West Africa continues its transformation. This 6th edition provides an update on the latest political, economic and social developments at the regional level and in individual countries. Through country updates and thematic papers, it explores the mobile financial services sector. The rapid and widespread adoption of cell phone technology has allowed for the emergence of mobile payment, promoting the financial inclusion of an unbanked majority, in areas where cash dominates trade. The current issue presents an overview of the market in West Africa and analyses the main obstacles to wider dissemination of technology. It also demonstrates how industry players are developing solutions to improve economic and social governance in countries throughout the region.

Key messages

- Nigeria has successfully weathered the stress test of presidential elections. This peaceful transition has reinforced the democratisation process occurring throughout West Africa. Other crucial elections are planned in the region in the coming months.
- Both the Ebola crisis and falling oil prices were a shock to the region. West Africa recorded 6% growth in 2014 and will continue the trend this year. The diversification of the economy, in agriculture and in services, will protect against external shocks.
- Growth at lightning speed of mobile phone usage, reaching a penetration rate of 80% throughout West Africa, has paved the way for mobile financial services. The success of mobile payment encourages the development of innovative technologies positioned to revolutionize the financial and economic systems in the region, and make services more efficient for citizens.

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Economic Developments

The region remains one of the fastest growing in Africa, with GDP growth estimated to have peaked at 6% in 2014, despite the adverse impacts of a drop in oil prices in the second half of the year and the Ebola crisis. Growth is expected to decrease but remain at a strong 5% in 2015, when the highest impact of the lower crude prices is likely to be felt, coupled with painful macro adjustments. While Nigeria and Ghana will continue to be affected by the decline in oil prices, Côte d’Ivoire is expected to consolidate its own growth and its role as a regional growth engine.

Looming budgetary pressures may prove difficult in the coming months, particularly in the context of elections, which are ongoing through the end of 2016. Ghana and Nigeria continue their efforts in terms of strict management of expenditure, both countries having maintained reduced subsidies on fuel and public services.

As oil prices continue to drop, the region continues to diversify its economy in the agriculture and services sectors. In this regard, as discussed in the thematic section, the region is on the verge of experiencing a veritable boom of mobile money and mobile banking, which holds promise for a major push towards financial inclusion, increased economic competitiveness, and improved service delivery—notably for the government-people relationship.

<table>
<thead>
<tr>
<th>Country</th>
<th>Type</th>
<th>Expected Date</th>
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<tbody>
<tr>
<td>Togo</td>
<td>Presidential</td>
<td>April 25, 2015</td>
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<tr>
<td>Benin</td>
<td>Parliamentary and Local</td>
<td>April 26, 2015 and May 31, 2015</td>
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<tr>
<td>Mali</td>
<td>Municipal</td>
<td>April 26, 2015</td>
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<tr>
<td>Burkina Faso</td>
<td>Presidential and Legislative</td>
<td>October 11, 2015</td>
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<tr>
<td>Guinea</td>
<td>General</td>
<td>October 11, 2015</td>
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<tr>
<td>Côte d’Ivoire</td>
<td>Presidential</td>
<td>October 25, 2015</td>
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<tr>
<td>Niger</td>
<td>Parliamentary</td>
<td>2015</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>Parliamentary</td>
<td>December 16, 2015</td>
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</tbody>
</table>
The region is experiencing a new wave of euro-bonds. In February Côte d’Ivoire provided a new bond issue amounting to a billion dollars. Ghana intends to raise an equivalent amount in the coming months. These operations also apply to smaller economies, like Guinea-Bissau, which will seek 15 billion FCFA in financing on the market in April. This bond issue should raise investor confidence in the country and strengthen the positive momentum created at the international donor conference in March.

Remittances have also picked up and continue to represent a notable source of financing. Nigeria alone, the largest recipient of remittances is estimated to have received over USD 22 billion in remittances in 2014. This is about 5.5% of GDP and compares to about USD 21 billion received in 2013. In comparison, the country received USD 17 billion in portfolio inflows in 2013. Mobile banking services will need to create new opportunities for the enhancement of these inflows.

Social Developments

The Ebola virus disease outbreak is still rampant in Sierra Leone, Guinea and Liberia, where 10,000 people were recorded dead as of early March. The spread of the disease, however, seems increasingly well contained, with a significant decrease in the number of new cases in the last month. In February, Liberia recorded three weeks with no new cases reported, which lends hope that the epidemic will soon be eradicated. The crisis will likely have long-term consequences both in the afflicted countries and across the region, and the epidemic could cost more than USD 3.6 billion over the next three years. The social impact of this crisis is an additional reason for concern, with the epidemic having aggravated poverty levels. In the three most affected countries, it has also had an impact on food security, due to the blockage of cross-border trade, the closure of borders, and school enrollment rates—as a result of several months of school closures.

According to the 2014 report on world nutrition, West Africa recorded a sharp decline in the rate of malnutrition,
which dropped from 24% of the population in 1991 to 10% in 2013, but not in the overall number of undernourished people, which grew together with population growth\(^2\). The situation therefore remains a concern both in terms of food security as well as access to safe food supply and drinking water (31% of the region’s inhabitants do not have access to a potable water source). This issue was addressed by WAEMU member countries on March 21 in Niamey, Niger, during the fifth committee of the regional organization on food security. On this occasion, the member countries adopted the Ten-Year Community Program of Agricultural Transformation for Food and Nutrition Security at the UEMOA (PCD-TASAN 2014-24), whose implementation cost is estimated at 690 billion FCFA\(^3\).

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By Daniel NDOYE

- The implementation of reforms to improve the business climate and increase investment flows is expected to sustain continued economic growth in 2015.
- However the risk of an economic slowdown looms in 2015 due to the scheduled upcoming parliamentary and local elections.
- Electronic money has started to emerge in Benin. The diversification of the use of electronic money is an important factor in attracting increasing numbers of users, thus contributing to a wider financial inclusion

Overview

After reaching 5.5% in 2014, economic growth is projected at 5.6% in 2015. This growth will be supported by reforms that aim to improve the business climate as well as efforts made to achieve the Millenium Development Goals. Growth in 2015 will also be driven by investment flows planned in various sectors, particularly in the framework of the implementation of the government's structural investment programme.

Economic activity could however face a slowdown due to two upcoming elections (parliamentary and local) in April and May 2015. The government’s ability to implement reforms and its investment program in the midst of this electoral environment will be crucial to achieve the expected consolidation of growth in 2015.

Focus on mobile financial services

Electronic money has begun to emerge in Benin notably through mobile banking. According to BCEAO statistics, as of December 2014, the number of electronic wallets stood at 1,097,021 compared to 364,154 at the end of December 2013. In addition to banks (four banks are already authorized to issue electronic money), certain microfinance institutions are also interested in activities related to electronic money. Most of the laws and regulations governing mobile financial services exist at the regional community level, while some have already been enacted within the national legal framework. Transactions carried out via mobile financial services increased significantly over the last two years, from USD 4.8 million in 2013 to USD 33.4 million in 2014. The large majority of transactions (72% in 2014) were related to cash recharging and withdrawal operations; indicating that the main use of mobile financial services was short-term savings. The remaining transactions included phone recharging, person-to-person transfers and payment of purchases. Mobile payment cross-country financial operations were limited to the receipt of funds; although some initiatives were launched in the second half of 2014 to allow money transfers to other WAEMU countries (Togo, Côte d’Ivoire). Continued efforts to stimulate widespread interest for these products is expected to contribute to increased financial inclusion. It is noteworthy that only 12% of electronic wallet accounts recorded at the end of 2014 were active. Expanding the number of entities that accept mobile payments (including tax authorities, electric power and water companies, telecom operators) will lead to increased use of electronic wallets, thereby contributing to the development of mobile payment products.

Evolution of mobile financial services in Benin in 2013 and 2014

Source: BCEAO
By Facinet SYLLA

- After registering a growth rate of 6.6% in 2013, Burkina Faso has experienced a slowdown in 2014, and is now growing at a rate of 5%. A combination of lower gold and cotton prices coupled with unfavourable rainfall explain the slowdown.
- Mobile payment is growing throughout the country, creating opportunities for financial inclusion.

Overview

In spite of the political crisis at the end of 2014, Burkina Faso has recorded significant economic growth with a real GDP growth rate of 5%, down from 6.6% in 2013. This underperformance is due to a decline in mining activity, the low price of gold and cotton, and the wait-and-see approach generated by the political situation in 2014. In addition, even though the Ebola crisis occurred in other countries, its impact massively disrupted tourism and services sectors throughout the region including Burkina Faso.

Public finances are under severe pressure due to a decline in economic activity and high social demand. The decline in revenue has created a public spending contraction, particularly in terms of investments (which declined by more than 30%) which had previously served as a budget adjustment variable. Budget implementation posted a deficit of 3.7% of GDP in 2014. The combined drop in the price of gold and cotton and an unfavorable rainfall explain this underperformance.

Focus on mobile financial services

Since 2013 mobile payment has grown in Burkina Faso. The transactions are carried out by two operators, Airtel Burkina and Telmob which is owned by ONATEL, the country’s historic telephone operator. In 2014, all mobile banking transactions amounted to 392 billion FCFA, representing 6.2% of GDP. These operations consist mainly of money transfers and withdrawals. A significant recent development of the system is the ability to make international and inter-operator transactions with Côte d’Ivoire.

Invoice payment transactions, transactions with the public administration, merchants and salary payments account for just 6% of total transactions. These are the transactions that relate to financial inclusion. Therefore, there is an important margin for deepening the mobile payment system. Furthermore, there is considerable potential given that the rate of bank account holders in the country stands at 13%, one of the lowest in the WAEMU. In late December 2014, the total number of active points of service (defined as at least one transaction in the previous 90 days) was 5,768. In any case, this figure represents just as many jobs directly created as a result of the mobile payment system.
Economic growth in 2014 was estimated at a strong rate of 8.3%, which is expected to remain stable in 2015 and 2016. The general budget situation has significantly improved in 2014 due to higher tax revenue and expenditure control. The market for mobile financial services is one of the most dynamic in the region, promoting financial inclusion.

Overview

Growth was strong in Côte D'Ivoire in 2014, with an estimated rate of 8.3%, and is expected to continue to grow at similar levels in 2015 and 2016. Sustained by both domestic and external demand, growth is also fostered by an improved business climate and acceleration of structural reforms that make the country more attractive, particularly to foreign direct investment.

The general budget situation has improved substantially in 2014 due to higher tax revenue and expenditure control carried out as part of the International Monetary Fund (IMF) program. The combined effects of increased revenues and improved expenditure management led to a slight decrease in the overall budget deficit (including grants) which was 2.2% of GDP in 2014 compared to 2.3% in 2013.

Focus on mobile financial services

Mobile financial services experienced late but rapid growth. Orange is the first operator to have implemented mobile payment in 2008, followed by MTN the following year, then Celpaid in 2011, and Moov and Qash Services in 2013. Today these five operators are competitors, though the market is largely dominated by Orange and MTN, who have a significant mobile phone customer base.

The growth of mobile financial services has accelerated since 2011. This was fostered by a return to stability after the 2010 crisis, by a high rate of mobile phone penetration (50% in 2014) and by the strategic choices of operators who invested in product promotion and in the development of agent networks. In 2013 the number of users totalled more than 6 million, 2.1 million of whom are active users with a total transaction value of over 1,200 billion FCFA. Over 12,000 independent agents were deployed throughout the country.

Basic transactions such as deposits, withdrawals and transfers accounted for 98% of mobile payment transactions in 2013. However, more complex services are emerging, such as remote bill payment, salary payment in the public administration, and the purchase of insurance premiums. In addition, customers now have the ability to make international money transfers with several countries in the region (Mali, Senegal, Burkina Faso).

<table>
<thead>
<tr>
<th>Macroeconomic Indicators</th>
<th>2013</th>
<th>2014(e)</th>
<th>2015(p)</th>
<th>2016(p)</th>
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<td>8.7</td>
<td>8.3</td>
<td>7.9</td>
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<tr>
<td>GDP Growth rate per inhabitant</td>
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<td>5.5</td>
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<tr>
<td>Inflation</td>
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<td>0.6</td>
<td>2.5</td>
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<tr>
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<td>GDP Growth rate per inhabitant</td>
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<td>-3.1</td>
<td>-1.9</td>
<td>-2.5</td>
</tr>
</tbody>
</table>

Source: Data from the national authorities; estimates (e) and projections (p) based on authors’ predictions (p).
Overview

Preliminary growth for 2015 is estimated at 3.9%. However, this number will be highly dependent upon continued socio-political stability, improvements in budgetary governance, and steady cashew exports. On the cashew front, indications are that prices are likely to be on the high side (over USD 1100 a ton), ensuring solid fiscal revenue for the state and higher income for producers.

Since the end of 2014, the government has been building a new vision for the country for 2015-2025 together with a strategic & operational plan for 2015-2020. The package was presented at a donor conference in Brussels on March 25, attended by over ninety delegations. The plan contained a list of projects totalling approximately EUR 1.6 billion. Partners at the conference pledged approximately EUR 1.1 billion, with the remaining EUR 500 million to be sought from the private sector at a later stage.

Following this successful conference, Guinea-Bissauan authorities will face several short-term challenges in the coming year. The first is related to managing both the internal and external post-donor conference expectations. A second challenge relates to the implementation of security sector reforms, since not all funding gaps in the sector have been filled. A third challenge is linked to the smooth conduct of economic and budgetary governance along the lines the government has agreed upon with donors including the EU, the AfDB and the IMF.

Focus on mobile financial services

The structure of the Guinea-Bissauan mobile phone market has exhibited relatively strong performance. There are about 1 million mobile phone subscribers in the country. With an estimated ratio of two SIM cards per subscriber, about half a million people are covered (or roughly one third of the population) by two main operators.

Strong mobile exposure and weak banking coverage suggests strong mobile banking potential. Less than 5% of the population holds a bank account in one of the four banks operating in the country. The spatial dimension of banking services is also important as Guinea-Bissauan banks have a limited presence outside of the capital.

To date, one mobile operator has partnered with a local bank to extend mobile money services. By the end of 2014 such services were accessed by 13% of its customers. Though investments are being made, active points of sale remain limited. As far as donors are concerned, schemes to include the payment of salaries and indemnities in projects may be worth investigating to spur momentum in the sector, improve transparency, and reduce costs associated with such payments.
The economy faces strong headwinds emanating from the general elections and slump in crude oil prices, with serious implications for macroeconomic indicators.

For the first time in the country's political history, there is a power shift from the ruling party to the opposition at the Presidential level.

Mobile money is a relatively new phenomenon but one that is quickly gaining ground as regulatory, security, and consumer education-related challenges are addressed.

Overview

Nigeria held peaceful and transparent elections on March 28. The elections were deemed largely free and fair by international and regional observers. General Muhammed Buhari of the main opposition party, the All Progressives Congress (APC) is the incoming President of Nigeria. The APC also won the majority number of seats for the Senate for which elections were conducted at the same time. APC also made large gains across the country for the gubernatorial level elections held on April 11th.

The country currently faces macroeconomic headwinds. Recent political developments coupled with the fall in global oil prices have impinged greatly on the country's key macroeconomic variables such as exchange rate, capital flows, current account balance, and growth prospects.

The Naira-Dollar exchange rate remains under intense pressure despite the 8% official devaluation in November 2014 followed by a de facto devaluation of about 17% induced by the closure of the Retail Dutch Auction System market in January 2015. This has affected investor confidence as the foreign investment component of the stock market has reduced considerably. Current account balance, though still positive, has reduced substantially with oil exports projected to decline by 6 percentage points.

The 2015 National Budget has been significantly reduced compared to 2014 with a drastic reduction in capital expenditure. Oil revenue is projected to decline by 2.4 percentage points of GDP with serious implications for fiscal buffers. Consequently, foreign reserves have declined below USD30 billion from the peak of USD62 billion in September 2008.

Focus on mobile financial services

Mobile money is a relatively new phenomenon in Nigeria although the country currently has at least eighteen licensed mobile money providers, one of the highest numbers in the world. This recent emergence was sparked by the 2009 Regulatory Framework for Mobile Payment Services issued by the Central Bank.

While in most countries mobile money is driven by telecom operators, in Nigeria their involvement is mainly limited to serving as a channel or infrastructure for facilitating the process, putting them in the back seat. This explains why the bank-led model is the most popular, with brands like GMobile (GT Bank), Umobile (UBA), eaZymoney (Zenith Bank), Access Money (Access Bank), and FirstMonie (First Bank) dominating. However, the telecom companies are beginning to push the frontiers with Globacom (Glo Xchange), MTN (MTN Diamond Yello), Etisalat (easyWallet), and Airtel launching their own unique mobile money platforms.

Addressing key challenges that include: security; weak broadband penetration; limited public awareness; and agent network challenges will help improve the situation. Mainstreaming the telecom operators and sparking the interest of existing and potential consumers are also helpful.
Economic growth was 4.5% in 2014, compared to 3.5% in 2013. It is projected at 4.6% in 2015, driven by the revival of the primary sector and strong activity in the secondary and tertiary sectors.

In order to preserve macroeconomic stability, the authorities managed public finances and the debt ratio by prudently pursuing economic health, with a deficit that decreased from 6.7% in 2011 to 5.1% in 2014. The ratio of public debt is 48% and is well within the ECOWAS threshold of 70%. The current account deficit is around 9.3% of GDP projected at 8.8% in 2015. Inflation, which reached 0.8% in 2014, is well below the ECOWAS threshold of 3%.

Karim Wade, a former Minister and son of the former president, was sentenced to six years in prison and a fine of 138 billion FCFA by the Court for the Suppression of Illegal Enrichment in Senegal.

Senegal has seen a marked improvement in its broadband connection in the last decade and has distinguished itself as an African country with stable broadband. The broadband subscriptions increased from 0.01 per 100 inhabitants in 2002 to 0.76 per 100 inhabitants in 2013, compared to 0.09 for the West Africa region and 0.75 for Africa. The increase is even greater for cell phones. The number of cell phone subscribers increased from 12 per 100 inhabitants in 2005 to 47 per 100 inhabitants in 2014, compared to 44 for West Africa that same year. Similarly, the percentage of individuals using the Internet increased from 1% to 20.9% during the same period.

The rate of banked population in the strictly formal sector remains weak. It measures 5.8% on average, with a wide disparity between urban areas, where it reaches 9%, and rural areas, where it reaches 4.5%. The disparity is less dramatic between males and females, with 6.23% for men and 5.45% for women according to AfDB data.

In the face of low banking penetration and broadband connection availability, mobile payment offers an unprecedented opportunity for economic transactions. These vary from payment of invoices to remittances. Currently the services have been provided mostly by telephone operators rather than banks.
By Jamal ZAYID

With the ongoing Ebola virus disease crisis and the coinciding crisis in the mining sector, the outlook for the economy in the medium term is unfavourable.

Preliminary analysis shows that economic growth has slowed to 6.6% in 2014 compared to an initial projection of 11.3%.

Mobile payment has grown rapidly over the past few years. Its technology has served as a tool in the efforts to combat the Ebola crisis.

Overview

Prior to the Ebola Outbreak, which began in May 2014, the authorities in Sierra Leone had made considerable progress since the end of the civil conflict. The outlook for the economy in the medium term, however, is unfavourable following the ongoing Ebola virus disease (EVD) crisis and the concurrent crisis in the mining sector.

Preliminary analysis demonstrates that economic growth has slowed to 6.6% in 2014 compared to an initial projection of 11.3%. The EVD poses a great threat to macroeconomic stability, human development and poverty reduction. GDP growth is projected to contract by 2.5% in 2015 followed by a modest increase of 2.8% expected for 2016. Inflation has been revised upwards from 8.8% to 10% for 2014, and projected at 9.4% and 8.3% for 2015 and 2016, respectively.

Focus on mobile financial services

Sierra Leone is a cash economy, with a banked population of only 10% (607,000 bank accounts). There is a huge unmet demand, particularly for credits and to a lesser extent for savings. Mobile payment was first introduced by Airtel mobile company in 2010 and has been growing ever since. Airtel Money has been followed by the MFI Splash and by Africash from Africell. Both the number of agents and the outreach have increased over the years, as people in the provinces have developed a preference for mobile money transfers over other modes such as Moneygram. The Bank of Sierra Leone has developed the “Mobile Financial Service Guidelines”, which have been distributed for feedback, but not yet issued as regulations to the operators.

The Ebola crisis has led to an innovative application of mobile banking in Sierra Leone. The Government initially had difficulties effectively providing incentive payments for over 10,000 health care workers, arousing protests due to delayed payment. In the latter part of 2014, a decision was made to transfer these payments through mobile devices. This innovative process proved efficient as many ghost workers were caught in the system. It was also an opportunity to converge to a more inclusive financial system and address the longer term needs of some of the nation’s poorest and most vulnerable who can now gain access to the financial system. As the Government embarks on a post-EVD Recovery Plan, mobile banking could be a useful tool in reviving social activity through cash transfers to vulnerable groups.

Movements in Inflation and GDP Growth 2010 - 2016 (p)
The country’s 5.5% growth rate in 2014 is expected to reach 5.7% in 2015 and 5.9% in 2016 as a result of public and private investment in infrastructure.

The Togo Revenue Authority, at the end of its first year of operations, achieved a 23% increase in returns.

Between 2013 and 2014, the total amount of transactions by users of the mobile transfer service Flooz grew thirty-four-fold to reach 25 billion CFA francs.

Overview

The country continues to experience strong growth of more than 5% since 2012. It grew at 5.5% in 2014 and is expected to reach 5.7% in 2015 and 5.9% in 2016. The new Togo Revenue Authority, operational since February 2014, has introduced the payment of taxes, duties and taxes through banks. In its first year, it recorded an increase of 23% in cash revenue.

IMF missions from 2013 to 2015 were not able to finalize a program with the government. The points of disagreement regarded the management of domestic debt and the way in which investment is financed. Without an IMF supported program, the IMF Resident Representative position was abolished, but the IMF country office remains operational.

Five presidential candidates competed in elections on April 25, 2015. The Constitution does not set term limits for the presidency, and the incumbent president, who has led Togo since 2005, has candidate himself for another term. Preparations for this election have been marked by strikes in the health and education sectors and challenges to the credibility of the electoral register.

Contested results could lead to destabilization. The management of the post-election period will be critical for the economy.

Focus on mobile financial services

In September 2013, Etisalat, the telecommunications group that also includes the mobile operator MOOV, introduced the first mobile banking service in Togo called ‘Flooz’. It competes with the Senegalese company Wari, operating in Togo since September 2014. The state-owned mobile operator TogoCell announced the introduction of mobile banking in 2015.

So far, Flooz, which reported 326,959 e-money accounts in December 2014, only provides a money transfer service. However, the company plans to introduce mobile banking services by the end of the year. Between 2013 and 2014, the total amount of transactions by Flooz users grew thirty-four-fold to reach 26 billion of CFA francs, 3 billion of which is money transfers.

| Macroeconomic Indicators (% of GDP) Revised March 2014 |
|-----------------------------------------------|--------|--------|--------|--------|
|                                                | 2005   | 2010   | 2014   | 2015(e) |
| Growth rate                                   | 1.2    | 4.0    | 5.5    | 5.7    |
| Tax revenues                                  | 14.6   | 15.7   | 19.8   | 20.1   |
| Trade balance                                 | -24.3  | -14.3  | -19.9  | -16.9  |
| Public debt                                   | 81.7   | 47.3   | 50.4   | 49.6   |
| Primary balance                               | -1.3   | 1.3    | -3.4   | -1.9   |
| Overall balance                               | -2.4   | 0.3    | -4.9   | -3.1   |

Source: Togo national authorities

<table>
<thead>
<tr>
<th>Evolution of the mobile banking system in Togo (Flooz)</th>
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<tbody>
<tr>
<td>2013</td>
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<tr>
<td>Number of points of sale</td>
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<td>Number of accounts</td>
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<td>Number of remittances</td>
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<td>Amount of remittances (FCFA)</td>
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</tbody>
</table>

Source: Moov Togo
I  Introduction

II  Overview

III  Main Obstacles

IV  Opportunities

V  Recommendations
Introduction

The establishment of an inclusive financial system in Africa can contribute to the economic and financial development of the continent. The current weak state of the banking sector—inaccessible to the vast majority of the population including entrepreneurs—is no longer in line with the dynamic growth recorded across Africa. Moreover it tends to stifle growth, depriving African populations of financial services that are essential to economic development, such as cashless payment, secured savings and bank credit. The dominance of cash transactions feeds the informal economy, weighs on business competitiveness, and limits the flexibility of governments to implement monetary and fiscal policies.

The current scenario can be explained, in part, by the absence of national legislation that encourages citizens to open bank accounts, the lack of financial services for the poor, and the weak banking network outside of urban centers. There has been no attempt to reach the vast rural areas where the population is poor and human density is low, thus Africa is missing the step of brick-and-mortar agencies which form the basis of banking in industrialized countries. However the continent may have found a technological solution, which, while it may not allow it to take this step, it might allow it to leapfrog. This solution is the mobile phone, fully adopted by populations in Africa over the last decade, offering individuals the opportunity to access customized financial services: mobile payment and mobile banking.

Mobile banking, strictly speaking, refers to all bank transactions made from a mobile phone, including through This new practice, originating in developed countries with the rise of smart phones, is often touted as being on the rise in Africa. Indeed, the practice of mobile payment is spreading across the continent, or more accurately, the electronic wallet—the device for storing currency in an account associated with a mobile phone, the apparatus that can carry out money transfers. Mobile payment, unlike mobile banking, does not require that the user possess a bank account or have Internet access. The service is developed by telephone operators, not banks. The technology used is not the Internet, but rather the USSD functionalty of telephone networks.

Mobile payment has the potential to contribute to financial inclusion in African countries, since it is accessible to the poorest populations, especially in rural areas. It also appears to go hand in hand with the modernization of economic practices, providing access—through a learning process—to a wider range of complex financial products than simply person to person money transfers. Moreover, the increasing use of mobile payment boosts African productivity and promotes the formalization of a growing share of the money flowing throughout the continent, bringing to light a financial resource that had remained hidden until now—80% of trade is carried out in cash in Sub-Saharan Africa. For all of these reasons, the mobile payment boom could be the preliminary stage of a larger scale banking and financial system. This would not only favor financial inclusion, but also offer opportunities in a variety of economic and social sectors, particularly with regard to improved governance in the relationship between governments and citizens.

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3 In 2013, three quarters of Africans were subscribed with a mobile telephone provider.
4 USSD Technology (Unstructured Supplementary Services Data), is an information transmission system associated with the mobile phone, which allows users and operators to communicate across the network with messages starting with the symbol #. See: http://www.telecomspace.com/messaging-ussd.html
East Africa is the region where the expansion of mobile banking is most dynamic on the continent, due in particular to the success experienced by M-Pesa in Kenya. Although a latecomer to West Africa—where in some countries mobile payment came on the scene more than ten years after its arrival in South Africa—the phenomenon has sparked a veritable "mobile revolution" in the region, also in terms of banking. The technological transition process happens quickly, and the market can develop at the same pace. This paper sets out to explain how mobile payment and banking are developing in West Africa. First, it presents the state of the sector in the region and aims to highlight the dynamics of its expansion. It then identifies the obstacles facing the mobile payment boom today. The third section analyzes the opportunities that may arise at a later stage. The final section provides recommendations on how to accelerate mobile bank’s growth in the region.

II Overview

Like in other sub-regions of the continent, West Africa is in the midst of rapid development of mobile payment, due to individuals’ recent and growing adoption of mobile phones. This process promotes the dematerialisation of a rising share of financial exchanges, allowing more complex financial products to appear on the market.

A The emergence of mobile payment

Mobile payment is a service associated with mobile telephone use. Cellular technology spread rapidly in West Africa in the 2000s. This advance was spurred by private companies who appeared on the region’s markets in the 1990s following the deregulation of the telecommunications sector in most of West Africa. These operators, for the most part new to the region, financed the modernization and expansion of infrastructure networks, significantly increasing their quality and geographic coverage8. In the 2000s, they developed the local mobile telephone infrastructure, which given the distances and population fragmentation, quickly proved more profitable and better adapted than fixed telephony9. Throughout the region, the number of unique mobile telephone subscriptions increased by 33% on average each year between 2001 and 201510. Beginning in 2015, the rate of mobile telephone penetration in West Africa reached 44.3%. With 68 unique subscriptions per 100 inhabitants in 2014, Mali is the country with the highest level, while Niger is the country where it has remained the lowest, with a rate of 19% in the same year [Graph1].

Graph 1 Mobile telephony penetration (number of unique subscribers per 100 inhabitants)

Source: GSMA Intelligence

10 Source : Afdb Stats; authors’ calculations
Since the second half of the 2000s, the growth of the mobile telephone network prompted these companies to develop additional mobile services, including mobile payment. The main operators who participated in its implementation are multinational telecommunications companies, including the South African MTN, the French Orange, the Indian Airtel, the English Vodafone and the Emirati Etisalat, which includes the West African subsidiaries of Morocco Telecom acquired by Etisalat in 2014 [Table 1]. These groups have relied on their significant customer network to market since 2007 bespoke mobile payment solutions for African markets [Table 1]. Their role in the diffusion of technology was critical and their brand strategies and their mastery of networks were competitive advantages. They now dominate the regional market, essentially operating duopolies in some countries (such as Orange and MTN Côte d’Ivoire). Alongside these large multinational groups, there are other regional players on the market, such as the Nigerian Globacom, whose Glo Xchange Service is increasingly successful in Nigeria. More recently, commercial firms have entered the market as electronic money institutions like Inova in Burkina Faso, Celpaid in Côte d’Ivoire and Ferlo in Senegal.

Table 1 The main mobile payment operators on the West African Market

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Box 1 What is mobile payment?

Mobile payment is an electronic payment system that allows a user to make financial transfers from his/her mobile phone. Registration requires that the user open a mobile account provided by the operator, and provide a copy of his/her ID. In this way, the account is associated with the mobile number. The user can add credit to his/her account by giving cash to a mobile operator salesperson, who can provide this service in their agencies, or at a street kiosk. Once the money is transferred to the mobile account, the customer may perform several types of operations from a menu accessed via a USSD code. These operations include the transfer of funds to another mobile account, purchase of telephone credits, payment of telephone and electricity bills, or managing a television or internet subscription. The operator invoices this service for a commission, paid either by the issuer or by the receiver. This system is a success in Africa because it allows users to solve the problem of distance—especially for money transfers between urban and rural areas—to securitize a portion of cash, and to avoid waiting in long lines to pay bills. In addition, the low cost of the agent network system, estimated at 1,000 times lower than that of actual agencies, ensures the increasing diffusion on the ground of the necessary infrastructure for the development of mobile payment.

11 In 2013, the MTN Group, for example, could count on a customer base of 57 million subscribers in Nigeria, 13 million in Ghana, and 7 million in Côte d’Ivoire.
12 According to the World Bank’s CGAP (Consultative Group to Assist the Poor) the set up costs of a traditional bank branch in West Africa are $400,000 while those of a newsstand agent are $400. Source: Riquet C., « Mobile Banking : Origine et Perspectives », CGAP Presentation at the African Development Bank, Abidjan, Côte d’Ivoire, February 26, 2015.
The development of mobile payment has been achievable, due to first, a favourable regulatory environment for cellular technology, and second, a favourable regulatory system regarding payment. The boom in mobile telephony was supported at the regional level by the Economic Community of West African States (ECOWAS) and the Telecommunications Regulators Assembly, established in 2002 to promote liberalization and appeal of the sector among member countries. Regulation of mobile payment was quickly undertaken in the West African Economic and Monetary Union (UEMOA) where the Central Bank of West African States (BCEAO) quickly recognized the transformations resulting from the advent of the mobile phone. Since 2006, the Central Bank has had a regulatory framework that allows non-bank operators to store and process electronic cash flows. Since the reform, banks, telecom operators and commercial companies have been able to develop mobile payment businesses in the UEMOA countries, obtaining a licence as an electronic money establishment from the BCEAO. In other West African countries, like Nigeria, the regulation came later. In the Nigerian case the Central Bank waited until 2009 to develop a "Regulatory Framework for Mobile Payment Services," which sets rules on the technology used, payment systems, infrastructure, compliance, and consumer protection.

The structure of the region’s mobile payments market reveals significant differences from country to country. By the end of 2013, Côte d’Ivoire was one of the world’s most concentrated and dynamic markets with more than six million users for every 20 million inhabitants, of which more than two million were active users, and a network of over 12,000 agents moving around the country. In other smaller markets, the growth of mobile payment is equally astonishing. In Togo, for example, one single operator Flooz multiplied its number of customer financial transactions thirty-four fold between 2013 and 2014, and has reached 26 billion FCFA. This type of dynamic growth is less common in Ghana and Nigeria, where inadequate regulation has hindered the development of the mobile payments. In Nigeria, operators are not encouraged to develop their own network of agents so they can move forward, since there is no legislation in place that guarantees exclusivity of the network. No exclusivity means that all competing operators can use the network, without bearing the cost of development. As a result, the country has a network of 6,000 agents for its 180 million people, when it actually requires 50,000. It is also for this reason that Nigeria is one of the only countries in the region where mobile banking, developed by banks on the basis of high banking rates, exhibits relatively higher growth in mobile payments, to the detriment of telecommunications operators.

Initially set up as a person to person transfer service, mobile payment is available for numerous financial services and for various economic purposes. Generally speaking, West Africa is in the early stages of this phenomenon, with a prevalence of basic operations such as deposits, withdrawals, person to person transfers and purchase of phone credits. In Côte d’Ivoire, for example, these operations represented, by value, 98% of mobile payment customer transactions in 2013. However, most countries in the region have already entered a second phase in which operators have incorporated more复杂 payment services, like payment of customer invoices to public and private service providers. Products that allow customers to use mobile payments have become more diverse as mobile operators develop partnerships with other economic actors, including water and electricity providers, Internet and audiovisual operators, and gas stations. This is also true in the case of insurance. Airtel in Ghana, MicroEnsure in Burkina Faso and Niger, and Orange and MTN in Côte d’Ivoire allow their customers to purchase insurance premiums via their mobile telephones, supplied by partner firms. These services are implemented through partnerships between telecommunications operators and public and private companies that deliver the services with the help of integrators (Celpaid, E-Tranzact, etc.) who develop the connections between company platforms. They allow users to pay bills from a distance, thereby providing significant time savings and mobility. These developments signal the passage to a new stage of dematerialisation of economic exchanges, and the opportunity to accelerate processes is vast (see Opportunities).
Gradual transition towards mobile banking

While mobile payment offers more complex financial services compared to basic money transfers—like bill paying—the transition to mobile banking continues to face low penetration of banks and the Internet.

First, banking is generally underdeveloped, as revealed in the region’s banking rate, defined as the number of individuals who have opened an account in a formal financial institution. Analysis of these rates in twelve countries in West Africa, where data is available, reveals low penetration of banking services [Graph 2]. In Nigeria and Ghana, two of the most banked countries in the region, fewer than one in three people holds an account at a financial institution. This figure drops to less than one in ten people in Mali, Senegal, Guinea and Niger, revealing that a large majority of the region’s inhabitants still use cash for payments and savings.

The second factor limiting the emergence of mobile banking is low Internet penetration, evaluated by measuring the percentage of individuals using the Internet in a given country. Though the rate is growing rapidly in the region, Internet access remains low compared to that of mobile telephony. Between 2001 and 2013, the Internet usage recorded an average annual growth of 44% in West Africa, and a regional rate of 21% in 2013. That same year, it peaked at 38% in Nigeria and Cabo Verde, but remained below 3% in Guinea, Niger, Mali and Sierra Leone [Graph 3]. This growth is accompanied by the growing adoption of smart phones connected to broadband Internet. The penetration rate of mobile Internet 3G and 4G remains low compared to other parts of the world, but it has reached significant levels in some countries [Graph 4], particularly in the major markets of Ghana (13.3% in 2014), and in Nigeria (10.3%). It made a spectacular leap in Côte d’Ivoire, where it rose from 0.2% in late 2012 to 7.3% by the end of 2014. The increased circulation of telephones connected to the Internet paves the way for innovative mobile banking products.

19 This is the definition of FINDEX according to the World Bank.
20 Cabo Verde, Côte d’Ivoire, Guinea-Bissau and Gambia do not appear in this data set.
21 The Internet penetration rate is 2.6% in Côte d’Ivoire according to the ITU, but this rate is not consistent in terms of the penetration rate of mobile Internet, estimated at 8% by GSMA intelligence (see Graph 4). As a result, Côte d’Ivoire was not included in Chart 3.
Graph 3 Number of Internet users (%)

- Nigeria
- Cabo Verde
- Senegal
- Gambia
- Ghana
- Benin
- Liberia
- Togo
- Burkina Faso
- Guinea-Bissau
- Mali
- Sierra Leone
- Niger
- Guinea

- 2013
- 2007
- 2001

Source: AFDB

Graph 4 Penetration rate of mobile Internet 3G and 4G in West Africa (number of subscribers per 100 inhabitants) Source GSMA Intelligence

- Cabo Verde
- Ghana
- Gambia
- Nigeria
- Senegal
- West Africa
- Mali
- Côte d’Ivoire
- Sierra Leone
- Benin
- Togo
- Liberia
- Guinea
- Burkina Faso
- Niger

- 2014
- 2012
- 2010

Source: GSMA Intelligence
Although conditions for mobile banking to take flight in the region have not yet been met, many bank operators have strategies in place to address this, and are looking to the mobile payment experience. Indeed, in recent years several banks have associated with telecom operators to develop mobile banking. For example, the Ecobank group has partnered with Airtel in many African countries, including Burkina Faso, Ghana, Niger and Sierra Leone. This is also the case for the French group BNP Paribas, Société Générale and BIAO, which are associated through their subsidiaries in West Africa, with Orange, MTN and Airtel respectively. The goal of these partnerships is to develop hybrid products, somewhere between the telephone and the bank: for example, a product that allows a user to withdraw the funds stored in a mobile account from bank ATM machines, or to transfer money from mobile accounts to bank accounts22. Through these initiatives, which aim to encourage mobile payment users to open a bank account, mobile payment contributes to the gradual increase in the percentage of bank account holders in the region.

III Main Obstacles

A Still inadequate territorial coverage

The enthusiasm surrounding the mobile payment sector in West Africa should not downplay hard work still to be done in expanding coverage in underserved areas. The scope for progress is significant because the penetration rate of mobile telephony, while high in the region, is considerably lower in rural areas and among the poorest people—the hardest to reach. These difficulties are compounded since the private sector has no incentive to develop outside of its current segments. It is estimated that there are twenty active operators in the sub-region, but the market cannot be characterized as possessing a high degree of competitive intensity. The regional market is dominated by four operators (Orange, MTN, Etisalat and Airtel), which alone hold 65% of market share.

Built-in characteristics of the telecommunications sector explain, in part, why the offer is not more diversified. Substantial input costs in the sector, including the cost of investments and licences, mean that few operators originate from the continent and a high concentration of operators take up residence there. These operators usually operate in several markets at once (in several countries) in order to generate economies of scale. Moreover, demand is unstable. A notable lack of loyalty among customers has led operators to use aggressive marketing strategies that often translate into rate reductions to recover investment costs. Finally, in the urban context the market is saturated. Under these conditions, and based on current technology, it is not likely that operators will expand their services in areas with low or disadvantaged populations with the aim of gaining more clients.

Beyond the inherent characteristics of the telephony sector, limits on the distribution of mobile telephony are due to structural development problems (low incomes, illiteracy, underdeveloped public infrastructure, etc.) which demonstrate the absence of appropriate policies to govern the telecommunications sector. Essentially, a lack of transparency and the complexity of taxation increases the costs of importing mobile phones. In order to promote the development of telecommunications, public authorities should undertake reforms that better harmonize the regulation and taxation of the sector.

B Networks of agents: a limited dissemination strategy

Expansion of the agent network allows operators to grow their services into unserved areas. Close proximity of agents to this new client base promotes financial inclusion and provides an alternative to the shortage of banking networks. Even so, this model is unsophisticated in terms of its implementation and is not applicable indefinitely. The development of agent networks is hampered by the need to maintain sufficient income for those already operating in the area. Indeed, the more certified agents there are in a territory, the fewer individual transactions per agents are issues, resulting in a number of agents who are unable to collect sufficient commissions to recuperate their initial investment. This would result in a decrease in the penetration rate. The gamble, therefore, is to identify an optimum threshold of agents that will satisfy demand. In addition, the posting of officers to remote areas poses a cash management problem and a problem of the provision of electronic money in these territories. Often the result is the unavailability of “credits” from the agent, which can be discouraging to

customers and ultimately lead them to doubt the reliability of the system. This weakness is exacerbated by crises, like in the case of Sierra Leone since the Ebola virus outbreak began. Finally, the security of transactions is an essential condition for the successful deployment of mobile agents. Consumers are unlikely to use mobile money services if they are not sure their money will be safe. The expansion of networks based on agents operating as electronic money institutions is no longer a viable solution, as long as their opening hours are the same as those of banks.

C  The problem of interoperability

Interoperability is defined as the ability of telecommunications providers to both exchange information and connect clients across different networks. In general, interoperability requires a state regulatory agency that must ensure compliance with the rules of operability to ensure service quality and promote competition. While data exchange between operators often occurs without difficulty, interconnecting clients across networks continues to pose some problems. Calls from abroad to Africa are often very expensive. When a call is made by the client of an operator A to the client of an operator B, the two mobile operators each charge the other for the interconnection charge. Such charge, also called "call termination" is the amount paid per minute by an operator to allow a telephone conversation through the network of another operator. This is the most common interconnection regime in the world. In the countries of the subregion, only Benin adopted the so-called « bill and keep» regime which provides for free transit of calls across operators.

These services generate a significant share of the profits for operators and thus contribute to high prices. As a result regulators in the countries of the subregion have attempted to cap prices by introducing taxation. In Côte d’Ivoire, for a call from abroad, the tax is borne by the foreign company receiving the interconnection. The firm is paid by the national operator. The rate is set at 20 FCFA / minute. In other words, the Ivorian government has increased the prices of termination or transit traffic to Ivory Coast by 20%. If the primary concern of governments is to seek extra budgetary resources to finance public spending, the increase in taxes may ultimately hinder the development of the sector.

D  The cost of implementing innovative solutions

In general, administrative procedures have proven complex and lengthy. This is why paying bills online or by telephone, setting up companies online, using virtual one-stop-shops during the formation of a company or the registration of official documents, e-filing taxes, paying wages and employer contributions online are all virtual services that could revolutionize the public administration in West Africa and transform its relationship with users. This process of dematerialisation of administrative acts and public services requires substantial funding that the budgets of states in the region can not bear. Nevertheless, the resulting benefits appear to be more important than the costs required for its implementation, particularly in terms of governance.

E  An imprecise regulation

The rise of mobile payment services highlights the need for a legal framework that guarantees users are protected and clearly defines the responsibilities of the operators. There is a need for regulation on several levels. At the operational level, rules should govern payment services much like banks. On the other hand, prudent rules that apply to banks should also be extended to telecommunications operators once they have provided a financial service.

Storage and use of data collected by operators must operate within a regulatory framework which guarantees the right of consumers, not least because the risk that such data be used for contentious and illegal purposes is great. This risk is amplified by the fact that these services are used by a greater proportion of the population than banks. For this reason the challenge faced by regulators in the region is to encourage the development of these services to enable greater financial inclusion without being overly scrupulous in regulation. The challenge is to find a balance to keep the momentum going without sacrificing the security of the system. The slightest incident could undermine consumer confidence in new payment system and destroy all financial investments and innovations taking place in the sector. Finally, mobile payment services could be diverted from their intended use and become transit channels for the financing of crime and money laundering. In many countries this is facilitated by the anonymity of the service where purchasing the unpackaged SIM does not require proof of identity.
IV Opportunities

A The challenge of financial inclusion

A gateway to banking services, mobile payment is a factor for financial inclusion for the most marginalized populations in West Africa. Like in other areas of social life, the banking rate reveals inequalities related to the socioeconomic variables of gender and place of residence. On average there are 20% fewer women account holders in formal financial institutions in the region. In some countries, the differences are even greater. For example, the differential is more than 30% in Sierra Leone, Liberia, Burkina Faso and Guinea [Graph 5].

Banking penetration rates also vary depending on the place of residence, with strong inequalities in access to banking services between urban and rural areas. On average, in most countries the gap for urban dwellers doubles, but it increases tenfold in countries like Guinea and Niger [Graph 6].

Graph 5 Rate of bank account holders by Gender, in 2011

Source: Global Findex

The fact that women and rural populations, by and large, do not have access to banking services has an impact on developing countries in the region. This situation does not favor the empowerment of women nor the modernization of the rural economy, two major issues in the fight against poverty. Mobile payment, which is based on locally available technology, could gradually strengthen the financial inclusion of these categories. In Niger, for example, one study demonstrated that the adoption of electronic money allows women to better control the household budget, compared to when it is managed in cash, most frequently by men. Similarly, the Kenyan example shows that the spread of mobile payments in rural areas allows farmers to better cope with risks like drought and falling prices, and facilitates access to financial assistance in case of difficulties. This process of inclusion, however, requires the diffusion of cellular technology among the poorest segments of the population, especially in rural areas.

Possible variations of mobile financial services in other economic activities

Mobile payment already offers services that are more complex than simple deposits and money transfers. However, many opportunities have yet to be exploited during the next phase of refining, which is already underway in East Africa. [These are financial products for the unbanked. Microfinance via mobile is one of the innovative services already available on]

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Dematerialisation limits leaks between suppliers. It could help to trace the mobile relationships between economic actors and reduce the time costs associated with trade, and could instigate significant gains in competitiveness for local productive systems.

C Mobile as a tool for improved governance

Mobile payment is also contributing to the enhancement of economic governance in West African countries, particularly in the relationship between governments and citizens (G2P). In several countries in the region, salaries of public sector employees are paid by transfers to mobile accounts. Moreover, Nigeria has experience with mobile payments that allow farmers to acquire the seeds and fertilizers they needed. This "electronic wallet" system has enabled 14 million farmers to receive subsidies, avoiding distortions sometimes faced in often corrupt distribution networks. Thus the initial technology straight away offers possibilities to transform the general functioning of the economy. However, the largest prospects still remain open on the horizon for both mobile payment and mobile banking.

Similarly, mobile payment has been particularly useful in the fight against the Ebola virus outbreak in Sierra Leone. The compensation method for health care workers, already deficient, posed significant challenges from the very beginning of the epidemic in May 2014. The reinforcement and insulation of contaminated areas made it even more difficult to deliver wages in these areas, making it even more difficult for workers on the ground. Faced with their protests, the government took the initiative in the last quarter of 2014 to pay them their risk premiums, incentive-oriented, through the mobile telephone. This system relied on the network of agents that existed prior to the health crisis. It allowed for the inclusion of health care workers who were not in the administrative system and it prevented potentially dangerous leaks that might have been caused by a series of intermediaries delivering cash payments.

D Support for regional integration

Mobile payment in West Africa was first developed at the country level. However, examining the important intra-regional financial flows—particularly through migrant remittances—reveals that the national framework is insufficient and should be extended to a regional framework. The amount of intra-regional migrant remittances (ECOWAS zone) reached more than $24 billion in 2012. These international transfers are generally carried out by specialized financial companies (Western Union, MoneyGram, etc.) and are subject to significant intermediary costs (operators, exchange rates), and sometimes with delays of up to several days. In this context, migrant remittances transiting West Africa are among the highest transaction costs in the world—transfer fees would reach 27.8% of money transferred between Ghana and Nigeria.

28 See the Sierra Leone country note.
30 The World Bank estimates the average cost of transferring money to and from Africa to be 12.06% on average, compared to 8.58% in the rest of the world.
Faced with these constraints, operators of mobile payment intend to make operations more competitive, and some have already positioned themselves on the West African market for migrant remittances. This is the case of the Orange Group which, for example, in 2013, launched Orange Money International. This service allows customers residing in Côte d’Ivoire, Mali and Senegal to make instant international transfers among the three countries. In 2015, the French group has developed a partnership with Airtel Money, a leader in Burkina Faso, to extend the service. Thanks to their interconnected mobile money platforms, customers of both brands can make international and inter-operator transfers between Côte d’Ivoire and Burkina Faso. In 2014, MTN and Airtel had already implemented a similar system between the two countries, which form the corridor of the largest migrant remittance system in the UEMOA zone (in 2012, nearly 300 million dollars were transferred between Côte d’Ivoire and Burkina Faso\(^{31}\)). By reducing costs and transaction times of these financial flows, mobile payment gives a major boost to the dynamics of regional integration.

Mobile payment also offers new opportunities for extra-regional migrant remittance discounts. Barclays, for example, developed a service that allows its customers residing in the United Kingdom to transfer funds from their bank account to mobile accounts: “Barclays Hello Money Service” is available in several African countries including Ghana. In this system, the recipient of funds does not need to have a bank account. Funds are transferred directly from the British bank account to the Ghanaian mobile account. After the transfer, the holder is notified by SMS that the funds have arrived. The operation is instantaneous and is accomplished by the bank with no other cost than that of the exchange rate\(^{32}\), significantly reducing costs and the typical amount of time spent for this type of international transaction.

\(^{31}\)Net Present Value Limited (2015), Study on Remittances in the ECOWAS sub-region, African Development Bank (forthcoming)

From Mobile payment to mobile banking?

Mobile payment has the potential to evolve into mobile banking systems that favour Internet development in the region and new avenues of learning by people, who are increasingly knowledgeable about cellular technology. Apart from Nigeria, where mobile internet banking is already expanding (see Overview), the Internet penetration rate is still too low for the moment to allow the service to takeoff in the region. Things could change soon, however, especially with the lead of the private sector, which seeks to strengthen Africa’s Internet access. World renowned groups such as Facebook and Google have already expressed their desire to contribute to and seek innovative solutions to achieve this, such as the use of drones to serve as antennae in remote areas. At the level of mobile telephony, firms in the sector intend to accelerate the diffusion of the Internet, not at the network level, but the hardware level. Indeed, several operators are involved in promoting smart-phone operations in the region, by marketing low cost offers in partnership with manufacturers. Tigo Ghana, for example, led a campaign in 2014 called "Drop that Yam" to market a low cost Samsung smart-phone designed for the Ghanaian market33. More recently, Orange launched, together with Alcatel and the Mozilla Foundation, a special offer for its African markets, which includes a smart-phone and a package of six months of communication and data exchange, for less than 40 dollars34.

These dynamics, if they reach their goal of digitizing West African societies, could offer new opportunities for mobile banking through the Internet.

Recommendations

1 Mobile financial services are an effective tool to boost financial inclusion in West Africa. The necessary technology is in line with the level of development in the region, but still exhibits difficulty in reaching the most vulnerable groups. This is especially the case in rural areas. There is insufficient network coverage in some areas, posing a spatial challenge that private operators are not necessarily keen to address, given the low profitability of the required investments. In order to strengthen financial inclusion, development partners should provide financial support to the local governments for network expansion projects. For their part, governments should implement incentives for private actors who are willing to invest in infrastructure development.

2 Regulators must police the mobile market effectively to guarantee the beneficial effects of competition. There is a real risk in West Africa that oligopolistic (or duopolistic in some countries) markets may lead to inefficient outcomes and adverse consequences for users and investment. Anticipating potential market failures would avoid a slowdown in current dynamics, while at the same time protecting stakeholders’ interests (governments, consumers, and operators) and promoting the diffusion of innovation and more sophisticated products.

3 The regulation of mobile financial services is a complex equation, due to the multiplicity of actors involved (banks, telephone operators), and potential regulators (sectoral regulators, competition authorities, central banks), and the rapid evolution the sector. Such regulation requires preliminary competition reviews in order to prevent unforeseen obstacles. It also requires a clear understanding of which regulator is responsible for what oversight. As the required analytical skills to perform regulatory duties are not always available at the government level, development partners should provide technical assistance to them particularly in the areas of competition review and remedies.

4 To increase the economic and social benefits of mobile financial services, it is desirable to foster the development of more complex solutions, such as bill payment, m-commerce and mobile financial products. Such regulation requires preliminary competition reviews in order to prevent unforeseen obstacles. It also requires a clear understanding of which regulator is responsible for what oversight. As the required analytical skills to perform regulatory duties are not always available at the government level, development partners should provide technical assistance to them.

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particularly in the areas of competition review and remedies.

5 **In light of the efficiencies that mobile financial services bring to economic transactions, it is desirable that governments incorporate such technology to improve their relations with citizens.** E-governance practices that are being tested in the region, such as the mobile payment of wages and agricultural subsidies are already reducing financial leaks inherent in cash economies, especially in remote areas located far from the central government. In view of the benefits they provide for financial inclusion, these solutions must be widespread, despite the cost of implementation.

6 **The regional dimension of the mobile financial flows, which circulate well beyond the national frontiers, requires the establishment of a cross-border regulation.** On 23 and 24 March 2015, the fifteen ECOWAS countries and UNCTAD organized a seminar on electronic transactions security, including mobile payment, aiming to promote intra-regional trade. The discussion concluded with the formulation of several recommendations, including the ratification of the African Union Convention on cyber-security and protection of personal data as well as the setting of a regional legislation on consumer protection, taxation and transnational electronic payments. The application of these recommendations would secure electronic transactions and foster regional financial exchanges. The latter represent an increasingly significant financial resource for the region, as demonstrated in the case of remittances. Further discussions could focus on a regional payment platform that would integrate the various national systems, allowing consumers to make purchases across West Africa. Such a system would greatly enhance regional trade integration.