

## **Mohamed S Fofana: Benefits of microfinance in Sierra Leone**

Speech by Mr Mohamed S Fofana, Deputy Governor of the Bank of Sierra Leone, at the Official Opening Ceremony of the ProCredit Bank (SL) Limited, Freetown, 1 February 2008.

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Madam Chairperson  
Ministers of Government  
Members of the Diplomatic Corps  
Members of the Board of Directors,  
Senior Management and Staff of the ProCredit Bank (SL) Limited  
Heads of Banks and other Financial Institutions  
Colleagues from the Fourth Estate  
Distinguished Ladies & Gentlemen:

I am happy to be here this afternoon to address this distinguished audience on the official opening ceremony of the ProCredit Bank (SL) Limited. The Bank of Sierra Leone issued a licence to ProCredit Bank (SL) Limited to conduct banking business in Sierra Leone on 1st August, 2007, and the bank opened its doors on 3 August 2007.

Its activities, since that time, have been largely focused on microfinance promotion; taking deposits from and giving credits to small businesses. This is an important mile-stone in Sierra Leone's poverty reduction drive, which is consistent with Government's desire to make the microfinance sub sector of the financial industry viable and responsive to the needs of the vast majority of Sierra Leoneans.

Madam Chair, Distinguished Guests, the benefits of microfinance are numerous and well documented, especially as they relate to a country's effort in reducing poverty. I cannot go through all such benefits this afternoon. I will however attempt to highlight a few.

Credit to small business will enhance the ability of poor households to increase incomes, build assets and reduce their vulnerability in times of economic stress. With better access to micro credit services on a continuing basis, the poor, particularly women, become more active partners and more importantly, pro-active partners, in the development process.

Madam Chair, though micro credit has been used in various forms in the recent past to address the needs of the most vulnerable in post-conflict Sierra Leone, the providers of the micro credit have had an uncoordinated framework with each implementing its own scheme. This sometimes created an unnecessary duplication and waste in the use of scarce resources.

Thus, in October 2003, Sierra Leone adopted a national micro finance policy which provides the fundamental framework and direction for stakeholders operating in the microfinance industry.

Recognizing the importance of micro finance in reducing poverty, and in anticipation of the growing demand for micro credit products, ProCredit Bank (SL) Limited decided to increase its outreach depth to a greater number of small businesses in and around Freetown. Only five months after the commencement of operations at its head office, the bank requested and was given permission to open a branch in Kissy on 14th December, 2007. And we are delighted to note that another branch will soon be opened in Lumley – the West end of Freetown. The challenge after Lumley is for ProCredit to extend its activities in other areas of the country, which may be more deserving for their services.

By our estimates so far, ProCredit has already made some mark in the domestic Banking Industry and is poised to do more. As at end January, 2008, the bank's credit portfolio amounted to about Le8.0 billion; this was disbursed to 1,440 customers. Deposit base during the same period stood at about Le3.0 billion, with an impressive record of 5,600 deposit

accounts. What is important here is that many of these customers are first-time account holders who might have found it difficult to open accounts with the traditional commercial banks. Loan recovery has also recorded a formidable and impressive rate. We therefore commend the management and staff for this ground-breaking performance.

Microfinance activities now include products such as micro credit, micro insurance, mobile banking, etc, which are designed to increase the product portfolio and provide customers with a variety of products that are easily accessible. We believe that with the increased efforts to further institutionalise microfinance activities in the country, we will soon see a wider variety of microfinance products for small scale producers.

Madam Chair, I believe this is a befitting occasion to discuss what we, at the Bank of Sierra Leone, are doing to foster an efficient, sound and stable financial sector, including microfinance. The Bank of Sierra Leone, in collaboration with MITAF, is drafting guidelines for the regulation and supervision of deposit-taking Microfinance Institutions. Development in this area is far advanced. The Bank of Sierra Leone has also recognised the need to bring the legal framework for regulating the banking sector consistent with international best practice. Hence, in consultations with our International partners, (ADB, IMF, World Bank, etc), the Bank of Sierra Leone is undertaking a comprehensive review of the Banking Act 2000, and the Anti-Money Laundering Act 2005 in order to align them with international best practices and to address some of the weaknesses which have been identified while implementing them. We anticipate that once these legislations have been amended, the legal framework will provide a conducive environment for a more robust banking sector.

Going forward, the Bank of Sierra Leone plans to draft operating guidelines for other specialised institutions, including Merchant and Agricultural banks, in order to broaden the financial landscape in the economy.

Traditional Commercial banks, on the other hand, should endeavour to increase product innovation and diversification. The real challenge for all of us is how to enhance savings mobilisation and effectively channel such savings to their most productive use.

Madam Chair, Distinguished Guests, let me conclude my remarks with a serious appeal to the entire banking industry for the better packaging of banking products for our clients. This, I believe will enhance our service delivery, which in turn, will enable us offer more affordable banking services. Providing affordable banking services has the potential of drawing a larger number of Sierra Leoneans to the formal financial system, resulting in an expanded banking clientele. This also has the potential of reducing delivery cost for the banks; hence the potential to increase profit maximization for both banks and their clients.

Finally, let me thank the Board of Directors and Management of ProCredit Bank for inviting me to this occasion. I wish you every success in your operations as you compete to make your presence felt in the industry. I would also like to convey appreciation from the Governor, who is unavoidable absent on this occasion.

I thank you all for your attention.