

**KEYNOTE ADDRESS AT THE OFFICIAL LAUNCH
OF THE WOMEN AND GIRLS FIRST (FINANCIAL
INCLUSION AND RESILIENCE STRENGTHENING)
PROJECT IN SIERRA LEONE ON TUESDAY, 9TH
NOVEMBER AT THE RADISSON BLU HOTEL**

**By Kelfala M. Kallon
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Mr. Chairman

Your Lordship, the Bishop

Ministers of Government

Honorable Members of Parliament

Development Partners

The Country Representative of CaFOD and Team

Representatives of Ministries, Department and Agencies

Distinguished Ladies and Gentlemen

Good morning. Like previous speakers, I want to extend, on behalf of the Board, Management and staff of the Bank of Sierra Leone, the Bank's heartfelt condolences to families of the victims of the recent horrific fire incident at Wellington. May God grant them and the country the peace and resolve to ensure that such incidents never occur again in this country.

Mr. Chairman, Distinguished guests, it is a great honour for me as Governor of the Bank of Sierra Leone to deliver the keynote address on the launch of **Financial Inclusion and Resilience Strengthening Project: Women and Girls FIRST**, a great initiative that promises to improve access to financial services by women and girls. For according me this great honour, I thank the organizers and funding partners of this event. In my opinion, this initiative could not have come at a better time than now, when the Bank of Sierra Leone is preparing to roll out its new *National Strategy for Financial*

Inclusion (2022-2025) which, unlike the previous strategy, prioritizes women and the youth.

Distinguished Ladies and Gentlemen, before I go any further, please allow me to start this keynote address with a story of a young lad who watched his mother take a very usurious loan in order to pay his secondary school fees. The lad and his mother went to the village money lender, who happened to be his mother's cousin, to borrow ten leones to pay his school fee for the following year. The loan was to be paid with clean native rice, at a rate of a bushel of rice for each two leones the mother borrowed. Also, the loan was given in early September, at the beginning of the first term, and was to be repaid at harvest time (December-to-January). After the loan had been consummated, the mother told the young lad to always consider his "benevolent" aunt as his real mother because, but for her timely intervention, he would not have been able to go to school. Each time the lad came home for holidays, the mother would tell him to go and greet his benevolent aunt and thank her for the loan.

That young lad eventually ended up in the United States and studied economics. One day when he remembered the transaction that had occurred between his mother and his "benevolent" aunt, he went to the library to find out what the price of clean native rice had been in Sierra Leone at the time of the loan. To his utter amazement, it had been ten leones per bushel. In other words, the ten leones his mother had borrowed from his "benevolent" aunt was worth only one bushel of rice at the time of the loan. Yet, she paid five bushels in a space of three months. On an annual percentage basis therefore, his mother had paid 400 percent on the loan.

This unexpected finding got the young man interested in monetary economics—to find out why people like his mother paid such high interest rates on loans when the interest rate was at the time was fixed at 5 percent. Clearly, this is not the appropriate forum to discuss his findings. However, suffice it to say that when that young lad eventually became Governor of the Bank of Sierra Leone, he vowed to do all within his power to ensure that somebody else’s mother will not have to experience his mother’s fate. Standing before you this morning is a very old version of that young lad.

Mr. Chairman, Distinguished Ladies and Gentlemen, as the head of the premier financial institution in the country, which is charged with promoting financial sector development and inclusion, among other responsibilities, I pledge the Bank of Sierra Leone’s support for this project, which I am fully convinced will significantly enhance the Bank’s financial inclusion programme by making financial services more accessible to women and girls. In this regard, I thank the leadership and staff of CaFOD and their donors for putting together the initiative we are launching here this morning.

The Bank of Sierra Leone encourages and treasures partnerships with forward-looking and purposeful Non-Governmental Organizations (NGOs) and private sector actors. As such, be rest assured that we stand ready to provide the needed policy and technical support to ensure that this project produces its maximum desired benefits.

Mr. Chairman, Distinguished Ladies and Gentlemen, there is no gainsaying the fact that the rate of access by Sierra Leoneans to formal financial services is at an abysmally low 20 percent, according to the *2017 World Bank Findex Index*. However, the rate for women is even lower, at 15 percent

(*Annual Provider Survey, 2018*). In other words, while 80 percent of Sierra Leoneans lack access to formal financial services, an even larger proportion of women (85 percent) are so deprived. This, however, is not an exclusively Sierra Leonean phenomenon because women make up a hugely disproportionate share of the world's unbanked population.

Moreover, discrimination against women is not limited to only access to financial services. On the contrary, women face systematic discrimination in accessing all productive assets, including land and education—and even nutrition, as men tend to get a disproportionate share of protein available to the family.

Mr. Chairman, Distinguished Ladies and Gentlemen, there is ample empirical evidence in the economic development literature to the effect that sustained economic and human development is mostly sourced from improvements in labour productivity, which is simply output per worker. However, labour productivity is mostly impacted by technical progress and human capital (education, nutrition, and health).

Additionally, empirical evidence shows a strong, positive correlation between a mother's educational attainment and her children's educational and health outcomes. On the contrary, the relationship between the father's educational attainment and the educational and health outcomes of his children is not statistically significant. This is simply so because mothers spend more time than men with their children in their early childhood years, when cognitive development is most rapid. Moreover, regardless of income level, women spend a greater share of their incomes on the family than men. Therefore, when women's incomes rise, more of that income is spent on financing the education, nutrition, and health of their families.

This eventually leads to increased human capital accumulation and sustainable long-term economic growth.

In other words, ending discrimination against women in accessing productive resources, including financial services, is a catalyst for rapid and sustainable economic progress. It is in this regard that the project we are launching here this morning speaks to the heart of economic progress in this country.

Distinguished Guests, allow me to briefly highlight ways in which the Bank of Sierra Leone has worked to enhance women's access to the financial sector. Firstly, because of a disparity in the ownership of assets, women tend to qualify less frequently for loans than men, regardless of the profit potential of their activities, because the formal financial system often relies on immovable assets such as houses as collateral for bank loans. However, women tend to have fewer immovable assets to use as collateral for such loans. As a result, the distribution of loanable funds in the economy is always skewed against women. To stem this problem, the Bank of Sierra Leone has proposed an amendment to the Borrowers and Lenders Act 2014 to allow movable assets to also qualify as collateral for bank loans. This bill is now before Parliament. Because women tend to have mostly movable assets, when enacted, the new law will enhance their ability to access loans from the formal financial sector.

However, this law will only achieve the objective of increasing women's access to credit if they are not discriminated against in the loan decision-making of financial institutions. To ensure that gender discrimination in loan decision-making by financial institutions is minimized, the Governor issued a directive to all financial institutions to not discriminate against women. The Bank is rigourously monitoring the implementation of this

directive by commercial banks, especially, and impose stiff penalties on those found wanting.

Mr. Chairman, Distinguished Ladies and Gentlemen, following the advent of COVID-19 into the country, in March 2020, the Government of Sierra Leone implemented strict restrictions on the movement of persons and goods in order to reduce the infection rate of the virus. The resultant curfews and inter-district lockdowns adversely impacted the flow of goods in the country. Many women who had taken out loans from microcredit institutions in order to conduct their commercial activities soon became unable to service their loans. To ensure that they were not harassed by debt collectors and also maintain their existing credit ratings, the Bank implemented an eighty-five billion leones Special Credit Facility to service the debts of customers of microcredit institutions for the duration of the lockdowns. This provided a breathing space for many women operators of small-scale enterprises, thereby protecting their credit ratings, which preserved their ability to qualify for loans in the future.

Distinguished guests, the Bank is quite advanced in the procurement and implementation of the National Payment Switch System which will enable commercial banks and other financial institutions to digitally talk to each other. When fully completed, the National Switch will allow customers of one financial institution to seamlessly use the Automatic Teller Machines (ATMs) of other financial institutions. Additionally, businesses will have an easier time using Point of Sale Machines so that credit and debit cards can be easily used to make all sorts of payments in this country. These innovations will reduce the quantity of cash people would lug around, which should lower the transaction cost of economic activity

(including even petty trading, in which women are very heavily involved), thereby positively impacting their incomes.

Along with the National Switch Project, the Bank is also pushing the implementation of financial technology that will enable the people of this country to make payments using their mobile phones. Our goal is to empower the trader on Sani Abacha Street or the farmer in my village, Baoma Koya, to no longer need cash as payment, unless in exceptional circumstances. This should provide women greater access to financial services regardless of where they live. In this regard, the Bank of Sierra Leone is desirous of replicating here what is happening already in East Africa.

To bring financial services closer to the population, the Bank is encouraging commercial banks and other financial institutions to accelerate the pace of agency banking in this country in order to extend their reach beyond Freetown and the district headquarters. By using agents in hard-to-reach places, financial institutions will be able to extend financial services to the rural poor, the vast majority of whom are women.

Obviously, to get maximum benefit from these innovations, mobile phone penetration must increase in this country. As such, the Bank will work with the government and our development partners to extend mobile telephony across the length and breadth of this country. In this regard, the Bank is of the informed opinion that improving the mobile telephony infrastructure in this country should be a major linchpin in the current World Bank project for digitization.

Distinguished guests, empirical evidence suggests that low-income people are generally very risk averse. And in societies such as ours, where corruption has eroded much needed trust in

formal institutions, people, especially the poor, among whom women predominate, shy away from holding their hard-earned savings in financial institutions. Instead, they prefer to hold their wealth in cash balances and other sterile assets, which adversely impacts the supply of loanable funds in the economy. To ameliorate this scourge, the Bank of Sierra Leone is developing a deposit insurance scheme to protect small depositors in the unlikely event of the failure of a financial institution. As we speak, the Deposit Insurance Bill is tabled in Parliament. When it becomes law, small depositors will be protected to a certain threshold, which would enhance their confidence in the financial system.

Additionally, given the huge incidence of fraud in the banking system, the Bank of Sierra Leone has adopted a zero-tolerance position on financial sector fraud. Therefore, going forward, any employee of a financial institution who engages in fraudulent activities will be summarily blacklisted from working in the financial sector. This also should engender trust in the financial sector and promote financial inclusion.

Finally, we say in this country that when you warn the dog, you must also warn the bone. Sadly, many people in this country are wont to not repaying their debts, as evidenced by unacceptably high non-performing loans. This makes financial institutions reluctant to provide credit facilities to the private sector. Instead, they rely on lending to Government, thus crowding out the private sector. And although empirical evidence shows a low incidence of NPLs among women, they similarly suffer when banks channel loanable funds away from the private sector as a group.

To stem the spate of non-performing loans, the Bank is cooperating with the National Civic Registration Authority to

develop and implement a Bank Unique Identification Number system in the country so that each customer can be uniquely biometrically identified. This should reduce the incidence of qualified people being denied financial services just because they share the same name with a defaulter.

To crown the Bank's resolve to promote gender empowerment in this country, I wish to inform you that the new twenty-leones note that will soon be introduced as part of the Bank's Currency Redenomination Programme will have the head of a woman who pioneered education, gender equity, and political activism in this country. On the flip side of the note will be a picture of schoolgirls in a classroom setting, with "Education for Gender Empowerment" as its caption.

I hope that I have demonstrated here this morning the Bank of Sierra Leone's resolve and full support for promoting financial inclusion for women and girls. I want to assure this audience that this commitment to gender equality in access to financial services is resolute and irreversible.

On this note, it now gives me great pleasure to formally launch this very laudable initiative. I hope that in due time, we will reassemble again to celebrate its success.

I thank you all for your attention.