

Senegal Annual Monitor 2016

The digital financial services (DFS) market in Senegal is evolving on several fronts. The central bank, BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest), is leading a market-wide interoperability project leveraging the GIM-UEMOA (Groupement Interbancaire Monétaire de l'Union Economique et Monétaire Ouest Africaine) regional switch infrastructure. Orange Finances Mobiles Sénégal (Orange Money) joined the ranks of Mobile Cash SA (Tigo Cash) as an e-money issuer. Over-the-counter (OTC) providers are diversifying their offer, while banks are starting to push their own mobile banking apps and merchant payment solutions. Besides traditional financial service providers, the market has also seen the rise of numerous fintechs in sectors such as payment aggregation, goods vouchers, crowdfunding, mAgri and mHealth, to name a few. Yet, key regulatory challenges remain: namely, the absence of an agency banking framework for microfinance institutions (MFIs), fair and equitable access for non-mobile network operators (MNOs) to the unstructured supplementary service data (USSD) channel, and guidelines on digital credit within a capped interest rate environment.

The United Nations Capital Development Fund (UNCDF) programme Mobile Money for the Poor (MM4P) uses a **theory of change** approach to DFS development, which focuses on making **shifts** between phases of market development, moving from Inception to Start-Up to Expansion and eventually to a mature market known as Consolidation. Through each phase, MM4P takes into account the entire DFS ecosystem. This means MM4P plans activities at the levels of Policy & Regulation, Infrastructure, Providers, Distribution, High Volume and Customers to improve market conditions and facilitate shifts. Senegal is currently making the shift from the Start-Up phase to the Expansion phase of DFS market development.



MM4P launched in Senegal in April 2015. Since that time, MM4P has supported ecosystem development through the following primary activities:

Shared results of different research

on consumers and agents for a better understanding of both the demand and supply side of the market

Set up a national DFS Working Group

in collaboration with the Ministry of Economy, Finance and Planning and BCEAO to provide a forum for stakeholders to share and learn

Provided technical assistance/grants

to service providers (MNOs, MFIs and aggregator) to develop innovative products and services and to improve and expand agent networks

Worked with the Government

on a feasibility study for digitizing government-to-person payments to help shift pension payments from cash to digital

Organized workshops

on different DFS business model options for microfinance and banking institutions

Reinforced DFS

capacity of national stakeholders through several trainings

Supported regulator

interoperability agenda through DFS Working Group discussions

In 2017, MM4P has planned the following activities:

Conduct policy dialogues

on regulatory frameworks for agency banking for MFIs, digital credit, and fair access to USSD channel for non-MNOs

Work with the Government,

national statistics agency and Better Than Cash Alliance to conduct payment flow diagnosis and to pilot quick-win projects

Increase agent network coverage

in rural areas by working with a network aggregator to build rural agent locations in 10 departments with distribution gaps

Increase DFS penetration

and youth employability by working with UNCDF-YouthStart in a provider partnership for youth DFS agents

Assist in expansion of active DFS

usage through multi-prong strategy, including partnerships to diversify products (digital credit) and customer education to increase active usage

Focus on new customer acquisition

by providing incentives to use DFS, both in digitization of high volume payments and agricultural value chains as well as in supporting government and private sector pilot digitization projects

Senegal

Facts and figures

Population^a

15.3 million



Adult population^a

9.0 million



Where we were 2015



(90 DAYS)

TOTAL ACTIVE DFS USERS^b

1,087,786

ACTIVE DFS USERS AS PERCENTAGE OF ADULT POPULATION^b

13%



(30 DAYS)

TOTAL ACTIVE AGENTS^d

1,656

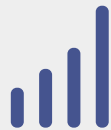
ACTIVE AGENTS PER 100,000 ADULTS^d

22



MOBILE PENETRATION RATE^e

111%



FINANCIAL INCLUSION RATE^f

17%^f

Where we are 2016



(90 DAYS)

TOTAL ACTIVE DFS USERS

1,968,116^b 825,179^c

ACTIVE DFS USERS AS PERCENTAGE OF ADULT POPULATION

21%^b 10%^c



(30 DAYS)

TOTAL ACTIVE AGENTS^d

14,854

ACTIVE AGENTS PER 100,000 ADULTS^d

184



PROVIDERS ENGAGED IN DFS

E-MONEY INSTITUTIONS:

Mobile Cash SA (Tigo Cash), Orange Finances Mobiles Sénégal (Orange Money)

MAIN BANKS: Bank of Africa, Banque Atlantique Sénégal, BICIS^g, Ecobank (Xpress Account), SGBS^g (YUP), UBA^g

OTC MNOS^g: BOSS^g (Joni Joni), CSI^g (Wari), Money Express (Nafa)

^a UN World Population Prospects, 2016

^b BCEAO, 2015/2016 (supply-side data; defined as number of registered mobile money accounts) and UN Population Statistics, 2015

^c InterMedia Financial Inclusion Insights Senegal, 2015 (demand-side data; does not include OTC transactions) and UN Population Statistics, 2015

^d MIX Market Agent Mapping, 2015 and UN Population Statistics, 2016

^e Autorité de Régulation des Télécommunications et des Postes, 2016

^f BCEAO, 2016 (includes those with a bank account in their own name; does not consider DFS usage without an account)

^g BICIS, Banque Internationale pour le Commerce et l'Industrie au Sénégal; BOSS, Boygues Solutions & Systems; CSI, Cellular Systems International; MTO, money transfer operator; SGBS, Société Générale des Banques au Sénégal; UBA, United Bank for Africa

OPPORTUNITIES



(1) Protection of DFS customers is a BCEAO priority (2) Regional financial inclusion strategy is being led by BCEAO and national strategy by Ministry of Economy, Finance and Planning (3) BCEAO is working on an agency banking regulation project in Senegal (4) National telco regulator is finalizing a framework to open USSD to non-telco providers



(1) Regional interoperability project is being led by BCEAO (2) Project to transform GIM-UEMOA into a regional switch, including DFS providers, is being led by BCEAO (3) Project to build a switching platform among MFIs, DFS providers and banks is being led by the Direction de la microfinance (Microfinance Directorate)



(1) Actors, development strategies and partnership strategies are quite varied (2) MFIs are actively examining agency banking and using DFS to improve their efficiency (3) Banks are offering their own solutions: mobile money apps and Masterpass QR codes for merchant payment (4) There is a network of fintechs offering innovative financial services (crowdfunding, payment aggregation, goods vouchers, mAgri, mHealth)



Opportunities exist for distribution in rural areas with aggregators and DFS kiosk models, agent banking networks by MFIs and banks, and capacity-building on best practices for agent network management



(1) Better Than Cash Alliance diagnostic on payment flows is ongoing (2) Opportunities exist for digitization of government payments, agricultural value chains and social payments



(1) Remittances from diaspora (11.2% of GDP; World Bank, 2014) could support rapid, large-scale DFS adoption (2) There is appetite from customers for second-generation DFS: savings, loans and insurance



(1) There is a vibrant market with many new business initiatives by existing financial institutions as well as newcomers (2) A dynamic DFS Working Group gathers main industry stakeholders each quarter

CHALLENGES

(1) Expecting telco regulation to open USSD channel to non-telco providers and improved regulatory framework from BCEAO to allow DFS emulation (particularly for digital credit and agency banking) (2) Receiving past-year statistics from BCEAO six months after year-end

Dealing with slow pace of interoperability efforts among DFS providers and traditional financial institutions via GIM-UEMOA

(1) Handling distrust among diverse providers (MNOs/MTOs and MFIs/banks) (2) Developing second-generation DFS adapted to needs of different populations (3) Ongoing sales process of MNO Tigo Senegal

Providing an agent business case and ensuring agent sustainability in remote rural areas

(1) Building DFS capacity of government staff (2) Involving private sector in digitization projects

Changing consumer behaviour from OTC to transactional accounts

Dealing with low participation of OTC MTOs in DFS Working Group

2015 WHERE WE WERE Start-Up phase:

- 13% of adult population actively using DFS (90 days)
- 22 active agents per 100,000 adults
- Multiple players but distrust between MNOs/MTOs and MFIs/banks
- Basic services available (cash-in/cash-out, transfers, airtime top-ups, bill payments)
- No interoperability and limited mobile money agent networks

2019 WHERE WE WANT TO BE Expansion phase:

- 30% of adult population actively using DFS (90 days)
- > 200 active agents per 100,000 adults
- Partnerships between banks/MFIs and MNOs to offer credit, savings and micro-insurance
- Digitization of government and value-chain payments (bulk payments, aggregators)
- Development of merchant payment acceptance network and e-commerce payments via mobile
- Interoperability and clearer regulations around know-your-customer requirements, agents, customer protection, agent banking and digital credit

2016 WHERE WE ARE Early Expansion phase:



- Regional financial inclusion strategy
- Agency banking regulation for MFIs project



- Multiple ongoing projects regarding interoperability of DFS providers with traditional financial institutions



- Banks deploying mobile money services
- Fintech players rising



- Distribution networks strengthening in rural areas



- 21% of adult population actively using DFS (90 days)



- Dialogue ongoing between regulators and among industry stakeholders thanks to DFS Working Group