

Introducing digital pension payments in Senegal

December 2017



How **going digital** could make life easier for **30,000 Senegalese pensioners**

Senegal has two statutory pension schemes:



The first, run by the Institution de Prévoyance Retraite du Sénégal (Senegalese Pension Institution), covers private-sector employees, government employees who are not civil servants, and local authority employees.



The second, run by the Fonds National de Retraite (National Pension Fund), is for civil servants and members of the armed forces.

The National Pension Fund currently pays a monthly pension to more than 70,000 retired civil servants (or their beneficiaries) and war-wounded military personnel. More than half of these pensioners receive their money by bank transfer, since all government employees earning more than US\$176 per month¹ are required to have a bank account. The remainder—some 30,000 people—have to go in person to special centres to collect their pension in cash each month.

1. Successive government initiatives

Since 2006, the Government has launched a series of initiatives in a bid to make life easier for people later in life. One such example is Plan Sésame, under which elderly people are entitled to free health care. Recognizing that senior citizens are particularly vulnerable to social exclusion, the Government has also prioritized this group as part of its financial inclusion initiative.

At the same time, the Government has initiated an ambitious, wide-ranging public-sector modernization drive, which includes efforts to improve its handling of financial transactions. In 2016, it joined the payment system of the Banque Centrale des Etats de l'Afrique de l'Ouest (Central Bank of West African States) after securing approval for its platform. In a similar vein, it signed up with the Better Than Cash Alliance—a partnership that aims to accelerate the transition from cash to digital payments in order to reduce poverty and drive inclusive growth.

¹ Article 4 of Directive No. 08/2002/CM/UEMOA on measures to promote banking services

2. An opportunity with the MM4P programme

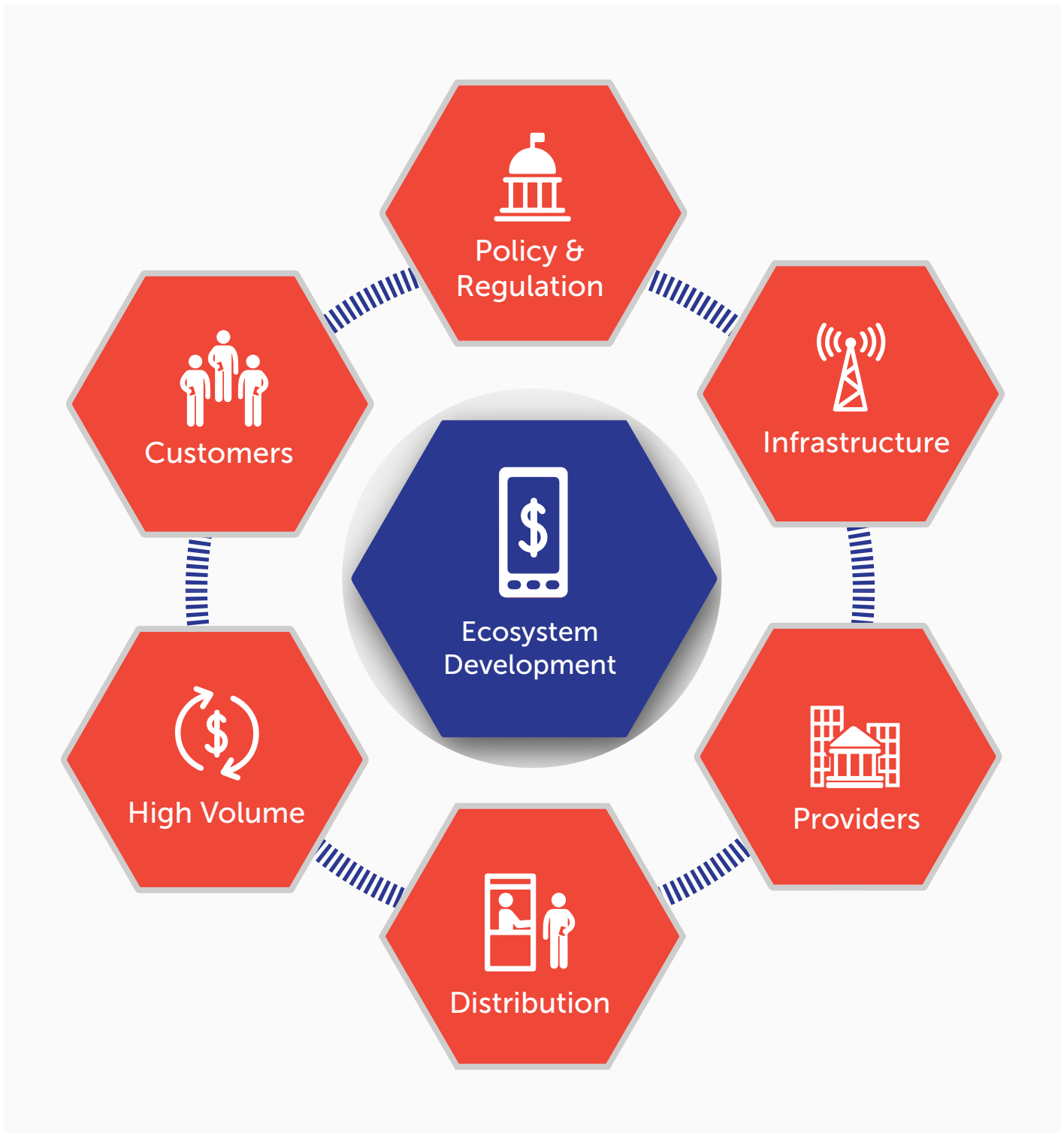
The United Nations Capital Development Fund, which serves as the secretariat for the Better Than Cash Alliance, introduced the programme MM4P to expand digital finance in least developed countries. Launched in Senegal in April 2015, the programme works closely with the Government, in particular the Ministry of the Economy, Finance and Planning. MM4P presents a genuine opportunity to the Government, offering technical expertise as the Government looks to transition from cash to digital payments.

The Treasury Department therefore asked MM4P to examine potential ways to introduce digital pension payments to the 30,000 retired public officials who currently receive their National Pension Fund payouts in cash.

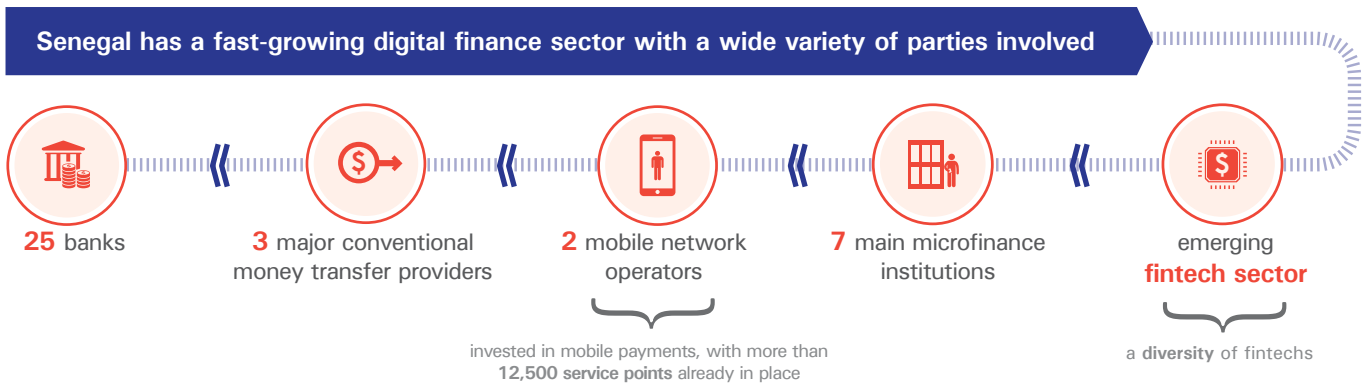
In line with the programme's ecosystem approach that encompasses all parties involved in a payment process (see figure I), MM4P conducted a detailed, multi-level analysis of the pension payment system in Senegal.

Figure I

MM4P ecosystem approach to digital finance



3. An expanding sector and a favourable regulatory environment



Moreover, the country's legal framework is conducive to mass digital payment initiatives. For example, electronic signatures and digital certificates are treated as proof of authenticity by virtue of Decree no. 2008-720 on electronic transactions (see figure II for more detail on the digital finance market).

Figure II

State of the Senegalese digital finance market



Source:

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

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

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

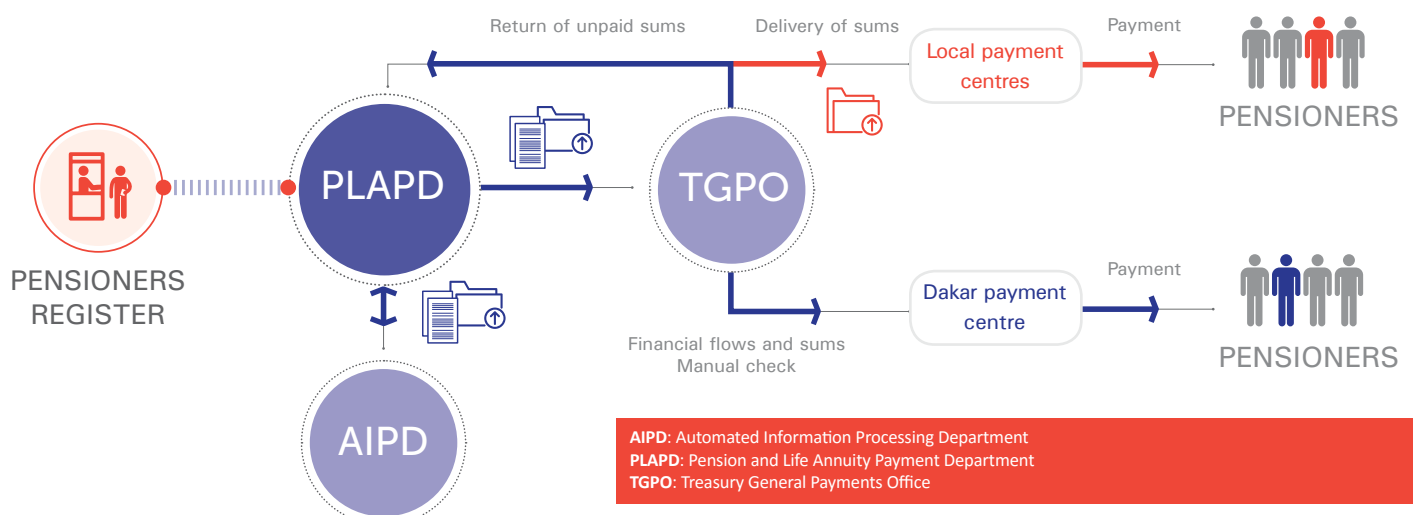
^d BICIS, Banque Internationale pour le Commerce et l'Industrie au Sénégal; BOSS, Boygues Solutions & Systems; CSI, Cellular Systems International; MNO, mobile network operator; OTC, over the counter; SGBS, Société Générale des Banques au Sénégal; UBA, United Bank for Africa

4. A pension payment system that is complicated and time-consuming for the Government...

On the 27th day of each month, 30,000 pensioners collect their money from one of 32 special payment centres. Each region has at least one centre, with the four centres in the Dakar region catering to a population of more than 10,000 pensioners. The payment process is entirely manual and managed by a number of different parties (see figure III). At the four centres in the Dakar region alone, it costs more than US\$397,000 a year to process pensions.

Figure III

Current manual pension payment process in Senegal



Source: Bruno Aka, Digital Financial Services Policy and Payment Consultant

5. ...and lengthy and tedious for pensioners

Most pensioners take public transport (such as a bus or taxi) to collect their money, with a round trip costing US\$1–US\$5. Many then spend between two and five hours (in Dakar) waiting in a queue to receive their pension. Because the centres are unevenly distributed throughout the country, people living outside the capital have to travel anywhere between 44 and 225 miles to their nearest collection point—with even higher transport costs and longer waiting times in difficult conditions.

6. Treating pensioners as ‘customers’ and getting to know them better

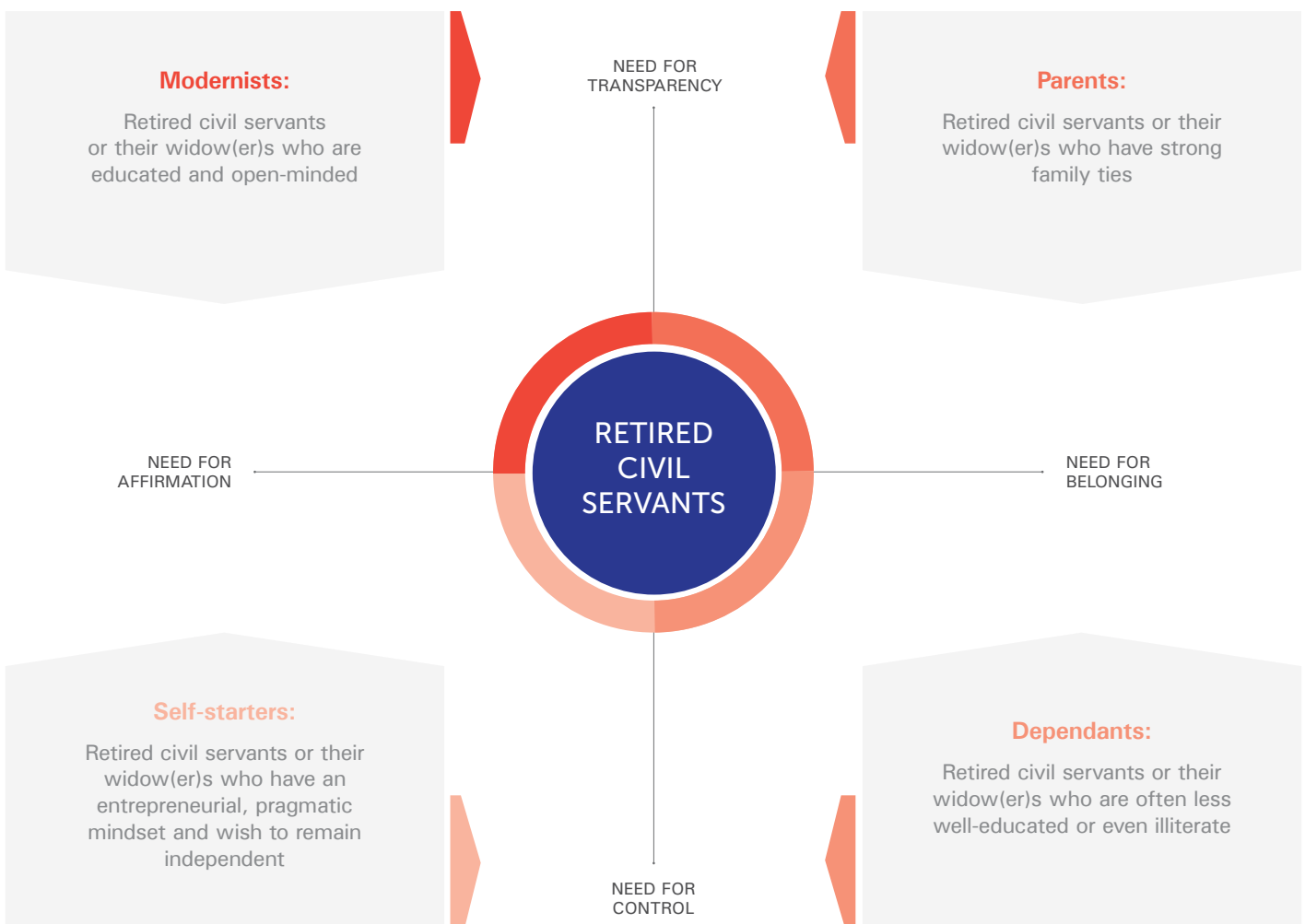
The advent of digital finance brings with it changes in consumers’ behaviours and responses. Financial services are designed to make people’s lives easier, so it is vital to match the right service to the right consumer in a way that caters to his/her needs. With this in mind, going digital with payments can only be a success if service providers know their customers.

To this end, a key feature of the MM4P research was a study using human-centric design, which was carried out by consulting firms Innate Motion and PHB Development. The qualitative survey, which explored pensioners’ wishes, aspirations and expectations, provided deep insights into the lives, needs and socioeconomic profiles of these 30,000 people.

The pensioners were divided into four broad groups—dependants, parents, modernists and self-starters—with needs ranging from belonging and affirmation to control and transparency (see figure IV).

Figure IV

Characteristics and needs of four Senegalese pensioner ‘customer’ groups



Source: Innate Motion and PHB Development, feasibility study, February 2017

7. A quantitative survey across a large sample of pensioners

Polling firm TNS carried out a quantitative survey with a sample of some 2,000 pensioners to supplement the findings of the human-centric–design study. The firm found that 89 percent of respondents had a mobile phone, and that 49 percent were familiar with electronic money transfers and collections using mobile technologies or conventional transfer companies (see figure V). In addition, two thirds of the pensioners surveyed expressed a need for digital financial services such as money transfers, savings and loans (see figure VI).

When asked which digital payment method was best suited to their needs, 63 percent mentioned conventional transfer companies and 29 percent cited mobile payments. The respondents also said they would be willing to pay digital transfer fees to avoid having to travel to payment centres, up to a maximum of 3 percent of their pension. These findings further bolster the case for switching to digital pension payments.

Figure V

Mobile-phone ownership of interviewed pensioners in Senegal

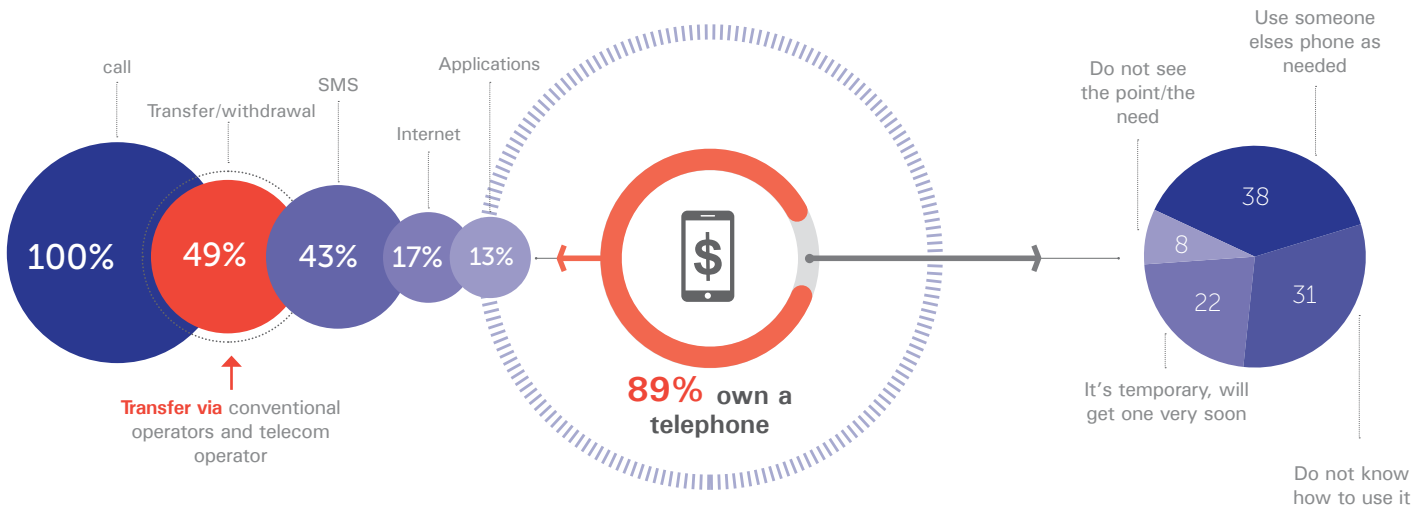
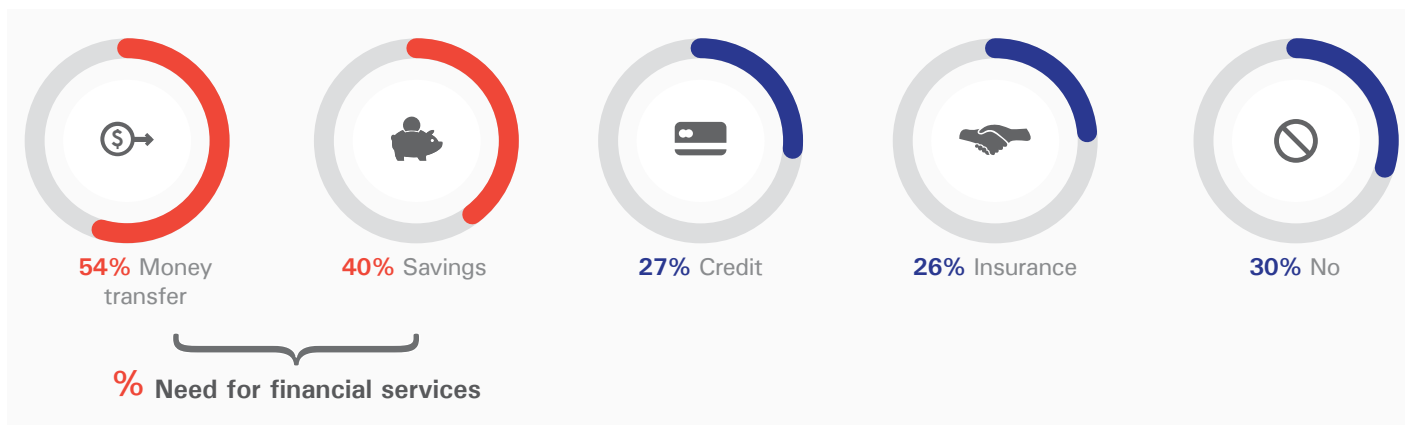


Figure VI

Needs for financial services by interviewed pensioners in Senegal



Using the human-centric–design approach, the study revealed the problems facing pensioners and the most appropriate service types that could be adapted to their needs. Below are some of the comments from pensioners about the current payment system:²

“We’d be happy to receive our pension payment via a chip-and-pin card, for example. It would stop us making unnecessary purchases (near the payment points) because not many stores and traders have a card machine. So, it would help us save money for more important things.”

“We’d be delighted to be able to collect our pensions nearby. We’re prepared to learn how to use new technologies if it means we can save money. We think direct transfers would be a good move.”

“We’re willing to pay transaction fees, as long as they’re affordable and transparent.”

² Interviews by MM4P Digital Financial Services Expert, Dakar, October 2016.

8. How going digital could deliver real benefits

The qualitative and quantitative research shows that going digital could have a real positive impact in Senegal—not just for pensioners but for the Government too (see figure VII and bullets below).

Benefits for the Government

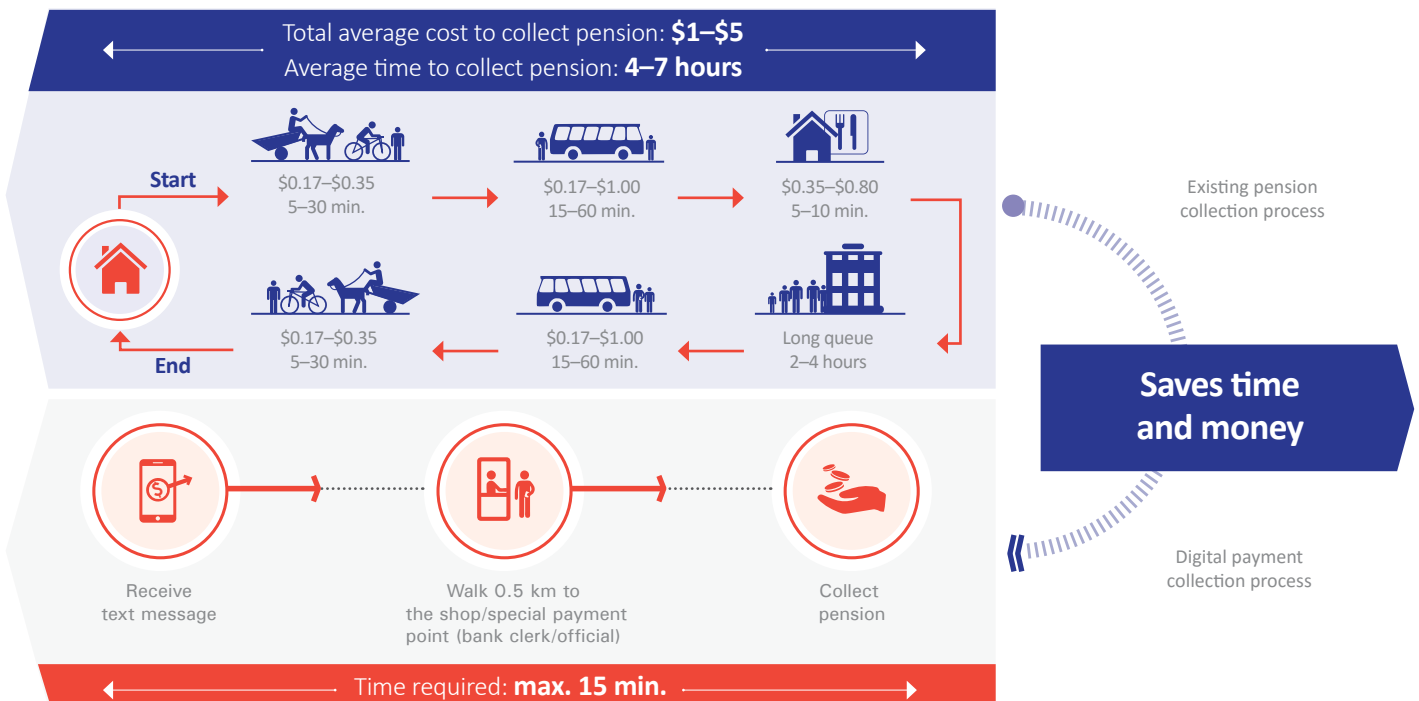
- **Cost savings:** The Government would achieve gross savings of more than US\$227,000 at the four payment centres in the Dakar region alone (Cerf-Volant, Guédiawaye, Pikine and Rufisque).
- **Time savings:** The Government would save around 20 working days in each payment cycle.

Benefits for pensioners

- **Distance:** Payment points would be closer to pensioners' homes.
- **Cost savings:** Pensioners would have to spend less (or nothing at all) on transport to collect their money.
- **Ability to save:** Some pensioners could use digital technologies to put money away in savings.

Figure VII

Potential benefits of digital pension payments for the Government and recipients in Senegal



Source: Bruno Aka, Digital Financial Services Policy and Payment Consultant

9. Next step: a pilot to better assess the impact

Research into the pension population group has revealed that many of the right conditions are in place to switch to digital payments. The existing process costs both the Government and recipients a lot of time and money. Based on their profiles and needs, pensioners appear willing and able to make the switch—a move that would make collecting their pensions easier, give them a new way to manage their money and their spending, and even allow them to put some aside in savings.

Now that the feasibility study is complete, the next step is to run a pilot in the Dakar region and, later, to expand the scheme to other parts of the country. The pilot will offer an opportunity to assess how the switch to digital payments affects pensioners' everyday lives, as well as how it can help the Directorate General for Public Accounts and the Treasury hit its modernization targets. The Treasury will also use the pilot to determine the best payment options.

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