

The ecosystem for digital financial services (DFS) in Senegal is transitioning from Start-Up to Expansion, a phase characterized by a predominance of first-generation DFS (money transfers, e-top-ups, bill payments) offered on a competitive basis by multiple providers. Three complementary models coexist: (i) over-the-counter (OTC) leads the market with money transfer operators (Joni Joni, W@ri); (ii) e-money is a distant second, mostly dominated by mobile money (Orange Money, Tigo Cash); and (iii) agent banking offered by one bank (Société Générale de Banques au Sénégal via subsidiary Manko) and by one microfinance institution (Microcred). While the market is dynamic and features a large and growing number of non-exclusive agents, it has limited interoperability and limited services. OTC transfers and bill payments through agents dominate the market.

BCEAO (Banque Centrale des Etats de l’Afrique de l’Ouest) issued new and better regulatory instructions for e-money issuers in May 2015 that address some of the gaps in the 2006 instructions. However, there are still opportunities for improvement, particularly in regards to know-your-customer (KYC), interoperability, agent banking, customer protection, market conduct, and supervision.

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.



Senegal Annual Monitor

2015



MM4P launched its programme in Senegal in April 2015 with the buy-in of the Ministry of Economy, Finance and Planning. After an initial period focusing on the development of strong relationships and trust with the main market providers, the regulator (BCEAO) and the Government.

Since April 2015, MM4P Senegal has supported market development through the following activities:

CAPACITY-BUILDING

- Provided a training on agent network management facilitated by The *Helix* Institute of Digital Finance (for mobile network operators [MNOs], money transfer operators [MTOs], microfinance institutions [MFIs] and technology providers)
- Facilitated a training on payment diagnostic methodology
- Provided a workshop on strategy in digital finance involving main market stakeholders (MNOs, MTOs, MFIs and technology providers)
- Facilitated a workshop on digital finance for MFIs
- Facilitated the participation of representatives from the central bank (BCEAO) and the Ministry of Economy, Finance and Planning in a government-to-person exposure visit on digitizing social benefit payments in South Africa
- Invited BCEAO headquarter staff to a conference in Australia organized by the University of New South Wales on regulatory innovations in DFS

RESEARCH

- Conducted quantitative research on client adoption of DFS with Intermedia
- Carried out an Agent Network Accelerator survey with *MicroSave*
- Initiated financial service access point mapping with MIX Market
- Analysed the needs of the microfinance sector with PHB Development

MARKET

- Signed a technical assistance agreement with one market provider for a pilot project on second-generation DFS products
- Officially launched the **Digital Finance Services Working Group** in partnership with the Ministry of Economy, Finance and Planning and BCEAO
- Actively involved in setting up the CGAP expert committee on mobile banking for the central bank (BCEAO)

In 2016, MM4P has planned the following activities:

CAPACITY-BUILDING

- Provide a second training session on agent network management facilitated by The *Helix* Institute of Digital Finance
- Organize 'Microfinance and Digital Finance' workshop on the different DFS business model options for MFIs in Senegal

RESEARCH

- Conduct a payment flow diagnostic and recommend a roadmap to shift payments from cash to digital
- Disseminate the results of the quantitative and qualitative research on customer adoption
- Disseminate the *MicroSave* Agent Network Accelerator survey results
- Leverage human-centred-design approach with DFS providers to better understand clients
- Improve financial service access point map of providers with MIX Market

MARKET

- Provide technical assistance for government-to-person pension payment pilot: the Government has requested MM4P support/ technical assistance to shift the payment of 30,000 retired civil servants' pensions from cash to digital (project description conception, ongoing between the Government and MM4P)
- Provide technical assistance/grants to service providers (MNOs, MTOs, MFIs) to develop innovative products and services and to improve agent networks
- Organize Digital Financial Services Working Group meetings at the national level to provide a forum for stakeholders to share, learn and grow the digital finance ecosystem



Facts and figures

Senegal

15,129,000

Population

UN World Population Prospects, 2015



8,507,000

Adult population

UN World Population Prospects, 2014

Where we were
2014

Where we are
2015

Where we want to be
2019



Active registered DFS users
90 days

13%^a

of adult population

1,087,786^a
total

21%^a

of adult population

1,817,153^a
total

10%^b

of adult population

825,179^b
total

30%

of adult population

2,552,100
total



Active agents
30 days

22^c

per 100,000 adults

1,656^c
total

108^c

per 100,000 adults

9,165^c
total

>200

per 100,000 adults

20,000
total

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

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

^c MIX Market Agent Mapping, 2015 and UN Population Statistics, 2015



95%

Mobile penetration rate

GSMA, 2014

Providers engaged in DFS



MNOs

Orange (offers Orange Money)
Tigo (offers Tigo Cash)



Main banks

Attijariwafa Bank
Banque Internationale pour le Commerce et l'Industrie au Sénégal
Ecobank
Orabank
Sociétés Générale de Banques au Sénégal
United Bank for Africa



OTC MTOs

Bouygues Solutions Systems (offers Joni Joni)
Cellular System International (offers W@ri)
Money Express (offers Nafa)



Agent banking

Manko
Microcred



15%

Financial inclusion rate

Global Findex, 2015

Opportunities

Challenges



High volume

- Assist the Government to digitize government-to-person payment initiatives

- Building capacity of government staff on DFS



Providers

- Provide technical assistance for MFIs to go digital
- Provide technical assistance for DFS providers (MNOs, MTOs, banks, post office) to review their strategies and launch new products

- Addressing the fact that OTC providers are still sensitive to sharing information on their activities and clients
- Lessening distrust amongst the diverse providers (MNOs/MTOs and MFIs/banks)
- Developing second-generation DFS products adapted to the needs of different populations



Distribution

- Leverage the results of the *MicroSave* Agent Network Accelerator survey to work with service providers to address training gaps and increase network density in rural areas

- Developing a business case for shared infrastructure/aggregator models



Customers

- Drive acquisition of OTC clients for e-money accounts
- Leverage human-centred-design approach for innovative solutions to improve customer adoption of DFS and creation of new customer-centric services

- Changing consumer behaviour from OTC to transactional accounts



Ecosystem development

- Coordinate Digital Finance Services Working Group meetings
- Develop the ecosystem for merchant payments

Where we were

2014

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

Where we are

2015

Start-up → Expansion phase

10%–21% of adult population actively using DFS (90 days)

108 active agents per 100,000 adults

New regulatory guidelines for e-money issuers by BCEAO

Dominance of OTC transfers and bill payments challenging active usage of e-wallets

OTC agents not allowed to do deposit collection, credit disbursement or reimbursements

Emergence of agent banking models in the market

Where we want to be

2019

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 services

Digitalization 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 KYC, agents, customer protection, agent banking and electronic signature