA and provide oversight of overall project strategy and implementation. Initially, the Ambassador of Brazil to Sierra Leone represented IBSA on the Steering Committee. The IBSA contribution to the project is managed by the UN Office for South-South Co-operation. UNCDF and UNDP share office space in Freetown and the UNCDF Co-ordinator works closely with UNDP and the UN Resident Co-ordinator in Sierra Leone.

2.3. PROGRAMME CONTEXT

Emerging from a catastrophic civil war in the 1990s, Sierra Leone has made significant progress in terms of improving security and stability, with peaceful handovers of power following Presidential elections in 2007 and, most recently, in 2018. Sierra Leone is no longer listed by the World Bank as a fragile state. However, longstanding problems from the civil war period persist such as high youth unemployment, poor governance and corruption. The country has continued to suffer shocks such as the Ebola outbreak of 2014 and the iron ore price crash of 2015, both of which had severe economic effects. GDP dropped by 20.5% in 2015. Sierra Leone's economy was adversely effected by the COVID-19 pandemic, with per capita GDP falling by 4% in 2020. The current government developed a Medium Term National Development Plan (2019-2023) called Education for Development, which outlines a comprehensive set of policy priorities.

Sierra Leone remains a poor country. With a population of 7.98 million in 2020 and a high population growth rate of 2.1%, GNI per capita stood at only US\$510 in 2020¹. Based on data from the 2018 Integrated Household survey, the national headcount poverty rate stood at 57% (72% in rural areas) with 10.8% of the population living in extreme poverty². According to the 2020 UN Human Development Report, Sierra Leone ranks 182nd out of 189 countries, with life expectancy at birth of 54.7 years³. In terms of the Gender Inequality Index, Sierra Leone ranked 155 out of 162 countries in the 2019 index⁴.

Agriculture, including forestry and fisheries, remains the mainstay of the economy, accounting for 59% of GDP in 2020, followed by services (36%) and industry (5%)⁵. There is a recognised need to improve productivity in agriculture in which 60% of the population is employed. However, with low productivity in agriculture, rural-urban migration has led to an increase in the urban population from 35% in 2001 to 40% in 2015.

¹ World Bank data: [Sierra Leone country profile](#)

² Medium Term National Development Plan (2019-2023)

³ UNDP Human Development Reports – [HDI ranking](#).

⁴ The Next Frontier: Human Development and the Anthropocene. Briefing note for countries on the 2020 Human Development Report; Sierra Leone

⁵ World Bank data: [Sierra Leone country profile](#)

Mineral exploitation is also important to the economy, particularly in terms of exports. Iron ore exports account for 50% of the country's total exports. However, the extractives sector creates minimal employment opportunities and there is a recognised need to improve management and linkages with the rest of the economy.

The country's infrastructure compares poorly to the rest of sub-Saharan Africa. According to the African Development Bank, Sierra Leone was ranked 46 out of 54 countries on the bank's Africa Infrastructure Development Index, based on assessment of transport, electricity, ICT, water and sanitation infrastructure. The business enabling environment does not facilitate investment. In the World Bank's Doing Business Report 2020, Sierra Leone ranked 163 out of 190 countries, a decline from 148th in 2017. Levels of informality in the economy remain very high.

COVID related restrictions were relatively light in Sierra Leone with a three-day lockdown in April 2020, international and inter-district travel restrictions between April and June and a night curfew till October 2020. A survey of MSMEs in Sierra Leone conducted by IFC in June-August 2020 showed that 54% of businesses had seen a reduction in demand for goods and services, with 81% experiencing a decline in profits⁶.

The Bank of Sierra Leone regulates the financial sector, including banks, microfinance institutions and mobile money operators. The sector currently includes: 14 commercial banks, 17 community banks, 52 credit only Microfinance institutions and five deposit-taking MFIs⁷. There are three Mobile Money Operators and there are reported to be 59 Financial Services Associations (FSA). The Bank of Sierra Leone developed a National Financial Inclusion Strategy, with guidance from wider government, for the period 2017-2020. This phase has been completed and a new strategy is in preparation. The Bank of Sierra Leone regulates commercial banks through the 2019 Banking Act and relevant guidelines and issued mobile money guidelines in 2015.

According to Findex data from 2017⁸, the rate of financial inclusion in Sierra Leone stood at 20% of the adult population: 25% for male adults and 15% for female adults. This is low by regional standards. At that time, 12% of adults had an account at a financial institution (15% male, 10% female). Only 4% of adults had borrowed from a financial institution (3% male, 5% female). At that point, 11% of adults had a mobile money account (14% male, 9% female). No nationally representative survey has been conducted since then, but it is believed that financial inclusion rates have increased significantly.

Of the 14 commercial banks, two are state owned Sierra Leonean banks (Sierra Leone Commercial Bank, Rokel Commercial Bank) and one is a domestic, privately owned bank (Union Trust Bank). The others are foreign owned, mainly subsidiaries of Nigerian banking groups. The number of accounts at regulated financial institutions is reported as 1,470,018⁹.

⁶ Navigating through COVID-19: a snapshot on how the pandemic effected MSMEs in Sierra Leone; IFC; November 2020.

⁷ Email for Bank of Sierra Leone March 18th 2022. See also Bank of Sierra Leone website: https://www.bsl.gov.sl/Directory_of_Financial_Institutions.html

⁸ See [Global Findex website](#).

⁹ ibid

Sierra Leone Commercial Bank

Founded in 1973, the Sierra Leone Commercial Bank is a fully government owned bank, the largest in terms of customers. SLCB has 14 branches and 6 other outlets. Approximately 200,000 – 250,000 accounts have been opened at the bank. Offers basic 'quick accounts' to market sellers – currently about 8000 accounts. SLCB offers mobile and internet banking and individual accounts can be linked to both Orange and Afrimoney wallets.

Union Trust Bank

Sierra Leone's only indigenous private bank, established in 1995. Total capital: 32 billion leones (≈US\$2.7 million). 12 branches throughout the country. Operate ATMs in Freetown and issue debit cards. Also offer 'ATM cardless' and mobile and internet banking. The bank reports experiencing capital shortage and difficulties in meeting more stringent capital adequacy requirements.

With World Bank support, the Bank of Sierra Leone is currently developing a national switch. At present, however, there is no national payments system. A credit reference bureau is in operation but it has not yet been digitised.

The two main mobile money operators are Afrimoney and Orange Money. The Gambian owned QMoney is a more recent market entrant. Mobile money operators are regulated by the Other Financial Institutions Department of the Bank of Sierra Leone. Both main operators have experienced very significant growth since 2018. Mobile money guidelines issued by the Central Bank in 2015 have facilitated this growth and are considered flexible by MNOs. Other drivers of mobile money have been initiatives to promote payment of social benefits and health workers through mobile money during both the Ebola and COVID-19 pandemics.

Based on GSMA's mobile money prevalence index¹⁰, Sierra Leone has 'high' mobile money prevalence. It also scores well in terms of the GSMA regulatory index (83.4 out of 100), which covers criteria such as consumer protection, KYC requirements, agent networks and transaction limits.

The Annual Provider Survey¹¹, implemented by the UNCDF Digital Financial Services project, also shows high levels of growth in DFS. The 2021 report indicated that 12 out of 13 providers experienced an increase in registered accounts between 2019 and 2020, with a 63% increase in 90-day active accounts from 1.4 million in December 2019 to 2.2 million in December 2020. The report indicates 11,307 active agents throughout the country. Four banks and MFIs are reported to have started developing agency networks since the issuance of Agency Network guidelines in January 2020.

Despite increases in bulk payments, the vast majority of mobile money transactions in 2020 remained person to person transfers (8%), cash-in (25%), cash-out (28%) and airtime top-up (25%). Bill payments accounted for 4% of transactions. The Annual Provider Survey reported fewer than 300 active merchant accounts in December 2020.

¹⁰ A composite index that considers mobile money adoption, activity and accessibility at country level. See [GSMA website](#).

¹¹ State of the Digital Financial Services Market in Sierra Leone, 2021 – Results from the UNCDF Annual Provider Survey; UNCDF; September 2021.

Orange Money

Launched May 2012. Mobile money accounts have increased from 300,000 accounts in 2018 to 1.5 million accounts (active in last 30 days) by December 2021. Total accounts (active in last 90 days) was 2.7 million. Orange has 11,000 agents in all 16 districts over the country, covering nearly all chiefdoms. Orange has integrated with 7 banks.

Afrimoney

Launched October 2016. Afrimoney currently has 1.6 million registered users, of which 150,000 are active accounts. Afrimoney is partnering with many banks and has integrated with three (Ecobank, Access Bank, Sierra Leone Commercial Bank). About 80% of customers are 'tier 1' basic customers based on tiered KYC.

Microfinance institutions, many of which have developed from NGO programmes, provide an important source of access to financial services in the rural areas though they are often small scale. The central bank registers credit only and deposit taking MFIs.

Grassroots Gender Empowerment Movement (GGEM)

GGEM was established by the Catholic Bishops of West Africa in 1973 to promote girls education. It is one of the oldest NGOs in Sierra Leone. A specialist microfinance company was set up in 2008 with support from Cordaid. GGEM has 10 branches operating in 3 regions – western, southern and northwest region. Currently, the organisation serves 5062 clients with a loan portfolio over \$800,000 and total assets of \$1 million. GGEM employs 54 staff and offers group and individual loans, as well as consumer loans and wholesale loans to registered associations. Clients are 72% female. The company has been profitable over the last 6-7 years. Portfolio at risk at the end of 2021 was 7.3%. During COVID, PAR rose to close to 20%. GGEM has not started digitising its operations but believes that 80% of its clients in rural areas do have access to mobile phones, Mobile money channels have been used informally to transfer funds to branches and groups may already be using mobile money informally to make loan repayments.

Lapo Microfinance Company Ltd.

Established in 2008. Lapo Microfinance is licensed and regulated by the Bank of Sierra Leone as a deposit taking MFI. It has over 400 staff with branches all over the country. Its major products are savings and loans and its targets market is mainly the rural areas of Sierra Leone. Lapo Microfinance has been operating as an agency for Ecobank. It is on lending SLL 4 billion of government Munafa funds. Digitisation of its operations have begun based on use of the Instafin core banking software. Staff are able to approve and process loan applications on tablets.

The government has sought to support access to finance through its Munafa programme which offers subsidised sources of credit for MSMSEs through selected banks and MFIs.

2.4 PROGRAMME IMPLEMENTATION STATUS

The most recent quarterly report (3rd quarter 2021) shows progress against targets as outlined in Table 4 below. The 'Red-Amber-Green' rating for each of these indicators is green (on-track) except for the two targets on numbers of new clients (amber – 'at risk').

Table 4: Progress against targets, Q3 2021

Result statements	Indicators	Project Target	Achievement	RAG Rating
Output 1: Women, youth and MSMEs have improved access to digital financial services – credit and savings.	No. FinTech innovations	4	4	G
	No. new products	3	2	G
	No. new clients served with new products	100,000	75,209	A
	No. new clients served with loans	75,000	58,234	A
Output 2: Regulator has strengthened institutional capacity to formulate and implement FinTech regulatory framework.	No. capacity development activities for regulators	2	8	G
	Nature and type of regulatory provisions introduced	3	4	G
	No. and nature of policy changes introduced	3	3	G
Output 3: Lessons and best practices about implementing FinTechs innovations documented and disseminated.	No. knowledge products.	3	4	G
	Nature and type of dissemination options used	4	5	G
	No. events organised	3	9	G

The main source of data on project implementation are the project quarterly reports. It is notable that output indicator figures (such as number of new clients, new loan clients, capacity building activities etc.) are not disaggregated by gender.

Output 1 – Investment Facility for Innovation.

- A Request for Proposals on developing the digital ecosystem through G2P pilots was issued in 2018. The winning consortium led by Afrimoney and the Sierra Leone Commercial Bank proposed to pilot a digital system for payment of government salaries through mobile channels. However, issues within the consortium led to delays and the pilot was never funded.
- A grant was provided to Mosabi and Salone Microfinance Trust to pilot use of its financial education app and digital loan product. Mosabi was winner of the 2017 Fintech Challenge in which it was provided with a grant to develop a Minimum Viable Product. Subsequently, the digital loan product was adjusted to create a COVID-19 recovery loan product which has also been piloted.
- Innovation SL and Cellulant Nigeria were selected as winners of the 2019 Fintech Challenge. Minimum viable products developed by both companies were approved by the Central Bank. Piloting of the Innovation SL platform was delayed due to delays in admission to the regulatory sandbox. Due to management dispute, Cellulant Nigeria has pulled out of the market and the payment platform developed has not been piloted.

- An RFP on improved distribution of DFS leveraging innovative agent models was issued in 2021 and won by a consortium led by Orange¹². A grant to support the development of the Orange agent network, particularly women agents, as well as adoption of the Mosabi financial education app was agreed in November 2021.

Output 2 - Advocacy and regulatory Capacity Building for FinTech

- UNCDF has provided technical support to the Bank of Sierra Leone for the drafting of the Agent Network Guidelines and Tiered KYC guidelines and that were issued and gazetted by the Bank in January and June 2020 respectively.
- Innovation for Poverty Action (IPA) carried out a scoping study on consumer protection in Sierra Leone, including mystery shopping field work with financial institutions to profile how they treat customers. This report, issued in November 2020, helped to inform development of Consumer Protection Guidelines that have been drafted by the Bank of Sierra Leone.
- The 2021 State of Digital Financial services market in Sierra Leone survey was carried out and published in September 2021, along with an online blog article. The survey provides industry participants with a comprehensive view of the state of the DFS market, highlighting growth in the market and changes such as new stakeholders and new products/services offered.
- A total of 8 Bank of Sierra Leone staff have taken online training courses provided by Digital Frontiers Institute and the Judge Business School, Cambridge on subjects including digital financial services, supervision of fintech, consumer protection and digital identity
- An evaluation of the National Financial Inclusion Strategy 2017-20 was carried out and published. The evaluation covered the implementation status of the strategy, the contribution of various initiatives to achievement of objectives and also outlined lessons learned and recommendations for the next phase of the NFIS.

Output 3 - Documentation and dissemination of lessons and best practice

- The project has published reports on the UNCDF website, notably the Annual Provider Survey, as well as a series of blog posts and news items.
- Events organised by the project include the launch of the 2019-20 Fintech Challenge and a series of consultation meetings organised by the Bank of Sierra Leone to solicit feedback on draft consumer protection guidelines.

2.5 PROGRAMME FINANCIAL STATUS

According to the signed programme document, the total budget for the project was US\$1,510,00 of which US\$1 million was contributed by IBSA (66% of the total) and US\$510,000 by UNCDF. The final programme document includes a breakdown of the budget by output and expenditure category. Details are outlined in Table 5 below.

¹² The funding to the Orange Telecom consortium is a mix of funds from IBSA and another donor. Therefore, the RFA could only be issued in July when funds from both donors were secured. Hence contracting only happened in Nov 2021.

Table 5: Budget by output, source and budget category

Output and Source	Consultants	Workshops	Travel	Grants	Staff	Other	Total
Output 1							
IBSA	20,000		10,000	405,000	123,695		558,695
UNCDF					170,127		170,127
Sub-total							728,822
Output 2							
IBSA	44,000	20,000	5000	95,000	47,574	5000	216,574
UNCDF					170,127		170,127
Sub-total							386,701
Output 3							
IBSA	30,000	9515	10,460		19,029	1300	70,304
UNCDF					170,127		170,127
Sub-total							240,431
Other							
IBSA:						74,046 ¹³	74,046
UNCDF						80,000 ¹⁴	80,000
Sub-total							154,046
Total	94,000	29,515	25,460	500,000	700,679	160,346	1,510,000
IBSA	94,000	29,515	25,460	500,000	190,298	80,346	919,619
UNCDF					510,381	80,000	590,381

According to this breakdown, IBSA funding accounted for 61% of the total project budget. The largest proportion of the total budget was allocated to cover staff costs (46%), followed by grants (33%). The breakdown is illustrated in Figure 1 below.

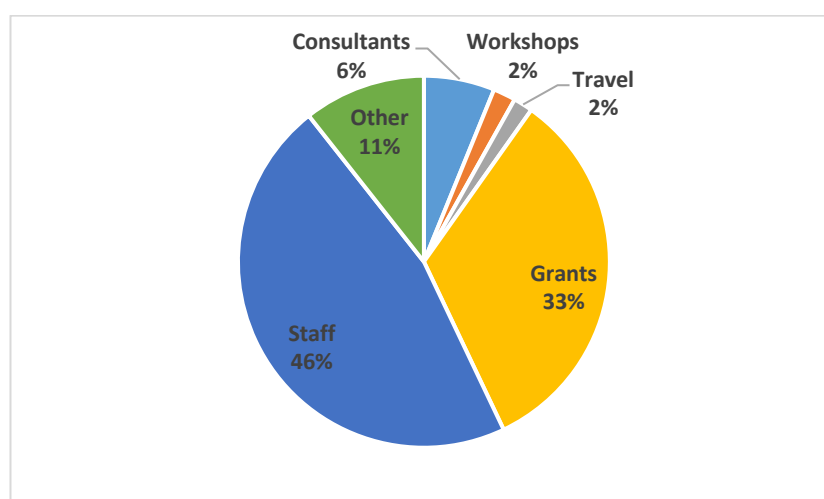


Figure 1 : Budget categories

¹³ General management support (5%).

¹⁴ External evaluation

The latest available financial report (to end November 2021) shows expenditure from IBSA sources totalling US\$866,834 since project launch, compared with a donor commitment of US\$1 million (87%). Figures for expenditure from non-IBSA sources (UNCDF core funding and the Last Mile Trust Fund) have been added for the three years 2019-2021. The breakdown of expenditure by category is shown in Table 6 below. While similar, the budget categories for expenditure do not correspond exactly to the original budget categories. There is no expenditure breakdown available by output.

Table 6: Expenditure from IBSA sources by budget category 2019 – November 2021

Budget category	2019		2020		2021		2019-2021		Total	% total
	IBSA	UNCDF	IBSA	UNCDF	IBSA	UNCDF ¹⁵	IBSA	UNCDF		
Staff and other personnel	59,983	111,206	224,181	111,383	183,563	96,460	467,727	319,049	786,776	61%
Equipment			1,529				1,529		1,529	0%
Contractual services	97,171				49,574		146,745		146,745	11%
Travel	1,742		13,342		1,578		16,662		16,662	1%
Transfers and grants			84,933	20,000	18,600	74,400	103,533	94,400	197,933	15%
General operating costs	16,813		33,115	1,400	24,367	4,108	74,295	5,508	79,803	6%
Indirect support costs	14,057		24,997		17,289		56,343		56,343	4%
Total	189,766	111,206	382,097	132,783	294,971	174,968	866,834	418,957	1,285,791	
	300,972		514,880		469,939		1,285,791			
% total	23%		40%		37%					

Expenditure peaked in 2020: 40% of total expenditure over the three years, due mainly to main disbursement of grants to partners during this year.

¹⁵ Figures for non-IBSA funding cover January-December 2021.

3. Evaluation Approach and Methodology

A theory-based approach to the evaluation was agreed, aiming to understand and validate project logic: how project activities are expected to lead to outputs and outcomes while accounting for the context in which project interventions take place, including potential alternative drivers of any changes seen. The evaluation has adopted a simplified contribution analysis¹⁶ approach, involving a wider assessment of other factors which may influence achievement of project outcomes and impact. This accords with the systemic approach to evaluating financial inclusion projects outlined by CGAP¹⁷.

The evaluation answered a set of evaluation questions organised around the six OECD-DAC evaluation criteria: relevance, coherence, efficiency, effectiveness, impact and sustainability.

3.1 THEORY OF CHANGE

As a relatively small project, a separate Theory of Change (TOC) was not developed specifically for the DFS Sierra Leone project. The project document, however, does include a section on the 'hypothesis of change' which states that the project logic is based on two theories: an ecosystem theoretical approach and a theory of how DFS can drive women's empowerment.

The ecosystem theory posits four stages through which digital economies pass - inception, start-up, expansion and consolidation¹⁸ - and that all aspects of the ecosystem, including but not limited to regulation and cultural norms - should be conducive to enable a market to pass from one stage to the next.

The women's empowerment theory suggests that: "DFS offers an opportunity to help enhance financial independence of women by moving them from the limitations of a cash - only economy and connecting them with mainstream financial markets, leading to a range of other related benefits such as better access to savings, credit and insurance products that can in turn result in increased business opportunities and better management of household finances."

These two theories are descriptive rather than explanatory, outlining what is expected to change but not how the project will contribute to this process. As part of the inception phase of the evaluation, an attempt was made to reconstruct a theory of how project outputs, as outlined in the project document, could contribute to expected outcomes and impact, articulating some of the assumptions that would need to hold true for these outcomes and impact to be achieved. Project outputs, outcomes and impacts, as well as the targets set, were taken from the project

¹⁶ "Initially developed by John Mayne, contribution analysis (CA) is an approach for assessing causal questions and inferring causality in real-life program evaluations. It offers a step-by-step approach designed to help policymakers arrive at conclusions about the contribution their program has made (or is currently making) to development outcomes." (UNEG Compendium of Evaluation Methods Reviewed, Vol 1; United Nations Evaluation Group; December 2020.

¹⁷ Measuring Market Development: a Handbook for Funders and Implementers of Financial Inclusion Programs; Patrick Spaven and Karina Broens Nielsen; CGAP; 2017

¹⁸ The project document states that "DFS market development has four stages through which any given DFS market shifts. These are: 1) Inception "transformational" DFS service has yet to be launched; 2) Start-up where one or a few DFS providers are developing a transformational service, with basic products; 3) Expansion where the lead providers begin massive expansion and more decentralized agent management, while new providers enter the market and compete for market share; and 4) Consolidation where DFS are ubiquitous, with more than 1/3 of the adult population actively using the service." Sierra Leone is deemed to be in the start-up phase.

document. This reconstructed TOC has been used as a measure against which to assess project achievements, particularly in relation to coherence, effectiveness and impact.

The project's Theory of Change centres on supporting innovation pilots, improving regulatory capacity and disseminating lessons and best practice to help develop Digital Financial Services in Sierra Leone. Implicitly it assumes that limited capacity to innovate, an uncondusive regulatory framework and lack of awareness of best practice are the primary obstacles to the development of DFS. It also implicitly assumes that other potential obstacles, such as FSPs' capacity to invest in DFS and any limitations in demand, for example due to low levels of financial or digital literacy, limited mobile signal or access to mobile phones etc. are less likely to constrain DFS development. To understand the project's contribution to the expected outcome, it will be important to validate whether these assumptions have held true in practice.

The project's ultimate objective is for widened financial inclusion of target groups which in turn will contribute to economic growth and achievement of SDGs. Clearly this also implies a number of significant untested assumptions about the potential impact of widening financial inclusion on economic growth.

Other more specific notes on the reconstructed Theory of Change:

- The impact objective of the project refers to higher level impacts (economic growth and achievement of SDGs) but also repeats the outcome level objective of increasing financial inclusion. There is overlap in the indicators at impact and outcome level: NFIS targets reached and % increase in financial inclusion.
- The project objectives at output and outcome level tend to place more emphasis on digital savings and loans and less on transfers and payments. In the context of Sierra Leone, digital payment services may also have particularly significant development outcomes in terms of efficient transfer of emergency payments (e.g. social protection payments), improving government tax collection and in supporting remittance receipts from the diaspora.
- For the purposes of this TOC, the wording of Output 1 has been changed from improving access of women, youth and MSME's to digital financial services to the piloting of new DFS for this target group. This reflects the more limited objectives of the Investment Facility to support innovation and piloting rather than full roll-out of new products and services.
- Targets for output 2 on improved regulatory capacity do not attempt to measure improvement in capacity.

DFS Sierra Leone Reconstructed Theory of Change

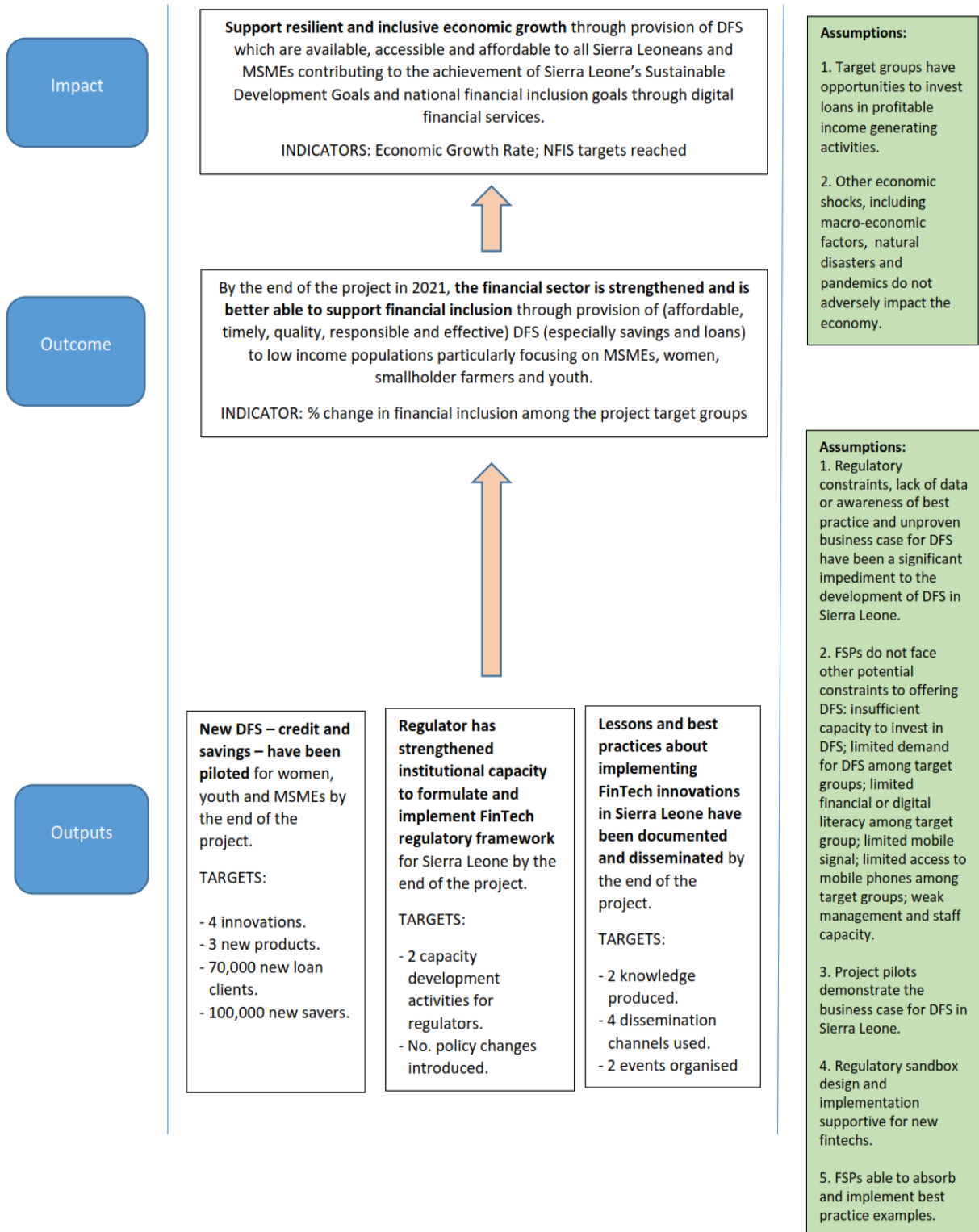


Figure 2: Reconstructed Theory of Change

3.2 EVALUATION MATRIX

An evaluation matrix was developed and approved during the inception phase of the evaluation (See Annex 1). It includes the evaluation questions organised by OECD-DAC criteria, the criteria or means of assessment, and research activities which were carried out to answer each question. Three broad research activities were carried out as part of this evaluation:

DFS Market Review. The DFS review examined trends and changes in the digital financial service market from 2019 to early 2022 in terms of regulation and policy, market institutions, financial service providers and any demand side data available. It examined wider government policy on financial inclusion, in policy statements such as the Medium-Term National Development Plan 2019–2023 and the National Financial Inclusion Strategy (2017- 2020) and the evaluation report on the strategy. It covered other programmes and interventions supported by UNCDF and other development partners.

Partner Institution Review. The Partner Institution Review focused on the Bank of Sierra Leone and other partners of the project: Mosabi with Salone Microfinance Trust, Innovation SL and Orange. The review examined the results of each project activity based on project documents and stakeholder interviews.

Project Management and Governance Review. The third research activity was more inward looking, assessing the structures, procedures, strengths and weaknesses of the project organisation, conducted through project document review and stakeholder interviews.

3.3 DATA COLLECTION METHODS

The three research exercises outlined above all involved a combination of the following data collection methods

- Review of project documentation, including the original project document, workplans, reports etc. A list of project documents is included in Annex 4.
- Secondary data and literature. A list of external documents and data sources, including government policy documents, consulted as part of the evaluation is also included in Annex 4.
- Key informant interviews. The evaluation involved key informant interviews with a wide range of project stakeholders and experts, within UNCDF, the wider UN in Sierra Leone, the Bank of Sierra Leone, financial service providers, fintech companies etc. The full list of interviewees is included in Annex 3.
- Case studies. A single case study is presented of the Mosabi-Salone Microfinance Trust project. The case study is attached as Annex 5.
- Digital Survey. Discussions were held with Mosabi about the possibility of conducting a digital survey with Mosabi users. However, it was decided not to proceed with such plans following consultations with a number of Mosabi beneficiaries during the field trip. The majority of SMT clients who had been trained on use of the Mosabi app and who had accessed digital loans through the app were no longer utilising it on their phones and therefore would not be contactable for survey through the app.

3.4 SAMPLING STRATEGY

The evaluation will sought to assess all project activities. As interventions are focused on work with particular partner organisations rather than specific geographical locations, it is not necessary to adopt any sampling strategy for selection of project areas. As a digital survey of Mosabi app users was not pursued for data collection, no sampling strategy was required.

3.5 DATA ANALYSIS AND TRIANGULATION

The report will be based on answering the evaluation questions outlined in the evaluation matrix, using sources of data indicated there. Wherever possible, information collected from a project related source should be validated with information from a source not directly related to the project (e.g. interview with partner staff, other development partner etc.). In data collection activity at end user level carried out for the Mosabi/SMT case study, the team met specifically with a group of women beneficiaries to ensure that their voices were heard.

The DFS Sierra Leone project has quite high-level objectives at outcome and impact level – focusing on overall increases in financial inclusion and contribution to economic growth. Though external data on these indicators will be available from third party sources, a judgement will need to be made on the project’s contribution to these achievements. In terms of financial inclusion, the contribution of the pilot projects should be relatively easy to measure. The contribution of regulatory changes, such as agency banking regulations, tiered KYC requirements or the development of the regulatory sandbox may be more challenging to assess. Findings from the DFS market review findings have also helped to place the contribution of the project to achievement of outcomes in a wider context.

The evidence presented and the conclusions drawn will be validated and discussed by the UNCDF country team, the UNCDF evaluation unit and the evaluation advisory committee when they review the draft report and as part of the debriefing presentations. We also expect that the report will be reviewed and assessed by the UNDP Independent Evaluation Office to ensure quality standards are met and against the System-wide Action Plan on Gender Equality and the Empowerment of Women (UN-SWAP) for its gender-responsiveness, including whether gender-responsive methodology and techniques are selected, and the gender analysis leading to findings and recommendations.

3.6 LIMITATIONS IN THE EVALUATION METHODOLOGY

Fortunately, COVID-19 related restrictions did not impact on the conduct of the evaluation. Travel and face to face meetings with participants were not affected. UNCDF was very pro-active and helpful in arranging meetings in Freetown and after the field visit. All proposed meetings and interviews were arranged.

Some limitations were experienced in terms of data both internal project data and external data. As outlined in the report (section 6.2), there have been weaknesses in reporting by partner organisations and aggregation of results by the project. In addition, no demand side survey has been conducted in Sierra Leone since 2017 so no nationally representative data was available on increased rates of financial inclusion since the start of the project.

The team identified the following risks and risk mitigation measures associated with conduct of the evaluation.

Risk	Likelihood	Impact	Mitigation
COVID-19 restrictions impacting field work	Low	Low	It would be possible to switch to remote interviews in full or interviews conducted fully by national consultant.
Limitation on access to documentary data or access to partners.	Low	Medium	Limited access to documents can be mitigated by increased reliance on interviews which would

Risk	Likelihood	Impact	Mitigation
			require support from UNCDF team to co-ordinate with partners
Establishing linkages. It can be difficult to assess impact of projects with a strong focus on regulation and capacity building at higher outcome and impact levels due to significant assumptions in TOC.	Medium	Low	Important to specify in detail logical steps linking project activities with higher level outcomes and impacts, as well as assumptions made in TOC.

4. Evaluation Findings: Relevance

4.1 RELEVANCE TO NATIONAL GOVERNMENT PRIORITIES

EQ How relevant and how well designed is the DFS project's approach to the priorities of the government of Sierra Leone, considering the project's intended support to expand digital financial services among women, youth, micro/small and medium enterprises?

The objectives and activities of the DFS Sierra Leone project are closely aligned with government policy on financial sector reform, digital financial services and financial inclusion. Clear references to these priorities are evident in the Medium Term National Development Plan and the National Financial Inclusion Strategy 2017-2020. Government focus on digitalisation of the economy is also evident in the establishment of the Directorate for Science, Technology and innovation.

The objectives of the DFS in Sierra Leone project are clearly aligned with government policy as set out in the Medium Term National Development Plan¹⁹, a policy document issued by the government of incoming President Julius Maada Bio in January 2019 after his 2018 election victory. There is a section on financial sector reform which presents two key objectives:

- “To deepen financial intermediation and financial inclusion to foster higher, broader, and more inclusive growth.
- “To safeguard financial stability through the strengthening of the regulatory and supervisory framework and to appropriately assess risks within the banking system and other financial institutions.”

The plan prioritises working with the World Bank on establishment of the national switch and includes a specific section on digital financial services, which the government will promote. The plan states that: “With 14 DFS providers licensed by the Bank of Sierra Leone and an average of over 5.6 million transactions per month, DFS (using financial technology) is well positioned to close the remaining gaps in financial inclusion by offering affordable and convenient ways for individuals, households, and businesses to save, make payments, access credit, and obtain insurance.”

Specific measures relating to DFS in the plan include:

- Strengthening the Digital Financial Services Working Group and its sub-Committee on smallholder farmers to mainstream DFS, particularly for farmers.
- Reviewing and revising the mobile money guidelines.
- Establishment of a risk based and fair legal and regulatory framework for DFS which is technology neutral, open to new entrants and does not impose high compliance costs.
- A specific focus on access to digital financial services for women, youth and MSMEs.
- Efforts to use DFS to improve and monitor domestic resource mobilisation.

¹⁹ Sierra Leone's Medium-Term National Development Plan, 2019–2023. Education for Development: a New Direction for Improving People's Lives through Education, Inclusive Growth, and Building a Resilient Economy; Government of Sierra Leone; 2019.

- Working with the World Bank and UNCDF on building capacity of regulators, developing the consumer protection framework and implementing a digital credit bureau.

Sierra Leone’s National Financial Inclusion Strategy (2017-2020)²⁰, issued under the previous government, also highlighted digital financial services as one of its six key areas of focus. The strategy sought to promote: improved regulation of DFS; interoperability between mobile network operators, financial service providers and fintech companies; development of a robust payments systems; identification of use cases for digitisation such as G2P and P2G.

These expressions of government policy on DFS show a clear emphasis on improving the regulatory framework for DFS, one of the key components of the UNCDF DFS project. They place less emphasis on innovation and knowledge sharing, the other two components of the UNCDF project.

More generally, the government has signalled the priority it places on promoting digitisation more widely in government, the economy and society through the establishment of the Directorate of Science, Technology and Innovation, a new Directorate within the Office of the President. UNCDF and UNDP have sought to build a strong relationship with this new agency, including through support to map the digital and innovation ecosystem in Sierra Leone. A report on the ecosystem mapping was published in December 2021²¹.

4.2 RELEVANCE TO PARTNERS

EQ. How relevant is the support provided by DFS project to the needs of partners?

The Bank of Sierra Leone acknowledged that project support, and wider mentorship from UNCDF, was highly relevant to their needs. This included technical assistance for drafting of regulations relating to digital financial services, capacity building support, the drafting of the Annual Provider Survey and the evaluation of the National Financial Inclusion Strategy. However, BSL also reported that their greatest capacity issue relates to staff numbers rather than expertise. Fintech companies also reported that support from UNCDF was relevant, including technical advice and networking support as well as financial support. Orange Money stated that the UNCDF project agreement influenced their internal operations and helped to shift their approach towards recruitment of more women agents.

Representatives of the Bank of Sierra Leone, the main project partner, including the Deputy Governor and the Director of the Financial Sector Development Department, confirmed that UNCDF support under the Digital Financial Services project has been highly relevant to the priorities of the Bank. This is clear both for formal project activities but also more widely in terms of support provided by UNCDF staff. Project activities of particular relevance to the Bank of Sierra Leone include:

- Technical assistance in developing the regulatory framework for digital financial services, notably the regulation on tiered KYC, the agent network guidelines and the consumer protection guidelines. All of these regulatory aspects were highlighted as priorities in the National Financial Inclusion Strategy. Tiered KYC and consumer protection are mentioned under Strategic Intervention 1 (Response Policy, Regulation and Co-ordinated Actions).

²⁰ National Strategy for Financial Inclusion 2017 – 2020; Bank of Sierra Leone.

²¹

Regulation of agent networks is covered in the NFIS plan to “Equip and monitor staff, agents, and entities providing outsourced services to ensure that they offer safe and reliable services.”

- The Annual Provider Survey. Accurate and comprehensive financial inclusion data was highlighted by Financial Sector Development Department staff as an urgent need at present, particularly to inform the next Financial Inclusion Strategy phase. Though a comprehensive demand side survey has not been conducted since 2017, the APS helps to fill an important data gap on the supply side.
- Capacity building for Bank of Sierra Leone staff was also mentioned as relevant to the institution’s needs, particularly for staff involved in the newly established Fintech Sandbox. It was noted by BSL staff, however, that the most urgent issue is staff numbers rather than staff skills and experience, even though the Financial Sector Development Department has grown from three to six staff at present.

Of particular note, however, has been the relevance of wider UNCDF presence and support to the Bank of Sierra Leone. Management of the Bank of Sierra Leone, to the level of Deputy Governor, regard UNCDF country staff as an invaluable source of advice and technical assistance, willing to support the Bank on any issue. Examples include participation in BSL selection panels for technical consultants, introducing other sources of funding and supporting in co-ordination with other development partners. For example, UNCDF supported the Bank of Sierra Leone to request an ODI Fellow, a position which was funded by Comic Relief. Through its regular presence and flexible approach, UNCDF has become a trusted source of support to the Bank.

Project support to fintech partners, has also been highly relevant, at least in those cases where innovations supported by the project have progressed effectively. As a successful applicant to the 2019-20 Fintech Challenge, Innovation SL, has been developing a marketplace digital banking platform. Innovation SL were very positive in terms of the relevance of UNCDF support, including sharing technical information, providing funding and facilitating contacts with partner organisations (Lapobank Microfinance and Ecobank), with the Bank of Sierra Leone and with the wider digital ecosystem in the country. Cellulant Nigeria, the other winner of the 2019-20 Challenge, developed a minimum viable product but then withdrew from the market without further development of the product, due to an acrimonious shareholder dispute. The Mosabi financial education platform was initially supported under pre-IBSA UNCDF funding following the 2017 Fintech Challenge. IBSA funding was provided to Mosabi, however, to support the piloting of the financial education app and a COVID-19 emergency loan product. Mosabi acknowledged the importance and relevance of this support to the development of the platform, as the piloting process enabled them to identify and resolve a range of technical issues, including integration with Orange Money for loan repayment.

Orange Money stated that the UNCDF project agreement influenced their internal operations and helped to shift their approach towards recruitment of more women agents. Given that Orange Money has seen significant commercial growth since 2018, the evaluation sought to understand the additionality of UNCDF support for agent network expansion and whether public funds were necessary to achieve the intervention’s objectives. Orange Money observed that the recent grant agreement with UNCDF was useful to them in terms of driving the institution to behave in a way that it ought to behave.

4.3 RELEVANCE TO CROSS-CUTTING ISSUES

EQ. To what extent does the DFS project design incorporate gender equality (GE), human rights (HR) and climate change adaptation issues? How coherent is it to the needs and interests of all stakeholder

groups? Does it offer good quality information on the underlying causes of inequality and discrimination to inform the project?

The DFS Sierra Leone project is most relevant to the issue gender equality, with very limited relevance to human rights or climate change adaptation. The 'hypothesis of change' section in the project document posits that DFS can be leveraged to empower women although the mechanisms through which the project can support this are unclear. Project activities aimed specifically at increasing financial inclusion of women and youth have been limited

The DFS Sierra Leone project was designed to be relevant to the issue gender equality, with limited relevance to human rights, disability or climate change adaptation. In the initial project document, the constraints faced by women in terms of financial inclusion are described although there is limited analysis of why these constraints are more serious for women than for men. Sierra Leone is described as 'a highly patriarchal society with institutionalised gender biases and inequalities e.g. discriminatory customary practices require husbands to approve personal and business transactions, there are discriminatory practices of female entitlement and property rights, discriminatory customs in marriage.' However, the link between these practices and financial exclusion of women is not further explained.

The 'hypothesis of change' section in the document also posits that DFS can be leveraged to empower women although the mechanisms through which the project can support this are unclear. The outcome objective of the project is described as financial inclusion 'through provision of digital financial services to low-income populations, particularly focusing on MSMEs, women, smallholder farmers and youth.' This outcome is to be measured in terms of '% change in financial inclusion among the project target groups' although there is no baseline and no targets were set. Of the three project output objectives, the first refers to 'women, youth and MSMEs have improved access to digital financial services – credit and savings' and the target for clients served by new products is supposed to be disaggregated by age and gender. However, disaggregated figures have not been reported. The other two output objectives are gender neutral.

Project activities aimed specifically at increasing financial inclusion of women and youth have been limited. In the grant agreement with Mosabi, project milestones did not include gender targets though the detailed results targets were disaggregated by gender (number of users who downloaded app, number of borrowers). Mosabi did not report figures disaggregated by gender. Gender targets have been more evident in the most recent project agreement with Orange (partially supported by IBSA funding) in which targets have been set for recruitment of women agents (50%) and for provision of financial education to women clients (65% women and 50% youth). The grants to Innovation SL and Cellulant Nigeria were provided for development of minimum viable products which did not include a specific gender element.

The Annual Provider Survey does not provide disaggregated data on adoption and use of DFS by men and women. UNCDF explained that this is because financial service providers in Sierra Leone do not disaggregate data on their clients by gender.

5. Evaluation findings: Coherence

5.1 COMPLEMENTARITY WITH RELATED PROGRAMMES

EQ. How distinct/complementary is DFS project's approach to other projects and initiatives implemented in Sierra Leone by government and/or key development partners with similar objectives?

Work of the DFS Sierra Leone project is highly complementary to the support provided by the World Bank to the Bank of Sierra Leone to establish and run the National Switch. There are no duplication concerns. However, poor co-ordination was raised as an issue by the World Bank, particularly regarding technical assistance for the drafting of regulations such as the Tiered KYC and Agent network guidelines. The Bank of Sierra Leone should play a prominent co-ordination role but both World Bank and UNCDF should also improve communication and co-ordination. The African Development Bank acknowledged the strong co-ordination and support provided by UNCDF in its G2P payments project, particularly in terms of helping to build relationships with the Bank of Sierra Leone.

With relatively few development partners focusing on financial sector development or digital financial services, the most important and relevant initiatives have been led by the World Bank and the African Development Bank. The World Bank in Sierra Leone is focusing specifically on supporting the development of a national switch with the Bank of Sierra Leone. The \$US12 million Sierra Leone Financial Inclusion project was approved in 2019 and includes purchase and installation of the switch along with support on regulatory and cybersecurity issues and support for connectivity to the switch. This important activity which aims to transform interoperability of digital payments in Sierra Leone has clear complementarity with UNCDF objectives. There is no issue of duplication but concerns were raised by World Bank representatives about co-ordination of development partner efforts. Of particular concern was the lack of consultation prior to the publication by the Bank of Sierra Leone of the agent network guidelines and tiered KYC guidelines, for which the UNCDF had provided technical assistance. This co-ordination issue is primarily the responsibility of the Bank of Sierra Leone which draws on multiple sources of technical assistance to support its mandate. However, it is suggested that both the World Bank and UNCDF could also improve communication and co-ordination on regulatory issues where there is potential for overlap of interest and support.

The African Development Bank Digitisation of Government Payments in the Mano River Union project was also approved in 2019. This project aims to promote government-to-people (G2P) payments and is complementary to the UNCDF DFS project which has tried to work on people – to – government (P2G) payments. The AfDB representative acknowledged that the UNCDF team in Freetown had given significant support to AfDB staff through sharing introductions and contextual knowledge of the internal workings of the Bank of Sierra Leone, as well as the groundwork on building regulatory frameworks for DFS in the country. With operations based in Abidjan, AfDB were highly appreciative of UNCDF's presence on the ground in Sierra Leone and willingness of the team to provide support.

In the case of both the World Bank and AfDB projects, the Bank of Sierra Leone asked UNCDF to participate in the consultant selection panels, providing technical inputs to the recruitment process. This support was appreciated by the Bank of Sierra Leone.

5.2 COMPLEMENTARITY WITH UN PROGRAMMES

EQ. How compatible is the DFS project intervention to UNCDF's work at the project and regional levels? How compatible is the DFS project intervention to the UNSDCF as well as to initiatives of the UN Country Team in Sierra Leone?

UNCDF's work on financial literacy, provision of information on financial services through development of client protection guidelines and dissemination of quality data for decision making through the Annual Provider Survey are specifically linked to overall UN priorities set out in the United Nations Sustainable Development Cooperation Framework (UNSDCF) 2020-2023. UNCDF is embedded within wider UN initiatives such as the UN National Financial Framework for SDGs and has worked closely with UNDP's Accelerator Lab. The UN Office for South-South Co-operation acts as the fund manager for IBSA and seeks to promote the principles of south-south co-operation in its projects. These principles have been incorporated into project implementation to a limited extent.

The DFS in Sierra Leone project objectives are well aligned with UNCDF's wider objectives, as set out in its Strategic Framework, 2018-2021. UNCDF "aims to support the achievement of sustainable development goals 1 and 17 in least developed countries by making finance work for inclusion, in collaboration with UNDP and other United Nations partners. UNCDF will do this by building on its years of experience in expanding inclusive financial markets and local development finance systems that help unlock public and private finance at the local level." UNCDF's work on expanding inclusive financial markets now forms part of its wider work on Inclusive Digital Economies (IDE).

The UN in Sierra Leone has aligned prioritisation of its activities in Sierra Leone with the Government's Medium Term National Development Plan (2019-2023) and the SDGs. The UNSDCF for the period 2020-2023 focuses on four priorities: i) sustainable agriculture, food and nutrition security; ii) transformational governance; iii) access to basic services; iv) protection and empowerment of the most vulnerable. In the UNSDCF results framework, UNCDF is listed as a partner agency on three of these four areas, linked to the following specific issues:

Table 7. UNSDCF outcomes for which UNCDF is listed as a partner agency

Outcome	Results
1. Sustainable agriculture and food security	1.1 Farmers especially women, youth and other vulnerable groups to have equal access to information and decision-making opportunities on land tenure, knowledge of improved agricultural practices, inputs, technology, financial services, linkage to markets, leveraging appropriate technologies and innovation.
2. Transformational governance	2.4 Citizens have trust and confidence in the quality and equity of services of public institutions.
4. Protection and empowerment of the most vulnerable	4.5 Vulnerable groups have improved entrepreneurial and, financial literacy, and employability.
	4.6 Quality data is available and used for decision-making.

Outcome	Results
	4.7 Vulnerable people have increased access to and use of social protection and are more resilient to disasters and emergencies.

Certain DFS Sierra Leone activities can therefore be specifically linked to UNSDCF priorities. These include work on financial literacy for vulnerable groups, provision of information on financial services, for example through development of client protection guidelines, and dissemination of quality data for decision making, such as the Annual Provider Survey.

The UN Resident Co-ordinator in Sierra Leone identified a number of areas where the work conducted by UNCDF on digital financial services has potential links and benefits to other areas of UN work in the country. These included IFAD work on agricultural value chains and the potential benefit of digitising input and output markets, as well as UNOPS work on rural energy and the potential for integration of digital payments. This suggests the need for identification and development of specific use cases for DFS by UNCDF to illustrate potential benefits in a wide variety of sectors. The development of mobile money systems was also identified as making a potentially important contribution to improving the efficiency of all UN operations in the country where cash payments are a source of high cost and risk.

The UNDP Resident Representative also highlighted the synergies between UNCDF work on DFS and UNDP's work in a number of areas, particularly livelihoods work, supporting innovation and domestic resource mobilisation. Significant collaboration has developed between UNCDF and the UNDP Accelerator Lab, particularly through joint support to the Directorate of Science, Technology and Innovation on the project to map the digital and entrepreneurship ecosystem in Sierra Leone. UNCDF has supported UNDP in development of a proposal for a growth fund for SMEs and, in relation to domestic resource mobilisation, has worked closely with UNDP on the UN National Financial Framework for SDGs. UNCDF's strong working relationship with the Bank of Sierra Leone has been an important facilitating factor.

The UN Office for South - South Co-operation acts as the fund manager for IBSA and seeks to promote the principles of South-South Co-operation²² in its projects. In the initial project document, the following mechanisms for implementing the principles were outlined: collaborating with experts from the global south; exposure visits to the global south; sharing experience of fintech development in Sierra Leone with stakeholders in the global south; and participation in global and regional fora such as the Better than Cash Alliance and the Alliance for Financial Inclusion. These principles have been incorporated into project implementation to a limited extent. The head of the Fintech regulatory sandbox was supported to visit Kenya in July 2019 and also attended the Africa-Asia Fintech Festival in Nairobi. Bank of Sierra Leone staff have participated in online training with the South Africa based Digital Frontiers Institute. However, international UNCDF experts rather than experts from the global south provided technical assistance on DFS regulations and there has not been any linkage created between Sierra Leone and Indian and Brazilian fintech sectors. Lessons and best practice from the DFS Sierra Leone project have yet to be shared specifically through any South-South channels.

²² "South cooperation and its agenda have to be set by countries of the South and should continue to be guided by the principles of respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit."

6. Efficiency

6.1 BUDGET ALLOCATION AND COST EFFECTIVENESS

EQ. How well has the DFS Project delivered its expected results to date, including in terms of budget allocation and cost-effectiveness of activities?

By end November 2021, 87% of the US\$1 million IBSA grant and 82% of the \$510,000 UNCDF budget contribution had been spent. Of the \$1,285,791 total expenditure over three years, 61% (US\$786,776) was spent on UNCDF salaries. Expenditure reported from IBSA funds is not broken down by output or component. As presented in section 2.1, \$133,000 was reported to have been spent from IBSA funds on 4 project initiatives, which is significantly less than the original project budget for grants of \$500,000.

By end November 2021, 87% of the US\$1 million IBSA grant had been spent and 82% of the \$510,000 UNCDF budget contribution. Of the \$1,285,791 total expenditure over three years, 61% (US\$786,776) was spent on UNCDF salaries. This is higher than the original combined budget for staff costs which was \$700,679. The second largest expenditure category was grants and transfers (US\$197,933, 15% of total expenditure), followed by contractual services (US\$146,745, 11%), general operating costs (US\$79,803, 6%) and indirect support costs (US\$56,343, 4%).

Expenditure reported from IBSA funds is not broken down by output or component. As presented in section 2.1, \$133,000 was reported to have been spent from IBSA funds on 4 project initiatives (Mosabi-SMT, Cellulant Nigeria, Innovation SL and Orange). In the case of Mosabi-SMT and Orange, only partial funding was derived from IBSA. A total of \$94,400 was spent from non-IBSA funds (Last Mile Trust Fund) on grants. This covered the cost of a digital eco-system survey conducted by the Directorate of Science, Technology and Innovation. As a proportion of total budget funding of US\$1.5 million, this seems to be a low level of spending on innovation grants. The original IBSA project budget was for grants of \$500,000 (\$410,000 for Output 1 and \$90,000 for Output 2). Reported expenditure of IBSA funds on grants accounts for only 27% of the original budgeted amount. The project reports that this underspend is a result of neither of the two 2019-20 fintech challenge projects proceeding to piloting when \$150,000 had been budgeted for each.

6.2 MONITORING AND EVALUATION SYSTEM

EQ. How appropriate is the project's monitoring system to track direct project results and its broader contribution to the overall objectives?

The project results framework has a number of design weaknesses which have limited its effectiveness in measuring results and contribution to overall objectives. These weaknesses are mirrored in the quarterly donor reporting and also in partner reporting to UNCDF.

The project results framework has a number of design weaknesses which have limited its effectiveness in measuring results and contribution to overall objectives. Some of these have been highlighted above in discussion of the project's Theory of Change. These include:

- The impact objective of the project refers to higher level impacts (economic growth and achievement of SDGs) but also repeats the outcome level objective of increasing financial

inclusion. There is overlap in the indicators at impact and outcome level: NFIS targets reached and % increase in financial inclusion. For a small project of this nature, it is suggested that impact objectives should be more practical and achievable, with impact objectives focusing on financial inclusion and outcome objectives focusing more on level of fintech innovation, regulatory capacity and knowledge dissemination.

- The output objective for output 1 on innovation focuses on improving access to digital financial services by the end of the project, with a target set for number of new clients served by new products. Given that this component is focusing on stimulating innovation in a market with a very low base of DFS development, a client coverage target of this type seems inappropriate. Indicators on number of new innovations and products are more suitable.
- The output objective for output 1 also places particular emphasis on increase in use of savings and loans products when much of the fintech innovation that the project supports is focused on payments and transfers. In the context of Sierra Leone, digital payment services may have particularly significant development outcomes in terms of efficient transfer of emergency payments (e.g. social protection payments), improving government tax collection and in supporting remittance receipts from the diaspora.
- Though the objective for output 2 refers to improving regulatory capacity, the indicators do not seek to measure improvement in capacity. Indicators focus rather on numbers of training courses provided and numbers of regulations or policy changes implemented.
- The indicators for output 3 on knowledge dissemination focus on number of knowledge products, dissemination channels and events rather than on the audience reached.

There have been no changes suggested or made to the results framework since the start of the project.

The weaknesses in the design of the project results framework is mirrored in the reporting itself. This may reflect a perception that the indicators against which the project is required to report are not very relevant to management concerns. A quarterly report is submitted to the donor, including a narrative progress report and a quantitative report of achievement against results framework targets. However, there appears to be some confusion between target and achievement figures and between figures for the reporting period and the project to date. Explanation of the achievement figures for some of the output indicators is unclear. From the most recent report reviewed (Quarter 3, 2021), the report states that three new products have been piloted (loan, digital literacy, government payments and collections) when work on the P2G pilot had been suspended²³. It is reported that 75,209 new clients have accessed new products but the source for this figure is provided in the report, and it has not been possible to verify the figure during the evaluation. In reporting against the output indicator for strengthening regulatory capacity, it is not clear whether the two regulatory provisions and the three policy changes reported were introduced during the previous quarter or how they relate to the overall targets.

Weaknesses in reporting against results framework targets also reflect poor reporting by project partners. At the time of the evaluation, only Mosabi had been submitting quarterly reports to UNCDF. The Orange project was too recently launched for a quarterly report to be due. Information presented in the quarterly reporting by Mosabi is also unclear. As discussed in the case study, it has not been possible to verify accurate performance figures for the COVID emergency loans project or how the apparent losses incurred through this pilot have been

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covered. emergency loans project or how the apparent losses incurred through this pilot have been covered.

6.3 GOVERNANCE

EQ. How well is the project being governed, through the involvement and contributions of key partners such as the government counterparts?

The project is managed under the 'Direct Implementation Modality', under which UNCDF manages and implements project activities directly. The project steering committee plays a primarily advisory role. The relationship with the Bank of Sierra Leone as a key partner for the project is based on a Memorandum of Understanding signed with the Bank of Sierra Leone in 2014 and this relationship is now strong. A variety of functions managed outside of Sierra Leone cause delay and inefficiency in project management, notably the process for approval of grants and international recruitment managed by Human Resources at headquarters. Following early conflict of interest issues, UNCDF has been effective in strengthening transparency, independence and fairness in the implementation of competitive bidding processes, an achievement recognised widely by market participants in the country.

As outlined in Section 2.2 above, the project is managed under the 'Direct Implementation Modality', under which UNCDF manages and implements project activities directly. The project is governed by a Project Steering Committee which includes representatives from UNCDF, the Bank of Sierra Leone and IBSA and provides oversight of overall project strategy and implementation. Initially, the Ambassador of Brazil to Sierra Leone represented IBSA on the Steering Committee. The first Steering Committee took place in October 2018, introducing the new IBSA project, the second in May 2020 and the third in April 2021. The second and third meetings involved review of progress under the project, discussed annual workplans and approved requests to IBSA for extension of the funding agreement to June 2021 and subsequently December 2021.

The relationship with the Bank of Sierra Leone as a key partner for the project is based on a Memorandum of Understanding signed with the Bank of Sierra Leone in 2014, predating IBSA funding. UNCDF reports that initially the relationship was formal and bureaucratic with requests for meetings having to be delivered in writing well in advance. This situation has now improved and meetings can be arranged verbally within a day's notice, significantly increasing project efficiency. The Bank of Sierra Leone does manage an account to which UNCDF funds are transferred for capacity building activities. A Letter of Agreement was signed with the Bank of Sierra Leone covering these activities. The cancellation of an overseas study tour as a result of COVID-19 travel restrictions resulted in some funds in this account being repurposed for other uses, notably organising some consultation meetings with stakeholders on the draft client protection guidelines.

The IBSA contribution to the project is managed by the UN Office for South-South Co-operation. UNOSSC considers itself the secretariat for the donor (IBSA) but is not involved in the Steering Committee. UNOSSC reviews reports but has not been involved in technical aspects of the project. This is underscored by the non-conditionality principle for South-South co-operation.

The DFS Sierra Leone project is managed by the UNCDF Sierra Leone office while project plans, budgets and expenditure are approved from the regional office in Dakar.

Operational support, for example in terms of financial reporting and results measurement, is

provided by the UNCDF Brussels office. Grants to partner organisations need to be approved by the UNCDF Investment Committee. The full application and approval process can take from 2 to 4 months. Investments then need to be signed by the Executive Secretary, which can take a further 2 weeks to 1 month. These processes are lengthy and reduce project efficiency.

International recruitment for the project is managed by UNCDF headquarters human resources department. For the DFS Sierra Leone project, all recruitment has been international, with no budget for national staff. The process of international recruitment has been time-consuming and frustrating for the project, with significant impact on efficiency. It took one year to recruit the Inclusive Digital Financial Services Expert. Delays in deploying staff was raised as an issue by the donor representative.

UNCDF signed an administrative agreement with UNDP Sierra Leone covering a range of support functions which UNDP provides, including procurement and, potentially local recruitment. This working arrangement has proved smooth and efficient.

The Fintech Challenge is a competitive process with important governance requirements to ensure independence, fairness and transparency in the selection process. A panel of three independent experts, including the Assistant Director for Banking and Supervision at the Bank of Sierra Leone, the UNCDF country lead in Burkina Faso and a senior staff member from the Directorate of Science, Technology and Innovation were invited to participate in the panel. Particular attention was paid to transparency and independence due to accusations of conflict of interest that had arisen following the first 2017-8 Fintech Challenge, partly funded by UNCDF, leading to an internal UN audit investigation. During the interviews for this evaluation, though the issues of the 2017-8 Challenge were raised, all stakeholders asked about the 2019-20 Challenge observed that the selection process undertaken was transparent and fair.

A recent request for proposals on ‘improving distribution of DFS by leveraging innovative agent models’ was issued in July 2021 with application required through a digital portal. One potential applicant did not fulfil the application requirements by the due date citing technical issues using the portal. While digital application processes may prove challenging for applicants with more limited experience, UNCDF did provide information and guidance to applicants in anticipation of such difficulties. Consistent enforcement of rules on digital application, as occurred in this instance, is an important guarantee of transparency and fairness.

6.4 RESOURCE ALLOCATION TO CROSS-CUTTING ISSUES

EQ. How well are resources (financial, time, people) allocated to integrate Human Rights (HR) & Gender Equality (GE) in project implementation, and to what extent are HR & GE a priority in the overall intervention budget? Are such resources being used efficiently?

No specific resources have been allocated in the project to integrate gender equality or human rights in project implementation.

No specific resources have been allocated in the project to integrate gender equality or human rights in project implementation. The project has not been able to access specific expertise or technical assistance on gender issues. The project seeks to have a gender impact through a mainstreaming approach which does not require separate project activities with specific budget lines.

6.5 ADAPTABILITY TO COVID-19 RESTRICTIONS

EQ. How has project management adapted to the impact of COVID-19 in the design and management of the project, and with what likely results?

COVID related restrictions were relatively light in Sierra Leone. Nevertheless, international travel restrictions impacted project implementation and COVID related delays were cited as reasons for a no cost extension request in August 2020. Activities effected included client training by Mosabi and overseas study tours for Bank of Sierra Leone that were cancelled. COVID-19 restrictions did, however help to highlight the benefits of digital channels for financial services, reducing the need for close contact and use of cash.

COVID related restrictions were relatively light in Sierra Leone with a three-day lockdown in April 2020, international and inter-district travel restrictions between April and June and a night curfew till October. Nevertheless, the restrictions in Sierra Leone and internationally have had a significant impact on project implementation. COVID related delays were cited as reasons for the project no cost extension requested in August 2020. These include: inability of Mosabi to continue conducting face to face training with clients using their financial education app. Overseas study tours planned to support capacity building for Bank of Sierra Leone staff could not go ahead with budget shifting to online training through providers such as the Digital Frontiers Institute and the Judge Business School in Cambridge, UK.

In a more fundamental sense, COVID 19 restrictions, however, also helped to highlight the benefits of digital channels for financial services, reducing the need for close contact and use of cash. The project sought to capitalise on this opportunity through support for the piloting of a COVID-19 emergency loans through the Mosabi app, with application, disbursement and repayment through mobile money, This was a positive response to the opportunities that arose from what otherwise was a highly disruptive set of circumstances. The results of the pilot itself are discussed in effectiveness section below and in the Mosabi case study.

7. Effectiveness

7.1 OUTPUT 1

EQ. To what extent have DFS Project activities under Output 1 contributed to improved access to DFS, credit and savings for women, youth and MSMEs in Sierra Leone?

DFS project activities under Output 1 have made a limited contribution to improving access to DFS, credit and savings for women, youth and MSMEs in Sierra Leone. Four innovation grants were provided from the Investment Facility for Innovation. These included the Mosabi-Salone Microfinance Trust financial education app and digital loan product, developing subsequently into the COVID-19 recovery loan; a payment platform product to be developed by Cellulant Nigeria; a digital banking platform to be developed by Innovation SL; and an agent network expansion project, combined with financial education and a new digital loan product, to be developed by a consortium led by Orange Money.

Minimum viable products were developed by the three fintech partners but only one, Mosabi-SMT, had been able to formally pilot the product by the time of the evaluation. The pilot helped Mosabi to identify and address a number of challenges for product roll-out, including limited access to smart phones, technical issues integrating with Orange Money and repayment problems with the COVID-19 recovery digital loan product. Challenges faced by Innovation SL included a long delay in issuing a license for entry to the Regulatory Sandbox. The Orange Money agent network expansion project is in early stages of implementation and it is too early to comment on effectiveness of the intervention.

Three out of four targets under Output 1 have not been met. Activities under Output 1 include the pilot projects funded under the Investment Facility for Innovation listed in Table 3. Achievement against targets are outlined in Table 8 below based on the Quarter 3 2021 report. Overall, the target for the number of innovations supported has been met, though the Orange project was only signed in November 2021 and will be funded predominantly from non-IBSA sources. The target for number of new products introduced has not been met. Indeed, by the time of the evaluation, only the Mosabi Financial Education app had been launched and piloted. The MVP for this product had been developed under earlier funding for the 2017-8 Fintech Challenge. As noted earlier, the figures for number of new clients served with new products and loans cannot be verified.

Table 8: Output 1 targets and achievements as reported by project Q3 2021

Output Indicators	Target	Achieved ²⁴	Narrative	RAG Rating ²⁵
Number of FinTech innovations (by type of innovation, nature)	4	4	Mosabi; Cellulant; Innovation SL; Orange	G

²⁴ In the quarterly project reports, this column is labelled 'target for reporting year' but appears to report achievement figures.

²⁵ This rating is made by the UNCDF project.

Output Indicators	Target	Achieved ²⁴	Narrative	RAG Rating ²⁵
Number of new products introduced (by: type, nature)	3	2	Mosabi financial education app; Orange	G
Total Number of new clients served with new products (by gender, age, target group)	100,000	75,209		A
Number of new clients served with loans	75,000	58,234		A

Prior to the IBSA project, InvestED, which subsequently changed its name to Mosabi, won the 2017 Fintech Challenge and was given a grant to develop a financial education application to minimum viable product stage. Mosabi is a US based technology firm which aims to bridge the gap between Fintech and Edtech. The project concept involved clients downloading the app on a smartphone, following the financial education training videos and then registering and applying for a digital loan through the app. Underlying this model was the idea that gaining financial education should improve client creditworthiness and access to finance.

After winning the 2017 Fintech Challenge, Mosabi entered the regulatory sandbox and developed the MVP. Under IBSA funding, a grant of \$63,000 was then provided by UNCDF in February 2019 to pilot a financial education app, conduct successful System Integration Tests and User Acceptance Tests, establish partnerships with 2-3 implementing partners and sign up 1000 users, with 400 accounts opened and 500 users accessing loans. The grant was for an initial 11 month period. In December 2019, the agreement was extended for 12 months until December 2020 and subsequently until end February 2021.

The financial education platform and loan product were piloted in 2019 primarily with clients of Mosabi's partner organisation, Salone Microfinance Trust. After the COVID-19 outbreak, the loan product was adjusted and renamed as a COVID-19 recovery loan product. UNCDF did not provide any additional financial support for this adjusted product. It appears that the Mosabi app and loan product were then publicised more widely on Facebook and eligibility opened to all those who downloaded the app. According to Mosabi reports to UNCDF, COVID recovery loans were approved for 521 app users by the end of Q4 2020.

However, subsequent reports seem to indicate a much higher uptake of the COVID recovery loans, though these figures cannot be verified. In the Q1 2021 report, UNCDF reported that: "piloting of digital loan (the emergency Covid-19 credit product) in partnership with Mosabi and Salon Finance Trust Limited ended in February 2021, registering 16,031 beneficiaries by the end of the pilot in February 2021". During the evaluation mission, Mosabi and SMT also claimed that up to 15,000 COVID recovery loans had been disbursed. Mosabi and SMT reported significant repayment difficulties, with only 38% of loans repaid. UNCDF did not provide further grant funding for this pilot so it can only be presumed that the significant financial loss associated with the COVID 19 recovery loans at this scale was borne by SMT.

The piloting of the financial education app and digital loan product revealed a number of challenges:

- Low penetration of smart phones that can use the Mosabi app and limited access to data bundles resulted in Mosabi providing training to SMT members in an invited, classroom setting using tablets.
- COVID restrictions disrupted plans for in-person trainings and meetings.
- Language barriers were mentioned as a constraint.
- For the loan disbursement, technical integration issues arose with Orange for disbursement and repayment.
- Repayment performance of loans was reported as low though figures were not presented in Mosabi quarterly reports.
- The loan size for COVID loans (SLL 150,000) was reported to be too small to be attractive for small business owners.

Cellulant Nigeria was one of the two winners of the 2019-20 Fintech Challenge, funded through IBSA. The competition was designed to solicit ideas to address the following two challenges:

- “How to digitise informal savings and lending groups such that it leads to greater access to financial services – bigger loans, savings, other financial services, and non-financial services such as energy, education, knowledge, market linkages among others.
- “How to digitise payments and collections, for example revenue collection, energy, health and education payments”.

In response, Cellulant Nigeria proposed to develop a fintech platform for access, usage and adoption of digital financial services such as payments, savings and credit. UNCDF signed a two-month grant agreement in February 2020 providing \$20,000 to the company to develop a minimum viable product. As a leading Nigerian payments company with operations in other African countries, the company was well placed to replicate technology already in operation elsewhere. However, the company experienced management differences and in 2021 a shareholder conflict escalated to the courts. The company lost nearly all its staff. UNCDF therefore decided not to continue with piloting of the payments platform.

Innovation SL was the second winner of the 2019-20 Fintech Challenge. In response to the RPF, Innovation SL proposed to develop a digital banking platform using a marketplace model and BaaS (Backend as a Service) model for payments, savings, credit and insurance. UNCDF signed an agreement in March 2020, providing \$20,000 to support development of a minimum viable product. An MVP was developed and UNCDF facilitated introduction to Ecobank Microfinance and Lapo Microfinance who agreed to test the platform. The innovation sought to simplify customer acquisition and account opening and to offer agent services for a range of financial service providers using PoS devices. Innovation SL has successfully tested integration with Lapo Microfinance’s core banking system, At the time of the evaluation, Innovation SL’s application to enter the regulatory sandbox had been pending for 18 months. Without this regulatory license, Innovation SL cannot move on to a formal pilot of the platform. There appears to be nervousness about regulating a fintech firm which is not subject to regulation as a bank or other type of regulated institution.

Orange Money responded to a Request for Proposals on ‘improving distribution of DFS by leveraging innovative agent models’ issued by UNCDF in July 2021 and was the only one of three applicants selected. A 10 month agreement was signed with Orange in November 2021 covering a UNCDF grant of \$150,000 for a programme to expand Orange’s agent network by 2500 new or reactivated agents (50% women and 50% youth), to launch two enhanced digital

credit products financed by Empire Solutions and to facilitate financial literacy training for 10,000 clients via the Mosabi app. This grant is partially funded under the IBSA project (\$30,000) and partly from other sources. At the time of the evaluation, Orange Money was completing workplans, agent training material and financial education training materials as required for the first milestone payment.

By the end of the IBSA funding in December 2021, the DFS Sierra Leone project had supported work on innovations with four partners but the Mosabi financial education app and digital loan product were the only new digital financial services that had been piloted.

It is estimated that SMT digital loans facilitated through the Mosabi app had been disbursed to about 500 clients. The other products were either delayed, suspended or in early stages of development. Factors limiting the success of these pilots included low penetration of smart phones, technical integration issues with mobile money providers, regulatory obstacles and delays and the impacts of COVID-19 restrictions.

7.2 OUTPUT 2

EQ. To what extent are DFS Project activities under Output 2 contributed to strengthen the regulator's institutional capacity to formulate and implement FinTech regulatory framework for Sierra Leone?

The project has made a significant contribution to strengthening the regulator's institutional capacity to formulate and implement the fintech regulatory framework for Sierra Leone. The DFS Sierra Leone project has supported mainly online training for 8 Bank of Sierra Leone staff on topics such as digital financial services, supervision of fintech, consumer protection and digital identity.

Under the IBSA project, the DFS Sierra Leone project has provided technical assistance to the Bank of Sierra Leone in the drafting of three sets of regulations and guidelines: the Tiered KYC guidelines, the agent network guidelines, both of which were published in 2020, and the consumer protection guidelines. The Tiered KYC guidelines have provided opportunities to commercial banks to develop simple products for lower income customers but have tended to constrain the mobile money operators who were previously subject to looser regulatory controls. The agent network guidelines similarly are considered to be geared towards supporting the development of agent banking but potentially adding constraints to mobile money agent operations.

The Annual Provider Survey has provided very useful data for market participants on the state of DFS service provision in the country. The evaluation of the National Financial Inclusion Strategy will help to inform drafting of the new strategy but this is delayed due to the lack of up to date demand side information. The Alliance for Financial Inclusion is committed to conducting such a survey, after which recommendations from the evaluation can provide input to the strategy drafting process.

The DFS Sierra Leone project has met all three output indicator targets for Output 2, including work on Bank of Sierra Leone staff capacity building, introduction of new regulatory provisions and support for policy changes. Achievement against targets are outlined in Table 9 below based on the Quarter 3 2021 report. However, the extent to which these activities have strengthened the regulator's institutional capacity to formulate and implement the regulatory framework is discussed further below.

Table 9: Output 2 indicator targets and achievements reported by project

Output Indicators	Target	Achieved	Narrative	RAG Rating
Number of capacity development activities for regulators in DFS/Fintech (by: nature of training, topics, knowledge)	2	8	8 Central Bank staff have undertaken online training courses in several subjects	G
Nature and type of regulatory provisions introduced	3	4	<ul style="list-style-type: none"> • Two regulations passed (Agency guidelines, Tiered KYC) • Sandbox regulatory framework gazetted by the central Bank; • Consumer protection regulations yet to be gazetted. 	G
Number and nature of policy changes introduced	3	3	Client protection policy; National Financial Inclusion Strategy ; Tiered KYC and agent network regulations.	G

Central bank staff capacity building

Under IBSA funding, the head of the Fintech regulatory sandbox was supported to visit Kenya in July 2019, also attending the Africa-Asia Fintech Festival in Nairobi. Staff of the Financial Sector Development Department (3), Banking and Supervision Department (3) and Other Financial Services Department (2) were supported to undertake online training courses with the Digital Frontiers Institute and the Judge Business School, University of Cambridge on topics including digital financial services, supervision of fintech, consumer protection and digital identity. Some staff have attended more than one online training course.

Regulatory provisions

Sandbox regulations. The framework for the fintech regulatory sandbox was developed with support from UNCDF under earlier USAID funding. However, the regulations are reported to have been gazetted in 2020, during the term of the DFS Sierra Leone project. The Bank of Sierra Leone employed three staff to run the regulatory sandbox although only one of these staff was still in place at the time of the evaluation. Staff turnover has negatively affected the impact of earlier UNCDF investment in capacity building. A first cohort of three fintech companies were licensed in the sandbox but the licensing process has been very lengthy, with UNCDF grantee Innovation SL, waiting at least 18 months for a license.

TA on Agent network banking regulations. UNCDF provided technical assistance to the Bank of Sierra Leone on the agent network guidelines. This assistance started before IBSA funding. A UNCDF international expert was paired with a counterpart at the Bank of Sierra Leone. The expert reviewed and commented on the draft which was also reviewed by the Alliance for Financial Inclusion. A Bank of Sierra Leone representative also commented that the Office of the US Treasury was also involved in the development of the agent guidelines. A copy of the 'Guidelines on use of agents', dated January 2020, is available on the website of the Bank of Sierra Leone.

In interviews for this evaluation, both Orange and Afrimoney representatives commented that the Agency guidelines were more appropriate for bank agents and were too restrictive for mobile money agents. They had requested that separate guidelines be issued for each category.

Most mobile money agents are managed through aggregators and super dealers who, it is believed by the mobile money operators, will struggle to enforce requirements for individual agents. The Afrimoney representative commented, however, that the guidelines were not yet being enforced by the Bank of Sierra Leone. Neither of the two commercial banks interviewed for the evaluation were yet utilising the guidelines to establish their own agent networks. While only recently issued, the agent guidelines therefore appear to have had a limited impact on the market to date.

TA on Tiered KYC guidelines. UNCDF also provided technical assistance to the Bank of Sierra Leone for the drafting of new tiered KYC guidelines. This assistance started before the IBSA project and also involved review of Bank of Sierra Leone drafts by a UNCDF international expert. The Directive on Tiered Know Your Customer (KYC), dated June 2020, is available on the Bank of Sierra Leone website. The guidelines allow for reduced client identification requirements for basic accounts with daily and monthly transaction limits²⁶ and other limitations such as withdrawals allowed by third parties.

Earlier mobile money guidelines had not specified KYC requirements clearly for mobile money accounts. The introduction of tiered KYC therefore constituted a tightening of regulation for mobile money providers. Afrimoney commented that the tiered KYC guidelines constrain their business as transaction limits for Tier 1 accounts are very low but few customers can meet the identify requirements for higher tier accounts. About 80% of Afrimoney accounts are Tier 1. The difference between Tier 1 and Tier 2 accounts is also very small. Full KYC requirements cannot be fully implemented until a national identity system is in place through which financial institutions can validate customers' identity documents. Currently Afrimoney can use the identification requirements of Africell customers to purchase a SIM card in order to register for a mobile money account.

For commercial banks, on the other hand, where KYC requirements had previously limited their ability to serve low income customers, the tiered KYC regime has provided greater flexibility, allowing banks such as Sierra Leone Commercial Bank to launch a new product - 'quick accounts' for market traders.

Client protection guidelines. In 2020, the DFS Sierra Leone project funded research on consumer protection conducted by Innovations for Poverty Action (IPA)²⁷. The research included a phone survey of clients of a variety of financial institutions, a review of documents and policies from financial service providers and a 'mystery shopping' exercise to understand how financial institutions deal with customer complaints. The findings and recommendations on how to improve consumer protection were used to help inform the development of consumer protection guidelines by the Bank of Sierra Leone. A consumer protection unit has been established within the Banking Supervision Department. These guidelines were reviewed by an international UNCDF expert. The guidelines have not yet been issued by the Bank of Sierra Leone and are therefore not available on the Bank of Sierra Leone website. While DFS Sierra Leone has provided research and technical assistance, there has not been any support to the Bank of Sierra Leone for dissemination of the guidelines, public education, monitoring and enforcement.

²⁶ Transaction limits: Tier 1 daily SLL 500,000 monthly SLL 2,500,000; Tier 2 daily SLL 1,000,000 monthly SLL 5,000,000.

²⁷ Scoping study on consumer protection in Sierra Leone; Prepared by Innovations for Poverty Action for United Nations Capital Development Fund and Bank of Sierra Leone; November 12, 2020

Policy changes

Evaluation of National Financial Inclusion Strategy. Under the earlier MM4P programme funded by USAID, UNCDF had provided support to the Bank of Sierra Leone to develop a National Financial Inclusion Strategy covering the period 2017-2020. This strategy has now elapsed and a new strategy is in preparation. UNCDF has supported this process through commissioning an evaluation of the first strategy, recommendations from which will inform drafting for the new phase.²⁸ An important foundation for development of the new strategy is up to date data on the state of financial inclusion in Sierra Leone. No new survey data has been available since the 2017 Findex Survey, after which there have been significant developments, notably in the development of mobile money services. Initially Financial Sector Deepening Sierra Leone was committed to funding a demand side survey though these plans were abandoned after the organisation sustained budget cuts. More recently, the Alliance for Financial Inclusion has committed to commissioning a survey. While UNCDF has been working with the Bank of Sierra Leone on ideas for the new strategy, no new strategy will be published until the demand survey has been completed.

Annual Provider Survey. In the absence of detailed supply side data published by the Bank of Sierra Leone, UNCDF has carried out a survey of DFS suppliers on an annual basis from 2018 to 2021. The 2021 survey was funded under the IBSA grant. The survey provides data on institutions providing digital financial services, the number, type and volume of transactions, details on agent networks etc. In interviews for this evaluation, the survey report was widely recognised as an important source of data on the market by a wider range of providers, including mobile money operators, banks and MFIs.

While the project has supported the Bank of Sierra Leone to develop and publish these regulatory guidelines, implementation and enforcement of the guidelines has been slow, particularly in the area of consumer protection. One interviewee also raised the question of whether the issue of guidelines by the central bank had the same regulatory force as would the issue of regulations. This distinction was not explored with the Bank of Sierra Leone. However, it is also clear that, while guidelines have been published, Bank of Sierra Leone has limited staff and resources to disseminate, monitor and enforce these regulatory provisions.

7.3 OUTPUT 3

EQ To what extent are DFS Project activities under Output 3 contributed to the documentation and dissemination of lessons and best practices about implementing FinTechs innovations in Sierra Leone?

UNCDF Sierra Leone communicates primarily through the UNCDF website, through publication of reports, blogposts and news items. Communications in 2019 focused on the 2017 and 2018 Annual Provider Surveys, the launch of the 2019-20 Fintech Challenge and the drafting of consumer protection guidelines. IN 2021, output focused on the Annual Provider Surveys of 2019 and 2021, the evaluation of the National Financial Inclusion Strategy and the announcement of the new project with Orange Money. Unique views of publications, blogs and news on the UNCDF website are relatively low, though it has not been possible to establish a benchmark comparison.

²⁸ Final Evaluation of Sierra Leone National Strategy for Financial Inclusion; UNCDF and Ayani; July 2021.

The DFS Sierra Leone project has met all three output targets for Output 3. Achievement against targets are outlined in Table 10 below, based on the Quarter 3 2021 report. Although it is hard to match the figures for results achieved presented in the table, the discussion below indicates that targets have been met in terms of number of knowledge products, channels for dissemination and number of events organised.

Table 10: : Output 3 indicator targets and achievements reported by project

Output Indicators	Target	Achieved	Narrative	RAG Rating
Number of knowledge products (by: type, topic, audiences)	3	4		G
Nature and type of dissemination options used (by channels – on line, print; number of audiences reached)	4	5		G
Number of events organised (by type, stakeholders present)	3	9		G

UNCDF Sierra Leone communicates primarily through the UNCDF website, through publication of reports, blogposts and news items. The project has also posted videos on Youtube and keeps a log of occasions when the project is mentioned in the press. The communications log for the project shared with the evaluation team is summarised below in Table 11. The figures show active communications in 2019 and 2021 and a drop-off in activity in 2020, presumably resulting from the COVID-19 restrictions.

Table 11: Communications log for DFS Sierra Leone project 2019-21

	2019	2020	2021	Total
Report	2		1	3
Video	2			2
Blog			3	3
News items	3	2	4	9
Press clipping	3			3

In terms of topics, communications in 2019 focused on the results of the 2017 and 2018 Annual Provider Surveys, the launch of the 2019-20 Fintech Challenge, the preparation of consumer protection guidelines. IN 2021, output focused on the Annual Provider Surveys of 2019 and 2021, the evaluation of the National Financial Inclusion Strategy and the announcement of the new project with Orange Money. There were also communications about two other UNCDF initiatives outside of the DFS Sierra Leone project: the capacity building for entrepreneurs in Sierra Leone and the mapping of the digital ecosystem. Given the still nascent state of the fintech sector in Sierra Leone, it may be too early to expect the project to be able to disseminate lessons and best practice on implementation of fintech innovation.

Unique views of publications, blogs and news on the UNCDF website are relatively low, though it has not been possible to establish a benchmark comparison. Data for 2021 on the

number of page and unique views is available for publications launched in 2021 and is presented in Table 12 below. As these publications were uploaded at different points through the year, the number of unique views per month has been calculated. UNCDF reports that these figures are high compared with publications from other UNCDF projects. Visitors/readers from Sierra Leone account for over 30% of the total.

Assessing other well known external sources of information on financial services, however, shows that UNCDF output does not receive wide exposure. On the [FinDev Gateway](#) website, managed by CGAP, for example, there are four reports on financial services in Sierra Leone from 2018 to now, none of which were produced by UNCDF²⁹.

Table 12: Page and unique views for DFS Sierra Leone communications on UNCDF website in 2021.

Publication Name	Date	Months	Type	Page Views	Unique Views	Unique view/month
State of the Digital Financial Services Market in Sierra Leone 2019	26-Jan	11	Publication	1180	585	53
The State of the Digital Financial Services Market in Sierra Leone 2019	03-Mar	10	News	709	287	29
Why Map the Sierra Leone Digital and Entrepreneurial Ecosystem ?	28-Jun	6	Blog	611	265	44
Sierra Leone's Journey Towards Digital and Financial Inclusion	07-Jul	6	Blog	1365	609	101
State of the Digital Financial Services Market in Sierra Leone 2021	18-Sep	3.5	Publication	174	77	22
What's the state of digital finance in Sierra Leone in 2021?	11-Oct	2.5	Blog	252	109	44
Sierra Leone's Journey Towards Financial Inclusion (Part 2)	15-Oct	2.5	Blog	236	101	40
Digital and Entrepreneurship Report	21-Oct	2	Publication	275	125	63
Mapping the Sierra Leone digital and Entrepreneurial Ecosystem	21-Oct	2	Blog	123	56	28
Sierra Leone - Boosting Entrepreneurs Skills with Financial and Digital Literacy Trainings	17-Dec		News	48	23	
Sierra Leone - A new private sector consortium in digital finance for underserved markets	20-Dec		News	74	35	

In terms of domestic dissemination of reports within Sierra Leone, the project mentioned circulating reports to the various working groups set up to implement the National Financial Inclusion Strategy. The knowledge product consistently mentioned by stakeholders in Sierra Leone interviewed for the evaluation was the Annual Provider Survey 2021 which was

²⁹ Accessed 2nd April 2022

described as a vital and unique source of reliable information on the market by respondents including representatives of commercial banks, mobile money operators and MFIs.

Events organised through the DFS Sierra Leone project include the launch event for the 2019-20 Fintech Challenge and a number of consultation events organised by the Bank of Sierra Leone to gather stakeholder feedback on the draft consumer protection guidelines.

These events have formed part of the project implementation process rather than events to disseminate lessons and best practice on fintech innovation.

8. Impact

8.1 IMPACT ON GROWTH

EQ. To what extent are the DFS project results contributing to resilient and inclusive economic growth through provision of available, accessible and affordable DFS to all Sierra Leoneans and MSMEs?

GDP growth rates in Sierra Leone have been volatile with significant negative shocks caused by Ebola and the fall in iron ore prices in 2015 and by the COVID-19 pandemic in 2020. The contribution of digital financial services to GDP growth is likely to be negligible.

Data is not available to confirm trends in financial inclusion since the last Findex survey in 2017. However, it is clear that, since then, the growth in mobile money usage has led to a significant increase in the percentage of adults holding a formal account with a regulated financial institution. The contribution of the DFS Sierra Leone project is unknown but is likely to have been limited. Fintech innovations supported under the project have yet to result in a significant increase in access to financial services. Similarly, regulatory and policy changes have been relatively recent and have made a limited contribution to the surge in mobile money usage.

As noted in relation to the project’s Theory of Change, the contribution of digital financial services to GDP growth is likely to be negligible. Figure 3 below shows the annual growth rate for Sierra Leone over the period 2010-20, illustrating the overwhelming influence of wider economic factors, notably the iron ore price and Ebola leading to a 20% fall in GDP in 2015 and more recently the negative impact of COVID-19 restrictions on economic growth in 2020.

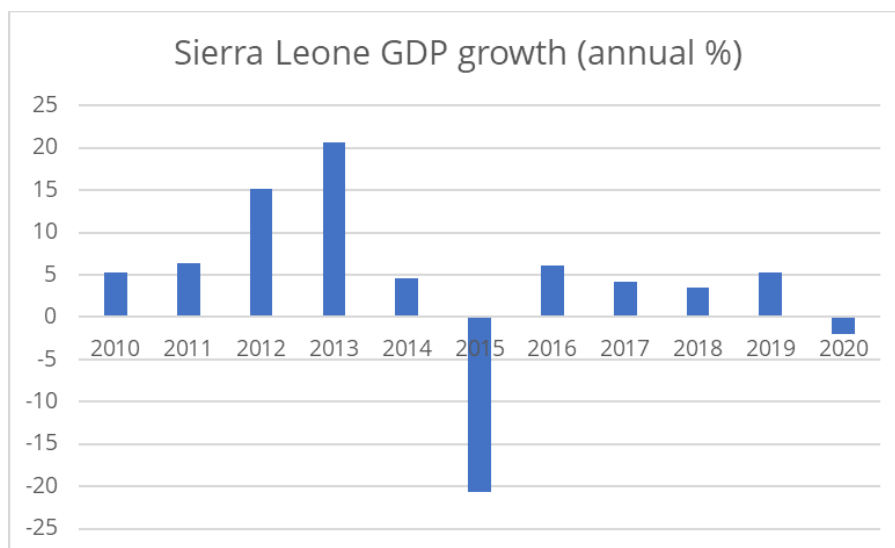


Figure 3: Sierra Leone GDP annual growth (%) – Source World Bank data

Data is not available to confirm trends in financial inclusion since the last Findex survey in 2017. However, it is clear that, since then, the growth in mobile money usage has led to a significant increase in percentage of adults holding a formal account with a regulated financial institution.

The largest mobile money operator, Orange, estimates that the number of mobile money accounts has increased from 300,000 in 2018 to 1.5 million accounts active within last 30 days and 2.7 million accounts active within the last 90 days by December 2021. Launched in October 2016, Afrimoney currently has 150,000 active accounts.

As has been noted in section 7 above, contribution of the DFS Sierra Leone project is likely to be limited. Fintech innovations supported under the project have yet to result in significant increase in access to financial services. Similarly, regulatory and policy changes have been relatively recent and have made a limited contribution to the surge in mobile money usage. The Tiered KYC regulations and the Agent Network guidelines were issued in 2020 and are considered to be aimed more at helping the banking sector to compete with mobile money providers by developing new agent networks and facilitating outreach to lower income customers.

8.2 IMPACT ON CROSS-CUTTING ISSUES

EQ. To what extent are DFS project results likely to change attitudes and behaviours towards HR & GE on various stakeholder groups, and to reduce the underlying causes of inequality and discrimination ?

Project activities aimed specifically at increasing financial inclusion of women and youth have been limited. The project with Orange and consortium to promote recruitment and retention of women as mobile money agents has been recently launched and is not yet at a point where it is meaningful to measure impact.

As outlined in section 4.3 above, while the project objectives have general relevance to the issue of gender equality, project activities aimed specifically at increasing financial inclusion of women and youth have been limited. The project with Orange and consortium to promote recruitment and retention of women as mobile money agents has been recently launched and is not yet at a point where it is meaningful to measure impact. As outlined in section 7 above, other project activities to date are not found to have had any specific gender related effects.

9. Sustainability of programme results

9.1 SUSTAINABILITY OF REGULATORY CAPACITY

EQ. To what extent are any changes in the capacity of the regulator to develop and implement Fintech regulatory framework likely to continue over time?

Turnover of staff at the Bank of Sierra Leone has been relatively low but in certain departments staff attrition has jeopardised long term capacity to implement the regulatory framework. The lack of human and financial resources still hampers the ability of the Bank of Sierra Leone to make full use of TA and to take forward the implementation of guidelines drafted with this technical support, as reported in the evaluation of the National Financial Inclusion Strategy.

Overall turnover of staff at the Bank of Sierra Leone has been relatively low but in certain departments staff attrition has jeopardised long term capacity to implement the regulatory framework. Of the three staff hired to run the Fintech regulatory sandbox, only one remains in position. UNCDF investment in training of sandbox staff had only short term benefits. Recruitment of new sandbox staff appears uncertain and slow, with difficulties in identifying with staff with relevant specialised skills.

The long term benefits of technical assistance to a government partner such as the Bank of Sierra Leone also depend on the capacity of the institution to absorb and use the assistance. Where absorptive capacity is low, consultants may end up taking over the role of government staff rather than building their capacity. In the case of the DFS Sierra Leone project, international TA has been used in a supporting role – commenting on regulations drafted by government officials. However, the lack of human and financial resources still hampers the ability of the Bank of Sierra Leone to make full use of TA and to take forward the implementation of guidelines drafted with this technical support. The Financial Sector Development Unit commented on overwork and lack of staff.

The National Financial Inclusion Strategy evaluation report highlighted capacity limitations effecting implementation. The report concluded that “the strategy was overambitious and not aligned with the resources and capacity of the BSL to achieve it (limited budget and small number of personnel)”. It observed that the working group structure was ineffective: “The six Working Groups met sporadically, accomplished little, and participation dropped off. The high-level Technical and Steering Committees never met.” This was explained because the Secretariat was “overworked, understaffed, and underbudgeted.” Continued provision of technical support to a structure under such strain carries risks for the long-term sustainability of interventions to improve regulatory capacity.

9.2 SUSTAINABILITY OF CHANGES TO THE FINANCIAL SYSTEM

EQ. How sustainable are changes in the inclusive finance system (at macro, meso and micro-levels) likely to be over time?

The Presidential election scheduled for June 2023 is the cause of anticipated instability and related risk to the financial system. Political interference has been identified as a potential obstacle to financial sector and DFS growth for example through limitations to P2G payment pilots, blocking access to international funds and political interference in distribution of subsidised credit. However, political commitment to the objectives of the DFS Sierra Leone project is unlikely to change. Continued investment by mobile money companies and the expected deployment of the National Switch should both contribute to continued growth in digital financial services. At the macro-level, therefore, changes in the financial system are likely to be sustained.

Elections tend to accentuate division along party, regional and ethnic lines and are therefore a source of risk and instability. The next Presidential Election is due to be held in Sierra Leone in June 2023 and preparations for the election are already effecting government policy and activity. Political interference is reported to be a serious ongoing problem for Sierra Leone's financial sector development, Examples include:

- Obstruction of Freetown City Council's efforts to digitise P2G payments such as property tax due to political differences between central government and city mayor.
- One of the banks interviewed complained of government interference in blocking their access to international funds.
- Accusations are made that the Munafa Fund that provides government funds for on-lending to SMEs, may be subject to political targeting.

However, since the civil war Sierra Leone has experienced a series of peaceful political transitions following orderly elections. Moreover, it is unlikely that promotion of financial inclusion or digital financial services will be a contested policy area. Political commitment to the objectives of the DFS Sierra Leone programme are unlikely to change. Less certain is the degree of government focus and investment in this area during and after the upcoming election period and on-going intra-government disputes along party political lines.

Both Orange Money and Afrimoney are predicting continued growth in the development of their networks and account numbers. As the predominant driver of financial inclusion in the country, mobile money systems appear likely to continue growing, given continued investment in expansion by these companies.

If implemented successfully, the national switch, set up by the Bank of Sierra Leone with support from the World Bank, will also provide a significant stimulus to growth in the sector through the benefits of interoperability. Hardware for the switch is in place, legislation ready to be enacted and banks contacted for this evaluation indicated their eagerness and readiness to be connected.

10. Conclusions, Lessons and Recommendations

10.1 CONCLUSIONS

Between 2019 and 2022 there has been a significant increase in use of digital financial services and of financial inclusion in Sierra Leone. It is not possible to accurately quantify this increase as there has not been a demand side survey conducted in the country since 2017. However, the two main mobile money operators report a rapid increase in accounts and, more recently, active accounts. The 2021 Annual Supplier Survey records an increase from 1.4 million 90 day active accounts in December 2019 to 2.2 million in December 2020. Clearly, targets for the project's outcome and impact objectives in terms of increased financial inclusion have been reached, though the disaggregated increase in financial inclusion of women and youth is not clear.

However, it seem unlikely that this increase has been achieved largely as a result of improved regulation or of fintech innovation. The two large mobile money companies identify a number of potential factors behind this growth. These include: i) the impact of COVID-19 and the increased necessity of digital transactions; ii) the spread of mobile phones and mobile signal throughout the country is an important factor with an estimated 90% of the population able to access a mobile phone³⁰; iii) the low levels of outreach by commercial banks; iv) the continued use of mobile money channels by development agencies to make bulk social payments³¹; v) requirements to make certain payments by mobile money³². Other important factors include the willingness of the two firms to make significant investments in building agent networks and the infrastructure to support them, as well as carrying out major marketing campaigns.

The companies also mentioned that a relatively light and flexible regulatory regime has also facilitated the growth of mobile money. However, it was not an unblocking of regulatory obstacles that spurred this growth, as is implied in the DFS Sierra Leone's Theory of Change. An improved regulatory framework, including the types of tiered KYC and agent network guidelines supported by the project, should enable more stable and balanced growth in the sector. Indeed, these guidelines have been seen as a means of strengthening the position of banks to compete with mobile money. For the mobile money companies, however, the new guidelines are viewed as creating challenges for future growth.

The DFS Sierra Leone project has shown diligence, flexibility and responsiveness in its highly valued support to the Bank of Sierra Leone. It has enabled UNCDF to develop a trusted relationship with BSL which has also been leveraged to help other development partners communicate and work more effectively with the regulator.

Supporting the Bank of Sierra Leone to draft regulations is a necessary but insufficient means to strengthen regulatory capacity. While technical assistance to develop Tiered KYC, Agent Network and Consumer Protection guidelines has been highly relevant to the Bank of

³⁰ Africell is able to sell phones at SLL 30,000 (around US\$3) with a SIM card.

³¹ Africell mentioned that social bulk payments is still the company's main mobile money product.

³² Examples include payments for electricity and to the West African Exam Council for children's public examination fees.

Sierra Leone's needs, there is a potential that guidelines may remain limited in impact due to insufficient resources and manpower within the Bank of Sierra Leone to disseminate, monitor and enforce them, as well as regulators' natural caution in regulating new sectors due to limited knowledge of risks. Innovation SL had been waiting 18 months for a license to enter the fintech regulatory sandbox. Mobile money firms also commented on delays in licensing decisions by the Bank of Sierra Leone. The model of providing technical assistance to an institutions with insufficient capacity to absorb and use it fully carries risks in terms of longer term sustainability of impact.

Fintech remains a small and young sub-sector within the financial services industry and has not yet been able to contribute significantly to increasing financial inclusion in Sierra Leone. The DFS Sierra Leone project has provided invaluable support to the small number of local fintech organisations through providing technical information, networking and funding through the two Fintech challenges. These competitions have demonstrated that there is a relatively small pool of fintech innovators and entrepreneurs in the country. Support provided to the winners of the Fintech Challenges has provided temporary help but the fintech companies have experienced a range of other challenges which constrain development in the sector. Despite establishment of the regulatory sandbox, regulatory constraints remain, including delays in accessing the sandbox and difficulties in accessing USSD codes. In general, the Bank of Sierra Leone still demonstrates reluctance in regulating financial institutions that are not registered as banks, MFIs or mobile money operators. Fintechs have also faced challenges in working with the two main mobile money operator which remain sceptical about the viability and capacity of local fintech firms. As a result, only one fintech product – the Mosabi financial education app – has been developed from Minimum Viable Product stage.

In terms of disseminating knowledge, lessons learned and best practice, the DFS Sierra Leone project has played an important role in generating basic sector level data through the Annual Supplier Survey. This has been valued by financial service providers and helped to fill an important gap in the absence of more comprehensive and updated demand side data. Ideally, this is a role that should be played by the Bank of Sierra Leone rather than UNCDF but capacity issues have also been a constraint. The project has played less of a role in disseminating best practice in DFS within Sierra Leone or of disseminating lessons from the project more widely in the region or with other 'Southern' countries.

The project's Theory of Change, therefore, is valid but incomplete. A conducive regulatory framework, fintech innovation and dissemination of lessons and best practice can contribute to widening financial inclusion but have not proved to be decisive factors in what appears to have been a spectacular growth in DFS and financial inclusion over the period of project implementation. That does not mean that the wrong choices were made in project design: the relevance of the project to the sector and to partner organisations has remained clear. Rather, it demonstrates that the real drivers of DFS growth were already in place: relative political stability, high mobile phone usage, limited banking sector outreach, some strong use cases for mobile money and, latterly, the drive created by COVID-19 restrictions.

10.2 LESSONS

The DFS Sierra Leone project ended in December 2021 but funding for UNCDF work on Digital Financial Services continues, not least through a new EU funded project. The ideas presented below therefore represent lessons from the DFS Sierra Leone project that it is hoped will be useful to UNCDF and other development partners in informing future work on DFS.

1. Technical assistance in the drafting of the regulatory framework for DFS is useful, particularly in introducing and applying international experience in the local context. However, to ensure that the regulatory framework is then disseminated, implemented and enforced may require more intensive, ongoing support to regulatory authorities if institutional capacity is limited. This requires higher levels of investment but potentially also greater selectivity in terms of issues covered.
2. While fintech innovators value initial financial and technical support to develop and pilot their ideas, linkages with financial institutions that can partner with fintechs, bring their innovations to market and commercialise products is also important. Small and innovative fintech companies, supported by development agencies, can face challenges in finding partner banks and MNOs for the piloting and roll-out of their innovations. Brokering partnerships between innovators and major financial service providers is potentially an important role for development partners seeking to foster the fintech sector.
3. Supporting government capacity to collect, analyse and disseminate data relevant to the financial sector. Lack of demand side data on the extent of financial inclusion, its characteristics and causes, makes it difficult for central banks and development agencies to develop strategies and solutions which can address constraints and utilise opportunities in a specific country context.
4. In addition to supporting regulatory capacity and fintech innovation, development partners should seek out opportunities to work with DFS providers to develop, pilot and prove a more diverse range of uses cases for DFS. The DFS Sierra Leone project has attempted this in work with local government on P2G payments but faced challenges in the form of political barriers. Working with a wider set of partners might help to overcome these barriers.

10.3 RECOMMENDATIONS

While the DFS Sierra Leone project has come to an end, some more specific recommendations are presented here which will be relevant for any follow-on interventions on DFS supported by UNCDF in Sierra Leone:

1. In follow-on project support in Sierra Leone, UNCDF should utilise lessons learned from the project outlined above to inform project design and intervention priorities:
 - More intensive support to build regulatory capacity should combine technical assistance for drafting of laws, regulations and guidelines with institutional support for their implementation, including dissemination, monitoring and enforcement. Work on financial education, client protection, fintech regulation, digitising the credit bureau, for example, would require long term focus and investment to support both the drafting and implementation of conducive regulatory frameworks.
 - Supporting fintech through linkage with financial institutions. Future work to support fintech should combine financial support for technical innovation with brokering and networking which can link fintech innovators with potential commercial partners at an early stage.

- UNCDF could build on the success of the Annual Provider Survey to develop Bank of Sierra Leone capacity in collecting both supply and demand side data. The recent decision to establish a Research and Data Department by the Bank of Sierra Leone has created an opportunity for UNCDF to support this important initiative.
 - Work with DFS providers to develop, pilot and prove a more diverse range of uses cases for DFS. Historically, UNCDF has supported work to develop G2P payment systems particularly for Ebola response workers and social bulk payments remains an important market for mobile money providers. Other opportunities could be researched and explored, including digitisation of agricultural value chains and linkages with international remittance services for the diaspora.
2. Improve the results measurement system. In future projects, a results framework should be developed with realistic impact objectives which are distinct from project outcomes. Output targets should be set that are not just a means of ensuring that activities have been completed but actually measure the result of these activities. To measure regulators capacity to regulate the fintech market, possible indicators might include speed and quality of licensing decisions and regularity and content of supervision reports. The results framework should be revisited and, where necessary, revised intermittently to ensure its continued relevance. Reporting against the results framework should be as comprehensive as possible. Follow up is needed with partners to ensure they submit agreed regular reports.
 3. Streamline accountability and administrative procedures. Procedures for grant selection, approval by the Investment Committee and signature by the Executive Secretary is currently causing delay and inefficiency. Measure should be considered to reduce these delays without compromising accountability requirements. Consideration should be given to establishment of a local Investment Committee in circumstances where project scope, budget and duration merited such a step. Similarly, processes for international recruitment by the headquarters Human Resources team should be reviewed to minimise delays and staffing gaps.
 4. Improve communication and co-ordination with the World Bank. While co-ordination of related support from diverse development partners is ultimately the responsibility of the government of Sierra Leone and the Bank of Sierra Leone, it is evident that greater efforts should be made by both the World Bank and UNCDF to ensure regular communication and co-ordination of activities.

11. Gender and Human Rights

The DFS Sierra Leone project is most relevant to the issue of gender equality, with very limited relevance to human rights or climate change adaptation. In the initial project document, the constraints faced by women in terms of financial inclusion are described although there is limited analysis of why these constraints are more serious for women than for men. Sierra Leone is described as 'a highly patriarchal society with institutionalised gender biases and inequalities e.g. discriminatory customary practices require husbands to approve personal and business transactions, there are discriminatory practices of female entitlement and property rights, discriminatory customs in marriage.' However the link between these practices and financial exclusion of women is not further explained.

The 'hypothesis of change' section in the document also posits that DFS can be leveraged to empower women, although the mechanisms through which the project can support this are unclear. The outcome objective of the project is described as financial inclusion 'through provision of digital financial services to low income populations particularly focusing on MSMEs, women, smallholder farmers and youth.' This outcome is to be measured in terms of '% change in financial inclusion among the project target groups' although there is no baseline and no targets were set. Of the three project output objectives, the first refers to 'women, youth and MSMEs have improved access to digital financial services – credit and savings' and the target for clients served by new products is supposed to be disaggregated by age and gender. However, disaggregated figures have not been reported. The other two output objectives are gender neutral.

Project activities aimed specifically at increasing financial inclusion of women and youth have been limited. In the grant agreement with Mosabi, project milestones did not include gender targets though the detailed results targets were disaggregated by gender (number of users who downloaded app, number of borrowers). Mosabi did not report figures disaggregated by gender. Gender targets have been more evident in the most recent project agreement with Orange (partially supported by IBSA funding) in which targets have been set for recruitment of women agents (50%) and for provision of financial education to women clients (65% women and 50% youth). The grants to Innovation SL and Cellulant Nigeria were provided for development of minimum viable products which did not include a specific gender element.

The Annual Provider Survey does not provide disaggregated data on adoption and use of DFS by men and women. UNCDF explained that this is because financial service providers in Sierra Leone do not disaggregate data on their clients by gender.

No specific resources have been allocated in the project to integrate gender equality or human rights in project implementation. The project has not been able to access specific expertise or technical assistance on gender issues. The project seeks to have a gender impact through a mainstreaming approach which does not require separate project activities with specific budget lines.

Annex 1: Evaluation Matrix

OECD/DAC Criteria/Evaluation Question	Indicator/assessment criteria	Research activity
1. Relevance		
1.1 How relevant and how well designed is DFS project's approach to the priorities of the government of Sierra Leone, considering the project's intended support to expand digital financial services among women, youth, micro/small and medium enterprises?	Evidence of prioritisation of DFS and focus on women, youth, MSMEs in government policy and practice e.g. Sierra Leone Medium Term National Development Plan (2019-23), NFIS, deployment of resources to implement NFIS etc. and alignment/misalignment of policy with project objectives.	DFS Market Review
1.2 How relevant is the support provided by DFS project to the needs of partners?	Evidence of documented needs of Central Bank regulators and main DFS providers/fintech innovators	Partner Institution Review
1.3 To what extent does the DFS project design incorporate gender equality (GE), human rights (HR) and climate change adaptation issues? How coherent is it to the needs and interests of all stakeholder groups? Does it offer good quality information on the underlying causes of inequality and discrimination to inform the project?	Evidence of how gender equality, human rights and climate change adaption have been incorporated in project design.	Project management and governance review
2. Coherence		
2.1 How distinct/complementary is DFS project's approach to other projects and initiatives implemented in Sierra Leone by government and/or key development partners with similar objectives?	Evidence of complementarity/overlap with objectives of other projects and initiatives	DFS Market Review
2.2 How compatible is the DFS project intervention to UNCDF's work at the project and regional levels? How compatible is the DFS project intervention to the UNSDCF as well as to initiatives of the UN Country Team in Sierra Leone?	Reference to DFS in UN country strategy in Sierra Leone/UN Sustainable Development Cooperation Framework Sierra Leone 2020-2023. Evidence of linkage with wider UNCDF strategy, including digital strategy (Leaving no one behind in the digital era) and UNCDF strategic framework (previous and new), as well as other DFS projects in West Africa.	DFS Market Review Project management and governance review

OECD/DAC Criteria/Evaluation Question	Indicator/assessment criteria	Research activity
3. Efficiency		
3.1 How well has the DFS Project delivered its expected results to date, including in terms of budget allocation and cost-effectiveness of activities?	Achievement of output targets in results framework and basic analysis and benchmarking of costs incurred to achieve these results.	Project management and governance review
3.2 How appropriate is the project's monitoring system to track direct project results and its broader contribution to the overall objectives?	Regular results framework reporting and evidence of use to inform project activities. Appropriateness of monitoring framework and alignment with UNCDF Integrated Results and Resource Matrix (2022-5).	Project management and governance review
3.3 How well is the project being governed, through the involvement and contributions of key partners such as the government counterparts?	Governance structures in place. Meetings and decision making documented. Feedback from staff and partners on efficiency, flexibility of support.	Project management and governance review
3.4 How well are resources (financial, time, people) allocated to integrate Human Rights (HR) & Gender Equality (GE) in project implementation, and to what extent are HR & GE a priority in the overall intervention budget? Are such resources being used efficiently?	Evidence of budget and HR allocation to specific gender and HR related objectives activities.	Project management and governance review
3.5 How has project management adapted to the impact of COVID-19 in the design and management of the project, and with what likely results?	Feedback from project partners on how the project adapted to COVID-19 restrictions	Project management and governance review; Partner Institution Review
Effectiveness		
4.1 To what extent have DFS Project activities under Output 1 contributed to improved access to DFS, credit and savings for women, youth and MSMEs in Sierra Leone?	Output indicators: no. of fintech innovations; no. of new products introduced; no. of new clients survey (disaggregated by gender and age); no. new loan clients. Data on access to DFS: State of Digital Financial services market in Sierra Leone survey; Global Findex 2017.	Partner Institution Review DFS Market Review

OECD/DAC Criteria/Evaluation Question	Indicator/assessment criteria	Research activity
4.2 To what extent are DFS Project activities under Output 2 contributed to strengthen the regulator's institutional capacity to formulate and implement FinTech regulatory framework for Sierra Leone?	Output indicators: no. of capacity building activities for regulators; type of regulatory provisions introduced; no. and type of policy changes introduced. Evidence of wider changes in Fintech regulation and policy.	Partner Institution Review DFS Market Review
4.3 To what extent are DFS Project activities under Output 3 contributed to the documentation and dissemination of lessons and best practices about implementing FinTechs innovations in Sierra Leone?	Output indicators: no. of knowledge products; no. and type of dissemination channels used; no. of events; lessons and best practices on fintech innovation. Download data for knowledge products produced; feedback forms for events held.	Partner Institution Review
Impact		
5.1 To what extent are the DFS project results contributing to resilient and inclusive economic growth through provision of available, accessible and affordable DFS to all Sierra Leoneans and MSMEs?	Economic growth data 2019-21 and analysis of COVID-19 impacts on economic growth. Data on access to DFS: State of Digital Financial services market in Sierra Leone survey; Global Findex 2017.	DFS Market Review
5.2 To what extent are DFS project results likely to change attitudes and behaviours towards HR & GE on various stakeholder groups, and to reduce the underlying causes of inequality and discrimination ?	Evidence of change in knowledge, awareness and practice of partner institutions towards GE and HR.	Partner institution review
Sustainability		
6.1 To what extent are any changes in the capacity of the regulator to develop and implement Fintech regulatory framework likely to continue over time?	Analysis of political economy factors likely to effect approach to fintech regulation; institutional factors effecting ability to regulate and supervise fintech (institutional capacity, budget, staff turnover) resources (human and financial) allocated to fintech regulation.	Partner institution review
6.2 How sustainable are changes in the inclusive finance system (at macro, meso and micro-levels) likely to be over time?	Analysis of economic and market factors effecting financial system (e.g. effects of COVID-19); financial and institutional strength of main financial service providers in Sierra Leone	DFS market review

Annex 2: Interview guides

1. DFS Market Review

[Relevance]

1. What are the main obstacles and opportunities facing providers of DFS in Sierra Leone? [Probe on: regulatory obstacles, limited demand (e.g. due to mobile signal, limited mobile phones, lack of digital or financial literacy), organisational and financial capacity of FSPs.]
2. How has regulation of DFS and fintech changed over the past three years? How is the regulatory sandbox for Fintech working out?
3. How innovative are financial service providers in Sierra Leone? Have they been able to learn lessons and adopt best practice from other providers?
4. What are the main mandates, objectives and policy priorities of your organisation? How does the DFS Sierra Leone project relate to them?

[Coherence]

5. What is government policy towards Digital Financial Services and how has this changed over the past three years? Are there any government initiatives to promote DFS, in particular relating to youth, women and MSMEs? How do UNCDF activities on DFS align with other initiatives implemented by government, development partners or financial institutions? Are there any complementarities or duplication with other initiatives?
6. How compatible is the DFS project intervention to the UNSDCF as well as to initiatives of the UN Country Team in Sierra Leone?

[Effectiveness]

7. How has access to DFS changed in Sierra Leone over the past three years? Which institutions have started to provide DFS? What services do they provide? Are there any digital savings and loan products? Has there been any impact particularly on women, youth, MSMEs?
8. How has the regulator's institutional capacity improved over the last three years? Have they been able to formulate and implement a regulatory and supervision framework for Fintech?
9. What sources of information are available on best practices and lessons learned in DFS? Through what channels are these sources of information accessed?

[Impact]

10. How has financial inclusion changed over the past three years, particularly for youth, women and MSME's? What are the main drivers of these trends?

[Sustainability]

11. How sustainable are changes in the inclusive finance system (at macro, meso and micro-levels) likely to be over time?

2) Partner Institution Review

[Relevance]

1. What are the main challenges and opportunities faced by your institution? To what extent has the DFS Sierra Leone project been able to help you address these challenges or take advantage of these opportunities?
2. From your experience of working with UNCDF, how has the project been designed to address gender issues? And human rights issues?

[Coherence]

3. How does the DFS Sierra Leone project align with other programmes supported or implemented by your organisation? Are there any complementarities or duplication with other initiatives?

[Efficiency]

4. How do you assess the relationship between the DFS Sierra Leone project and your organisation? [Explore issues of: communication and openness; timeliness; strength of technical support; flexibility etc. as appropriate]
5. Have sufficient funds been allocated to activities conducted by your organisation and was transfer of these funds timely?
6. Have any funds been allocated for interventions with specific gender or human rights related content?
7. How does DFS Sierra Leone monitor programme implementation? Is this monitoring effective?
8. How would you describe the quality of technical support provided by UNCDF ?
9. In what ways has the COVID-19 pandemic and related restrictions effected programme activities?
10. How has the DFS Sierra Leone programme responded to these challenges?

[Effectiveness]

11. What were the objectives set out for the programme activities in which your organisation has been involved? To what extent have these objectives been achieved?
12. What have been some of the challenges in achieving these objectives?
13. What have been some of the factors which have facilitated achievement of objectives?
14. Have the objectives set in terms of gender and human rights been met ?
15. To what extent has project support enabled you to improve access to DFS, credit and savings for women, youth and MSMEs in Sierra Leone? OR

16. To what extent has project strengthening the regulator's institutional capacity to formulate and implement a FinTech regulatory framework?

[Impact]

17. To what extent have programme activities carried out/supported by your organisation impacted on financial inclusion of women, youth and MSMEs ?

18. Have programme activities you are involved in led to any wider changes in the market? e.g. through copying, replication, regulatory change etc.

19. To what extent are DFS project results likely to change attitudes and behaviours towards HR & GE and reduce the underlying causes of inequality and discrimination ?

[Sustainability]

20. Does your organisation intend to continue programme activities after the end of the programme?

21. Does your organisation have sufficient resources (financial, human, organisational) to continue and to further develop programme activities after the end of the programme?

22. How sustainable are the changes brought about by your programme activities?

23. To what extent are any changes in the capacity of the regulator to develop and implement Fintech regulatory framework likely to continue over time?

3) Project Management and Governance Review

[Relevance]

1. To what extent does the DFS project design incorporate gender equality (E), human rights (HR) and climate change adaptation issues? How coherent is it to the needs and interests of all stakeholder groups? Does it offer good quality information on the underlying causes of inequality and discrimination to inform the project?

[Coherence]

2. How compatible is the DFS project intervention to UNCDF's work at the country and regional levels?
3. How compatible is the DFS project intervention to the UNSDCF as well as to initiatives of the UN Country Team in Sierra Leone?

[Efficiency]

4. How well has the DFS Project delivered its expected results to date ?
5. Have any issues arisen in terms of budget allocation ?
6. How do you assess the cost-effectiveness of activities?
7. How would you assess the project's monitoring system in terms of tracking direct project results and its broader contribution to the overall objectives?
8. What issues have arisen in terms of project governance, including involvement and contribution of key partners such as the government counterparts?
9. What resources (financial, time, people) have been allocated to integrate Human Rights (HR) & Gender Equality (GE) in project implementation, and to what extent are HR & GE a priority in the overall intervention budget? Are such resources being used efficiently?
10. What has been the impact of COVID-19 restrictions on project implementation ? How has project management adapted to the impact of COVID-19 in the design and management of the project, and with what likely results?

[Effectiveness]

-

[Impact]

11. To what extent have programme activities carried out/supported by your organisation impacted on financial inclusion of women and youth?
12. Have programme activities you are involved in led to any wider changes in the market? e.g. through copying, replication, regulatory change etc.

[Sustainability]

-

Annex 3: List of interviewees

First Name	Last Name	Position	Organisation
Government			
Sheikh	A. Y. Sesay	Second Deputy Governor	Bank of Sierra Leone
Momoh	Sesay	Director, Financial Sector Development Unit	Bank of Sierra Leone
	Fatamata	Officer, Financial Sector Development Unit	Bank of Sierra Leone
Michaela	Mackay	Director	Directorate of Science, Technology and Innovation
Mahmoud	Javombo	Digital Ecosystems Manager	Directorate of Science, Technology and Innovation
Financial Service Providers			
Richard	Ghoussoub	E-commerce Specialist	Africell
David	Mansary	CEO	Orange Money
Winston	Williams	Managing Director	EcoBank MFI
Michael	Kamara	Executive Director	GGEM Microfinance Services
Chris	Czerwonka	CEO	Mosabi
Gabriel	Eshiague	Managing Director	LAPO Microfinance
Agyeman	Taqi	Network Manager	Sierra Leone Commercial Bank
Sampha	Koroma	CEO	Union Trust Bank
Francis	Stevens George	CEO	Innovation Sierra Leone Limited
Development Partners			
Bruno	Aka	Payment System and Digital Finance Officer	African Development Bank
Monique	Newiak	Representative in Sierra Leone	International Monetary Fund
Michael	Saffa	Economist	International Monetary Fund
Nicholas	Smith	Financial Sector Specialist	World Bank
UNCDF			
Henri	Dommel	Director, Inclusive Digital Economies	UNCDF
Wycliffe	Ngwabe	Country Lead	UNCDF Sierra Leone
Eric	Sena Morttey	Inclusive Digital Financial Services Expert	UNCDF Sierra Leone
UN/UN Sierra Leone			
Babatunde	Ahonsi	Resident Co-ordinator	UN Sierra Leone
Dr. Pa Lamin	Beyai	Resident Representative	UNDP Sierra Leone
			UNDP Accelerator Lab Sierra Leone
Bushan	Shresthra	Results Measurement Specialist	UN Office for South South Co-operation
Mosabi/SMT field visit to Calaba and Waterloo branches			
Mosabi	Francis Okeke		
SMT Waterloo	Prince B. Tucker (Branch Manager); Dauda Kamara (Loan Officer); Francess Kamara (Operations Officer); Martha Quee (Loan Officer); Isatu Beatrice Conten (Loan Officer); Jacob Sahr Wusine (Office Assistant).		

Annex 4: List of documents consulted

Project Documents

- Original project document and no cost extension documents
- UNCDF Sierra Leone Strategy, October 2021
- Annual Work Plan Document
- IBSA Fund Quarterly Reports
- Project Description, Grant Agreement, Project Appraisal Document and regular reports for individual Investment Fund projects.
- UNCDF Semi-Annual Reports
- Project Statement of Accounts
- IBSA Steering Committee Minutes
- DFS Working Group Minutes
- Technical assistance outputs relating to Tiered KYC, agent banking guidelines, consumer protection.
- Fintech Challenge documentation (criteria, scores etc.)

Literature review

- National Strategy for Financial Inclusion 2017 – 2020; Bank of Sierra Leone.
- Sierra Leone’s Medium-Term National Development Plan, 2019–2023. Education for Development: a New Direction for Improving People’s Lives through Education, Inclusive Growth, and Building a Resilient Economy; Government of Sierra Leone; 2019. United Nations Sustainable Development Cooperation Framework Sierra Leone 2020-2023
- Financial Exclusion in Sierra Leone; dmac Data Management and Analytics Capabilities; Oxford Policy Management, FSDA, IDRC
- Navigating through COVID-19: a snapshot on how the pandemic effected MSMEs in Sierra Leone; IFC; November 2020.
- State of the Digital Financial Services Market in Sierra Leone, 2021 – Results from the UNCDF Annual Provider Survey; UNCDF; September 2021.
- The Next Frontier: Human Development and the Anthropocene. Briefing note for countries on the 2020 Human Development Report; Sierra Leone.
- Informal finance in Sierra Leone: Why and how it fits into the financial system; Ilara Mahdi; May 2018
- Sierra Leone’s Thumbprint Breakthrough to Sign up Unbanked; Financial Times; 21st August 2019.
- Global Findex 2017.
- The underlying causes of fragility and instability in Sierra Leone; Herbert M’cleod and Brian Ganso; The LSE-Oxford Commission on State Fragility, Growth and Development; November 2018.

Annex 5: Case study

Mosabi and Salone Microfinance Trust

Mosabi is a technology company that works on products and services bridging the fintech and education tech sectors. It is based in the US and was registered in 2018. Mosabi employs one field staff in Sierra Leone, Francis Okeke. Mosabi has been building a platform which provides mobile e-learning for businesses, offering skills, knowledge, financial literacy and support to decision making on finance. Mosabi then uses profiles from mobile learning to facilitate onboarding for partner institutions. It is partnering with banks and mobile companies in a number of African countries.

Salone Microfinance Trust was founded by the NGO Child Fund in 2002 and launched a microfinance programme, funded by USAID, to support returning ex-combatants after the civil war. SMT registered as an independent NGO in 2007 and as a credit only microfinance institution in 2011. SMT expanded its branch network to 8 districts serving 7000 clients by 2016. SMT offers group and individual loans. SMT loans are typically 6 month loans of SLL 1 million to SLL 1.5 million, repayable on a monthly basis.

Project Concept

An agreement was signed by UNCDF with InvestED (subsequently renamed Mosabi) in February 2019, providing a \$63,000 grant to pilot a financial education app, conduct successful System Integration Tests and User Acceptance Tests, establish partnerships with 2-3 implementing partners and sign up 1000 users, with 400 accounts opened and 500 users accessing loans. The grant covered an initial 11 month period. In December 2019, the agreement was extended for 12 months until December 2021 and subsequently until end February 2021.

The project concept involved clients downloading the app on a smartphone, following the financial education training available and then registering and applying for a digital loan through the app. Underlying this model is the idea that gaining financial education should improve client creditworthiness and access to finance.

In the initial pilot with SMT clients, the loan size was SLL 400,000 (approximately US\$40) repayable over six weeks. The weekly repayment amount was SLL 68,500, with an effective interest rate of 0.78% per week (annual equivalent 41%).

Pilot project implementation

According to Mosabi reports, onboarding of clients started in earnest in Makeni, Calaba Town and Waterloo in August 2019 in conjunction with SMT. Repayment performance was reported to have been 98%. Mosabi found the pilot useful in terms of identifying issues with the model such as integration with Orange Money for disbursement and repayment.

The evaluation team held a meeting with a group of 10 SMT account holders who had taken part in the initial Mosabi pilot at the Calaba Town branch in 2019. All were women market traders, doing business in the Calaba Town and Wellington markets. The women traded in fruit, vegetables, food, jewellery and other items. All had a mobile phone and half had a smart phone, though none had been able to download the Mosabi app. All were existing SMT customers at the time of the Mosabi project and two had a bank account. As part of the Mosabi project, they all

had opened mobile money accounts with both Orange and Africell for the first time. Some were continuing to use the mobile money account for saving and receiving transfers. However, none of their customers were using mobile money to pay for goods in the market.

The group had participated in three days training run by Mosabi at the SMT branch office in 2019, before the COVID-19 pandemic. The training was conducted using a tablet. Topics included how to save money, how to attract new business, mobile money and digital loan repayment.

When borrowers received their loan disbursement in their mobile money account there was a fee for cashing-out the loan amount. The borrowers experienced problems repaying via their mobile money account, with some receiving messages that their payment had not been successful.



Market outside the SMT Branch in Calaba Town, Western Area.

With the onset of the pandemic, the digital loan product was modified by Mosabi and relaunched as a COVID-19 emergency loan though no new agreement or funding was provided by UNCDF. Loan disbursement was reported to have started in Quarter 2 2020. The COVID 19 recovery loan programme was publicised on Facebook and elsewhere and was open to all who downloaded the Mosabi app, not just existing SMT clients. Participants had to download the app, complete their profile, do the training (business basic modules 1 and 2 and savings module) and follow KYC requirements, including uploading a photo of their houses or a business/landmark near their home. Users could then apply for a loan with no guarantors required.

Table 13: Mosabi app downloads, training completion, loan applications and approvals.

Report	Sign-up to the app	Training completed	Loan application	Loan approval
Q2 2020	1251	387	211	122
Q3 2020	2625	835	540	421
Q4 2020	4142	2215	1060	521

In quarterly reports to the donor, UNCDF reported the following figures for new Mosabi loan customers: Q1 2020 - 120; Q2 2020 - 43; Q3 2020 - 522. However, the Quarter 1 2021 report then states that the pilot ended in February 2021 with 16,031 beneficiaries. The definition of beneficiary used here is not clear (borrowers or app users). However, during the fieldwork interview, Mosabi claimed that up to 15,000 Mosabi users applied for loans and that up to 15,000 loans were approved and disbursed. Repayment of these loans was reported to be poor, with a 38% recovery rate. One issue reported by Mosabi was that some borrowers changed their phone number and contact details after receiving their loans and hence could not be traced.

The evaluation team met one COVID-19 loan borrower at Waterloo branch. This borrower, a local stationery dealer, received a SLL 400,000 loan, repaying SLL 68,500 per week for six weeks. He experienced no problems making the repayments from his mobile money account. He understood there was a SLL 1000 charge for each repayment transfer though SMT staff at the branch said that these charges was covered by SMT.

Operational issues

A number of operational issues were highlighted both in Mosabi quarterly reports and in field work interviews conducted for this evaluation:

- Low penetration of smart phones that can use the Mosabi app and limited access to data bundles resulted in Mosabi providing training to SMT members in an invited, classroom setting using tablets.
- COVID restrictions disrupted plans for in-person trainings and meetings.
- For the loan disbursement, technical integration issues arose with Orange for disbursement and repayment.
- Repayment performance of loans was poor. Though figures were not presented in Mosabi reports, the evaluation team was told that only 38% of COVID-19 loans had been repaid.
- The loan size for COVID loans was reported to be too small to be attractive for small business owners.

The pilot generated useful experience for Mosabi. However, lack of smartphone penetration meant that the pilot was unable to prove the viability of accessing financial education directly via mobile phone. The pilot also was not able to convince users of the benefits of accessing and repaying loans via mobile money due to technical issues, lack of familiarity with mobile money and cashing-out fees. The evaluation team also faced difficulties in validating the information provided. If 15,000 COVID-19 recovery loans of SLL 400,000 had been disbursed and only 38% recovered, this constitutes a considerable financial loss which was not borne by UNCDF or Mosabi. It does not seem credible that SMT could sustain an implied loss of around US\$372,000 from this pilot without external support. The evaluation team feel it is important that UNCDF try to verify data provided on the COVID-19 recovery loan pilot before supporting further work on mobile loan products of this type.

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