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**JOINT PROGRAMME DOCUMENT**

**Programme Title:** West Africa Digital Financial Inclusion Programme  
for Fragile and Conflict Affected States (WA-DFIP-FCAS)

**Countries:** Guinea, Liberia, Sierra Leone

<p>Programme Duration: 4 Years</p> <p>Anticipated start/end dates: November 1, 2016 – October 31, 2020</p> <p>Fund Management Option(s): Combination of pooled and pass-through</p> <p>Managing or Administrative Agent: UNDP</p>	<p>Total estimated budget*:                    US\$ 13,367,017</p> <p>Out of which:</p> <p>1. Funded Budget:                                US\$ 777,673</p> <p>2. Unfunded budget:                            US\$ 12,589,344</p> <p>* Total estimated budget includes both programme costs and indirect support costs</p>
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<p>Sources of funded budget:</p> <p>UNCDF    US\$ 297,721*</p> <p>Parallel (USAID – Ebola Recovery)        US\$ 479,952**</p> <p>UNDP   US\$ TBD***</p> <p>*UNCDF commits US\$ 42,531 in the first year of the programme. UNCDF's commitment for 2017 is provisional.  ** Parallel (USAID – Ebola Recovery) of \$479,952 is USAID funded resources committed to MM4P on USAID contribution agreement AID-PPL-G-12-00001 dated Aug 9 2016, which will be channeled to WA-DFIP based on USAID concurrence.  ***To be determined.</p>
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## **List of Abbreviation**

AfDB	African Development Bank
AFI	Alliance for Financial Inclusion
A4P	Agenda for Prosperity
BB	Branchless Banking
BCRG	Central Bank of the Republic of Guinea
BSL	Bank of Sierra Leone
BTCA	Better Than Cash Alliance
CBL	Central Bank of Liberia
CDA	Credit Development Authority
CGAP	Consultative Group Assisting the Poor
EU	European Union
DFID	Department for International Development
DFS	Digital Financial Services
ERW	Ebola Response Worker
EVD	Ebola Virus Disease
F4D	Financing for Development
FSD	Financial Sector Development
FSP	Financial Service Provider
GEEW	Gender Equality and Empowerment of Women
GDP	Gross Domestic Product
GSMA	Global System for Mobile Communication Association
GPFI	Global Partnership for Financial Inclusion
G2P	Government to Person
IFC	International Finance Corporation
JIC	Joint Investment Committee
KYC	Know Your Customer
LBDI	Liberian Bank for Development and Investment
LCUNA	Liberia Credit Union National Association
LDC	Least Developed Country
MFI	Microfinance institution
MICROLEAD	LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance

MM	Mobile Money
MM4P	Mobile Money for the Poor
MNO	Mobile Network Operator
MRU	Manu River Union
MSME	Micro, Small and Medium Enterprises
NFIS	National Financial Inclusion Strategy
NGO	Non-Governmental Organization
OECD	Organization of Economic Co-operation and Development
P2P	People to People Payment
PPERW	Payment Programme for Ebola Response Worker
SDG	Sustainable Development Goals
SLACB	Sierra Leone Association of Commercial Banks
SME	Small Medium Enterprise
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VSLA	Village Savings and Loan Associations
WAMZ	West African Monetary Zone
WAMI	West Africa Monetary Institute
WB	World Bank
WBES	World Bank Enterprise Survey
WOCCU	World Council of Credit Unions

## Executive Summary

The West Africa Digital Financial Inclusion Programme for Fragile and Conflict Affected States (WA-DFIP-FCAS) is a joint programme of UNDP and UNCDF, with interventions in three African Fragile States recovering from Ebola Disease Virus (EVD), also Least Developed Countries (LDCs), Guinea, Liberia and Sierra Leone. This joint programme will be implemented during November 2016 – October 2020 and in line with the post-Ebola early recovery directions set by the respective national governments and as reflected in the sub-regional and country United Nations Development Assistance Framework (UNDAF) agenda on inclusive growth and livelihoods.

This joint programme responds directly to the Sustainable Development Goals (SDGs) which recognizes that rapidly spreading digital technologies now offer an opportunity to provide financial services at much lower cost, and therefore profitably, boosting financial inclusion and enabling large productivity gains across economies. Particularly in FCAS, digital financial inclusion presents an opportunity for 'learning by doing' to test the potential of digital access to accelerate greater inclusion, stability and economic transformation. Evidence shows that for those living in FCAS, access to and usage of basic financial services remains incredibly low. Broadening access to finance through digital means can unlock productivity and investment, reduce poverty, empower women, and help build stronger institutions with less corruption—all while providing a profitable, sustainable business opportunity for financial service providers. The benefits for individuals, businesses, and governments can transform the economic prospects of emerging economies.

The UNDP/UNCDF Payments Programme for Ebola Response Workers (PPERW) 2014 – 2015 in these three countries successfully demonstrated the benefits of digital payments and the critical role that digital ecosystem can play in fragile states delivering humanitarian assistance efficiently with increased transparency and sustainable development impact. Donors increasingly want to ensure that payments and transfers to the target population are made for maximum impact, and that the shift to digital can unlock other value-add services, such as digital identities, financial services and education, and non-financial services for the poor. Shifting to digital financial services (DFS) can strengthen the financial sector in the fragile states, provide liquidity to the financial systems and unlock the financial services infrastructure necessary for resilient growth. Globally, financial sector policymakers recognize the game-changing potential of digital financial inclusion. Stakeholders note that institutions including the G20 and global financial regulators have the opportunity - and indeed the responsibility - to prepare the standard-setting world for both the risks and the rewards of the digitization of financial services.<sup>1</sup>

This programme is developed to achieve greater financial inclusion in FCAS, with the primary focus in Year 1 – Year 4 on Guinea, Liberia and Sierra Leone as part of UNDP/UNCDF support as these countries recover from EVD. With a strong feed-back loop focused on 'learning by doing', the programme aims to pilot investments in and leverage payment and last-mile technologies that will mitigate traditional challenges of FCAS and facilitate greater inclusion. WA-DFIP believes that broadening access to finance through digital means can unlock productivity and investment, reduce poverty, empower women, and help build stronger institutions with less corruption—all while providing a profitable, sustainable business opportunity for financial service providers.

The programme will work in strong collaboration with traditional service providers such as commercial banks, microfinance institutions, savings and loan groups, community banks, and other service providers, and accelerate momentum towards a more client-centric agenda that unlocks the potential of digital delivery of financial services.

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<sup>1</sup> <http://www.cgap.org/blog/what-digital-financial-inclusion-and-why-does-it-matter>

To that end, WA-DFIP-FCAS offers an integrated approach to preparedness and to building resilient and inclusive financial sector through innovation, and public and private sector partnerships that foremost contributes to inclusive growth in West Africa’s Fragile States of Guinea, Liberia and Sierra.

**Situation analysis**

According to the Organization of Economic Co-operation and Development (OECD), one billion of the world’s six billion people live in fragile and conflict affected states and a non-negligible share of this population is located in Africa. Indeed, 26 out of the 45 countries considered by the OECD as fragile states are located in Africa with the great majority falling under the LDC category. Poverty rates in fragile states are on average 20% higher relative to countries with comparable levels of economic development and the gap is widest for countries affected by repeated cycles of violence and crisis. Fragile states are also characterized by low financial sector development and limited financial inclusion.

The digital payments and financial inclusion landscape in Guinea, Liberia and Sierra Leone in West Africa region has received significant attention to resolve the hazard payment challenges during the height of the Ebola crisis in November 2014 – March 2015. As the Time Person of the Year Award 2014 recognized, Ebola Response Workers (ERWs) were hailed as the cornerstone of the global response to the Ebola threat. These workers were not captured by national payroll or public sector registration systems, and many did not have bank accounts. While resources were available to pay the increasing number of volunteer workers; linkages have not yet been made between the potential of payments technologies available in the countries and payments to response workers. To further complicate the situation, even identification of workers was a challenge without national ID cards, a key Know Your Customer Requirement (KYC) for access to financial services in the three countries.

ERWs threatened to strike work daily over non-payment, underpayment or late payment of dues. This was despite the fact that large amounts of cash moved from development partners’ accounts to the districts. To confound matters, there were reports of patronage wherein ERWs had to pay up to 50% of their funds to their managers overseeing direct cash at the local health centers. Each country had its own set of challenges given the institutional base, the regulatory environment and the varying pace of financial inclusion interventions which defined the extent of digitization that was achieved under PPERW:

<i>March 2015</i>	<i>Total ERWs</i>	<i>Direct Cash</i>	<i>Mobile Money</i>	<i>Bank Accounts</i>	<i>Average Monthly Hazard Disbursement</i>
Guinea	14,400	78%	0%	22%	US\$ 1.2 million
Liberia	21,393	43%	0%	58%	US\$ 1.8 million
Sierra Leone	30,058	0%	73%	27%	US\$ 4.0 million

Continued affirmative action by broad range of public and private stakeholders including central banks, financial service providers, donors and other development partners is needed. Whilst the delivery of outcomes to date by PPERW has been significant, lessons have been learnt and several areas of improvement in the supply and demand sides of digital financial services that are more pronounced in FCAS have been identified as essential to the recovery of Guinea, Liberia and Sierra Leone.

**Shifting to digital financial services from cash can strengthen the financial sector due to the many advantages associated with it:**

Guinea, Liberia and Sierra Leone are part of the single monetary zone called the West African Monetary Zone (WAMZ). African Development Bank (AfDB) and West Africa Monetary Institute (WAMI) have initiated the WAMZ Payment System Development Project whose objective is to augment the payment systems of the member countries in order to

enhance the efficiency of financial intermediation. This is likely to leverage the ease of shifting to DFS from a cash-based economy. Transitioning to the use of DFS can help foster financial inclusion hence stimulating economic growth and development.

There are also many other advantages associated with the use of DFS over cash-based transactions in the fragile states of Guinea, Liberia and Sierra Leone:

**i. Benefits to the Economy:**

- DFS has the potential to provide economic agents immediate access to financial resources preventing the delay in consumption and investment;
- In Guinea, Liberia and Sierra Leone, a vast proportion of the government's spending comes from tax collections and development aid. It is necessary to maintain transparency in the use of these funds and ensure timely delivery. DFS can limit tax evasion and fraudulent use of development aid, resulting in more money spent on addressing development challenges;
- A study of 51 countries by Moody's finds that on an average, increasing card usage has a quantitative positive effect on the GDP of a country. The study estimates that a 1% increase in card usage increase GDP by around 0.024%.

**ii. Benefits to the Government:**

- By shifting to DFS, governments of the fragile states will be able to better channelize subsidies and development finance while minimizing the transaction costs associated with cash transfers;
- In developing economies, transparency and accountability are key factors that need to be taken into account to foster equitable growth. The use of DFS allows for better transparency and accountability, and also the ability to track financial flows, hence increasing the efficiency of financial resource use;
- Guinea, Liberia and Sierra Leone are characterized by low access to formal financial services and high mobile phone subscription. Transitioning to DFS can help increase financial inclusion by leveraging the high mobile phone subscription in all three countries. Increased financial inclusion is a strong driver of both economic growth and development.

**iii. Benefits to Development Financial institutions:**

- Over the last two decades, all three countries have received high levels of development aid. However, a cause of concern is mapping how this aid has been utilized. Using DFS minimizes the chances of diversion of funds and fraud, as a record is maintained for every transaction. This has a direct positive impact on addressing development challenges;
- Guinea, Liberia and Sierra Leone have a history of conflict. As such, some segments of the population still live in extreme poverty, without access to basic resources. Given this situation, if a disaster such as the Ebola crisis hits the region, there is no room for delay in disbursing funds for relief. Using DFS can tremendously increase the delivery of payments and reduce the waiting time for beneficiaries. This is of utmost importance during periods of humanitarian crisis;

**iv. Benefits to Private Sector Players:**

- Private sector players and companies have been acknowledged as a key driver to economic growth. Although motivated by profit, these players have the ability to foster growth and development by increasing both consumption and production. DFS can help private sector players to reduce transaction costs, reduce delays in payments and investments, reduce their exposure to 'bad' clients while simultaneously reducing the risk of theft and fraud while using financial resources;
- DFS have the ability to increase financial inclusion. As a result, if an economy migrates to DFS, private sector players have a wider consumer base. This has the capacity to foster their growth while simultaneously leading to the trickle-down effect. Pay as you go models for all types of basic services, ranging from health insurance to clean water, are being introduced throughout Africa that are based on

DFS. Enabling simpler, immediate payments can encourage businesses (and utilities) to extend their services outside of urban areas.

**v. Benefits to Target Clients:**

- With the prospect of reaching billions of new customers, banks and nonbanks have begun to offer DFS for financially excluded and underserved populations, building on the approaches that have been used for years to improve access channels for those already served by banks and other financial institutions.
- As a result of the significant advances in the accessibility and affordability provided by DFS, millions of poor customers are moving from exclusively cash-based transactions to formal financial services. The benefits of this development include economic growth and stability, both for the customers and for the economies where they and their families reside.

**Digital financial inclusion for women advances their economic empowerment and participation, because DFS offer nine benefits, providing a powerful basis for governments and businesses to act:**

- Help bridge the gender gap in account ownership and increase women's participation in the financial system – both in terms of the volume and value of transactions.
- Provide women with greater privacy, confidentiality, and control over their finances.
- Give women the opportunity to save formally, lowering or eliminating the high cost associated with saving informally.
- Improve women's access to formal credit.
- Reduce time spent on travelling to access banks or make utility payments.
- Support risk management.
- Improve women-owned businesses' ability to lower banking costs.
- Help female entrepreneurs better manage their inventory stock and make more efficient procurement decisions.
- Have a multiplier effect that drives adoption among more women.

*Source: Digital Financial Solutions to Advance Women's Economic Participation; Prepared for the G20 Turkish Presidency*

With the successful demonstration of the benefits of digital payments for governments, the private sector, civil society, development partners and the poor, there remains a critical need to learn from what works and what doesn't for providing appropriate and pro-poor centric DFS products and channels that create sustainable financial inclusion for the unbanked poor in FCAS.

**Gaps and Opportunities**

Based on analysis of the developments and the current financial inclusion landscape in FCAS Guinea, Liberia and Sierra Leone, the following gaps and opportunities have been identified nationally and at regional-level<sup>2</sup>; these include the need to:

1. Formulate national financial inclusion and literacy strategies and support in their implementation, focusing on the learning agenda of DFS as the key lever of change;
2. Strengthen supervisory capacities of regulators in areas of digital financial inclusion, particularly to effectively supervise and regulate new and shifting risks;

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<sup>2</sup> For methodology for scoping missions in Guinea, Liberia and Sierra Leone, please see Annex 1.

3. Advocate and support interoperability between various players in the digital financial system such that traditional financial institutions serving the poor can transfer benefits of digital transactions to the end-clients;
4. Foster greater integration across and between banking, data and telecommunications solutions that allow for a greater range of products and delivery channels, including shared infrastructure in more remote areas and help reduce cost of access and usage;
5. Develop client-centric and demand-driven financial products and channel that leverage technology to reduce costs and deepen usage;
6. Strengthen consumer protection and support measures which enable market conduct
7. Support robust financial inclusion data measurement systems for evidence based policy/business decision;
8. Strengthen agent networks for last mile delivery of financial services;
9. Support stakeholder coordination, learning exchanges, knowledge generation and dissemination;
10. Institute a monitoring and evaluation framework and periodic impact evaluations of digital financial inclusion initiatives; and
11. Strengthen analysis of the gender impacts at family and community level and of marginalized groups on the introduction of new products and services.

At the heart of UNCDF/UNDP's engagement model for WA-DFIP-FCAS is to focus on generating practically relevant knowledge and insights on DFS as an accelerator of financial inclusion in fragile states and explicitly work toward influencing a broad range of actors to act on these insights. Digital financial inclusion introduces new market participants and allocates roles and risks (both new and well-known) in different ways compared to traditional approaches to retail financial service delivery. Understanding and mitigating these risks will be key to achieving the game-changing potential rewards of digital financial inclusion.

### **Intended program results**

Broadly, the programme targets are segmented into the three dimensions of financial inclusion impact as endorsed by the G-20's Global Partnership for Financial Inclusion (GPII) and the Alliance for Financial Inclusion (AFI) and adopted at the national level by countries. In addition, the programme aims to generate and contribute to growing research and knowledge base on risk capital and interventionist approach for facilitating greater financial inclusion outcomes through DFS in the target FCAS countries.

Access to financial services (total for three countries)	<ul style="list-style-type: none"> <li>• 300,000 low-income people, with at least 50% women and at least 30% youth<sup>3</sup>, gain access to at least one type of regulated<sup>4</sup> financial services through digital platforms</li> <li>• Of which 150,000 previously unbanked people, with at least 50% women, gain access to a regulated savings account accessible through digital platforms, and unlock capital for growth</li> <li>• Of which 100,000 Micro, Small &amp; Medium Enterprises (MSMEs) have access to regulated financial services, and create jobs</li> </ul>
Usage of services	At least 50% of customers accessed to financial services via programme support are active users of the services. <sup>5</sup>
Quality of products and delivery	<p>The customers experience improved access to digital financial services: reduction in cost to access the financial services</p> <p>Improved regulatory system to monitor consumer risks, embedded in national financial inclusion and financial literacy strategies</p>

<sup>3</sup> To use nationally defined age range for youth population

<sup>4</sup> "Regulated entities" are only those that are prudentially regulated/supervised

<sup>5</sup> Active defined as per the following: for MNOs as per GMSA, and for Bank-led accounts, as per UNCDF's MicroLead Programme

Learning Agenda for FCAS	A shared understanding among policy makers, industry players, development partners and donors on what works and what doesn't in FCAS.  An improved understanding of the important role that increasingly digital financial markets can play in tackling fragility and building resilience in FCAS
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### Resource framework

To achieve its mission and targets, WA-DFIP-FCAS will work in four core outcome areas during November 2016 – October 2020:

Outcomes/Line Item <sup>6</sup>	Budget
Outcome 1: Common Vision, Responsive Policies, Regulations and Coordinated Actions for DFS in FCAS	2,621,980
Outcome 2: Risk Investments, Pilots and Partnerships	5,301,980
Outcome 3: Better Market Information	1,771,981
Outcome 4: Informed and Competent Consumers	2,702,980
Mid Term and/or End Term Evaluations	150,00
GMS (8%)	968,096
<b>Programme Total</b>	<b>13,367,017</b>

## Part 1: Situation Analysis

Access and usage of financial services in the FCAS Guinea, Liberia and Sierra Leone are lower than in other African economies. They lag behind other fragile states in Asia and Europe as well. A vast majority of people living in Guinea, Liberia and Sierra Leone, also classified as LDCs, are excluded from formal financial services and rely on their friends and families, and other informal mechanisms to meet their financial needs.

Furthermore, the Ebola epidemic has crippled the already fragile economies of Guinea, Liberia, and Sierra Leone: the World Bank (WB) Group estimates that these three countries had forgone at least US\$1.6 billion worth of economic growth in 2015 as a result of the epidemic.<sup>7</sup> Full-year 2014 growth in Sierra Leone fell by more than half to 4.0% from 11.3% expected before the crisis, with large reductions in Guinea and Liberia as well. The total fiscal impact felt by the three countries in 2014 was over half a billion dollars, nearly 5% of their combined GDP.

Investor aversion further diminished 2015 growth estimates to -0.2% in Guinea, 3.0% in Liberia, and -2.0% in Sierra Leone (down from pre-Ebola estimates of 4.3%, 6.8%, and 8.9%, respectively). These projections imply forgone income across the three countries in 2015 of about US\$1.6 billion: about US\$500 million for Guinea, US\$200 million for Liberia, and US\$900 million for Sierra Leone, or more than 12% of their combined GDP.

Table 1

	Guinea	Liberia	Sierra Leone
<b>Population (World Bank 2013)</b>	10.7 million	4.3 million	6.0 million
<b>Human Development Rank 2014 (out of 193)</b>	179	175	183

<sup>6</sup> Technical and operational staff for WA-DFIP-FCAS incorporated in the outcome areas as relevant to direct delivery for each outcomes

<sup>7</sup>[http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/01/19/000112742\\_20150119170232/Rendered/PDF/937210REVISED000Jan02002015000FINAL.pdf](http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/01/19/000112742_20150119170232/Rendered/PDF/937210REVISED000Jan02002015000FINAL.pdf)

<b>Population Below Poverty (US\$ 1.25/day)</b>	43.3%	46%	60%
<b>Literacy Level (CIA 2014)</b>	30.4%	60.8%	48.1%

### Overview of Fragility and Political Economy

Guinea, Liberia and Sierra Leone are transitioning from post-conflict reconstruction to long term economic development. Despite its strong growth and relative peace and stability for the last decade, considerable challenges unique to FCAS remain, with a huge infrastructure deficit and considerable governance, institutional, and capacity constraints, and continuing risks of instability in all three countries.

According to the Fragile States Index 2015<sup>8</sup>, Guinea is in 'High Alert' category scoring 104.9 and 10<sup>th</sup> most fragile state globally. Liberia and Sierra Leone score 97.3 and 91.9 respectively with Liberia ranking 21<sup>st</sup> and Sierra Leone at 31<sup>st</sup> most fragile state. The table (Table 2) below provides a breakdown on the social, economic and political dimensions of fragility in each of the countries.

Table 2 – Fragility Index

<b>Out of 10</b>	<b>Guinea</b>	<b>Liberia</b>	<b>Sierra Leone</b>
<b>Social Indicators</b>			
<i>Demographic pressures</i>	9.0	9.5	9.5
<i>Refugees &amp; IDPs</i>	8.7	9.2	8.2
<i>Group Grievance</i>	8.7	6.2	6.2
<i>Human flights &amp; brain drain</i>	7.2	6.6	8.4
<b>Economic Indicators</b>			
<i>Uneven economic development</i>	7.6	8.3	8.8
<i>Poverty &amp; economic decline</i>	9.2	8.6	8.7
<b>Political &amp; Military Indicators</b>			
<i>State Legitimacy</i>	9.9	7.3	6.9
<i>Public Service</i>	9.8	9.7	9.3
<i>Human Rights &amp; Rule of Law</i>	8.2	6.7	5.6
<i>Security Apparatus</i>	8.9	6.9	4.8
<i>Factionalized Elites</i>	9.6	8.3	7.7
<i>External Intervention</i>	8.1	9.5	7.8
<b>Total</b>	<b>104.9</b>	<b>97.3</b>	<b>91.9</b>

The devastation of the Ebola epidemic has also underscored the institutional weakness of post-war countries such as Liberia and Sierra Leone, as well as the impact of political instability in Guinea. It highlights the legacy of conflict, and its consequences for future generations, as well as the effort required to rebuild institutions and infrastructure in the wake of conflict, regain the trust of the public, and regenerate social cohesion. Drivers of fragility are represented by the demographic challenge posed by an increasingly youthful population demanding greater inclusion, in particular through jobs and livelihood opportunities.

<sup>8</sup> <http://fsi.fundforpeace.org/rankings-2015>

The Ebola outbreak had claimed more than 11,000 lives, mostly in Guinea, Liberia, and Sierra Leone as of May 2015.<sup>9</sup> The crisis brings into sharp relief the legacy and consequences of conflict for a country's social, political, and economic fabric. Ebola overwhelmed the health sectors of Liberia and Sierra Leone, where the destruction of physical infrastructure as a result of civil wars, combined with the flight of trained doctors and health care providers, has had a lasting impact on social services. The crisis served as a reminder of the debilitating inheritance of protracted conflict and the scale of investment required to ensure that institutions truly recover from conflict.

### **Fragility & Impact on Financial Sector**

Fragility affects these countries' capacity to provide basic financial services through different channels including formal and informal suppliers of financial services. Very often, financial institutions struggle to offer affordable and appropriate financial products when macroeconomic indicators are unfavorable including high inflation rates, slow growth, and high unemployment rates. Fragility and instability affect the sustainability of financial institutions as well.

Other challenges affecting financial institutions in the fragile states of Guinea, Liberia and Sierra Leone, include the presence of arms, displaced professional staff, and destroyed infrastructures. As fragility increases, suppliers of finance have become excessively risk averse and target their financial services towards a limited customer base. This is due to the fact that the uncertain environment in fragile states is not conducive to long term investments. As a result, long term financial transactions are replaced by short-term credits, relation-based credits and cash transactions. The hardest-hit are the poor and SMEs, which already struggle to access funding under normal economic conditions.

The deterioration of the legal and institutional infrastructure makes the provision of financial services more costly and risky, thus adding to the liquidity constraints. The vulnerability of African fragile states Guinea, Liberia and Sierra Leone restricts even further the ability of households and MSMEs to access different types of financial services (including savings, loans, remittances, and insurance). Account penetration in African fragile states lags behind other African countries. On average, only 14% of adults living in African fragile states have an account at a formal financial institution, compared to 23% for the entire continent. Poor infrastructure and security threats in fragile states are impediments to the expansion of access points. In addition, the lack of identification of an individual person or entity due to weak institutions constitutes a sizable barrier to account ownership in most fragile states.

Adults in African fragile states report active use of formal accounts to receive remittances. This could be linked to high levels of poverty and shortage of resources prevailing in these countries which creates greater need for support from family members living abroad. High remittance inflows represent an opportunity for financial institutions to develop savings and other products around these regular cash flows received by their clients from family members living abroad or in other domestic major towns.

While account penetration is generally low in fragile states, formal account holders prefer using savings services provided by the formal sector due to the perceived security that formal financial institutions offer in these unstable environments. According to the 2012 Global Findex data, although less than 10% of adults in Guinea, Liberia and Sierra Leone have a formal account, more than 75% of account holders saved in a formal financial institution in 2011. More than 50% of account holders, on average, report saving at a formal financial institution in fragile states suggesting that savings are a big driver for account ownership at a formal financial institution in African fragile states.

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<sup>9</sup> Center for Disease Control, 2015

These fragile states still show a high prevalence of informal saving mechanisms such as community-based savings. The preponderance of community-based savings groups in fragile states is an indication that there is obviously an unsatisfied need in these countries for a safe place to keep one's savings. Moreover, individuals might lack confidence in the formal financial system, with opportunities to create linkages between community-based savings groups and formal financial institutions. Successful models could be replicated in fragile states to foster financial inclusion. Given the instability in fragile states, emergency, health and funerals are the most common reason why people borrow money. In Guinea, 31% of adults report having an outstanding loan for health or emergencies, whereas the African average stands at 15%.

Enterprises in African fragile states face more challenges than their African peers to access finance regardless of their size group. According to the World Bank Enterprise Surveys (WBES), on average, only 15% of firms in African fragile states report a loan or a line of credit from a financial institution, compared to 22% in Sub-Saharan Africa, and 43% in other developing economies excluding Africa.

Table 3

	<b>Guinea</b>	<b>Liberia</b>	<b>Sierra Leone</b>
% of adults with an account at a formal financial institution	4%	19%	15%
% of adults with at least one outstanding loan from a regulated financial institution	2%	6%	6%
% of SMEs with an account at a formal financial institution	53%	67%	67%
% of SMES with an outstanding loan or line of credit	5%	14%	17%
Number of commercial bank branches per 100,000 adults	N/A	N/A	2.92
Number of ATMs per 100,000 adults	N/A	N/A	.43

UNCDF/UNDP estimates that around 15 million people or 80% of people living in the West African LDCs of Guinea, Liberia and Sierra Leone lack access to formal financial services (i.e. savings, credit, insurance, remittances, transfers, pensions and investments). The majority of those excluded from the financial sector are not able to achieve their full economic potential and continue to be deprived of opportunities to attain a productive and dignified living. Excluded groups are presented in Table 4.

Table 4

<b>Excluded Groups</b>	<b>Estimated Scale</b>	<b>Impact of Exclusion</b>
Women & men living in rural villages engaged in intermittent income earning activities	90%	No safe savings to manage what little is earned, leading to high consumption spending. No access to credit to smooth consumption or take advantage of income earning opportunities. Face difficulties paying for education & health services (if available).
Women, men, youth & children everywhere with low levels of financial	80% - 90% of population	It is estimated that low income households have low competencies in managing cash flow, planning and budgeting, managing credit, understanding the cost of money and struggle to meet current and future financial needs. Without immediate intervention at community and school

knowledge & competencies		level, the problem will continue to be inter-generational.
Public employees out-posted to rural areas	Significant – as one wage worker, on average, supports up to 10 persons.	This group can spend 30- 50% of their wage packet to receive it. Erosion of income affects quality of life. As most are teachers and health workers, the need to travel to nearest bank branch results in missed work & lapse of service to community
Rural and urban households that receives money from relatives working in towns and overseas	Significant – annual overseas remittances to the Region’s fragile states. Remittances to Liberia in 2011 were estimated at US\$360m, the equivalent of 31% of its GDP and more than half the amount it received in aid that year, with Guinea as one of its top senders at US\$76m. <sup>10</sup>	They can spend 30-50% of the amount remitted to travel to nearest bank branch or agent. Similarly, the transaction cost to persons sending money (usually in cash) is very high, often finding someone reliable who is traveling.
Women and men engaged regularly in running a micro-enterprise in peri-urban and urban areas. They commonly earn below the poverty line or are most vulnerable to poverty	Significant – with urbanization growing leading to growth of urban poverty	While living in proximity to banks, they don’t qualify for access or are intimidated by formality. No safe savings to build lump sums to meet higher costs of urban living & to build assets. No credit to smooth consumption, to expand micro-enterprises & to enter formal economy. Household are very vulnerable to sickness and death of income earner with absence of savings or micro-insurance.

**Root causes:** Poor infrastructure, political instability, nascent DFS, low levels of technical expertise, low levels of financial competency and vulnerability make delivery of sustainable financial services a challenging task in West Africa’s fragile states Guinea, Liberia and Sierra Leone. Some providers are afraid to come into the market because they are afraid regulation or policies (or the tax regime) will change, which will result in dramatic modification of their business and financial models. It is important to acknowledge that political economy issues have a large impact on governance and enabling environment for investments in the financial sector of these countries, and to continue working with governments on mainstreaming the agenda of financial inclusion, as well as incentivizing green-fielding of novel solutions/models that suit the target country contexts.

Conventional financial service providers (banks, insurance companies, etc.) lack sufficient market information for making sound business cases for serving the relatively fractured markets. This is true even though previously inaccessible populations are increasingly reachable through new technology, improved infrastructure, and new business models.

<sup>10</sup> <http://www.worldbank.org/en/news/press-release/2012/11/20/developing-countries-to-receive-over-400-billion-remittances-2012-world-bank-report>

While regulators have been pro-active in enabling experimentation in new technology driven and branchless banking models, regulatory capacity and regimes to provide adequate protection to clients of new products are needed for scaling up of services.

**Country and Regional Perspectives:** Cognizant of the high levels of financial exclusion and its impact on financial stability and equitable growth, Guinea, Liberia and Sierra Leone have taken various steps to address the challenges.

*New Deal for Engagement in Fragile States:* Guinea, Liberia and Sierra Leone are signatories to the New Deal endorsed in 2011 at the Fourth High-Level Forum on Aid Effectiveness in Busan. The New Deal has focused the attention of donor countries and international dialogue on the dynamics of conflict and fragility and on how the donor community can play a more engaged and constructive role in helping countries move towards stability and economic growth. Specifically, at the Financing for Development (F4D) work in fragile affected communities, there is growing recognition that there exists the need to address the issues of administering domestic resource mobilization, including addressing the lack of citizen input/participation in taxation policy processes, tax evasion, weak local private sectors, complicated tax administration systems, corruption, weak systems/human capacity and the illicit flow of finances.<sup>11</sup> These problems should be tackled with the help of localized support for systems and institutions, using financial inclusion as a first step towards excluded groups' integration into the formal economy.

*Manu River Union (MRU):* The Mano River Union is an intergovernmental institution comprising of Sierra Leone, Liberia, Guinea and Cote d'Ivoire. The organization aims to strengthen the capacity of Member States to integrate their economies and coordinate development programs in the areas of peace building, as a prerequisite to any development including trade promotion, development of industry, energy, agriculture, natural resources, transport and telecommunications, monetary and financial affairs. In short, these are all aspects of economic and social life of the Member States. The MRU 3-year plan for Post Ebola Socio-Economic Recovery focuses on the following related financial inclusion priorities:

1. Provide access to loans and micro-credit facilities for youths and women involved in cross border trade within the MRU;
2. Promote development of SMEs for job creation and enhancement of livelihood opportunities at sub-regional level;
3. Establish mechanisms to recapitalize MRU women entrepreneurs accentuating sub-regional activities.

*West African Monetary Zone (WAMZ):* Guinea, Liberia and Sierra Leone are part of this group of six countries in Western Africa. One of the institutions established by WAMZ is the West African Monetary Institute (WAMI), which is tasked with commencing technical preparations to establish a West African Central Bank and a common currency for WAMZ, under which the payment systems of each WAMZ state would be integrated. But the goal of a common currency, central bank, and integrated payments infrastructure is still a long-term vision. Payments integration in WAMZ is driven by a desire to increase formal trade. A lot of commodities are already traded across borders in the region, but informally using cash.

*Maya Declaration:* Guinea<sup>12</sup> (2011), Liberia<sup>13</sup> (2013) and Sierra Leone<sup>14</sup> (2012) are signatory to the Maya Declaration with the Alliance for Financial Inclusion (AFI), a commitment to unlock the economic and social potential of the 2 billion unbanked through financial inclusion. Specifically, Liberia committed to undertake initiatives to ensure that mobile

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<sup>11</sup> <http://www.g7plus.org/en/resources/making-financing-development-work-fragile-and-conflict-affected-countries>

<sup>12</sup> [http://www.afiglobal.org/sites/default/files/publications/Maya%20Declaration\\_Central%20Bank%20of%20Guinea.pdf](http://www.afiglobal.org/sites/default/files/publications/Maya%20Declaration_Central%20Bank%20of%20Guinea.pdf)

<sup>13</sup> [http://www.afi-global.org/sites/default/files/publications/maya\\_declaration\\_central\\_bank\\_of\\_liberia.pdf](http://www.afi-global.org/sites/default/files/publications/maya_declaration_central_bank_of_liberia.pdf)

<sup>14</sup> [http://www.afi-global.org/sites/default/files/publications/Maya%20Declaration\\_Bank%20of%20Sierra%20Leone.pdf](http://www.afi-global.org/sites/default/files/publications/Maya%20Declaration_Bank%20of%20Sierra%20Leone.pdf)

financial services reach at least fifty (50%) of the rural population of the Liberia by December 2014, which remained un-achieved.

*The Better Than Cash Alliance (BTCA):* Government of Sierra Leone has committed to advance its transition from cash to digital payments by joining the Better Than Cash Alliance in 2015. By becoming a member of the Alliance along with many other countries, the Government of Sierra Leone aims to improve the efficiency of payments for social welfare programs and to government employees, setting the foundation for additional advances in its economy. Commitments from Guinea and Liberia on digital payments and financial inclusion are underway.

*National Development Plans*

- Guinea: Specific to strengthening the banking and financial sector, the Government of the Republic of Guinea’s Strategy on Post Ebola Socio-Economic Recovery (2015-2017) reinforces the original Strategy on Poverty Reduction III, and prioritizes the following measures in financial inclusion:
  - Set up an "open market" window to encourage the interbank market in national currency
  - Set up an information system on credit to improve the credit bureau.
  - Consolidation of the microfinance sector and protection of depositors and improving the enabling environment for DFS.
  - In the insurance sector, efforts will focus on finalizing the revised code of insurance and consultations with stakeholders on bank insurance and micro-insurance.
  
- Liberia: Government of Liberia’s Economic Stabilization and Recovery Plans lays out three main strategic interventions: 1) recovering output and growth 2) strengthening resilience and reducing vulnerability and 3) sustaining public finances and ensuring service delivery including financial services. These efforts will lead toward a transition back to the GoL’s ‘Agenda for Transformation and Liberia Rising 2030’ (AFT) that has an overarching goal of achieving greater inclusive development.
  - Government of Liberia, on September 2, 2015, mandated that the Ministry of Education use digital money to pay civil servant salaries<sup>15</sup>.
  - Government of Liberia recognizes digital money as an important policy goal for Government to reach financial inclusion goals.
  
- Sierra Leone: Government of Sierra Leone’s Early Recovery priorities underscore that Agenda for Prosperity (A4P) 2013 – 2018 remains the defining document for the overall development of the country, despite the EVD setback, and is the main national anchor for dealing with the medium- to long-term challenges posed by the disease.
  - The Agenda will be to build a stable economy, founded on private sector-led growth, and to diversify activity across several competitive sectors, increasing value-added and generating gender-equitable employment.
  - In addition, President Koroma, at the Central Bank meeting in August 2015 officially emphasized and endorsed the role of financial inclusion as critical part of their plan to drive a national economic recovery in the wake of the Ebola Crisis.<sup>16</sup>
  - Based on the President’s Delivery Team on Transition and Recovery, DFS will play an important role in three of the 12 areas identified as Government’s focus areas:

<b>Sector</b>	<b>Area</b>	<b>WA-DFIP-FCAS Intervention</b>
Private sector	Rapid SME growth	Improving access to credit and insurance, reducing the risks of theft, and lowering administrative and disbursement via DFS will support SMEs growth.

<sup>15</sup> [http://www.emansion.gov.lr/2press.php?news\\_id=3399&related=7&pg=sp](http://www.emansion.gov.lr/2press.php?news_id=3399&related=7&pg=sp)

<sup>16</sup> <http://www.statehouse.gov.sl/index.php/contact/1303-private-sector-is-a-key-priority-in-post-ebola-recoverypresident-koroma>

		The financial footprint through digital payments will allow for alternative methods of assessing the creditworthiness of those who do not have traditional credit assets or a financial transaction history.
Private sector	Sustainable job creation	Greater use of DFS can accelerate the inclusion of the unbanked and the under-banked in the formal financial systems, leading to better lives for the households and more robust and inclusive growth.
Social Protection	150,000 vulnerable households reached with cash transfers	WA-DFIP-FCAS will work with stakeholders to ensure that the cash transfers are made through financial accounts, and that recipients have access to financial literacy/education and savings accounts. WA-DFIP-FCAS will work with stakeholders to reduce economic leakage caused by corruption, fraud, and other inefficiencies through shifting to digital payments. In so doing, governments help make the business case for private sector innovation and investment in commercial services to reach low-income people.

While measurable progress has been made due to central banks' support to the expansion of financial inclusion, the continuing demand for responsive technical advice and risk financing to catalyze public and private investments has been clearly articulated in the consultation meetings held with stakeholders. The regional priorities identified include strengthening of financial inclusion data collection; expanding mobile and branchless banking; assisting MFIs and savings group to go digital; consumer protection and microinsurance. In addition, there is clear interest in understanding and building knowledge base for the critical role that DFS can play in FCAS across a broad spectrum of financial institutions to unlock access for the poor.

### **Why Digital Financial inclusion in Fragile States**

Evidence-based research and pilots on the impact of digital financial inclusion in fragile states is in its early stages. Concurrently, discussions on the role of digital payments as a powerful way to deliver humanitarian assistance is only gaining momentum, with emerging evidence on how to effectively leverage digital payments, and in turn DFS, in humanitarian response, in such a way that builds resilient financial ecosystems in fragile and protracted crisis areas.

One of the recent panel discussions conducted by the Guardian<sup>17</sup> asked experts how more opportunities can be created for people to save and borrow in volatile economies. Panelists provided examples of fragile states where alternative financial service providers have made enormous progress in part because of the absence of a strong traditional banking sector and government capacity. For example, EcoNet in Zimbabwe started with a digital payment service EcoCash and now have a range of overlay services including savings, pay-go solar, and others. In Somaliland, Telesom offers a digital payment service called Zaad, which has also acted as the gateway to a more diverse set of financial products. In addition, the push to digital is greater in fragile states where it is more challenging to move large amounts of cash

<sup>17</sup> <http://www.theguardian.com/global-development-professionals-network/2015/nov/10/a-guide-to-financial-inclusion-in-fragile-states>

around. However, panelists also warned that digital financial inclusion must respond to regulatory vacuums. This is particularly important in fragile states where customers are already vulnerable because if there is no deposit insurance and no guarantee that service providers can't just disappear with people's money, how can the clients learn to trust? Governments must create and enforce transparency requirements.

Addressing commonly cited barriers to financial inclusion such as the lack of documentation, affordability, and distance would certainly help in deepening access and usage of financial services in fragile states. It is widely proven that DFS is an innovation with great potential to cut down transaction costs and thus increasing financial services to low income people and rural households through mobile devices and non-traditional bank agents. This would not only facilitate remittances, savings and credit products, but would also offer a channel to deliver payments from the public and private sector to millions of people living in rural areas and places with less developed or no infrastructure.

Increasingly, policy-makers, regulators and supervisors are recognizing that high-levels of financial exclusion poses a risk to political stability and impedes economic advancement and as such, they are willing to balance the ultimately mutually reinforcing needs for financial stability, financial integrity and financial inclusion. A key challenge is how to create the broader interconnected ecosystem of market actors and infrastructure needed for safe and efficient product delivery to the poor.

#### Digital Financial Inclusion Risks for Consumers:

With the use of agent networks, new technology and longer value chains that can include banks, telephone companies and government, DFS such as mobile money, offer unprecedented access to formal financial services. However, some of these same factors also expose customers to unique risks. The seven key customer risk areas in digital finance according to the Consultative Group Assisting the Poor (CGAP) Report<sup>18</sup> are:

1. Inability to transact due to network downtime;
2. Insufficient resources and preparedness of agents;
3. Complex and confusing user interfaces;
4. Poor means for customer recourse;
5. Nontransparent fees and other terms;
6. Fraud that targets customers; and
7. Inadequate data privacy and protection.

Many users are not only new to both formal finance and technology, they also live precarious financial lives that allow little room for error in fragile states. Enabling users to understand and mitigate risks and minimize potential losses when using these new products and services will be critical for DFS to meet users' expectations and needs and, in turn, achieve sustained financial inclusion.

#### Why Digital Financial Inclusion:

DFS can make life easier for customers by allowing them to transact locally in tiny amounts and better manage their characteristically uneven income and expenses. The payment, transfer, and value storage services of the digital transactional platform and the data generated by customer usage can enable providers to offer additional financial services tailored to customer needs. Digital financial inclusion can also reduce the risk of loss, theft, and other financial crimes posed by cash-based transactions, as well as the costs associated with transacting in cash. Ultimately, it can advance economic growth by enabling asset accumulation.

90% of the low-income population in Guinea, Liberia and Sierra Leone have access to a mobile phone. This is significant when compared to the fact that less than 20% of

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<sup>18</sup> <http://www.cgap.org/news/cgap-report-analyzes-digital-finance-risks-customers>

population of the same countries have access to a formal financial services with the traditional financial service providers. By creating linkages to digital payments for various service providers in the market, payments and transfers, as well as credit, savings, insurance, and even securities, can be offered digitally.

### State of Financial Inclusion in Guinea, Liberia and Sierra Leone

Table 5 – Overview of Financial Inclusion Players

Financial Inclusion Players	Guinea	Liberia <sup>19</sup>	Sierra Leone
Regulatory Body	1	1	1
Apex Organization	2	2	2
Commercial Banks	14	9	13
Community Banks/Rural Community Finance Institutions	14	7	17
Microfinance Institutions	17	19	13 (2 licensed/deposit taking; 11 registered)
Credit Unions	N/A	350	0
Village Savings & Loan Associations/Financial Service Associations	N/A	400	59
Credit Bureau/Registry	1	0	1
Mobile Network Operators (MNO)	5 MNOs (Orange, MTN, Cellcom, Intercel, Sotelgui) 80 % coverage (interrupted) 60 % Mobile penetration	4 MNOs (MTN Lonestar, Cellcom, Novafone and Libtelco) 90% Coverage (Interrupted) 61% Mobile Penetration	4 MNOs (Airtel, Africell, Smart, Sierratel) over 90% Coverage 60% Mobile Penetration

#### Sierra Leone:

- In 2009, Financial Sector Development Plan was approved by the parliament to 1) enhance banking system capacity; 2) increase access to finance; 3) strengthen contractual savings and capital markets; and 4) fortify an enabling environment and capacity building;
- Fairly liberalized financial system; interest rates and exchange rates are market determined; no selective credit controls; despite the fact that the largest commercial bank is state-owned, the activities of the banking sector are not government controlled; however banks must follow cash liquidity requirements set out by Bank of Sierra Leone (BSL);
- In 1987, ECOWAS Monetary cooperation called for a single monetary zone in West Africa, and WAMZ was born, comprising Nigeria, Ghana, Sierra Leone, Gambia, Liberia and Guinea;
- Objective to achieve full economic union of the 6 WAMZ countries; encourage private sector growth and upgrade the basic infrastructure of financial services sector through a well-functioning real time gross and securities settlement system, an efficient clearing system, a better Bank of Sierra Leone applications process and satisfactory performance of the telecoms infrastructure with standby generators;

<sup>19</sup> WorldBank Liberia Financial Sector Development Implementation Plan (draft

- Payments system is still rudimentary with limited number of debit cards, no widespread credit card use, and no significant use of cheque or internet banking, neither a large scale electronic payment system. No credit rating agency is fully functional although International Finance Corporation (IFC) is working with BSL;
- Commercial banks are trying to establish a national switch for interoperability of ATM cards and credit cards. There have been delays due to the approval process of BSL. Sierra Leone's Association of Commercial Banks (SLACB) will own a 51% stake of the switch. SLACB is considering interconnecting the switch with mobile financial services through a partnership with 3rd party service provider.

Sierra Leone, is more cash based economy than any other countries in Sub Saharan Africa. The use of formal financial services is very low. There is a huge unmet demand particularly for credit and savings. MFIs, community banks and other financial institutions are responding to this need and have built up an impressive market position in last 10 years. Many informal means of savings and credits are also in use, such as borrowing from family and friends and traders.

In addition, there is a huge untapped potential for money transfers: an estimated 3.3 million of domestic remittance transactions runs through informal channels annually.<sup>20</sup> Drivers and family and friends are mostly used. These informal ways are cheaper, but perceived as less reliable and slow.

The current offer of mobile money transfer services - from Splash and Airtel Money - responds primarily to the need for better domestic payments. Most popular services are People to People (P2P), bill payments, top-ups and corporate payments. It seems that early adopters can partially be found in the more urban and educated populations. However, also lower end people (urban and rural) are interested, especially in the P2P payments executed over the-counter at agents and airtime top up.

In Sierra Leone, the most important benefits of digital transaction accounts are a better control over payments (no cheating, reliable delivery) and more convenience (no need to queue at the bank). In addition speed and invisibility are appreciated. The convenience benefit will strengthen once the agent network is better developed and services of pro-poor financial service providers such as MFIs, community banks, and savings groups can be bundled in the offering.

#### Liberia:

CBL's National Strategy for Financial Inclusion (2009-2013)<sup>21</sup> outlined a roadmap for building a sustainable microfinance industry, in order to secure diversified and affordable financial services for all, recognizing the effect of the fourteen (14) years of civil conflict in Liberia and the challenges faced in the resuscitation of the economy. The strategy facilitated the development of a new regulatory and supervisory frameworks for the microfinance sector that include the Microfinance Policy and Regulatory & Supervisory Framework in 2009, and the Prudential Regulations for Micro-Finance Deposit-taking Institutions in 2012.<sup>22</sup>

#### Commercial Banks:

Eight commercial banks currently operate with about 30 branches in seven of the fifteen counties of Liberia. This gives a ratio of one branch for every 113,333 inhabitants. Commercial banks in Liberia have only recently started to consider microfinance as a viable business line.

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<sup>20</sup> Cordaid, 2013

<sup>21</sup> [http://www.cbl.org.lr/doc/major/LiberiaStrategyforFinancial\(2008-2012\).pdf](http://www.cbl.org.lr/doc/major/LiberiaStrategyforFinancial(2008-2012).pdf)

<sup>22</sup> Liberian Financial Inclusion Strategy (2014–2019) was not publically available at time of this review

Eco-bank had an active portfolio of about US\$3.6 million in 98 associations/unions, which on-lend such funds to about seven thousand clients, while the Liberian Bank for Development and Investment (LBDI) provided 1.3 million US dollars to about 160 clients.

ACCESS Bank Liberia - a commercial bank specializing in microfinance - started operations with a paid-in capital of US\$6 million and a projected business plan to reach a portfolio of sixty thousand clients in the next five years.

#### Credit unions:

Credit Unions have traditionally engaged in providing financial services to low-income members of the population, and continue to do so through strong downstream linkages with Village Savings and Loan Associations (VSLA).

As of end of 2008, a census by the World Council of Credit Unions (WOCCU) identified 154 operational credit unions, with a total of almost 26,000 clients. Their apex institution, the Liberia Credit Union National Association (LCUNA), was established in 1973 to train its members; monitor their activities (inspect their financial records at least bi-annually); and provide standardized financial ledgers, passbooks, receipts, and payment vouchers. Credit unions are currently supervised by the Cooperative Development Association (CDA). The Board of Directors of CDA is chaired by the Ministry of Agriculture and falls within the general Cooperative Act of 1936.

WOCCU, with UNCDF Microlead, has an ongoing project focused on revitalizing the agricultural microcredit unions and is working with LCUNA to expand savings opportunities to the unbanked population of Liberia and revitalize the credit union movement. In particular, VSLAs are being trained and transformed into credit unions and linked to the Regional Credit Union.

#### Credit-only institutions:

Other microfinance providers comprise credit-only institutions, such as the recently created BRAC Microfinance Company - an offshoot of the BRAC International, a Bangladeshi Microfinance Institution.

Other credit-only institutions are Liberty Finance and LEAP, who have limited outreach primarily due to the scarcity of loanable funds. After more than seven years of operations, including the newly created institution— BRAC, they have a total of US\$2.4 million in outstanding loans to over 32 thousand clients in six counties. There also exists a number of NGOs involved in microfinance to some extent as part of their relief and rehabilitation programs, as well as traditional arrangements such as rotating funds, savings clubs and other traditional and marginal forms of savings or credit activities.

As of November 2015, Lonestar estimated that it had around 700,000 registered mobile money subscribers, equating to around 28% of Liberia's adult population. Utilization remains low, however, at less than 10% of subscribers due to lack of linkages to formal financial service providers and partnerships aimed at bundling products for the beneficiary. Given the currently weak relationships between banks and mobile money operators, stronger partnerships could be forged to help alleviate the liquidity supply problem faced by both service providers. As for managing mobile money agents, low volumes and unattractive commissions reportedly make it difficult to retain agents.

#### Guinea:

Guinea developed a National Financial Inclusion Strategy (2013-2017) (NFIS) with the help of UNDP in 2012. The NFIS emphasized the importance of access to and usage of appropriate financial services to reduce poverty and open up economic opportunities in

Guinea. It also identifies increasing financial inclusion and access to credit as a high priority and one of the key challenges in financial sector.

The financial sector in Guinea is of extremely modest size and access to finance is weak due to political and macroeconomic instability, a poor regulatory framework, and limited government efficiency. Access to financial services for the poor is limited, as microfinance institutions serve only a small fraction of the demand for services from the low-income population, and offer few microfinance products. Most banking activities are concentrated in Conakry, with a few branches outside the capital. Long-term financing is virtually unavailable in the country. In 2013 the 14 commercial banks had 109 branches, and total assets of US\$ 1.65 billion. Three banks (Ecobank, SGBG, and BICIGUI) dominate the sector with about 73% of total assets. In terms of depth and resource mobilization, private deposits provide about 82% of the banks' deposits, while 9 % is equity.

The microfinance sector is comprised of 17 institutions, regulated by the Central Bank of the Republic of Guinea (BCRG), comprising the following three categories: 1) the most common are cooperatives, which provide credit to their members; 2) those concentrated on a particular target group (e.g. rural microfinance), and 3) the typical open-door microfinance institution. The sector is dominated by five institutions, Credit Rural de Guinee (CRG), Pride, Yete Mali, CAFODEC Finances and Finadev which between them account for some 98% of loans at the end of 2013 (CRG and Yete Mali also account for around 88 % of deposits). Aside from the five dominant MFIs, the remaining 12 entities have small membership and relatively weak institutional structures. The number of MFIs' branches has risen to 507, a noticeable increase from 340 in 2008 and this is five times more than the number of bank branches. Thus microfinance sector is a key channel to expand access to finance, especially outside the capital.

Mobile penetration in Guinea is below the African average, at 71%, but growing rapidly; as of December 2013 the total number of mobile subscribers in Guinea was approximately 7,536,000, an increase of about 35% from 2012 (5,588,000). The entry of two international operators, MTN in 2006 and Orange in 2007, has contributed to this rapid growth and has also contributed significantly to the growth of mobile payments.

As of early 2015, Orange has 4.7 million customers, 650,000 Orange Money subscribers, of whom 45,000 are active Orange Money users, and 1,300 agents (with a target of 3,500 active agents by end 2015). Orange Money is also about to deploy 500 kiosks. Orange has taken several steps to be able to work with NGOs in Guinea, such as scaling up its agent network to increase its geographic coverage and partnering with retail businesses such as the oil company TOTAL. A similar experience has been reported by MTN representatives. MTN has 3 million mobile users, and 50,000 mobile money subscribers, of whom 30% are active. MTN is rolling out a plan to increase its number of agents to reach 1,000 by the end of 2015. Orange plans to double its number of active agents by the end of 2015 while MTN plans to increase its number of agents from 100 to 1,000 also by the end of the year.

The regulatory framework for mobile money, and other types of electronic payment, are still under development and are being supported by both the MSME Development and the National Payments System Development in Ebola Affected Countries Projects. While mobile banking offers great potential for reaching the poor and underserved, the poor state of liquidity in the nation's banks, the absence of mobile money agents outside of the capital city, limited formal education, illiteracy and inexperience with formal financial services and digital services may pose challenges.

WA-DFIP-FCAS recognizes that development partners such as WB, IFC, United States Agency for International Development (USAID), Cordaid, AfDB, and AFI continue to work with the Central Banks and stakeholders to build the capacity of the financial sector to bank

more low-income and unbanked population segments in the three countries. However, a gap analysis conducted reveals significant opportunity for WA-DFIP-FCAS to compliment the efforts of the aforementioned development partners and focus on the agenda of digital financial inclusion at the regulatory level, retail and client levels.

*Table 6*

	Area of work	Donors Supporting
Regulatory & Coordination	Regulatory – overall	WB, AfDB, IFC, USAID
	Regulatory – financial inclusion	WB, IFC, Cordaid, AFI, UNCDF (on-demand)
	Regulatory – digital financial inclusion and risks associated with DFS	None
	Coordination & National Task Force Support	None
Financial Institutions	Capacity Building & Institutional Support: Commercial Banks, Community Banks, MFIs	WB, Cordaid
	Product Innovation and Alternative Delivery Channels	USAID (in Liberia only through UNCDF)
	Agent Network Capacity Building	USAID (in Liberia only through UNCDF)
Client	Consumer Education & Financial Literacy	None
	Client-centric research and development	None
	DFS Diagnostics and Data & Measurement	AFI (on data and measurement however support is long-distance and requires on-ground technical support)

### **Summary of UNCDF/UNDP Achievements**

The Payments Programme for Ebola Response Workers was developed to ensure payments were made on time, the right amount to the right worker to a growing number of Ebola Response Workers in Sierra Leone, Liberia, and Guinea. Due in part to UNCDF and UNDP's excellent results in PPERW, the governments of all three countries and cash-transfer stakeholders have concluded that payments and transfers can be made more financially inclusive, although their key drivers are broader and include delivery of payments, cost efficiency, transparency, ability to kick-start the development of a digital financial ecosystem, recipient convenience and security, women's economic empowerment, and building household financial management capacities and resilience.

PPERW focused on the following three key output areas:

- i. Support and empower national systems, donors and other stakeholders to make decisions, take coordinated action and allocate resources to ensure 100% coverage of ERWs at the forefront of the fight against Ebola.
- ii. Support scalable, replicable and sustainable projects that deliver digital payments to ERWs, and where possible support on-ramping of financial inclusion and financial education to support low-income, women and those ERWs based in rural and remote areas.
- iii. Create and share knowledge so that industry has access to local market intelligence and information on global best practices.

This experience of delivering hazard payments to ERW's has proven that financial infrastructure and payment service providers are essential for delivering humanitarian assistance efficiently and effectively, and due to a limited number of capable payment service

providers, delivery of 40% of the hazard payments to ERWs was still through physical cash. Low levels of access to formal financial accounts, limited presence of commercial banks in the counties, and a very nascent mobile money ecosystem meant disbursing a relatively low volume of low value monthly payments (i.e. something that would be relatively simple in most markets) became a formidable challenge. Unless addressed, these challenges will continue, particularly during the recovery phase, where cash transfer programs will play a key role to support the vulnerable segments of the population, and in the long-term resilient economic recovery and inclusive growth.

UNCDF and UNDP have also contributed to the development of a competitive and sustainable inclusive microfinance sector in Guinea, Liberia and Sierra Leone since 2009.

- In Guinea, UNCDF/UNDP provided technical assistance to the microfinance institutions that led to the first country national strategy for microfinance.
- In Liberia, the Central Bank of Liberia, with Mobile Money for the Poor (MM4P) and GSMA, issued new mobile money regulations, allowing non-bank providers to legally offer mobile money, dual currencies and tiered know-your-client. This policy change made it easier for some Ebola workers to be paid on time, electronically, and facilitated a 300% increase in person-to-person payments to support people in quarantined areas. UNCDF also provides technical assistance to microfinance institutions through the MicroLead program. MicroLead supported the microfinance sector through the setup of BRAC and four regional Credit Unions and LCUNA (the apex body for the credit unions in Liberia). It also supported the Central Bank in developing a new regulation for the Credit Unions.
- In Sierra Leone, UNCDF/UNDP contributed to creating an enabling environment for the microfinance industry focused on building Bank of Sierra Leone's supervisory capacity, and strengthened the microfinance institutions. UNCDF's MicroLead program supported the establishment of BRAC to provide financial services to low-income clients.

WA-DFIP-FCAS compliments ongoing UNCDF-led initiatives in DFS and/or in the target countries, with the following unique value proposition:

1. Joint programming with UNDP: UNDP is UNCDF representative at the country level and the Resident Representative is UNCDF's official representative to the government. Through a joint programme with UNDP, UNCDF can leverage UNDP's access to governments, both at the country levels in FCAS and regionally, as well as leverage in-country operational support to WA-DFIP-FCAS to provide timely and effective technical assistance.
2. Anchoring FCAS' commitments to digital financial inclusion with strong technical assistance and learning agenda: WA-DFIP-FCAS provides an opportunity to build on FCAS' commitments to digital financial inclusion such as BTCA commitments, and accelerate digital financial inclusion.
3. Focus on fragility to build resilience in FCAS: WA-DFIP-FCAS provides a unique opportunity to be at the forefront of what works and what doesn't in DFS for FCAS.
4. Regional approach to common challenges in West Africa FCAS: WA-DFIP-FCAS is the only regional UNDP/UNCDF programme in the Region, and can serve as an effective platform for regional collaboration in DFS as well as advocate changes to common challenges impacting West Africa FCAS.

UNCDF has found that in designing regional and country initiatives, engaging with partners, in an iterative process to co-create programmes is critical to success. This process begins with agreeing on a common vision led by national governments, broad strategy and results to be achieved. Key to success is hiring a talented programme team responsible for developing detailed strategies and workplans to implement the strategy and achieve results. Programme frameworks provide adequate guidance, targets, and milestones, yet are flexible enough to

respond to changes on the ground, as well as new opportunities for partnerships that emerge once implementation is underway.

### Summary of Digital Financial Inclusion Gaps and Opportunities in FCAS

Guinea, Liberia and Sierra Leone have their own specific set of challenges to increasing financial inclusion given geographic characteristics, infrastructure and institutional base, the regulatory environment and the pace of financial inclusion interventions to date. However, given their status as Fragile States and LDCs in West Africa, they share significant common gaps and opportunities, highlighted below.

Levels	Gaps	Opportunities
Macro	<ul style="list-style-type: none"> <li>• Lack of involvement of government ministries in furthering financial inclusion and its alignment with the country’s overall development agenda; corresponding lack of support through budget allocations for financial inclusion activities</li> <li>• Lack of appropriate and standardized indicators for regulators to monitor progress of financial inclusion and measure impact, including financial literacy baseline data and a strategy going forward</li> <li>• Little analysis of financially excluded groups, i.e. women, youth, etc. for guiding policy decision</li> <li>• Consumer protection remains nascent</li> <li>• Limited capacities within central banks on regulations/supervision of DFS</li> <li>• No clear definition or specific guidelines on prudential norms, market conduct, product and institutional norms for microinsurance</li> <li>• All three central banks have issued recently regulations for mobile/branchless banking initiatives. However, as the space matures, regulations will need further strengthening. Aspects such as trust arrangement for non-bank mobile money (MM) providers, principal-agent guidelines, threshold requirements for e-money license, supervision &amp; audit framework and guidelines etc. will have to evolve.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening the coordination and implementation capacities of National Financial Inclusion Committees as sustainable in-country networks for planning and implementing digital financial inclusion initiatives</li> <li>• Identifying barriers to inclusive digital insurance through detailed regulatory diagnostic studies and exploring opportunities for possibility of a regional inclusive insurance initiative in West Africa for Fragile States</li> <li>• WB/IFC/AfDB work on improvements in payment regulations and regulatory supervisory capacity and regulations provide opportunities to improve efficiency, security, accessibility of payments. Opportunities for greater interoperability and seeding of cost-effective international remittance channels</li> <li>• Opportunity to digitize the microfinance and rural/community bank transactions in partnership with WB, USAID, Department for International Development (DFID), AfDB</li> <li>• Opportunity to strengthen regulatory regime for consumer protection for digital payments and digital financial inclusion while improving delivery and lowering cost may expose consumers to new types of risks</li> <li>• UNCDF and UNDP strong historical relationships with regulators in Liberia and Sierra Leone.</li> </ul>
Meso	<ul style="list-style-type: none"> <li>• Relatively high cost of extending digital networks outside urban areas and maintaining</li> <li>• Connectively unreliable outside urban centers</li> <li>• Lack of robust agent networks for distributing financial services</li> </ul>	<ul style="list-style-type: none"> <li>• IFC/WB work on setting up of credit bureaus across the Fragile States; opportunities to broad basing the utility of credit bureaus to MFIs and to member based institutions.</li> <li>• USAID Partnership for Digital West Africa looking at a wide range of investments in infrastructure support from national</li> </ul>

	<ul style="list-style-type: none"> <li>• Dearth of strong, locally based technical assistance providers that can support financial inclusion through capacity building, research/knowledge dissemination and ratings/assessments</li> <li>• Weak network of MFIs and member based financial institutions</li> <li>• Lack of demand side research studies and supply side feasibility on savings, credit, microinsurance, payments at the regional level</li> <li>• Lack of available research on characteristics/behaviors of marginalized groups including rural, women, youth, etc. to shape better products and services</li> <li>• Weak MNO infrastructure in certain geographies – constrains delivery of financial services</li> </ul>	<p>fiber backbones to last mile connectivity.</p> <ul style="list-style-type: none"> <li>• Build a regional capacity building institution to train and support service as well as run country / regional demand and supply side studies</li> </ul>
Micro	<ul style="list-style-type: none"> <li>• Most MFIs have low capacities especially around governance, product development and reporting</li> <li>• Business case for bank or MNO-led DFS investments marginal due to smaller populations, geography.</li> <li>• General product and services gap in the region (credit, savings, insurance, remittances) in part due to information gaps on the financial needs of clients and the business case for the provider</li> <li>• Lack of institutions for meeting the financing needs of MSMEs and absence of tailored products amongst the ones that exist</li> <li>• Uptake of mobile/branchless banking services is low amongst the existing clientele; 95-99% dormancy</li> <li>• Lack of sustainable models that can reach the significant population</li> <li>• Absence of a social performance measurement framework at the level of service providers</li> <li>• Few product offerings specifically targeting women, youth and other excluded populations</li> </ul>	<ul style="list-style-type: none"> <li>• Major commercial banks in the West Africa Fragile States have launched or will soon launch mobile/branchless banking services, combined with savings products designed for low-income users. The space will become more competitive (MNOs, banks, MFIs and others) resulting in possible consolidation and improved quality of products and services and greater emphasis on client usage – need for risk capital to support inclusive market development</li> <li>• Experience in Sierra Leone on Hazard Payments being routed through MM/Branchless Banking (BB) channels has potential across other West Africa Fragile States</li> <li>• Linkages between governments, MNOs, commercial banks, member based institutions, MFIs can be explored for greater synergies in financial services delivery across the region</li> <li>• The cost of resources for the commercial banks could be significantly reduced through cheap financing provided by the respective central banks or AfDB, IFC and other MFIs in order to reduce transaction costs and ultimately the cost of money to the benefit of its clientele and low income population</li> </ul>

Client	<ul style="list-style-type: none"> <li>• Small markets, volatile economy, poor infrastructure, etc. present challenges for clients to reach FSPs and FSPs to reach clients</li> <li>• Low levels of financial competency</li> <li>• Women have lower financial competencies and less access to financial services as compared to their male counterparts</li> </ul>	<ul style="list-style-type: none"> <li>- Opportunity to develop human centered design research to foster ideation of new models tailored to women and youth</li> <li>- Falling cost of smart technologies make simpler customer interface possible</li> <li>- Continuation of recovery payments to individuals and households can help drive DFS</li> <li>- Increasing the commitment, incentives, and capacity of financial service providers to be client-centric</li> </ul>

## **Part 2: Strategy**

The programme outputs are well aligned with global, regional and national priorities of the stakeholders. The overall drive is towards leveraging digital financial inclusion with the range of financial service providers in the West African Fragile States of Guinea, Liberia and Sierra Leone to improve access, usage and quality of financial services leading to sustainable and inclusive growth. At the International Ebola Recovery Conference in July 2015, leaders of the three fragile states stressed the need for targeted investments in essential services, sustainable livelihoods, private sector development and stronger governance. The Presidents identified the ultimate aim of their plans as the restoration of sustainable and inclusive growth in all three countries to create jobs and improve the lives of their citizens.

The implementation strategy of the programme at a national level will be developed alongside Ministry of Finance and Central Banks in all three countries. The programme will align its interventions with the overall financial inclusion strategy/priorities of the central banks and the national governments via the National Financial Sector Development Committees/Task Forces/Coordinating Groups.

Approximately 15% of adults in these economies have an account at a formal financial institution, compared to 24%, on average, in low-income countries and 43% in the rest of the developing world. This is the cruel paradox of financial inclusion in fragile and conflict-affected states: it is precisely in these countries that having a safe place to save or a reliable method to receive remittances is most important, yet access to and usage of basic financial services remains incredibly low. Compared to the rest of the developing world, the gender gap in account penetration is also significantly wider in fragile and conflict-affected states; on average, women are 32% less likely than men to have a formal account.<sup>23</sup>

Recent Global Findex data reveal that about 11% of adults in fragile and conflict-affected states report having used a mobile phone to pay bills or to send or receive money in the past 12 months (more than double the rate of adults in the rest of the developing world). One in ten adults is hardly a large-scale transformation, but the growth to this point has been impressive and there may be important welfare benefits associated with the adoption of a concerted approach to digital financial inclusion.

**WA-DFIP-FCAS Theory of Change:**

WA-DFIP-FCAS believes that the rapidly spreading digital technologies offer an opportunity to provide financial services at much lower cost, and therefore profitably, boosting financial inclusion and enabling large productivity gains across the economy. WA-DFIP believes that broadening access to finance through digital means can unlock productivity and investment, reduce poverty, empower women, and help build stronger institutions with less corruption—all while providing a profitable, sustainable business opportunity for financial service providers.

WA-DFIP-FCAS will identify and work with a range of stakeholders to unlock and catalyze that opportunity and make access to a diverse range of financial services that are cost effective, sustainable, and transformational.

The knowledge agenda of WA-DFIP-FCAS is significant, with focus on improving the understanding of how client segments interact with DFS in order to leverage DFS to unlock access and improve services.

Digital financial inclusion introduces new market participants and allocates roles and risks (both new and well known) in different ways compared to traditional approaches to retail financial service delivery. The three key components of digital financial inclusion models,

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<sup>23</sup> <http://blogs.worldbank.org/allaboutfinance/financial-inclusion-in-fragile-and-conflict-affected-states>

namely agents, technology/payment interface, and longer/complex value chains correspond to the three main triggers of new or shifting risks: (i) the new parties and arrangements involved in the management and storage of account data and the holding of customer funds; (ii) the digital technology; and (iii) the use of agents as the principal customer interface. These three components, as well as the typical profile of the financially excluded or underserved customers in question, introduce various risks, including operational risks, consumer-related risks, such as financial crime.

Guinea, Liberia and Sierra Leone are at different stages of market development when it comes to financial inclusion, which necessitates a tailored approach for each country. While the programme appreciates the need to tailor interventions that suit the individual country context, there are certain cross-cutting gaps/opportunities that will call for a regional approach, including:

- building supervisory capacities of the central bank for digital delivery of financial services
- strengthening consumer protection framework and supervision of market conduct
- setting up appropriate financial inclusion data measurement systems
- introducing innovative products and services that target low-income and rural people and enable them reduce their expenses and securely build assets
- supporting development of robust agent networks
- strengthening financial competencies of low-income people especially women/youth.

A sub-regional programme support facility can provide performance-based grants and technical assistance to eligible financial service providers, central banks and government agencies to address the regional priorities stated above. One of the aims of the programme is to develop regional public goods on best practices/models on digital financial inclusion which can be accessed and put to effective use by all stakeholders in the region and in Fragile State category. These successful models of pro-poor financial innovations, collectively, will act as center(s) of excellence for facilitating learning and regional replication. Learning exchanges and knowledge products will be integral to the strategy of promoting regional public goods and ensuring that the stakeholders are able to apply them in their operational context. At the same time, the programme will coordinate closely with UNCDF's other global thematic initiatives engaged in digital finance, namely MM4P, BTCA and MicroLead.

The West Africa Digital Inclusion Programme is planned for a period of four years i.e. November 2016 – October 2020, and aligned to contribute to inclusive and sustainable growth outcome (Outcome 1) of the UNDP Africa regional programme 2014-2017<sup>24</sup>. It is also designed to contribute to the UNCDF strategic framework 2014-2017 under its outcome 1: financing increased for basic services and inclusive growth/local economic development; outcome 2: effective financing mechanisms established to increase resilience to economic and environmental shocks in the last mile; and outcome 3: policy environments fostered that enable last mile financing for development. WA-DFIP-FCAS will focus on the countries recovering from EVD that are also fragile and conflict affected states, and may programme in other fragile and conflict affected states as determined by the Joint Investment Committee/funding partners.

### **Programme Targets**

Broadly, the programme targets are segmented into the three dimensions of financial inclusion impact as endorsed by the G-20's Global Partnership for Financial Inclusion (GPFI) and the Alliance for Financial Inclusion (AFI) and adopted at the national level by countries. In addition, the programme aims to generate and contribute to growing research and knowledge base on risk capital and interventionist approach for facilitating greater financial inclusion outcomes through DFS in the target FCAS countries.

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<sup>24</sup> <http://www.africa.undp.org/content/dam/rba/docs/Programme%20Documents/regional-programme-2014-2017.pdf>

Access to financial services (total for three countries)	<ul style="list-style-type: none"> <li>• 300,000 low-income people, with at least 50% women and at least 30% youth<sup>25</sup>, gain access to at least one type of regulated<sup>26</sup> financial services through digital platforms</li> <li>• Of which 150,000 previously unbanked people, with at least 50% women, gain access to a regulated savings account accessible through digital platforms, and unlock capital for growth</li> <li>• Of which 100,000 Micro, Small &amp; Medium Enterprises (MSMEs) have access to regulated financial services, and create jobs</li> </ul>
Usage of services	At least 50% of customers accessed to financial services via programme support are active users of the services. <sup>27</sup>
Quality of products and delivery	<p>The customers experience improved access to digital financial services: reduction in cost to access the financial services</p> <p>Improved regulatory system to monitor consumer risks, embedded in national financial inclusion and financial literacy strategies</p>
Learning Agenda for FCAS	<p>A shared understanding among policy makers, industry players, development partners and donors on what works and what doesn't in FCAS.</p> <p>An improved understanding of the important role that increasingly digital financial markets can play in tackling fragility and building resilience in FCAS</p>

For all programme targets, data will be disaggregated by country, gender and age to monitor the gender and age implications of programme activities. WA-DFIP-FCAS, in collaboration with its partners such as AFI and MM4P, will support development of financial inclusion measurement systems based on global best practices as well as regulator capacity to gather, monitor and analyse the data, in order to drive evidence-based policy decisions. Data and measurement will be mainstreamed across all output areas to ensure that the results, impact and challenges are understood and analysed from using gender sensitive lens.

### **Outcome 1: Common Vision, Responsive Policies, Regulations and Coordinated Action for Digital Financial Inclusion in target FCAS**

*Enabling policy, regulatory environment and regulatory capacity that responds to the challenges of FCAS, and is backed by national financial inclusion strategies that addresses new and shifting risks of digital financial inclusion*

- Conduct a clear regulatory impact assessment and support in the development and improvement of regulations on DFS in FCAS
- Design a learning agenda for Central Banks in digital financial inclusion in collaboration with other donors, conduct workshops and trainings
- Conduct in – house trainings on key topics identified with regulators such as impact of fragility on financial systems, agent banking, digital ecosystem development, consumer protection in digital transfers.
- Support regulator in improving regulatory framework for digital financial services across all areas such as consumer protection, agent banking, mobile banking, e-trust arrangements etc.

<sup>25</sup> To use nationally defined age range for youth population

<sup>26</sup> "Regulated entities" are only those that are prudentially regulated/supervised

<sup>27</sup> Active defined as per the following: for MNOs as per GMSA, and for Bank-led accounts, as per UNCDF's MicroLead Programme

## **Outcome 2: Risk investments, pilots, and partnerships to facilitate market development of DFS in target FCAS**

*Invest in DFS pilots, partnerships, including green-fielding new technologies that can trigger market development and deepen financial access that meet the financial service needs of low-income people in the three target FCAS, particularly rural-based, women and youth*

- Scoping opportunities and catalyzing partnerships between a range of public and private stakeholders including FSPs, government, MNOs, member based financial institutions etc.
- Assess, facilitate and invest in business models that promise greatest potential (outreach coupled with sustainability) for delivering financial services to low-income people
- Work with UN, USAID and other relief, recovery and resilience programmes to seek way to digitize interventions
- Work with highest potential DFS providers and traditional financial sector players including key FSP operating in rural areas such as Regional Credit Unions in Liberia and possibly BRAC in rural areas to improve strategies and operations
- Entice high potential new market actors and partnerships into DFS
- Strengthen/deepen mobile banking services with emphasis on building robust agent networks, driving usage and broaden the range of financial inclusion products.

## **Outcome 3: Better market information, knowledge and dialogue to understand successful strategies – tools, regulatory and supervisory practices, technical inputs, client types and delivery channels for DFS in FCAS**

*Enhance sector understanding on products, channels, business models suited to the needs of low-income in fragile states. Improve evidence on the impact of digital financial inclusion approach in fragile states, including deepening knowledge on what drives customer behavior, uptake, and usage—and how an approach that stresses a portfolio of services delivered via digital means best meets the varied needs of poor people over their lifecycle in the fragile context*

- Invest in data-driven approaches that build and utilize a range of data on target populations to increase uptake and the range of services beyond payments (e.g. insurance, credit)
- Increasing the commitment, incentives, and capacity of financial service providers to be client-centric
- Play an active role in the region in stakeholder coordination and promote a culture of working collaboratively.
- Work with apex organizations such as LCUNA in Liberia in improving the FSP and the other market stakeholders' knowledge level of benefits and business models for DFS.

## **Outcome 4: Informed and Competent Consumers in FCAS using Digital Financial Services**

*Strengthening financial competencies of clients in the target FCAS so that they can better leverage business and financial access opportunities to improve their livelihoods*

- Studies will be conducted to learn about sources /channels through which poor people most often learn about financial products and services alongside working with stakeholders in strengthening consumer protection environment
- Test customer journey mapping and human centered design approaches, such as rapid prototyping to remove consumer barriers and improve adoption for DFS

## **Knowledge Management & Learning Agenda**

The heart of WA-DFIP-FCAS knowledge management model is helping to build a community of practice to accelerate evidence on the impact of digital financial inclusion in fragile states. The pursuit of high-potential impact issues typically follows a cycle of identifying emerging challenges and opportunities, generating demonstration success and proofs of concept, synthesizing and sharing insights, and working toward adoption and replication by market makers.

With the successful arrival of digital financial inclusion on the global policy arena, a number of important organizations have emerged that provide platforms for important leaders and constituencies, and WA-DFIP-FCAS plans to work in close partnership with them to maximize the collective impact against common objectives of learning and understanding the transformational role of digital financial inclusion in the context of fragile states. Global partner organizations include AFI, CGAP and the GPFI created by the G-20.

The community of practice will engage through UNCDF and UNDP's global position, using web platforms, convening events, and social media. WA-DFIP-FCAS will partner with knowledge stakeholders such as CGAP, AFI, FSD Africa and GPFI to bring together a vibrant community to do the following at regular intervals of the project lifecycle:

- Synthesize knowledge. Different parts of the community can help take stock of the rich capital of information that already exists and figure out how it can be transformed into more accessible and actionable knowledge.
- Identify knowledge gaps and generate new knowledge. Forging a shared vision about the priority research agenda will help focus energy on the most practically relevant questions; to get there, a frank and constructive exchange is needed between researchers and industry players.
- Debate and discuss ideas. Members of the community of practice will share new ideas, pose questions, ask for feedback, and probe the implications of research findings, including how they can act on the evidence to improve programming and policies.

## **Gender Mainstreaming**

To ensure gender is mainstreamed into the design of specific interventions, implementation, monitoring and evaluation, WA-DFIP-FCAS will align its strategy with both the UNDP Gender Equality Strategy, as well as the UNCDF strategy on Gender Equality and the Empowerment of Women (GEEW).

WA-DFIP's larger objective in gender mainstreaming is to assist its partners with project and product design, delivery, monitoring and evaluation in order to facilitate gender mainstreaming in all WA-DFIP-FCAS supported activities. WA-DFIP-FCAS will liaise closely both with the Regional Service Centre's Knowledge Management & Gender Specialist to implement the Centre's gender strategy, and will also coordinate efforts with UN Women. WA-DFIP-FCAS will interact with regional stakeholders in order to leverage global learning in the sector through partnerships with international development partners like Women's World Banking (WWB).

WA-DFIP-FCAS has already aligned its results and resource framework to achieve the specific actions that governments, the private sector, non-governmental organizations and development community should take to address the challenges and barriers to women's access to financial services, as prescribed in the report *Digital Financial Solutions to Advance Women's Economic Participation prepared for the G20 Turkish Presidency*

## Alignment with UNDP Africa Regional Priorities (2014-17)

WA-DFIP-FCAS 2016-2018 strategy is well aligned with that of UNDP Regional Programme (2014-2017).

Africa Regional Programme		WA-DFIP-FCAS Contribution
Outcome 1: Growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods, especially for the poor and d	Output 1.1. Regional and sub-regional systems and institutions enabled to support countries to achieve structural transformation of productive capacities that are sustainable and jobs- and livelihoods intensive	<ul style="list-style-type: none"> <li>- Strengthen regional coordination and collaboration to achieve digital financial inclusion, which in turn will create more jobs, provide access to finance for SMEs, and improve women and youth's access to financial services</li> <li>- Strengthen social protection cash transfers to ensure that cash transfers are digitized into financial inclusion accounts, allowing vulnerable households to integrate into formal sector</li> </ul>

## Alignment with Country-level UNDAF

Guinea 2013 – 2017

PNUAD/UNDAF	Interagency Outcome	WA-DFIP-FCAS Strategy
Axe stratégique d'intervention II: accélération de la croissance et promotion d'opportunités d'emplois et de revenus pour tous <i>(Growth strengthening and employment and incomes for all promotion.)</i>	Effet 1: « D'ici 2017, les populations les plus vulnérables en particulier les femmes et les jeunes, dans les zones les plus pauvres, disposent des capacités accrues de production, de meilleures opportunités d'emplois décents et de revenus durables et leur sécurité alimentaire est améliorée ». <i>(Improved access to job opportunities, sustainable incomes and production capacities)</i>	WA-DFIP-FCAS will work with stakeholders at the macro, meso and micro levels, as well as clients, to increase digital financial inclusion which in turn will improve the access of local private sector to financial services and cost-savings. WA-DFIP-FCAS' Technical Specialist for Guinea will support and coordinate with regulators, donors, FSPs, private sector and other UN agencies to improve access to sustainable income generating opportunities through financial inclusion
Axe stratégique d'intervention III : réduction de la vulnérabilité et amélioration des conditions de vie <i>Pillar III: Human Development</i>	Effet 1 : « D'ici 2017, la population en général et en particulier les plus vulnérables ont accès et utilisent des services sociaux de base conformes aux normes et standards nationaux et internationaux pour améliorer leurs conditions de vie <i>(Social Protection: Vulnerable households and groups benefit from appropriate social protection services and systems.)</i>	WA-DFIP-FCAS will work with stakeholders to ensure that the cash transfers to the extremely poor are digitized and integrated into the financial sector through greater access to a range of financial services and financial education

Liberia 2013 – 2017

<b>UNDAF</b>	<b>Interagency Outcome</b>	<b>WA-DFIP-FCAS Strategy</b>
Pillar II: Sustainable Economic Transformation	Outcome 2.2. Private sector development: Improved equal access to sustainable livelihoods opportunities in an innovative and competitive private sector for rural and urban areas.	WA-DFIP-FCAS will work with stakeholders at the macro, meso and micro levels, as well as clients, to increase digital financial inclusion which in turn will improve the access of local private sector to financial services and cost-savings. WA-DFIP-FCAS Technical Specialist for Liberia will support and coordinate with regulators, donors, FSPs, private sector and other UN agencies to improve access to sustainable income generating opportunities through financial inclusion
Pillar III: Human Development	Outcome 3.4: Social Protection: Vulnerable households and groups benefit from appropriate social protection services and systems.	WA-DFIP-FCAS will work with stakeholders to ensure that the cash transfers to the extremely poor are digitized and integrated into the financial sector through greater access to a range of financial services and financial education

Sierra Leone 2015 – 2018

<b>UNDAF</b>	<b>Interagency Outcome</b>	<b>WA-DFIP-FCAS Strategy</b>
Pillar 1: Economic Diversification to Promote Inclusive Growth	Outcome B: Low income and food insecure households have improved access to sustainable income generating opportunities.	WA-DFIP-FCAS will work with stakeholders at the macro, meso and micro levels, as well as clients, to increase digital financial inclusion. WA-DFIP-FCAS Technical Specialist for Sierra Leone will support and coordinate with regulators, donors, FSPs, NGOs and other UN agencies to improve access to sustainable income generating opportunities through financial inclusion
Pillar 6: Strengthen Social Protection Systems	Outcome B: 20% of extremely poor households have access to social safety nets, with at least 8% benefiting from cash transfers	WA-DFIP-FCAS will work with stakeholders to ensure that the cash transfers to the extremely poor are digitized and integrated into the financial sector through greater access to a range of financial services and financial education

**Partnerships and Linkages**

At the regional level, WA-DFIP-FCAS will play an active role in donor coordination with AfDB, USAID, EU, IFC, WB, DFID, Cordaid, and other donors. Regional priorities will be discussed and based on comparative advantages of individual donors, lead roles will be established in addressing regional financial inclusion gaps. Besides, all donors will coordinate their support to individual FSPs to avoid duplication.

The strategy of WA-DFIP-FCAS will be to ensure greater linkages with UNCDF programmes under its financial inclusion practice area (FIPA), and to leverage delivery capabilities of these programmes wherever applicable. These include:

- **Better Than Alliance (BTCA)** – The Better Than Cash Alliance is a partnership of governments, companies, and international organizations that accelerates the transition from cash to digital payments in order to reduce poverty and drive inclusive growth. BTCA focuses on advocacy, developing the knowledge and tools that can support the shift from cash to digital inclusive financial services. Given the importance of role of transfers in post-crisis situations, BTCA joined forces with UNCDF and UNDP to assist with developing the system of payment of health workers in the Ebola-affected countries of Liberia, Sierra Leone and Guinea. As a post-Ebola programme, WA-DFIP-FCAS will build on that successful partnership to leverage BTCA's global experience in DFS research and toolkits to localize and implement transition in the FCAS countries. WA-DFIP-FCAS will provide support to Liberia and Sierra Leone on the implementation of their digitization commitments, and facilitate Guinea's engagement and connection with the Alliance.
- **MM4P** – UNCDF, Sida and Australian Aid have developed this programme to support branchless and mobile financial services in a select group of LDCs. WA-DFIP-FCAS will utilize MM4P's tremendous experience and toolkits in DFS to test and customize their applicability in fragile states. MM4P initiated its activities in Liberia in 2013, but withdrew due to lack of funds and inability to find the necessary technical expertise able to stay in country during the Ebola crisis. However, its Dakar-based technical advisor has re-engaged in Liberia. Liberia remains an MM4P focus country and a full time DFS Expert Consultant in Liberia is taking lead on implementing both MM4P and WA-DFIP-FCAS activities.
- **Youth Start** – Started in 2010 in collaboration with The Master Card Foundation, the programme aims at increasing access to financial and non-financial services for low-income youth. With a specific emphasis on savings, Youth Start works with FSPs to pilot and roll out sustainable financial and non-financial services tailored to young people. WA-DFIP-FCAS will complement and leverage Youth Start's partnership with FSPs to build out the digital access points through new partnerships with digital networks.
- **MicroLead** is a UNCDF's global initiative which goal is to increase access to and usage of financial services, particularly deposit services, by rural customers. It supports the development and roll-out of deposit services by regulated financial service providers via market research, product development, channel development, product marketing and financial education. In line with the Global Findex 2014 findings, MicroLead is increasingly focusing on working with informal savings groups and formal financial service providers to create technology enabled savings-led linkages. To date, MicroLead has awarded funding in 21 countries for 30 projects worth USD 44.5 million, including in Liberia and Sierra Leone. Leveraging MicroLead's success in Liberia and Sierra Leone, WA-DFIP-FCAS will complement the savings-led linkages with digital platforms to accelerate outreach, quality, and impact of UNCDF's initiatives at the household and community levels. MicroLead's partners with significant capacity are ideal partners for WA-DFIP-FCAS to build out the digital access points for rural communities.
- **Microinsurance and Remittances:** UNCDF has collaborative programmes with the ILO and IFAD, respectively, on microinsurance and remittances, and synergy will be sought between these global programmes and WA-DFIP-FCAS.

In addition, WA-DFIP-FCAS will be integrated within UNDP's inclusive growth and livelihoods agenda at the global, regional and country level, contributing evidence on the role of financial inclusion in accelerating inclusive growth.

### Resource Mobilization Strategy

WA-DFIP-FCAS' resource mobilization is contextualized to the following four trends in aid flows:

- 1 **A substantial portion of the US\$3.4 billion pledged by donors will finance initiatives focusing in job creation, inclusive growth, and SME growth.** International donors have promised billions of dollars to help Ebola-hit countries in West Africa recover from the epidemic. The new funds - a total of US\$3.4 billion (3 billion euros) - announced at the Ebola Recovery Conference organized by the UN, are meant to help Liberia, Guinea and Sierra Leone rebuild their devastated economies and health systems. Among the new pledges were US\$745 million from the AfDB, US\$495 million from the European Union, US\$340 million from Britain, US\$266 million from the United States and US\$220 million from Germany.
- 2 **Prioritization of financial inclusion efforts among donors.** CGAP's annual survey of 56 international funders found that in 2013 these funders committed at least US\$31 billion to financial inclusion projects. This prioritization of financial inclusion efforts is notable given the current climate of tight budgets and a shrinking pool of resources for development work. Development finance institutions, multilateral development banks and bilateral development agencies (such as DFID in the U.K.) continue to increase funding for financial inclusion. Since 2011, public funding has increased at an average rate of 11% per year
- 3 **Increased funding for Fragile States.** DFID has committed to spending 30% of its budget in fragile states. The Bill and Melinda Gates Foundation and the Islamic Development Bank are establishing a fund for fragile states for which DFS will be a target area of activity.
- 4 **Focus on private sector resource mobilization.** Private finance now accounts for the largest international flows to developing countries: FDI totalled US\$472 billion in 2011, and loan disbursements almost US\$700 billion. These are enormous numbers, especially in comparison to the amount of official development assistance (ODA) available. WA-DFIP-FCAS' resource mobilization strategy considers the minimum leverage of 1:1 for private sector investments in expanding the financial inclusion ecosystem in the three fragile states.

Overall, ODA trend in the three countries had been stable.

Net ODA by Country <sup>28</sup>	2012 (USD M)	2013 (USD M)
Guinea	340	500
Liberia	571	534
Sierra Leone	443	444

Relevant Ebola Recovery Pledges by Donor<sup>29</sup>

Donor	Ebola Conference Pledge	Primary sector	Country
EU	166	Recovery	Guinea

<sup>28</sup> <http://www.compareyourcountry.org/aid-statistics?cr=1000&cr1=oced&lg=en&page=1>

<sup>29</sup> Ebola Recovery Conference, July 2015

<b>France</b>	167.8	Recovery, debt relief, research and lessons learnt. Some funds will be earmarked for the region.	Guinea
<b>Islamic Development Bank</b>	220	Infrastructure, Agriculture and Rural Development, Human Development - Education, Health	Guinea
<b>USA</b>	59	Recovery	Guinea
<b>TOTAL:</b>	<b>Total Ebola Conference Pledges in USD:</b>	<b>Total of pledges in USD for Guinea:</b>	<b>US\$ 554 Million</b>
<b>EU</b>	135	Recovery	Liberia
<b>USA</b>	147	Recovery	Liberia
<b>TOTAL:</b>	<b>Total Ebola Conference Pledges in USD:</b>	<b>Total of pledges in USD for Liberia:</b>	<b>US\$ 282 Million</b>
<b>EU</b>	191	Recovery	Sierra Leone
<b>UK</b>	378	Economic Development and Tax Revenue Sectors ( <b>2015:</b> USD 37,8mn, <b>2016:</b> USD 153mn, <b>2017:</b> USD 37,8mn), Basic Services - Health, Education, WASH ( <b>2015:</b> USD 25,2mn, <b>2016:</b> USD 99mn, <b>2017:</b> USD 25,2mn)	Sierra Leone
<b>USA</b>	60	Recovery	Sierra Leone
<b>TOTAL:</b>	<b>Total Ebola Conference Pledges in USD:</b>	<b>Total pledges in USD for Sierra Leone:</b>	<b>US\$ 629 Million</b>

#### Approach & Timeline

Resource mobilization will be undertaken by UNCDF Senior Management and UNDP Regional and Country Office senior Management, with support from WA-DFIP-FCAS Regional Technical Specialist. The resource mobilization approach and timeline is represented in the following table below:

Resource Timeline	Mobilization	Activities	Responsibility
November 2016	– December	Preparation of Resource Mobilization Collateral Preparation of detailed donor intelligence for Senior Management	WA-DFIP-FCAS Regional Technical Specialist
November 2016	– December	Resource Mobilization meetings: - Target to raise at least 10% of unfunded budget	UNCDF/UNDP Senior Management WA-DFIP-FCAS Regional Technical Specialist
January – June 2017		Resource Mobilization meetings:	UNCDF/UNDP Senior Management

	- Target to raise at least 40% of unfunded budget	WA-DFIP-FCAS Regional Technical Specialist
June – December 2017	Resource Mobilization meetings: - Target to raise 100% of unfunded budget	UNCDF/UNDP Senior Management WA-DFIP-FCAS Regional Technical Specialist

All funding partners in the Region have been closely consulting during the formulation of WA-DFIP-FCAS. The United Kingdom DFID has expressed interest in being part of the Sierra Leone component of the Programme. In addition, the FSD Africa programme of DFID is seeking investable retail projects in the region, which it could invest in directly or potentially through UNCDF. The AfDB has expressed interest in partnering on all three countries. Other funders consulted include Cordaid and USAID. USAID has a number of effort focused on West Africa which are in the start-up of inception phase. This includes the Partnership for a Digital West Africa, the GEMS project in Liberia and a potential collaboration between USAID's programme on agent network strengthening in Liberia and Sierra Leone.

**Prioritization:** The Joint Investment Committee (JIC) will prioritize results to be achieved, and the outputs will be reduced or modified in accordance with the resources to be mobilized. WA-DFIP-FCAS will focus on the following outputs with the current mobilized resources, which will contribute to the achievement of raising at least 40% of total budget by June 2017.

		Timeline & Cost
Human Resources	WA-DFIP-FCAS Regional Technical Specialist & Manager in place	November 2016 – December 2016 US\$ 42,532
Output 1	Demand-driven Technical Assistance to Central Banks Technical Assistance on the DFS Diagnostic	November 2016 – June 2017 US\$ 12,600 Regional Technical Specialist
Output 2	Demonstration pilots in fragile states context, including leading technical assistance to WFP on their cash transfer programmes in Sierra Leone	November 2016 – June 2017 US\$ 150,000 Regional Technical Specialist
Output 3	Create knowledge product providing support to digital finance's role in fragility	November 2016 – June 2017 US\$ 60,000 Regional Technical Specialist
Resource Mobilization & Communication	Outreach and resource mobilization collaterals	Ongoing UNDP & UNCDF Management Regional Technical Specialist

### **Sustainability of Results and Exit Strategy**

West Africa, especially countries in which WA-DFIP-FCAS will work have some of the lowest financial inclusion numbers anywhere in the world. WA-DFIP-FCAS will create a focus in each of the target countries around digital financial inclusion.

WA-DFIP-FCAS' exit strategy is guided by the broader global vision for digital financial inclusion, defined as universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions. It is not only microcredit, but also savings, insurance, remittances, payments, SME finance. Financial inclusion helps families and entrepreneurs generate income, build assets, manage cash flow, invest in opportunities and strengthen resilience to setbacks.<sup>30</sup>

**Programme Exit:**

WA-DFIP-FCAS is not seeking to register itself as a permanent institution during the project period. There is a natural 'sunset clause' or exit clause built into the programme by the end date of the programme period. Whether WA-DFIP-FCAS continues after the end of the current programme period will be determined by local stakeholders based on the results achieved in this programme. This will also depend on whether WA-DFIP-FCAS continues to have comparative advantages that could address remaining gaps in financial inclusion after 2019. Evaluations will provide an input into the deliberations by local stakeholders on whether there is a need for WA-DFIP-FCAS II.

WA-DFIP-FCAS will, where possible, seek regional or local partners who could take over responsibility for project supported activities and build their capacity where needed such that WA-DFIP-FCAS could exit from certain activities by the end of programme, or significantly reduce its role in directly implementing those activities.

**Investments Exit:**

Each Performance Based Agreement (PBA) to be signed under the programme has standard language noting its limitation in time and cost:

***II. Duration***

*2.1 This Agreement will come into effect on **(Date and Year)** and shall expire on **(Date and Year)** covering the anticipated term of the project. It can be extended, if necessary by exchange of letters, noting the new expiration date; and*

*5.8 The **Recipient Institution** acknowledges that the **Grantor** has made no actual or implied promise of funding except for the amounts specified by this Agreement.*

Thus, each FSP funded by grant funds has a defined exit strategy built into the grant. The programme's investments will be designed such that successful models can be scaled up via internal resources (FSP retained earnings, savings mobilized) or when additional funds are needed will also continue to partner with other funders to further scale-up successful models. Based on the needs to further extend the frontier of finance within the three countries, any further support to FSPs once a PBA is complete would be based on a new financing agreement with targets that document the additional value added to the support provided.

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<sup>30</sup> See Speech of the UNSGSA for Inclusive Finance for Development, <http://www.unsgsa.org/wp-content/uploads/2013/05/2013-03-26-UNSGSA-remarks-HLP-Bali.pdf>

## Part 3: Results & Resource Framework

Programme Outputs	Indicative Activities	Responsible Parties and Partners	Inputs
<p><b>Outcome 1: Common Vision, Responsive Policies, Regulations and Coordinated Action for Digital Financial Inclusion in target FCAS</b></p> <p>Enabling policy, regulatory environment and regulatory capacity that responds to the challenges of FCAS, and is backed by national financial inclusion strategies that addresses new and shifting risks of digital financial inclusion.</p>			
<p>1. Regulatory and supervisory capacities of central banks and government ministries improved to respond to specific challenges of FCAS with policies and regulations for scaling responsible digital financial services delivery</p> <p><b>Indicators:</b> Number of policy/regulatory changes adopted by central banks/government in a quest to respond to challenges of FCAS and create an enabling inclusive financial services environment Target: 10</p> <p>Number of regulators trained/exposure and learning visits Target: 20 learning visits; 80 regulators trained</p> <p><b>Baseline:</b> Regulatory environment around digital financial services remain nascent.</p>	<p>1.1. Conduct a clear regulatory impact assessment and support in the development and improvement of regulations on DFS in FCAS</p> <p>1.2. Design a learning agenda for Central Banks in digital financial inclusion in collaboration with other donors, conduct workshops and trainings</p> <p>1.3. Facilitate policymakers and regulators on study tour related to National Payment System development, payment aggregation, in particular in other more developed FCAS such as Uganda, Pakistan etc.</p> <p>1.4. Conduct in – house trainings on key topics identified with regulators such as impact of fragility on financial systems, agent banking, digital ecosystem development, consumer protection in digital transfers.</p> <p>1.5. Support regulator in improving regulatory framework for digital financial services across all areas such as consumer protection, agent banking, mobile banking, e-trust arrangements etc.</p> <p>1.6. Conduct advocacy and work with other donors to promote connectivity, universal access, and shared digital payment infrastructure to encourage scale in FCAS</p>	<p>Regional Programme Team (Regional Technical Specialists, MM4P), Country Technical Specialists – Digital Financial Inclusion (Guinea, Liberia, Sierra Leone)</p> <p>Central Banks, Government Ministries, donors and technical experts</p>	<p>Policy &amp; Technical advice, admin/support: US\$ 1,284,180</p> <p>Grant &amp; TA pipeline: US\$ 1,300,000</p>
<p>2. Central Banks and National Governments lead and coordinate the development of a shared vision for DFS in FCAS, through national financial inclusion strategies and functional national task forces/committees/working groups</p> <p><b>Indicators:</b></p>	<p>2.1. Facilitate diagnostics of financial competency &amp; financial inclusion in countries to inform strategy formulation around digital ecosystem development</p> <p>2.2. In conjunction with central bank and government, organize and facilitate national level workshop involving all key public and private stakeholders to jointly validate national financial</p>	<p>Regional Programme Team, Country Specialists</p> <p>Central Banks, National Task Force, Government Ministries,</p>	

<p>Number of target FCAS that have developed national financial inclusion strategies with focus on digital financial services; Target: 3 Number of countries with functional digital /ecosystem working group Target 3</p> <p><b>Baseline:</b> Zero</p>	<p>inclusion/competency priorities and formulate a medium terms strategy 2.3. Facilitate support to and/or constitution of national financial inclusion task force/committees/working groups to coordinate and implement strategy</p>	<p>Donors/Development Partners, Technical Experts</p>	
<p>3. Government leverages government bulk payments to drive volume for DFS ecosystem development in FCAS</p> <p><b>Indicators</b> Representation and level of engagement (attendance verified in meeting minutes) of key government ministries in National Financial Inclusion Task Force; Target: 3 with participation in at least 50% of all meetings organized by the National Financial Inclusion Task Force/Committee/Working Group</p> <p>Percentage of Government to Person (G2P) payments driven on MM/BB channels Target: At least 50%</p> <p><b>Baseline</b> Low involvement; No G2P payments made via MM/BB channels</p>	<p>3.1. In conjunction with central banks, convene an information exchange workshop on financial inclusion for all government ministries and agencies with representation from key decision makers including permanent secretaries and directors 3.2. Provide technical assistance and grant support to digital financial inclusion initiatives taken by government ministries, particularly G2P</p>	<p>Regional Programme Team, Country Specialists</p> <p>Partners – Relevant government ministries especially ministry of finance, central banks, UNDG, Donors/Development Partners</p>	
<p>4. Central banks define, collect and analyze digital financial inclusion data</p> <p><b>Indicators</b> Number of central banks with functional FI data measurement system; Target: 3</p>	<p>4.1. Coordinate with AFI on their FI data measurement agenda and reach consensus on key performance indicators to gather. 4.2. Provide necessary TA and capacity building to regulators to enable quality implementation (data capture, analysis, and use for decision-making) and lessons learnt from implementing DFS in FCAS 4.3. In partnership with AFI/regulators, conduct workshop with</p>	<p>Regional Programme Team, Country Technical Specialists</p> <p>Partners - Central Banks, AFI, National Task Forces, CGAP,</p>	

Frequency of status report on financial inclusion produced by supported central banks Target: annual	FSPs to brief them on data reporting protocols and data analysis for business decision making 4.4. provide TA to network organizations to implement systems required to report FI data as necessitated by regulators	GSMA, UNCDF, FSPs, the Mix Market	
<b>Baseline</b> None			
<b>Sub-total Output 1</b>			<b>US\$2,584,180</b>
<b>Intended Target</b>	<b>Indicative Activities</b>	<b>Responsible Parties and Partners</b>	<b>Inputs</b>
<b><i>Outcome 2: Risk investments, pilots, and partnerships to facilitate market development of DFS in target FCAS</i></b>			
Invest in DFS pilots, partnerships, including green-fielding new technologies that can trigger market development and deepen financial access that meet the financial service needs of low-income people in the three target FCAS, particularly rural-based, women and youth			
<b>1. Innovative partnerships, pilots and digital products supported that have the potential to scale-up delivery of low-cost, responsive and client-centric digital financial services in FCAS</b>  <b>Indicators:</b> Number of products piloted disaggregated by type of products; Target: 9 Number of unbanked clients reached by the piloted products, disaggregated by type of products, sex, age, geographical areas; • Target: <ul style="list-style-type: none"> <li>- 300,000 low-income people, with at least 50% women and at least 30% youth<sup>31</sup>, gain access to at least one type of regulated<sup>32</sup> financial services through digital platforms</li> <li>- Of which 150,000 previously unbanked people, with at least 50% women, gain</li> </ul>	1.1. Scoping opportunities and catalyzing partnerships between a range of public and private stakeholders including FSPs, government, MNOs, member based financial institutions etc. 1.2. Assess, facilitate and invest in business models that promise greatest potential (outreach coupled with sustainability) for delivering financial services to low-income people 1.3. Establish WA-DFIP-FCAS joint investment committee & TOR and project appraisal criteria, grant disbursement & monitoring & reporting procedures 1.4. Award grants, monitor & report performance (including gender, youth, and geographical disaggregated information) to Investment Committee 1.5. Pro-active technical support to FSPs & facilitation of partnerships to generate grant	Regional Programme Team; Country Technical Specialists  FSPs, Investment Committee, MicroLead, MM4P, Programme Donors, IFC, AfDB, Central Banks	Technical advice, admin/support: US\$ 1,814,580  Grant & TA pipeline: US\$ 3,450,000

<sup>31</sup> To use nationally defined age range for youth population

<sup>32</sup> "Regulated entities" are only those that are prudentially regulated/supervised

<p>access to a regulated savings account accessible through digital platforms</p> <ul style="list-style-type: none"> <li>- Of which 100,000 Micro, Small &amp; Medium Enterprises (MSMEs) have access to regulated financial services, and create jobs</li> </ul> <p>Activity levels/usage of clients: At least 50% of customers accessed to financial services via programme support are active users of the services.</p> <p><b>Baseline:</b> There have been 3-4 DFS delivery models, with scope for improved service delivery, and product pricing/features targeting low-income vulnerable beneficiaries. Unreached/untapped geographies</p> <p>Zero clients receive DFS that are client-centric, responsive and affordable</p>			
<b>Sub-Total Output 2</b>			<b>US\$ 5,264,580</b>
<b>Intended Target</b>	<b>Indicative Activities</b>	<b>Responsible Parties and Partners</b>	<b>Inputs</b>
<p><b><i>Outcome 3: Better market information, knowledge and dialogue to understand successful strategies – tools, regulatory and supervisory practices, technical inputs, client types and delivery channels for DFS in FCAS</i></b></p> <p>Enhance FCAS markets' understanding on products, channels, business models suited to the needs of low-income population segment in target FCAS</p>			
<p><b>1. Deeper understanding of the intersection between DFS and its scalability in FCAS as the primary strategy for delivering client-centric affordable range of financial services</b></p> <p>The learnings will support smart programming and help financial market facilitation agencies in supporting financial sector development in FCAS</p> <p><b>Indicators:</b></p> <p>Number of knowledge products tailored to the needs of stakeholders developed/published</p>	<p>1.1. Working with key partners such as Financial Sector Development (FSD) Africa, identify and apply learning from emerging excellent practice to support the access of financial services in FCAS</p> <p>1.2. Active engagement &amp; consultation with stakeholders in scoping &amp; preparing TOR for all research to ensure that knowledge creation is demand-driven &amp; research incorporate participatory &amp; gender sensitive approaches</p> <p>1.3. Timely recruitment of consultants &amp; mobilization of expertise to conduct the research and provision of TA</p> <p>1.4. Incorporate a learning agenda to all WA-DFIP-FCAS pilots and regulatory support in order to build and</p>	<p>Regional programme Team; Country Technical Specialist</p> <p>Partners –</p>	<p>TA admin/support: US\$ 305,332</p> <p>Research, Knowledge Products: US\$ 1,429,248</p>

<p>Target: At least 12 Number of articles/forums where WA-DFIP-FCAS knowledge products are quoted; Target: At least 12 Number of regional and international conferences attended with UNCDF representation/ panelist/moderator; Target: At least 12 Number of exposure visits sponsored Target: At least 10</p> <p><b>Baseline:</b> Knowledge products on West Africa Fragile States financial inclusion landscape low. No demand side research in FCAS No knowledge base of promising practices in FCAS</p>	<p>contribute to knowledge base for DFS in FCAS</p> <p>1.5. Identify and implement other targeted research and learning questions that can drive change</p> <p>1.6. Invest in data-driven approaches that build and utilize a range of data on target populations to increase uptake and the range of services beyond payments (e.g. insurance, credit)</p> <p>1.7. Increasing the commitment, incentives, and capacity of financial service providers to be client-centric</p> <p>1.8. Play an active role in the region in stakeholder coordination and promote a culture of working collaboratively.</p> <p>1.9. Work with apex organizations such as LCUNA in Liberia in improving the FSP and the other market stakeholders' knowledge level of benefits and business models for DFS.</p>		
			<b>US\$ 1,734,580</b>
<b>Intended Target</b>	<b>Indicative Activities</b>	<b>Responsible Parties and Partners</b>	<b>Inputs</b>
<b>Outcome 4: Informed and Competent Consumers in FCAS use digital financial services</b>			
Strengthening financial competencies of clients in the target FCAS so that they can better leverage business and financial access opportunities to improve their livelihoods			

<p><b>1. Innovative financial literacy delivery models</b></p> <p>Innovative, low-cost, sustainable financial literacy methodologies piloted, serving as regional example for replication</p> <p><b>Indicators:</b></p> <p>Number of programme countries that implement innovative/replicable financial literacy models; Target: 3</p> <p>Number of beneficiaries who receive financial literacy through such initiatives; Target: At least 50% of 300,000 target with access to financial services</p> <p>Financial competence scores of beneficiaries (relative to baseline) Target: 3</p> <p><b>Baseline:</b></p> <p>None of the FSPs have product specific financial literacy modules delivered one time through high cost traditional delivery channels. Need for low-cost and sustainable financial literacy methodologies</p>	<ol style="list-style-type: none"> <li>1.1. Conduct a demand side study to understand sources which are accessed by clients for information around financial products and services.</li> <li>1.2. On the basis of the study, propose innovative delivery models which can be leveraged to deliver financial education messages</li> <li>1.3. Scope opportunities and select partners for implementing pilot</li> <li>1.4. Technical assistance support on financial literacy module design and delivery</li> <li>1.5. Extend support in implementation, monitoring and evaluation</li> <li>1.6. Document lessons learned (successes/challenges) to feed into knowledge creation and dissemination with the region and globally</li> </ol>	<p>Programme Team, Country Technical Specialist</p> <p>Partners – FSPs, faith-based and community based institutions, technical assistance provider, MicroLead</p>	<p>Policy &amp; Technical advice, admin/support: US\$ 1,369,897</p> <p>Grant &amp; TA pipeline: US\$ 1,295,683</p>
<b>Sub-Total Output 4</b>			<b>US\$ 2,665,580</b>
<b>Mid Term and/or Final Term Evaluations</b>			<b>US\$150,000</b>
<b>Indirect Costs</b>			<b>US\$ 968,096</b>
<b>Programme Total</b>			<b>US\$13,367,017</b>

## **Part 4: Management Coordination & Arrangement**

The programme will adopt appropriate coordination arrangements between range of national and regional stakeholders aimed at achieving the West Africa Digital Financial Inclusion November 2016 – October 2020 for Fragile States' strategic outcomes in the three target countries – Guinea, Liberia and Sierra Leone. The overall objective of such arrangements would be to serve the institutional and strategic context of individual stakeholders including donors, central banks, government and other private sector stakeholders in planning, implementation, monitoring and evaluation of programme strategies.

The programme will be implemented by UNCDF via direct execution and the UNDP Africa Regional Centre's sub-regional platform Western and Central Africa, as a joint programme, and headquartered in Sierra Leone Country Office to respond to the target countries cost-effectively and quickly. Due to the multi-country nature of WA-DFIP, direct execution will help achieve economies of scale and drive results. The programme will have clear management arrangements to facilitate multi-donor participation.

The programme coordination will be vested in the Joint Investment Committee (JIC) which will have representation from programme donors, UNCDF, and UNDP. The JIC will approve the annual workplan, monitor progress and provide strategic directions to optimize the impact of the programme. The JIC will also review and approve project proposals supported by the grant facility and ensure efficient use of resources, avoid duplication of efforts and maximize synergies with other donors / partners. Please refer to Annexure for details on broad policy governing the JIC.

The approval limits/systems will follow the UNCDF rules and regulations, and operating policy. The programme coordination arrangements will ensure that the dynamic nature of national and regional priorities of stakeholders including central banks, government, FSPs and other international development partners are included at the time of drawing up strategic annual plan. Network and linkages of UNDP Resident Coordinator will be leveraged in certain key thematic areas such as SDGs, inclusive growth and gender/youth focused financial services/literacy design and delivery.

Annual consultations with relevant country teams of programme partners will be done to draft country-specific annual work plans. The annual work plans will be presented to programme Joint Investment Committee for approval. While this arrangement will provide flexibility in planning programme interventions, it will also facilitate intra-donor and inter-donor coordination.

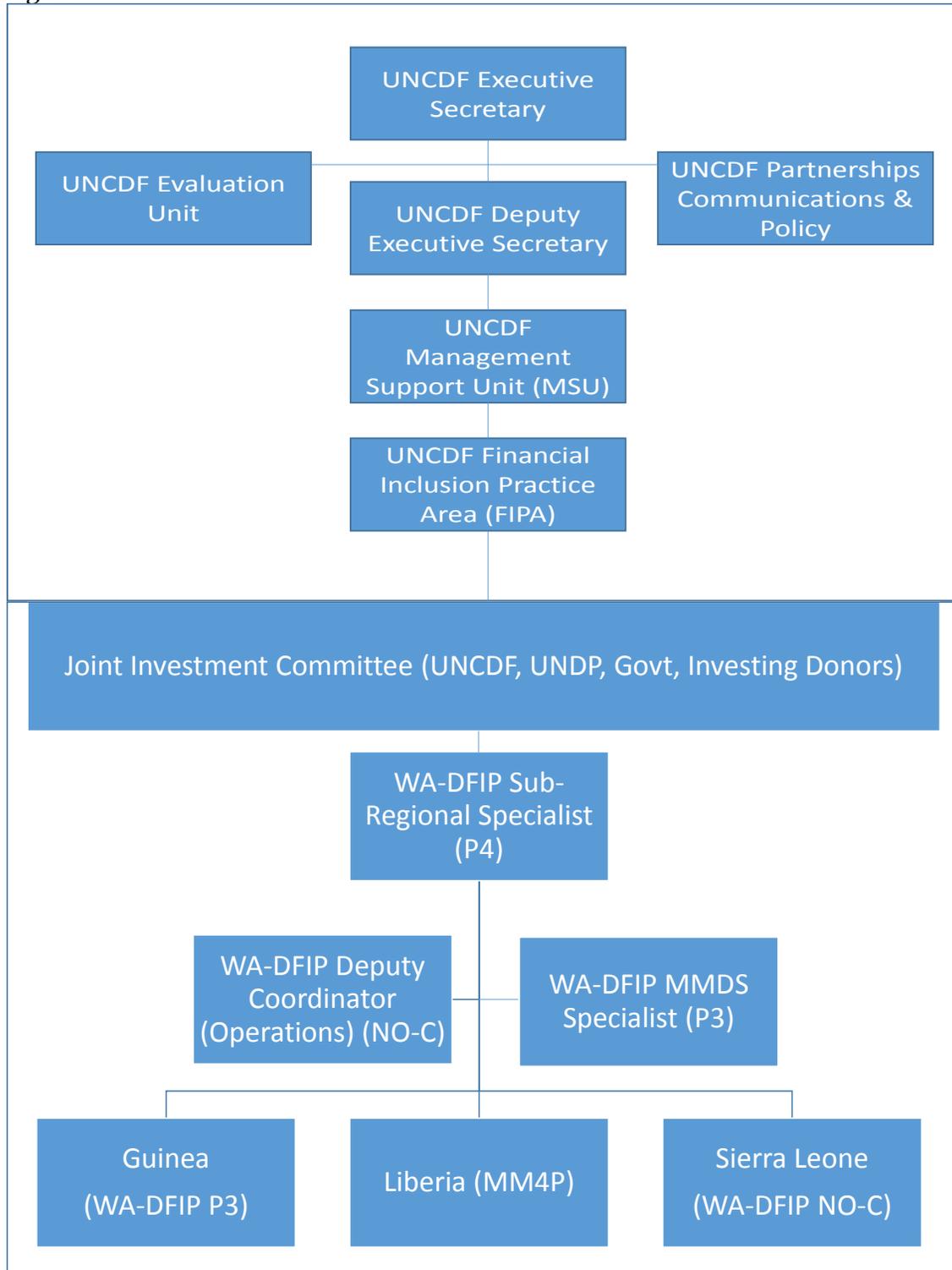
### **Governance and Programme Team**

The management structure for WA- DFIP-FCAS will include a team consisting of digital finance experts in countries, managed and supported by functional experts at the regional level based in Freetown, Sierra Leone. In the case of Liberia, this will be the DFS expert for MM4P. The WA-DFIP-FCAS Sub-Regional Specialist based in Freetown will be responsible for managing the overall programme, supported by MM4P<sup>33</sup>, MicroLead Expansion, YouthStart Global and BTCA experts based at UNCDF headquarters and regional office in Dakar (Youth Start Global). Besides this, WA-DFIP-FCAS will hire project specific staff based on the level of engagement/expertise required in specific projects. However, largely most of the projects in-country will be managed by the respective country technical specialists.

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<sup>33</sup> Parallel (USAID – Ebola Recovery) of \$480,000 is USAID funded resources committed to MM4P on USAID contribution agreement AID-PPL-G-12-00001 dated Aug 9 2016, which will be channeled to WA-DFIP based on USAID concurrence.

Figure 1



### **UNDP Administration and Joint Programming**

The administration of this Project shall be governed by UNDP rules and procedures as defined in the Results Management Guide within the policy context defined by the Executive Board. Where UNCDF has its own distinct rules and procedures based on its General Assembly mandate, financial rules, and operational procedures, UNCDF shall follow those procedures.

Harmonization of UN funding will be achieved through Joint Programme Arrangements: This is a “Joint Programme”, as defined by the UN Development Group (UNDG), and associates UNDP and UNCDF as follows:

- Fund management will be a combination of “parallel funding” (whereby UNDP and UNCDF manage their respective core funds through their separate business units) and “pass-through” (whereby Donor and other third party co-financing funds will be transferred to each of the two agencies according to their budget management responsibilities as detailed in the budget, through the intermediary of an Administrative Agent);
- For Donor and other third party co-financing, UNDP will act as Administrative Agent on behalf of both agencies, according to UNDG rules, and this will be reflected in (a) the Letter of Agreement signed between the Administrative Agent and Donor and other co-financing partners and (b) an inter-agency Memorandum of Understanding to be signed by both UNDP and UNCDF, and by other UN agencies which opt later to support this programme; and
- In the course of implementation of this programme, and in monitoring and reporting on progress, UNDP, UNCDF and other future associated UN agencies will collaborate according to the regulations for Joint Programmes as these are issued by UNDG.

### **Part 5: Monitoring, Evaluation and Reporting**

This joint programme aligns its monitoring and evaluation systems with the CGAP guidance for measuring market development where appropriate. It will adopt a results-based management approach focusing on the performance and realization of outputs, outcomes and impacts. Results chain will be developed for each country and the larger individual projects of programme, for example projects above a threshold of US\$ 100,000. The results will be monitored periodically and their development impact will be reported in annual review meetings. Technical Specialists will assess reporting requirements for grantee FSPs based on results chain and assist concerned FSPs in streamlining their internal systems to capture the data indicators mentioned in the grant agreement. Also, wherever necessary baseline data will be collected through primary research, the cost of which would be built in the support provided to concerned partner.

Regular monitoring of programme activities will be operationalized through system of quarterly progress reports that the WA-DFIP-FCAS programme team will submit to the JIC. The progress reports will detail partner’s progress on agreed targets along with issues/constraints being faced by the partners in meeting the agreed targets. The system of quarterly progress would be complimented with annual review meetings with JIC for deciding on financial inclusion priorities for the following year and detailing an annual work plan for programme activities.

Joint evaluation frameworks will be developed by UNDP and UNCDF to suit the needs of all the programme donors. The programme will have either a mid-term review of the programme and/or a final evaluation (target date 2nd quarter of 2018). The evaluation will be forward looking offering lessons learned and recommendations to improve programme performance. Refer to annexure for the detailed monitoring framework.

## **Part 6: Legal Context or Basis of Relationship**

This programme is directly executed by UNCDF (headquartered in New York) and the UNDP Regional Centre's sub-regional platform for Western & East Africa and implemented in Guinea, Liberia and Sierra Leone.

This programme forms part of an overall programmatic framework under which several separate associated country level activities will be implemented. When assistance and support services are provided from this programme to the associated country level activities, this programme document shall be the instrument referred to in the respective signed Standard Basic Assistance Agreement (SBAA) between the Government of Guinea, Liberia, and Sierra Leone and UNDP, signed on 1978 (Guinea) and 1977 (Liberia and Sierra Leone), respectively. All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner."

This programme will be executed by the UNCDF/UNDP (as "Implementing Partner") in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. UNCDF/UNDP shall comply with the policies, procedures and practices of the United Nations safety and security management system.

UNCDF/UNDP will undertake all reasonable efforts to ensure that none of the project funds are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP/UNCDF hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml). This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

The responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP/UNCDF's property in the Implementing Partner's custody, rests with the Implementing Partner. The Implementing Partner shall: (a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried; (b) assume all risks and liabilities related to the Implementing Partner's security, and the full implementation of the security plan. UNDP/UNCDF reserve the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

## **Part 7: Work plan and Budgets<sup>34</sup>**

The annotated Annual Work Plan for 2016 to 2019, showing resource mobilization targets is presented in Annex 4. UNCDF's core resources planned to be allocated for this programme is USD 297,721. For the first year USD 42,532 has been committed or allocated for this programme.

### **UNDP & UNCDF Core Competencies**

WA-DFIP-FCAS as a joint programme between UNDP and UNCDF seeks to leverage the core competencies of each organization during execution of WA-DFIP-FCAS. WA-DFIP-FCAS staff will be a mix of UNDP and UNCDF staff, with technical leadership by UNCDF and operational leadership and in-country oversight leadership by UNDP. UNDP has demonstrated local operational capacity in all three target countries as well as strong

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<sup>34</sup> WA-DFIP-FCAS Liberia component is primarily implemented through MM4P wherever relevant to MM4P's agenda as identified in the Results & Resource Framework

relationships with governments. UNCDF compliments this with its technical expertise and technical infrastructure. The implementation of WA-DFIP-FCAS will be governed by the JIC, to which both UNDP and UNCDF are members. The funding flows through each organization is defined below based on core competencies.

<b><i>Y1 – Y4</i></b>	<b>Total (USD)</b>	<b>UNCDF %</b>	<b>UNDP %</b>
1: Policy, Advocacy and Coordination	2,621,980	84%	16%
2: Risk Investment, Pilots and Partnerships	5,301,980	87%	13%
3: Better Market Information & Evidence	1,771,981	30%	70%
4: Informed & Competent Consumers	2,702,980	86%	14%
<b>Total</b>	<b>13,367,017</b>	<b>75%</b>	<b>25%</b>

## **Annexure**

### **Annex 1 – Stakeholder Consultation Methodology for WA-DFIP-FCAS 2015-19 Scoping Mission**

The WA-DFIP-FCAS 2016-2020 design and planning process started in Q1 of 2015 when stakeholders expressed the need for a sector development approach to achieve satisfactory levels of financial inclusion in the three EVD affected countries. In order to scope areas of intervention, UNCDF hired a consultant from *NetHope*, a well-known consulting firm in digital inclusive finance space to assist in design of WA-DFIP, while UNDP's Regional Technical Specialist has been leading additional consultations since Q3 of 2015. UNCDF's MM4P has also conducted additional consultations in Liberia. Overall, over 60 stakeholders across the three fragile states gave their inputs for design of WA-DFIP-FCAS. The detailed methodology for the scoping mission is given below.

### **Country Stakeholder Consultations**

Given the diversity of fragile states and to foster country ownership in WA-DFIP-FCAS regional plans, UNDP/UNCDF held 3 in-country stakeholder consultations. In each country, bilateral consultations were done with key national stakeholders including central bank, government ministries, FSPs, network institutions and country posts of donors (DFID, AfDB, EU, USAID, and the WB Group).

### **Digital Financial Services Diagnostics**

UNDP/UNCDF is undertaking country-level DFS diagnostics in Guinea, Liberia and Sierra Leone during Q4/2015 and Q1/2016. The results of the diagnostics form an integral planning tool for providing focus and detailed activities to the annual work plans within the framework of WA-DFIP-FCAS.

## **Annex 2 – Terms of Reference – WA-DFIP-FCAS Joint Investment Committee**

The purpose of the WA-DFIP-FCAS Joint Investment Committee (JIC) Policy is to clearly define the composition, authority, role and responsibilities of the JIC in order to guide JIC members. This policy is grounded in the WA-DFIP-FCAS Project Document approved by the UNDP, UNCDF, and endorsed by the target Fragile States in West Africa. This Policy document may be amended from time to time by decision of the JIC and signed by the JIC Chairperson.

### **1. Role of Joint Investment Committee**

1.1. The WA-DFIP-FCAS Joint Investment Committee (JIC) shall oversee the implementation of the programme and approve financial support under the WA-DFIP Support Facility, a funding allocation in the WA-DFIP-FCAS, in accordance with the Project Document of the West Africa Digital Financial Inclusion Programme for Fragile States.

1.1.1. The JIC shall act as the Management Board in accordance with "PRINCE 2" (Project in Controlled Environments), the project management and accountability methodology which has been adopted corporately by UNDP globally. The three primary management roles are:

- 1.1.1.1. the *executive role* to ultimately ensure accountability for the project;
- 1.1.1.2. the *senior user role* is to ensure that the outputs produced meet the needs of the end-user, in this case the Fragile States in West Africa;
- 1.1.1.3. the *senior supplier role* is to commit resources to ensure that the outputs produced will achieve the intended objectives within design, cost and time parameters.

1.1.2. The JIC shall also be the decision-making body over the WA-DFIP-FCAS Support Facility including:

- 1.1.2.1. appraisal of proposals for financial and technical support
- 1.1.2.2. approval of financial support; and
- 1.1.2.3. ensuring the WA-DFIP-FCAS Team is appropriately monitoring funded partners.

1.2. The JIC shall collectively discharge the responsibilities of each of the roles and shall determine the best means to do so.

1.3. The JIC mechanism is in line with the Paris Declaration on Aid Effectiveness calling for donors' actions to be more harmonized, transparent and collectively effective.

## **2. Composition of Investment Committee**

2.1. The JIC shall be composed of WA-DFIP-FCAS' main cost-sharing and policy advocacy partners.

2.2. The initial JIC shall consist of members from the following organizations:

2.2.1. UNCDF (Financial Inclusion Practice Area): 2 Representatives (Sector Development Expert & DFS Expert);

2.2.2. UNDP Regional Centre in Africa: 1;

2.3. Designated members may appoint an alternate from their organization to participate in the members' absence. Both members and alternates may participate in regular JIC meetings.

2.4. New organizations may be added to the JIC according to the following guidelines.

2.4.1. Organizations providing more than US\$250,000 per annum in financial support to the WA-DFIP-FCAS shall be entitled a seat on the IC.

2.4.2. Country donors will vote on matters related to the country funds earmarked for;

2.4.3. Other organizations with relevant policy advocacy or programme activities that reinforce WA-DFIP-FCAS strategic objectives and/or contribute to financial inclusion may be invited with the unanimous approval of the JIC.

## **3. Decision-making**

3.1. JIC decisions should be made by consensus to the extent possible. Where unanimous consent is not possible, then the IC may vote and decisions are carried by a simple majority.

3.2. If a JIC member and his/her alternate are unable to attend meetings, may provide their input in advance to the IC Secretary or may delegate authority to another JIC member.

3.3. All organizations have a single vote, regardless of the number of members and

alternates present at the JIC meeting.

#### **4. Term of Service and Meetings**

- 4.1. The participating organizations of the JIC shall appoint a member at their discretion to the IC for a term of no less than 18 months.
- 4.2. The JIC shall meet no less than twice per calendar year and shall meet more frequently if necessary.
- 4.3. The JIC may hold meetings either virtually with members providing comments via e-mail, videoconference, teleconference, in person or, when necessary, a combination of each.
- 4.4. The JIC may also agree, by special arrangement (e-mail, telephone calls), when timely decisions are required.

#### **5. Appointment, Role and Responsibilities of Chairperson**

- 5.1. The JIC shall unanimously appoint a Chairperson for an 18-month term, renewable for up to one additional 12-month period.
- 5.2. The Chairperson is responsible for:
  - 5.2.1. conducting all JIC meetings;
  - 5.2.2. managing voting, when necessary;
  - 5.2.3. requesting the UNDP and/or UNCDF to sign Support Agreements (grants, loans, or contracts);
  - 5.2.4. representing the JIC; and
  - 5.2.5. monitoring WA-DFIP-FCAS compliance with JIC decisions and recommendations.
- 5.3. The Chairperson may, in case of unavoidable absence from a JIC meeting, delegate his/her responsibilities to another JIC member or alternate.

#### **6. Appointment, Role and Responsibilities of the Secretary**

- 6.1. The WA-DFIP-FCAS Sub-Regional Technical Specialist shall act as Secretary to the JIC.
  - 6.1.1. The Secretary shall be assisted by the members of the WA-DFIP-FCAS team forming the Secretariat.
  - 6.1.2. With the approval of the Chairperson, the Secretary may designate a member of the WA-DFIP-FCAS Team to act as the Secretary from time to time.
- 6.2. The Secretary does not have a vote in the JIC.
- 6.3. The role of the Secretary is to ensure the smooth functioning of the JIC, manage all preparation for JIC meetings, document JIC decisions, and respond to JIC requests.

6.4. The Secretary is responsible for:

- 6.4.1. scheduling and organizing all JIC meetings;
- 6.4.2. ensuring that all required documentation is available to facilitate decision-making;
- 6.4.3. taking and disseminating minute of JIC meetings;
- 6.4.4. providing documents to the Chairperson for signature;
- 6.4.5. responding to JIC requests for information.

**7. The Responsibilities of the JIC**

7.1. Provide guidance and strategic direction to the WA-DFIP-FCAS

- 7.1.1. Advise on and approving the strategy of the WA-DFIP-FCAS;
- 7.1.2. Approve WA-DFIP-FCAS strategic and programmatic policies, including the WA-DFIP-FCAS Support Facility policy, particularly eligibility and selection criteria

7.2. Approve annual work plan and budget

- 7.2.1. The WA-DFIP-FCAS Sub-Regional Technical Specialist shall present a draft annual work plan to the JIC in no less than four weeks prior to the end of the calendar year.
- 7.2.2. The JIC shall meet prior to the end of each calendar year to review and comment on the annual work plan.
- 7.2.3. The WA-DFIP-FCAS Management Team shall make changes to the plan, as necessary, and the JIC shall approve the final plan in writing by signature of its Chairperson no later than four weeks after the start of the calendar year.
- 7.2.4. However, budget modifications can be made during the fiscal year to accommodate recommendations and requests by the JIC

7.3. Contribute to the performance appraisal of the WA-DFIP-FCAS Team

- 7.3.1. The UNCDF member of the JIC has primary responsibility for the annual performance evaluation of the WA-DFIP Sub-Regional Technical Specialist in accordance with UNDP personnel guidelines. The UNDP Regional Centre Manager or a designated UNDP Country Office has secondary responsibility.
- 7.3.2. The WA-DFIP Sub-Regional Technical Specialist has primary responsibility for the appraisal of the WA-DFIP-FCAS Team.
- 7.3.3. The UNCDF member, through shall solicit contributions from other JIC members as to their opinion of the performance of the WA-DFIP Management Team. He/she will incorporate these contributions into the appraisals of the WA-DFIP-FCAS Sub-Regional Technical Specialist and the WA-DFIP Sub-Regional Technical Specialist will incorporate them into the appraisal of the WA-DFIP-FCAS Team.

#### 7.4. Appraise and approve financial support to partners from the WA-DFIP-FCAS Support Facility

- 7.4.1. The JIC in its entirety may oversee the WA-DFIP-FCAS Support Facility or it may appoint a subcommittee consisting of IC members to appraise and approve partners' applications.
- 7.4.2. The JIC may establish approval authorities and delegate approvals less than a certain amount to the WA-DFIP-FCAS Sub-Regional Technical Specialist, the Chairman of the JIC, or some combination of the two. These authorities will be document in the WA-DFIP-FCAS Support Facility Policy.
- 7.4.3. The Chairperson of the JIC or his/her appointee must forward approvals of all support to the UNDP and/or UNCDF for processing.

#### 7.5. Oversee monitoring and evaluation (M&E)

- 7.5.1. The M&E plan will be provided to the IC for comment. Additional M&E activities may be requested by the IC from time to time.
- 7.5.2. M&E plans will include the requirements for its other funders.
- 7.5.3. The JIC shall review regular Programme progress reports.
- 7.5.4. The JIC shall review Programme's annual performance.
- 7.5.5. The JIC shall conduct a mid-year project review during the third quarter of the calendar year to assess the performance of the project. It shall focus on the extent to which progress is being made towards annual work plan outputs and the extent to which these remain aligned to appropriate outcomes. It will also inform the next annual work plan.
- 7.5.6. The JIC shall review, revise and approve ToRs and the evaluation team for mid-term and/or final evaluations, as required by the programme document.

#### 7.5.2. The JIC shall review regular WA-DFIP-FCAS reports.

- 7.5.2.1. The WA-DFIP-FCAS Management Team shall provide quarterly progress reports toward the completion of annual work plan results.
- 7.5.2.2. The WA-DFIP-FCAS shall provide a semi-annual budget report including actual versus projected expenditures with an explanation of significant variance in the UNDP Regional Centre format.
- 7.5.2.3. The JIC shall respond with questions to the reports directed to the WA-DFIP-FCAS Management Team no less than 30 days after receipt of the reports and the team shall respond no less than 10 days.

#### 7.5.3. The JIC shall review WA-DFIP-FCAS' annual performance.

- 7.5.3.1. The JIC shall conduct a mid-year project review during the third quarter of the calendar year to assess the performance of the project. It shall focus on the extent to which progress is being made towards annual work plan outputs and the extent to which these remain aligned to appropriate outcomes. It will also inform the next annual work plan.
- 7.5.3.2. The WA-DFIP-FCAS management team shall complete an annual programme report no later than four weeks after the end of the calendar

year.

7.5.4. The JIC shall review, revise and approve terms of reference and the evaluation team for mid-term and/or final evaluations.

7.5.4.1. The programme is subject to an independent mid-term and/or final evaluation managed by the UNCDF Evaluation Unit. The evaluation is in compliance with the UNCDF mandatory evaluation requirements in the UNDP Evaluation Policy, to which UNCDF is party. Funding for the evaluation is included in the programme's budget

7.5.4.2. The evaluation will assess its overall performance, the outputs and outcomes produced against its initial targets, the impact it has brought or would likely to bring.

7.5.4.3. The evaluations will provide mechanisms for the free and meaningful participation of local stakeholders – including women and targeted vulnerable groups.

7.5.4.4. The evaluation will be forward looking offering lessons learned and recommendations to improve programme performance. The results of these evaluations will feed into strategic, thematic and outcome evaluations carried out by UNCDF and UNDP. Success in carrying out development evaluation requires partnerships in evaluation with national and international actors. Opportunities will be sought for collaboration with programme partners in conducting the evaluations.

7.6. The Joint Investment Committee shall provide reporting on an annual basis to relevant regional and national ministerial meetings.

7.6.1. The JIC may delegate some or all of this responsibility to the WA-DFIP-FCAS Sub-Regional Technical Specialist.

## **8. Confidentiality and conflict of interest**

8.1. Joint Investment Committees (JIC) members should sign declaration of impartiality and confidentiality statements that include the requirement that:

a) members undertake to keep in strict confidence all proprietary, commercial or other sensitive information that they may come across in the course of their role and responsibility in the JIC and

b) if a member of the JIC believes s/he may have a conflict of interest in any matter being considered by the JIC, this conflict of interest must be reported immediately to the Chairperson who, in consultation with other JIC members, shall rule on the appropriate action to take; including, but not limited to, the member abstaining from contributing to a decision on the matter at hand;

### **Annex 3 –Terms of Reference: Programme Staff**

#### **• Sub-Regional Technical Specialist (P4)**

The Sub-Regional Technical Specialist (SRTS) will provide technical leadership and managerial support to the West Africa Sub-Regional Programme for Digital Financial Inclusion, including the management of country-level staff in the implementation of UNCDF programmes. SRTS is accountable for the identification and implementation of Cross-Practice collaboration with LDFP and the sound articulation of country-level strategies and opportunities related to UNCDF mandate while ensuring gender equality and empowerment of women in strategic and operational activities of UNCDF. In doing so, she/he must translate corporate strategy into country programming and regional positioning, ensuring the development of synergies of technical/programme support and relationships with LDCs through a sound collaboration with UNDP and the UNCT at the regional and country levels.

The SRTS will be based in the Sierra Leone Country Office.

**Programme Management:**

- In close consultation with UNCDF and the UNDP Regional Center - Addis, and under the overall guidance of the Programme Joint Investment Committee (JIC), the SRTS is entrusted with the overall direction, implementation and management of the West Africa Digital Financial Inclusion Programme. S/he shall organize, coordinate, supervise and administer the personnel and the resources of the programme in line with UNCDF and UNDP's rules and regulations;
- Prepare annual workplans with performance targets and budgets for Investment Committee approval. The workplans submitted to the IC will cover both the technical components of the Programme as well as its management and administration, and clearly define indicators and targets for activities, as well as input of staff, short-term technical assistance and other resources;
- Prepare mid-year and annual progress reports (APRs), narrative as well as financial reports and progress and results achieved for the IC.

**Policy Advice & Technical Assistance:**

- Help identify knowledge gaps and design responses. Contribute to drafting terms of reference in relation to the different tenders for studies, TA provision etc. Assess opportunities within the programme budget to meet capacity development needs;
- Based on relevant opportunities, respond to individual governments by reviewing constraints to financial inclusion and recommending solutions or expert advice;
- Undertake and/or commission market and pro-poor financial sector studies to provide evidence-based knowledge and information to policy makers, regulators and FSPs;
- Serve as Secretariat to the Investment Committee, ensuring that all required documentation is available to facilitate decision-making, and that performance-based agreements with FSPs are available for signature upon approval by the IC;
- Promote the adoption by all IC members of Good Practice Principles for Donor Support in line with CGAP best practices.

**Project Generation and Technical Support to FSPs:**

- Effective management of all financial, performance and operational aspects of the grant facility, including facilitating project implementation according to annual work plan of the project, ensuring achievement of outputs;
- Provide information on the programme's grant funding to targeted FSPs and Telecoms, and identify potential FSPs and Telecoms for investment, based on capacities for growth and potential to providing financial services in an efficient and financially viable manner;
- Assist applicants as needed to develop solid business plans and robust, performance-based proposals that could serve as the basis for investment, and identify an appropriate blend of grants, and technical assistance for FSPs and Telecoms to meet agreed performance targets;

- Organize trainings for funded FSPs around issues where common capacity-building is required. Provide on-site TA to FSPs focused on issues specific to individual FSPs. Assist recipients to identify appropriate technical assistance providers for specialized areas not within the competence of the programme team. Advise on the options for partnerships, mergers etc. where these could lead to efficiency gains for FSPs;
- Assist funded FSPs to ensure they have an MIS that can produce relevant and accurate on-time portfolio and financial data and meet reporting requirements;
- The STRS is required to monitor progress of recipient institutions by reviewing and verifying quarterly reported results through field visits, prior to facilitating the posting of participating FSPs' results on the MIX Market website as appropriate ([www.themix.org](http://www.themix.org)).

**Profile of Applicants:**

- Have a minimum of 7 (seven) years relevant, practical working experience within the financial sector and/or microfinance, preferably in least developed countries (LDCs) with at least 3 years demonstrated experience in managing a development programme on financial inclusion or private sector financial service for rural and lower segment markets;
- Documented deep technical knowledge and experience in financial inclusion good practices for industry building, and development of inclusive financial systems and products in emerging markets;
- Knowledge of latest developments in the field regarding application of technology packages to innovate in products and services – including DFS /mobile phone-enabled financial services;
- Bank/MFI/MNO management experience is an advantage, with demonstrated experience with product development for rural, women and low income clients and micro-entrepreneurs;
- Strong financial analysis and business project appraisal skills;
- Familiarity with UN/UNCDF rules and procedures is an advantage;
- Prepared to travel frequently throughout the West Africa region.

• **Country Technical Specialists (p3)**

The purpose of the role of the Country Technical Specialist is to strengthen UN presence on the country level and to provide technical and strategic support related to financial inclusion and digital finance to UN agencies, the Government and the development community. The Country Technical Specialist will support UNCDF's role as policy advisor to UNDP on financial inclusion and as the technical lead on financial inclusion among the UN agencies in the country. The Specialist will work towards promoting the financial inclusion agenda of the country as well as to provide technical advice to national institutions such as the Central Bank.

The CST will be based in countries, hosted by UNDP Country Offices, and will be responsible for implementing WA-DFIP-FCAS country priorities.

**Acts as a lead technical resource for Financial Inclusion/Digital Financial Services (FI/DFS) and coordinator for U.N Agencies, funders and other stakeholders working in Ebola Recovery or FI/DFS in the country:**

- Act as the lead on financial inclusion in the UN system and the technical expert on financially inclusive cash transfers;
- Ensure, through technical support, advice and advocacy, the integration of digital payments and financial inclusion in post-Ebola cash transferring and broader post-Ebola recovery strategies for U.N Agencies, funders and other stakeholders working in Ebola Recovery or FI/DFS in the country;
- Ensure that cash transfer beneficiaries in the U.N agencies post-Ebola recovery efforts receive funds into accounts which have financial inclusion characteristics to the greatest degree possible;

- Maximize the degree to which beneficiaries receive additional FI-oriented services with linkages to improved livelihoods or financial capacity building partners such as financial education materials and opportunities to utilize financial services (especially savings and insurance);
- Involve private sector financial services delivery channels in financially inclusive cash transfer programming, including strengthening these delivery channels as appropriate and needed;
- Maximize the degree to which investments in payments and transfer programmes can result in a sustainable beneficial impact on the country (for instance through establishment of access points, strengthening of infrastructure and improvements in communications);
- Advise and assist in developing national strategies and policies for financial inclusion that takes into account digitalization of social protection payments and strengthen supervisory capacity of regulators in areas related to FI/DFS;

**Supports Key Stakeholders to develop and implement National Financial Inclusion/Digital Financial Services Strategies:**

- Based on research and diagnostic studies, assist key stakeholders to develop and implement National Strategies for Financial Inclusion/Digital Finance, meeting global commitments (e.g. Maya Declaration, or national commitments.);
- Contribute to legal and regulatory stocktaking efforts in host countries and share with others;
- Support key Government counterparts (Central Bank, Ministry of Finance) to lead consultative processes with all stakeholders (private sector, FSPs, funders) engaged in, or supporting the development of inclusive financial sectors;
- Work with stakeholders to get input and build support for the Host Country Strategies, building a common approach on financial inclusion;
- Support Government in implementation of the strategies.

**Research and Information Sharing / Conducting and managing financial inclusion diagnostics in country:**

- Carry out or oversee diagnostics, research and studies, independently or as a counterpart to consultant(s) hired by UNCDF, on various issues and undertakings relating to financial inclusion/digital financial services in the country. These will include financial sector services assessments; studies of branchless banking, mobile phone banking, agent networks, client uptake of mobile financial services; financial competency surveys; micro insurance supply and demand studies; and assisting in oversight of financial diaries (household cash flow studies);
- Strengthen analysis of the gender impact at family and community level of the introduction of new products and services;
- Facilitates the flow of information and knowledge between key stakeholders (local, regional and international) in research efforts and assists in organizing local surveyors, focus groups and workshops related to research;
- Identify learning, training, and knowledge sharing opportunities for UNCDF and in-country partners and financial resources for the same;
- Builds and support partnerships through regular interaction with stakeholders and assists in the planning and execution of UNCDF events in country. In concert with UNCDF's knowledge manager and Communications Office, ensure UNCDF's work is publicized appropriately and highlights linkages to the wider UN family.

**Identify, vet, and assess new investments/ a diverse mix of strong FI/DFS projects that support a strong ecosystem of financial inclusion outcomes:**

- Working with donors and stakeholders, develop a pipeline of potential investments or projects that help achieve financial inclusion outcomes. Project will be related to

branchless banking, mobile phone banking, savings, micro-insurance, remittances, credit and potentially other areas;

- Work with shortlisted support facility partners to develop strong financial inclusion projects that reach low income and rural households, including a high percentage of women;
- Champion new investments/projects conducting verification visits and due diligence of grant applicants;
- Prepare project appraisal documents for presentation to the UNCDF Investment Committee;
- Secures no objections from governments to implement FI/DFS activities and projects in assigned countries;
- Assist in preparing Financing Agreements (grant, loan, technical assistance) documentation for approved partners. Monitor progress of investments/projects and initiatives / Projects are running on time and smoothly, problems are identified early and remedial steps proposed;
- With the WA-DFIP-FCAS Team, manage a reporting schedule for partners and monitor the receipt and quality of reports.

**Corporate support: Provides support to UNCDF management on corporate initiatives and activities, focusing on achieving the following results:**

- Build an effective partnership with the UNDP Country Office;
- Provide advice and input from country perspective on project management/performance issues, planning and monitoring portfolio performance results for Unit and UNCDF annual/cumulative Annual Report and Unit and regional work plan and UNCDF Business Plan;
- As needed support UNCDF team in fulfilling planning and reporting requirement to the Investment Committee, UNDP, UNCDF and its other funders;

**Profile of Applicants:**

- A minimum of seven (7) years' experience in progressively more responsible positions in the development field, including financial inclusion and digital finance;
- Experience working with microfinance, branchless banking, mobile phone banking, micro insurance, financial literacy and other efforts to reach rural and poor populations with financially inclusive solutions;
- Strong knowledge on the technology of Digital Finance and related disciplines, including understanding of legal and regulatory frameworks related to Digital Finance;
- Knowledge of national payment systems and technical infrastructure of payment and clearing systems;
- Experience managing or conducting research, particularly related to financial inclusion;
- Experience in developing national strategies and policies for financial inclusion;
- Detailed knowledge of development process and post-crisis related issues, particularly in the reactivation and development of sustainable livelihoods;
- Working experience and knowledge of socio-economic issues which excludes various vulnerable groups, in particular women, from the financial sector and the strategies employed to address these;
- Working knowledge of international donor organizations and preferably experience in preparing proposals for funding;

• **Measuring Market Development Specialist**

The Measuring Market Development Specialist (MMDS) will bring expertise and knowledge in the area of measuring market development to the programme and partner institutions in order to build capacity to the area of M&E in the context of results based management, and in particular, the emerging CGAP guidance. The MMDS will be tasked with designing and

implementing monitoring systems, tools and reports for M&E, as well as performing a quality assurance function for all partner and programme reporting.

The MMDS will be based in Freetown, Sierra Leone and assist in managing the WA-DFIP team and project portfolio. Under the direction of the WA-DFIP-FCAS Sub-Regional Technical Specialist, the MMDS will assist WA-DFIP-FCAS to achieve its goals throughout the region. The MMDS will contribute to knowledge management and sharing to promote the best practices in financial inclusion and assist in regional activities of the WA-DFIP-FCAS which will include travel to all programme countries, other fragile states that are LDCs as well as relevant regional and global conferences, workshops, etc.

The MMDS will accomplish the programme results through a range of activities including, but not limited to the following:

**Design and implement WA-DFIP MMD&E framework in the context of a results based management approach and including operational and financial areas**

- Analyse M&E framework within the context of the programme mission, objectives, Annual Work Plan (AWP), partner agreements, as well as with programme evaluation findings in order to set up a comprehensive M&E framework.
- Develop all required systems, tools, reports and indicators, required for efficient, effective implementation of M&E framework and activities. For financial sector development projects, and elsewhere as appropriate, the CGAP guidance for measuring market development will be guide the M&E framework
- Assist programme units in monitoring M&E activities in the Annual Work Plan. Design, develop and present monitoring reports to the WA-DFIP-FCAS Investment Committee (IC) and relevant external stakeholders
- Assist in developing M&E indicators for the WA-DFIP-FCAS follow-on programme, as well as for all supported projects and partners
- Regularly analyse M&E activity finding and reports in order to provide the IC with timely, accurate information for decision-making
- Contribute to making WA-DFIP-FCAS a highly networked project with stakeholders and partners

**Build capacity of the WA-DFIP-FCAS team and its partners in the area of M&E in order to improve overall programme effectiveness, enhance reporting**

- Train WA-DFIP-FCAS team on proper use of M&E systems, tools, reports and indicators to allow for timely and accurate monitoring and reporting
- Identify capacity weaknesses and design appropriate activities and tools to improve M&E within the programme and partners. In particular, support Central Banks in their financial inclusion monitoring and reporting
- Support WA-DFIP-FCAS team and partners to monitor all outcome indicators and financial reports
- Coordinate the conducting of internal and external evaluations of the programme by internal or independent evaluators
- Provide update on M&E capacity at regular intervals

**Make regular visits to WA-DFIP-FCAS country posts and partner operations in order to monitor progress in project implementation and achievement of results with the goal of increasing the likelihood of effecting positive outcomes in the lives of users of expanded financial services**

- Design, execute and coordinate M&E activities to ensure timely and accurate submission of monitoring reports
- Regularly monitor partner reports and conduct report and indicator audits to maintain quality control of internal and external reporting
- Analyse reports and indicators against agreements and relative benchmarks in order to recommend improvements and interventions to increase programme effectiveness and ability to achieve lasting positive impact. Monitoring at the project level shall be focused on measuring the progress of project activities, including social and gender dimensions and the delivery of outputs against established schedules and indicators of progress. The methodology for such monitoring shall be participatory. Project level monitoring shall include the following:
  - Analysis of the project description to assess the validity of activities, costs, objectives, expected results, time horizon, etc.;
  - Progress in implementation of outputs; and
  - Forecast and expectations; and
  - Recommendations
- Undertake regular contact with partners to monitor the implementation of projects supported by grants from WA-DFIP-FCAS. Assist partners in fulfilling reporting requirements, including to the Mix Market as required. Monitoring shall be made against quantifiable benchmarks and efficiency indicators agreed in the grant agreement – including the validation of grantees progress reports.
- Based on the findings of the monitoring visits, prepare regular progress reports for the purpose of reporting to the Investment Committee by project management.

**Identify and execute, or manage execution of, knowledge management activities in order to generate and disseminate learning from programme activities and publicise results**

- Ensure that WA-DFIP-FCAS team, IC and Stakeholders are informed on current trends, market conditions, and special topics as needed including through well executed workshops, conferences and other learning events.
- Identify stakeholders to participate in knowledge sharing opportunities relating to M&E, assist in managing the logistics of their participation.
- Contribute, as appropriate, to Global knowledge sharing efforts to share information on WA-DFIP-FCAS and partner experience in financial inclusion.

**Provides corporate support under the direction of the Sub-Regional Technical Specialist, including fulfilling reporting requirements, assisting with fundraising, managing staff and consultants and representing WA-DFIP-FCAS, UNCDF and UNDP at internal and external meetings, workshops and conferences**

- As needed support WA-DFIP-FCAS team in fulfilling planning and reporting requirement to the IC, UNDP, UNCDF and its other funders.

- Prepare project appraisal documents for presentation to the IC, donors and partners
- Assist in preparing and grant and performance based agreement documentation for approved partners

### **Profile of Applicants**

- The M&E Specialist will hold a post-graduate degree from a reputable institution in finance, economics or public policy and will have a minimum of 3 (three) years relevant, practical working experience within the financial sector and/or microfinance, preferably in the Fragile States and in LDCs. S/he will possess a dynamic, self-motivated personality with a sense of entrepreneurial initiative.
- Experience in use of CGAP guidance for measuring market development, or DCED standards for M&E would be preferable.
- Strong programme management experience with emphasis on monitoring and evaluation of microfinance projects and programmes with strengths in participatory evaluation methodologies.
- Documented deep technical knowledge and experience in (Micro) finance good practices for industry building, and development of inclusive financial markets and products in emerging markets, especially through private sector partnerships.
- Strong networking capabilities and ability to associate him/herself with a range of actors (including regional organisations, UN agencies, policy makers, regulators, FSPs and donors) with a view to building relations and facilitating links.
- Record of success and conversant with donor priorities and working mechanisms.
- Excellent organizational, inter-personal, communication and administrative skills, including solid experience in financial management
- Fluency in written and spoken English, excellent computer skills.
- Prepared to travel frequently throughout the West Africa region.

## Annex 4 – Work plan and Budgets

**Award ID:**

**Award Title: WA-DFIP-FCAS**

**November 2016 – December 2016**

Expected Outputs	Key Activities	Time Frame		Responsible Party	Planned Budget			
		Start	End		Fund	Donor	Budget Description	Amount
Programme Management & Implementation	Recruitment of new staff	Q4	Q4	UNCDF	Core	UNCDF	Staff Salaries	\$42,531
Sub-Total								\$42,531
Total for 2016								\$42,531

**Award ID:**

**Award Title: WA-DFIP-FCAS**

**2017**

Expected Outputs	Key Activities	Time Frame		Responsible Party	Planned Budget			
		Start <sup>35</sup>	End		Fund	Donor	Budget Description	Amount
Programme Management & Implementation	Recruitment of new staff	Q1	Q4	UNCDF	Core	UNCDF	Staff Salaries	\$255,190
							Facilities and Admin Rent	\$ 35,552
					None Core	TBM	National Technical Officer Sierra Leone	\$26,000
Sub-Total								\$355,542
<b>Common Vision, Responsive Policies, Regulations and Coordinated</b>	Facilitate national financial inclusion and literacy strategy	Q1	Q4	UNCDF	None Core	TBM	Grants Travel	7,600
	Strengthen regulatory and supervisory capacities of central	Q1	Q4	UNDP	None Core	TBM	Travel	TA

<sup>35</sup> Q1 equals the first quarter of implementation after prodoc is signed.

<b>Action for Digital Financial Inclusion in target FCAS</b>	bank							
	Facilitate greater understanding of consumer risks in digital financial inclusion	Q1	Q4	UNCDF UNDP	None Core	TBM	Travel	62,000
	Support financial inclusion data measurement systems	Q1	Q4	UNCDF	None Core	TBM		TA
<b>Sub-Total</b>								<b>\$69,600</b>
<b>Risk investments, pilots, and partnerships to facilitate market development of DFS in target FCAS</b>	Incubate innovative financial services delivery model	Q1	Q4	UNCDF UNDP	Non Core	USAID <sup>36</sup>	Grants Consultants Travel	\$250,000
<b>Sub-Total</b>								<b>\$250,000</b>
<b>Better market information, knowledge and dialogue to understand successful strategies – tools, regulatory and supervisory practices, technical inputs, client</b>	Research and knowledge products	Q1	Q4	UNCDF	Non Core	USAID <sup>37</sup>	TA	60,000

<sup>36</sup> Parallel (USAID – Ebola Recovery) of \$480,000 is USAID funded resources committed to MM4P on USAID contribution agreement AID-PPL-G-12-00001 dated Aug 9 2016, which will be channeled to WA-DFIP based on USAID concurrence.

<sup>37</sup> ibid

<i>types and delivery channels for DFS in FCAS</i>								
<b>Sub-Total</b>								<b>60,000</b>
<b>Informed and Competent Consumers in FCAS use digital financial services</b>	Support innovative financial literacy delivery models	Q1	Q4	UNCDF	Non Core		Staff	TA
	Strengthen consumer protection and market conduct	Q1	Q4	UNCDF	Non Core		Staff	TA
<b>Sub-Total</b>								<b>N/A</b>
<b>Total for 2017</b>								<b>\$735,142</b>

Award ID:

Award Title: WA-DFIP-FCAS

2018

Expected Outputs	Key Activities	Time Frame		Responsible Party	Planned Budget			
		Start	End		Fund	Donor	Budget Description	Amount
Programme Management & Implementation	Ongoing Management	Q1	Q4	UNCDF UNDP	Core	UNCDF	Staff Salaries Facilities and Admin	\$255,190
					None Core	TBM		\$285,488 \$883,410
Sub-Total								\$1,404,088
<b><i>Common Vision, Responsive Policies, Regulations and Coordinated Action for Digital Financial Inclusion in target FCAS</i></b>	Strengthen regulatory and supervisory capacities of central bank	Q1	Q4	UNCDF UNDP	None Core	TBM	Grant Travel	\$200,000
	Facilitate greater understanding of consumer risks in digital financial inclusion	Q1	Q4	UNCDF UNDP	None Core	TBM	Training/Capacity Travel	\$100,000 \$60,000
	Support financial inclusion data measurement systems	Q1	Q4	UNCDF	None Core	TBM	Grant	\$130,000
Sub-Total								\$490,000
<b><i>Risk investments, pilots, and partnerships to facilitate market development of DFS in target FCAS</i></b>	Incubate innovative financial services delivery model	Q1	Q4	UNCDF UNDP	Non Core	TBM	Grants	\$1,000,000
							Consultants/Travel	\$290,000
Sub-Total								\$1,290,000

<b>Better market information, knowledge and dialogue to understand successful strategies – tools, regulatory and supervisory practices, technical inputs, client types and delivery channels for DFS in FCAS</b>	Research and knowledge products	Q1	Q4	UNDP UNCDF	Non Core	TBM	Consultants Grant Workshop/Conferences Travel Printing	\$90,000 \$30,000 \$30,000 \$60,000	
	Sub-Total								\$210,000
	<b>Informed and Competent Consumers in FCAS use digital financial services</b>	Support innovative financial literacy delivery models	Q1	Q4	UNCDF UNDP	Non Core	TBM	Grant	\$300,000
		Strengthen consumer protection and market conduct	Q1	Q4	UNDP UNCDF	Non Core	TBM	Consultants/Workshop/Travel	\$140,000
	Sub-Total								\$440,000
Total for 2018								\$3,854,088	

Award ID:

Award Title: WA-DFIP-FCAS

2019

Expected Outputs	Key Activities	Time Frame		Responsible Party	Planned Budget			
		Start	End		Fund	Donor	Budget Description	Amount
Programme Management & Implementation	Ongoing Management	Q1	Q4	UNCDF UNDP	Core	UNCDF	Staff Salaries & Facilities and Admin	\$255,190
					None Core	TBM		\$319,488
								\$958,410
Sub-Total								\$1,533,088
<b><i>Common Vision, Responsive Policies, Regulations and Coordinated Action for Digital Financial Inclusion in target FCAS</i></b>	Strengthen regulatory and supervisory capacities of central bank	Q1	Q4	UNCDF UNDP	None Core	TBM	Grant Travel	\$200,000
					None Core	TBM		\$100,000
								\$60,000
Support financial inclusion data measurement systems	Q1	Q4	UNCDF	None Core	TBM	Grant	\$130,000	
Sub-Total								\$490,000
<b><i>Risk investments, pilots, and partnerships to facilitate market development of DFS in target FCAS</i></b>	Incubate innovative financial services delivery model	Q1	Q4	UNCDF UNDP	Non Core	TBM	Grants Consultants	\$600,000
								\$60,000
Strengthen and deepening community based financial services delivery model	Q1	Q4	UNCDF UNDP	Non Core	TBM	Grant Consultants Travel Workshop	\$500,000	
							\$40,000	
							\$40,000	
							\$150,000	
Sub-Total								\$1,390,000
<b><i>Better market information,</i></b>	Research and knowledge products	Q1	Q4	UNDP UNCDF	Non Core	TBM	Consultants Workshop/Conferences	\$90,000
								\$80,000

<b>knowledge and dialogue to understand successful strategies – tools, regulatory and supervisory practices, technical inputs, client types and delivery channels for DFS in FCAS</b>							Travel Printing	\$30,000 \$60,000	
	Sub-Total								\$260,000
<b>Informed and Competent Consumers in FCAS use digital financial services</b>	Support innovative financial literacy delivery models	Q1	Q4		UNCDF UNDP	Non Core	TBM	Grant Travel Workshop Misc	\$500,000 \$ 20,000 \$ 30,000 \$ 30,000
	Strengthen consumer protection and market conduct	Q1	Q4		UNDP UNCDF	Non Core	TBM	Consultants	\$60,000
Sub-Total								\$640,000	
Total for 2019								\$4,313,088	

**Award ID:**

**Award Title: WA-DFIP-FCAS**

**Until October 2020**

Expected Outputs	Key Activities	Time Frame		Responsible Party	Planned Budget			
		Start	End		Fund	Donor	Budget Description	Amount
Programme Management & Implementation	Ongoing Management	Q1	Q4	UNCDF UNDP	Core	UNCDF	Staff Salaries	\$255,190
					None Core	TBM	Facilities and Admin	\$327,568 \$958,410
<b>Sub-Total</b>								<b>\$1,541,168</b>
<b>Common Vision, Responsive Policies, Regulations and Coordinated Action for Digital Financial Inclusion in target FCAS</b>	Strengthen regulatory and supervisory capacities of central bank	Q1	Q4	UNCDF UNDP	None Core	TBM	Grant Travel	\$200,000
	Facilitate greater understanding of consumer risks in digital financial inclusion	Q1	Q4	UNCDF UNDP	None Core	TBM	Training/Capacity Travel	\$200,000 \$60,000
	Support financial inclusion data measurement systems	Q1	Q4	UNCDF	None Core	TBM	Grant	\$130,000
	<b>Sub-Total</b>							
<b>Risk investments, pilots, and partnerships to facilitate market development of DFS in target FCAS</b>	Incubate innovative financial services delivery model	Q1	Q4	UNCDF UNDP	Non Core	TBM	Grants Consultants	\$600,000 \$60,000
	Strengthen and deepening community based financial services delivery model	Q1	Q4	UNCDF UNDP	Non Core	TBM	Grant Consultants Travel Workshop/Misc	\$500,000 \$20,000 \$20,000 \$190,000

<b>Sub-Total</b>								<b>\$1,390,000</b>
<b>Better market information, knowledge and dialogue to understand successful strategies – tools, regulatory and supervisory practices, technical inputs, client types and delivery channels for DFS in FCAS</b>	Research and knowledge products	Q1	Q4	UNDP UNCDF	Non Core	TBM	Consultants	\$60,000
							Workshop/Conferences	\$110,000
							Travel	\$30,000
							Printing	\$60,000
<b>Sub-Total</b>								<b>\$260,000</b>
<b>Informed and Competent Consumers in FCAS use digital financial services</b>	Support innovative financial literacy delivery models	Q1	Q4	UNCDF UNDP	Non Core	TBM	Grant	\$581,000
	Strengthen consumer protection and market conduct	Q1	Q4	UNDP UNCDF	Non Core	TBM	Consultants	\$60,000
<b>Sub-Total</b>								<b>\$641,000</b>
<b>Total for 2020</b>								<b>\$4,422,168</b>

### Annex 5 – Programme Monitoring Framework

	<b>Narrative</b>	<b>Indicators</b>	<b>Means of Verification</b>	<b>Assumptions</b>
<b>Development Objective</b>	This programme is developed to achieve greater financial inclusion in FCAS, with the primary focus in 2016-2019 on Guinea, Liberia and Sierra Leone as part of UNDP/UNCDF support as these countries recover from EVD. With a strong feed-back loop focused on 'learning by doing', the programme aims to pilot investments in and leverage payment and last-mile technologies that will mitigate traditional challenges of FCAS and facilitate greater inclusion.			<ol style="list-style-type: none"> <li>2. WA-DFIP-FCAS receives necessary funding for its operations</li> <li>3. Access to appropriate/affordable financial service and financial literacy improves the financial well-being of the household</li> <li>4. Improvement in job creation and number of SMEs can be verified through evaluation exercises</li> </ol>
<b>Immediate Objective</b>	To increase the number of low-income households, micro and small enterprises that have on-going access to appropriate and affordable financial services and deepen financial access through product and channel innovations	<ul style="list-style-type: none"> <li>• 300,000 low-income people, with at least 50% women, gain access to technology-enabled demand-driven and affordable financial services</li> <li>• Additional 150,000 previously unbanked people, with at least 50% women, gain access to a formal savings account</li> <li>• Additional 100,000 Micro, Small &amp; Medium</li> </ul>	<ol style="list-style-type: none"> <li>2 Partner's quarterly and annual progress reports</li> <li>3 Documented strategy by central bank on financial inclusion and financial literacy</li> </ol>	<ol style="list-style-type: none"> <li>3. Achievement in proposed targets is attributable to WA-DFIP-FCAS' support to its partners</li> <li>4. Partners report the increase in accounts, track unbanked new subscribers and other such indicators as required under WA-DFIP-FCAS support agreements</li> <li>5. WA-DFIP-FCAS'</li> </ol>

		<p>Enterprises have access to financial services, and create jobs</p> <ul style="list-style-type: none"> <li>• 50% of clients of programme-supported branchless/mobile banking solutions are active<sup>38</sup></li> <li>• All three countries have national digital financial inclusion strategies that reflect gender differences and which are based on sound and comprehensive diagnostics</li> <li>• All three countries have national financial literacy and financial education strategies in place</li> <li>• All three countries have national Financial Inclusion Strategies focused on digital financial inclusion</li> <li>• All three countries embed financial education into their national strategic development plans and budget</li> </ul>		partner are transparent and accurate in reporting required indicators
<p><b>Output 1</b> <b><i>(Common Vision, Responsive Policies, Regulations and Coordinated Action for Digital Financial Inclusion in target FCAS)</i></b></p>	<p>Enabling policy, regulatory environment and regulatory capacity that responds to the challenges of FCAS, and is backed by national financial inclusion strategies that addresses new and shifting risks of digital financial inclusion.</p>	<p>2 Number of Fragile States in West Africa that have national financial inclusion and financial literacy strategy focused on digital inclusion</p> <p>3 Number of WA Fragile States with National</p>	<p>10 Documented financial inclusion/literacy strategy from central banks</p> <p>11 National Coordination meetings to discuss on progress made on</p>	<p>2 Policy makers are willing to make changes</p> <p>3 Programme's actions can reasonably be considered to contribute to policymakers actions</p>

<sup>38</sup> Global average for active users of mobile money deployments is around 10%.

		<p>Committees/Working Groups/Task Forces for Digital Financial Inclusion</p> <p>4 Fragile States' achievement of targets set out in their national financial inclusion/literacy strategy</p> <p>5 Number of policy/regulatory changes done by central banks/government in a quest to create an enabling DFS environment</p> <p>6 Budgetary allocation made by government for digital financial inclusion/literacy initiatives</p> <p>7 Percentage of G2P payments driven on MM/BB channels</p> <p>8 Number of central banks that have standardized FI data measurement system in place</p> <p>9 Periodic progress report on financial inclusion incorporating standardized financial inclusion data</p>	<p>strategies</p> <p>12 Policy/regulatory changes through circulars, amendments, guidelines etc. issued by central bank/government to boost inclusive finance space</p> <p>13 National budgets</p> <p>14 Data collected from respective government ministries/central banks on volumes of G2P payments on MM/BB channels</p>	
<b>Output 2 (Risk investments, pilots, and partnerships to</b>	Invest in DFS pilots, partnerships, including green-fielding new	15 Number of projects supported by WA-DFIP-FCAS enabling	20 Partner quarterly and annual reports 21 M&E reports of WA-	23 Reporting of partners is adequately transparent and accurate to verify

<p><b>facilitate market development of DFS in target FCAS</b> )</p>	<p>technologies that can trigger market development and deepen financial access that meet the financial service needs of low-income people in the three target FCAS, particularly rural-based, women and youth</p>	<p>delivery of digital and demand-driven financial services to low-income population, especially marginalized section i.e. rural, women and youth</p> <p>16 Additional outreach by WA-DFIP-FCAS partners post the support</p> <p>17 Activity (MM/BB, remittances)/persistence (microinsurance)/savings levels (savings groups, MM/BB) of clients who have been enrolled as part of these projects</p> <p>18 Social impact on clients reached as a result of WA-DFIP-FCAS supported initiatives</p> <p>19 Macro level financial inclusion indicators – levels of financial inclusion in the country (access, quality and coverage)</p>	<p>DFIP-FCAS partners prepared by WA-DFIP-FCAS M&amp;E Specialist</p> <p>22 Macro level indicators as published by central banks</p>	<p>improvements in sustainability and efficiency</p> <p>24 Reporting partners are able to disaggregate data as per WA-DFI-FCAS requirements</p> <p>25 Achievement in proposed targets is attributable to WA-DFIP-FCAS support to its partners</p> <p>26 Adequate financial inclusion data measurement systems (standards) in place for the central banks to track financial inclusion data</p> <p>27 There is baseline data for impact evaluations of WA-DFIP-FCAS supported initiatives</p>
<p><b>Output 3 (Better market information, knowledge and dialogue to understand successful strategies – tools, regulatory and supervisory practices,</b></p>	<p>Enhance FCAS markets' understanding on products, channels, business models suited to the needs of low-income population segment in target FCAS</p>	<p>2 Number of knowledge products tailored to meet the needs of the stakeholders in financial inclusion space</p> <p>3 Number of</p>	<p>6 Copies of knowledge product</p> <p>7 Invitation and attendance lists of events</p> <p>8 Presentations from events</p>	<p>11 Knowledge products and learning events are relevant to the stakeholders and lessons would be implemented by concerned stakeholders</p>

<b>technical inputs, client types and delivery channels for DFS in FCAS)</b>		<p>articles/forums where WA-DFIP-FCAS knowledge products are quoted</p> <p>4 Regional and international conferences attended</p> <p>5 Number of exposure visits sponsored</p>	<p>9 Evaluation forms</p> <p>10 Monitor service standards of web manager</p>	
<b>Output 4 (Informed and Competent Consumers in FCAS use digital financial services)</b>	Strengthening financial competencies of clients in the target FCAS so that they can better leverage business and financial access opportunities to improve their livelihoods	<ul style="list-style-type: none"> <li>• Number of adults (including youth out of school) receiving financial literacy trainings through WA-DFIP-FCAS supported initiatives/partners</li> <li>2 Number of women receiving financial literacy trainings through WA-DFIP-FCAS supported initiatives/partners</li> <li>3 Number of consumer protection initiatives by policy makers</li> </ul>	<p>4 Gender segregated data on financial literacy provided to adults/youth as reported by WA-DFIP-FCAS partners</p> <p>5 Financial competency scores as highlighted in competency surveys and M&amp;E reports</p>	6 Financial literacy efforts along with assessment of the same is verifiable

**Annex 6 – Highlights from Country Consultations - Financial Inclusion Priorities<sup>39</sup>**

<b>Country</b>	<b>Financial Inclusion Priorities</b>
Sierra Leone	<p><u>Output 1 - Better Policies, Regulations and Coordinated Actions</u></p> <ul style="list-style-type: none"> <li>• Supporting the development and implementation of the national financial inclusion and financial literacy strategy</li> <li>• Capacity building, peer-to-peer learning visits for members of the national financial inclusion committees</li> <li>• Improving regulatory environment and coordination on digital financial inclusion</li> </ul>

<sup>39</sup> These priorities exclude cross cutting priorities which have been mentioned in project document

	<ul style="list-style-type: none"> <li>• Improving linkages between Bank of Sierra Leone/digital financial inclusion stakeholders and the Government departments on digitizing G2P payments – salaries, pensions, social protection cash transfers</li> </ul> <p><u>Output 2 - Deepening Financial Access</u></p> <ul style="list-style-type: none"> <li>• Piloting DFS products and challenges – partnerships with at different types of FSPs, including community banks, microfinance institutions, technology partners/providers to develop and digital financial products and channels</li> <li>• Client and agent satisfaction study with the objective of understanding usage barriers to MM/BB and deepening financial services delivery</li> <li>• Scaling up microinsurance pilot through products, delivery channels innovations</li> </ul> <p><u>Output 3- Better Market Information and Access to Knowledge</u></p> <ul style="list-style-type: none"> <li>• Comprehensive market segmentation of levels of exclusion across districts/sub-districts, including scoping G2P, remittances and other payments possibilities on MM/BB rails</li> <li>• Strengthen data and measurement aspects of financial inclusion with the Bank of Sierra Leone and FSPs to continuously measure progress</li> </ul> <p><u>Output 4- Informed and Competent Consumers</u></p> <ul style="list-style-type: none"> <li>• Developing a strategy for financial literacy with Bank of Sierra Leone</li> <li>• Incorporate financial education/literacy with account opening for DFS</li> </ul>
Liberia	<p><u>Output 1 - Better Policies, Regulations and Coordinated Actions</u></p> <ul style="list-style-type: none"> <li>• Support with the national digital financial inclusion strategy and its' implementation</li> <li>• Advocacy for interoperable payment systems including mobile money/branchless banking</li> <li>• Strengthen capacity of Central Bank of Liberia to strategize, implement and coordinate financial inclusion activities</li> <li>• Strengthen the regulatory capacity to supervise and create enabling environment for DFS and ecosystem development</li> <li>• Strengthen e-money regulation and consumer protection framework for digital finance</li> <li>• Improving linkages between Central Bank of Liberia/digital financial inclusion stakeholders and the Government departments on digitizing G2P payments – salaries, pensions, social protection cash transfers</li> <li>•</li> </ul>

	<p><u>Output 2 - Deepening Financial Access</u></p> <ul style="list-style-type: none"> <li>• Catalysing strategic partnerships between MNOs, banks, value chain players for greater synergies between service providers and enhanced customer value proposition</li> <li>• Piloting DFS products and channels – partnerships with at different types of FSPs, including community banks, microfinance institutions, technology partners/providers to develop and digital financial products and channels</li> <li>• Provide strategy and investment support to develop the agent network capacity in Liberia, in partnership with USAID and MM4P</li> </ul> <p><u>Output 3- Better Market Information and Access to Knowledge</u></p> <ul style="list-style-type: none"> <li>• Demand side research and supply side feasibility of microinsurance</li> <li>• Implement financial diaries to better understand demand side for financial services</li> </ul> <p><u>Output 4- Informed and Competent Consumers</u></p> <ul style="list-style-type: none"> <li>• Developing the national financial literacy strategy</li> <li>• Pilot financial literacy through mobile phones</li> </ul>
Guinea	<p><u>Output 1 - Better Policies, Regulations and Coordinated Actions</u></p> <ul style="list-style-type: none"> <li>• Supporting the development and implementation of the national financial inclusion and financial literacy strategy, in partnership with WB</li> <li>• Capacity building, peer-to-peer learning visits for members of the national financial inclusion committees</li> <li>• Strengthen the regulatory capacity to supervise and create enabling environment for DFS and ecosystem development</li> <li>• Strengthen e-money regulation and consumer protection framework for digital finance</li> <li>• Improving linkages between Central Bank/digital financial inclusion stakeholders and the Government departments on digitizing G2P payments – salaries, pensions, social protection cash transfers</li> </ul> <p><u>Output 2 - Deepening Financial Access</u></p> <ul style="list-style-type: none"> <li>• Grants and technical assistance support to partners willing to venture into MM/BB space</li> <li>• Advocacy and support for G2P riding on MM/BB rails, and for microinsurance</li> <li>• Work with Central Bank to strengthen supervision of microfinance institutions and rural credit institutions and build capacities</li> </ul> <p><u>Output 3- Better Market Information and Access to Knowledge</u></p>

- |  |  |
|--|--|
|  | <ul style="list-style-type: none"><li>• Agent network scoping/feasibility study</li><li>• Demand side research and supply side feasibility on microinsurance</li><li>• Commissioning research through financial diaries to better understand demand side of financial services</li></ul> |
|--|--|

Output 4- Informed and Competent Consumers

- Strengthening financial competence with greater emphasis on women
- Financial literacy

## Annex 7 – Risk Log Framework

### OFFLINE RISK LOG

(see [Deliverable Description](#) for the Risk Log regarding its purpose and use)

<b>Project Title: West Africa Digital Financial Inclusion Programme for Fragile States – Guinea, Liberia and Sierra Leone</b>	<b>Award ID:</b>	<b>Date: December 10, 2015</b>
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#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
1	Change in Central Bank Management: If Central Bank managers do not view inclusive finance as a priority	December 10 2015	Strategic	P = 3 I = 5	Develop taskforce of private and public sector to develop broad-based support	WA-DFIP-FCAS Sub-regional Programme Specialist		<i>(In Atlas, automatically recorded)</i>	No risk at present (to review at the end of central bank term)
2	If Global Financial Services Regulations become more restrictive in the efforts to curb terrorism and money laundering	December 10 2015	Regulatory	P = 1 I = 4	Establish relationships between central banks and international organizations such as G-20 to lobby and raise concerns	WA-DFIP-FCAS		<i>(In Atlas, automatically recorded)</i>	No risk at present
3	Hired staff/consultants do not maintain good relationship with regulators and other government counterparts	December 10 2015	Organizational	P = 1 I = 4	If hired staff or consultants alienate central bank management or other government partners due to lack of professionalism, failure to listen, or lack of expertise, then UNCDF and UNDP's reputation and	WA-DFIP-FCAS Sub-regional Programme Specialist		<i>(In Atlas, automatically recorded)</i>	No risk at present.

					relations may be damaged and the programme shut out of advisory role.				
4	Financial Service Provider introduces products/services with predatory or unfair practices	December 10, 2015	Industry	P = 1 I = 4	WA-DFIP-FCAS carefully selects partners and pilot products with paramount emphasis on consumer protection. PFIP's Investment Committee has financial inclusion expertise which reviews proposals. Further, all product introductions must have a "no objection" letter from Central Bank as part of contract conditions	WA-DFIP-FCAS Sub-regional Programme Specialist		<i>(In Atlas, automatically recorded)</i>	No risk at present
5	Delays in meeting project targets (in PBAs) can lead to slow grant burn	December 10, 2015	Operational	P = 3 I = 3	Develop a more timely review process of partner targets to make necessary adjustments.	WA-DFIP-FCAS Sub-regional Programme Specialist		<i>(In Atlas, automatically recorded)</i>	No risk at present
6	Consumer-related Risks of DFS – protecting customer funds	January 17, 2016	Industry	P = 3 I = 5	Protecting customer funds will depend on many factors, including whether the FSPs provide and beneficiary participates in a deposit insurance system and whether the specific type of account in which the funds are held is insured. Ensure that all programme supported FSPs/providers have updated consumer protection systems and processes in place, in line with emerging global practices around DFS.	WA-DFIP-FCAS Sub-regional Programme Specialist		<i>(In Atlas, automatically recorded)</i>	No risk at present
7	Digital technology	January 17,	Industry	P = 3	The quality and reliability of	WA-DFIP-FCAS Sub-regional		<i>(In Atlas,</i>	No risk at

	risks	2016		I = 5	the digital technology affect the risks of disrupted service and lost data, including payment instructions (e.g., due to dropped messages), as well as the risk of a privacy or security breach resulting from digital transmission and storage of data. Ensure that programme supported FSPs/providers have robust networks including back-ups, and technical competency meeting global standards.	Programme Specialist		<i>automaticall y recorded)</i>	present
8	Agent related risks	January 17, 2016	Industry	P = 3 I = 5	Agents and agent networks introduce new operational, financial crime and consumer risks, many of which are due to the physical distance between agents and the provider or the agent network manager and the resulting challenges to effective training and oversight. Operational risks include fraud, agent error, poor cash management by the agent, and poor data handling. In addition to the financial crime risks of fraud and theft (including data theft), agents may fail to comply with AML/CFT rules regarding customer due diligence, handling records,	WA-DFIP-FCAS Sub-regional Programme Specialist		<i>(In Atlas, automaticall y recorded)</i>	No risk at present

					and reporting suspicious transactions. Agents may also take actions that reduce transparency, engage in abusive treatment of customers (including overcharging), or fail to handle customer data confidentially. Work with regulators and industry bodies to introduce robust regulatory regime for agent network compliance and oversight, and invest in building accountable agent networks.				
9	Product- and model-specific issues in digital financial inclusion	January 17, 2016	Industry	P = 2 I = 4	In addition to payments, transfers, and value storage, credit and insurance products are being offered to previously excluded and underserved customers via digital transactional platforms. Such products—and the often complex relationships among the banks and nonbanks combining to offer them—introduce both operational risks to the provider and customer risks. When products are bundled—such as life insurance packaged with a prepaid mobile plan—regulation and supervision becomes more complicated,	WA-DFIP-FCAS Regional Technical Specialist		<i>(In Atlas, automatically recorded)</i>	No risk at present

					requiring coordination among regulators. WA-DFIP-FCAS will work through national task forces to improve coordination as well as bring in new government agencies required to coordinate with within the national task forces to improve coordination.				
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