



**Bank of Sierra Leone**

# SIERRA LEONE FINTECH CHALLENGE 2017

A BANK OF SIERRA LEONE INITIATIVE, IN PARTNERSHIP WITH FSD AFRICA AND UNCDF MM4P

## WHAT'S THE PURPOSE?

Access to financial services is a key development objective of the Government of Sierra Leone as demonstrated in the nationally approved Financial Sector Development Plan 2009 and as a key pillar in the President's Post Ebola Recovery Priority Plan. However, despite a large number of licensed financial intermediaries, less than 15% of the adult population has access to financial services. In order to scale-up outreach and design client-centric products, the recently launched National Strategy for Financial Inclusion 2017 – 2020 identifies digital financial services as a key intervention area.

Tech-based innovation has the potential to introduce game-changing ingredients for expanding quality of access and usage of financial services in Sierra Leone, especially to reach those living in rural areas, women, young people, smallholder farmers and marginalized population groups.

The Sierra Leone FinTech Challenge 2017, led by the Bank of Sierra Leone in partnership with FSD Africa, funded by U.K. aid from the U.K. government, and UNCDF's Mobile Money for the Poor (MM4P), with support from USAID and the [Last Mile Trust Fund](#), is a unique program that will encourage and catalyze the development of FinTech solutions that are useful and highly relevant to the people and businesses of Sierra Leone. The aim is to foster collaboration between regulators, non-traditional market players, licensed financial institutions and other partners to pilot innovative products, services or solutions in a fragile state context.

## WHY PARTICIPATE?

Bank of Sierra Leone, FSD Africa, funded by U.K. aid from the U.K. government, and UNCDF MM4P, with support from USAID and the [Last Mile Trust Fund](#) will provide financial rewards to the most promising ideas that expand financial inclusion. Specifically, Bank of Sierra Leone, through its Youth Entrepreneurship Fund, FSD Africa and UNCDF MM4P will provide a \$13,000 seed capital to up to three winning concepts, including one youth award for a Sierra Leonean youth based in Sierra Leone through the Bank of Sierra Leone Youth Entrepreneurship Fund, as judged by a panel of FSD Africa, UNCDF MM4P, Bank of Sierra Leone and a Consumer Group representative. This capital will help test designs, buy in expert support and clarify the business case.

FSD Africa and UNCDF MM4P will then provide a \$100,000 grant/debt mix to up to two winning finalists as judged by two panels – a consumer group panel, as well as an FSD Africa, UNCDF MM4P and Bank of Sierra Leone panel and possibly other expert panelists. This capital will be a contribution to the implementation of a pilot with clear targets.





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Bank of Sierra Leone will provide the finalists with access to its newly launched Regulatory Sandbox – a safe space for unregulated financial sector innovations to grow under the guidance of the Bank of Sierra Leone staff and other specialists.

## WHAT IS THE TIMELINE?

The planned timeline for the FinTech Challenge 2017 edition is June 2017 until October 2017, subject to the investment process of FSDA and UNCDF MM4P, with the implementation of the three finalists for 12 months in the BSL Sandbox Framework.

The table below provides a breakdown of both the FinTech Challenge process and the Regulatory Sandbox Framework development process.

### Overview of FinTech Challenge and SandBox Framework Timelines

|                                                                              | <b>FinTech Challenge</b>                                                                                                                                                                                                                                              | <b>Sandbox Framework</b>                             |
|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| June 2017                                                                    | Launch the Challenge<br>(15 June 2017)                                                                                                                                                                                                                                | Start the Sandbox Framework development              |
| July 2017                                                                    | Market Engagement                                                                                                                                                                                                                                                     | Draft 1 of Sandbox Framework ready                   |
| July 2017                                                                    | Applications Deadline<br>(15 July 2017)                                                                                                                                                                                                                               | Experts Review of Sandbox Framework                  |
| July 30 2017                                                                 | Finalists announced & up to three \$13,000 awards confirmed, including one youth award for Sierra Leonean and Sierra Leone based youth (30 July 2017). All finalists eligible to go to BSL Sandbox.                                                                   | Launch the Sandbox Framework (30 July 2017)          |
| August & September 2017                                                      | Finalists conduct further design work, testing products and building a clear business case. Finalist may wish to buy-in external consultant support, and familiarize themselves with SandBox Framework criteria. Final applications and pitches will also be prepared |                                                      |
| September 30 2017                                                            | Finalists pitch their ideas to two panels: a) consumer group representatives, and b) technical experts for judging. Detailed written applications will also be submitted for assessment                                                                               |                                                      |
| October 2017                                                                 | Winners announced & up to two \$100,000 awards enter FSD Africa and UNCDF investment process (15 October, 2017)                                                                                                                                                       | All finalists enter the Bank of Sierra Leone Sandbox |
| October 2017 onwards (subject to FSDA and UNCDF investment process timeline) | Investment confirmed, and pilot phase begins for one year                                                                                                                                                                                                             |                                                      |



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### WHAT IS THE FSDA AND UNCDF INVESTMENT PROCESS?

FSD Africa and UNCDF MM4P have their own unique investment process to catalyze market development. It is intended that one winning participant enters the FSD Africa investment process, and another the UNCDF MM4P investment process.

FSD Africa's investment committee meets approximately once per month to assess new projects for grant, debt and equity finance. The paperwork for each meeting is prepared by FSD Africa staff members using information from partners. If a summary of the project is approved, the concept will be subject to approximately a month of due diligence by an external, objective consultant. If the due diligence process is successful, a more detailed submission will be prepared by an FSD Africa staff members for investment committee consideration. A decision is then made on whether to finance or not. From start to finish, the process takes an average of between three months and six months.

The UNCDF MM4P investment committee meets on a need-basis to assess new projects for grants, debt and equity finance. The investment committee consists of funding partners USAID and technical experts from the UNCDF global DFS team. The paperwork for each meeting is prepared by UNCDF staff with the partners. A UNCDF project appraisal format is used to prepare the submission with partners which is then presented to the investment committee by UNCDF staff. A decision is then made on whether to finance or not. The investment process already starts at the announcement of the Challenge and therefore the final decision takes anywhere from two weeks to one month.

### WHAT IS THE BANK OF SIERRA LEONE REGULATORY SANDBOX?

Bank of Sierra Leone already provides regulatory no objections to new products that are innovative but outside of the scope of current legislation. In order to commit to its long standing policy in striking an optimal balance between promoting innovation whilst preserving financial stability and protecting consumer interest, the Central Bank, through this Challenge, will adopt a more robust sandbox framework that will enable the experimentation of FinTech solutions in a live environment, subject to appropriate safeguards and regulatory requirements.

See timeline for the development of the Sandbox Framework.

### WHO SHOULD PARTICIPATE? ELIGIBILITY AND JUDGING CRITERIA

#### Eligibility

The FinTech Challenge 2017 is open to firms which fulfil the following eligibility criteria:

- The product, service or solution must be implemented in Sierra Leone; and





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- The product, service or solution could be a financial in nature, but a support service to a financial service provider will also be permitted; and
- The product, service or solution must be network operator agnostic; and
- Partnerships are permitted and encouraged where relevant, but the lead applicant must have a registered business in Sierra Leone with at least 50% ownership by a citizen of Sierra Leone; and
- The lead applicant must have a credible track record of performance of at least one year; and
- The lead applicant must be a for-profit entity or form part of a chain of for-profit institutions; and
- Institutions that are majority owned by government or its institutions as well as not-for profits will not be eligible; and
- The product, service or solution must fall within existing Government of Sierra Leone and Bank of Sierra Leone legislation and regulations, or have high potential to enter the Bank of Sierra Leone SandBox framework.

### Judging criteria

Applicants to the FinTech Challenge 2017 will be judged against the following criteria by panels at both round 1 and round 2:

- **Feasibility (40%).** The applicant must clearly demonstrate an ability to execute the concept through:
  - A team with the expertise and track record to deliver; and
  - A product, service or solution that has a robust and commercially viable business case; and
  - A clear understanding of and plan to mitigate key risks.
- **Relevance (30%).** The applicant must clearly demonstrate demand for the product, service or solution from a critical mass of people and businesses in Sierra Leone through:
  - A clear and demonstrated value proposition to the target client group; and
  - Evidence of accessibility, affordability functionality from a critical mass of user testing; and
  - Demonstrated links to key Government of Sierra Leone and Bank of Sierra Leone objectives.
- **Impact (30%).** The applicant must clearly demonstrate how this product, service or solution has transformational potential through:



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- Its original and disruptive approach to a persistent client challenge or other constraint and opportunities in the financial sector in Sierra Leone; and
- Its potential to reach and maintain a large number of clients and/or transaction volumes; and
- Its potential to reach those most in need in Sierra Leone, especially but not limited to the unbanked, women, growing businesses, key economic sectors (such as energy, fisheries, and exports), the most vulnerable and entrepreneurs.

### HOW WILL THE JUDGING PROCESS WORK?

For round 1, written applications will be assessed by Panel A – comprising three representatives from FSD Africa, UNCDF and Bank of Sierra Leone and possibly other expert panelists.. The eligibility standards and criteria above will be used.

For round 2, all written applications and live pitches will be assessed by two panels. Panel A and introduction of Panel B – comprising three consumer group representatives. The same assessment criteria as round 1 will be used. However, a 70% weighting will be applied to written applications, compared to 30% for live pitches. A 70% weighting will be applied to Panel A assessment, compared to 30% for Panel B assessment.

The aim is to drive customer centric design by all applicants that are technologically sound, well presented and have a strong business case. The competition mechanism may attract VIPs and media, which in turn will help raise awareness.

### WHAT WILL THE PILOT PHASE ENTAIL?

After awarding the funds, it is expected the winning applicants will begin to pilot their product/service/solution, with supervision and requirements for reporting etc. as stipulated in the Bank of Sierra Leone Sandbox Framework.

During this time, Bank of Sierra Leone in partnership with FSDA and UNCDF, will review the success of the pilot from two aspects:

- Improve the accessibility, efficiency, security and quality of financial services.
- Address gaps in or open up new opportunities for financing or investments in Sierra Leone.

The pilot phase may be extended or appropriate regulatory enhancements may be adopted by BSL to allow the pilots to scale-up and operate legally.



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### WHAT IS THE EXPECTED IMPACT?

The financial sector in Sierra Leone has the potential to reduce the vulnerability of the poorest at scale and drive inclusive economic growth. However, levels of financial exclusion remain high, and access to credit – both short and longer-term – remains a challenge. Despite signs of willing innovators, new solutions to persistent challenges rarely reach scale or critical mass.

The FinTech Challenge 2017 is designed to address these constraints. It aims to unlock the potential of innovators within the financial sector to transform access to and usage of financial services in Sierra Leone. As well as supporting the best and brightest ideas and partnerships with finance, the competition mechanism is hoped to start a conversation in the country, which disrupts the status quo and builds the confidence of change-makers within Sierra Leone's financial sector. With the support of the Bank of Sierra Leone's new SandBox framework, the innovators of today and in the future will benefit from a greater level of assurance and support from their regulator.

With the improved financial access and usage, Sierra Leoneans and their businesses will have new tools to flourish. The FinTech Challenge 2017 has the potential to kick-start this process.