

# Concept Note: Sub-Regional Workshop on Mobile Money in West Africa

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*March 14<sup>th</sup>-16<sup>th</sup>, 2016, Bank of Sierra Leone Recreational Complex, Freetown, Sierra Leone*

## **Background**

With rapid improvements in Sub-Saharan African mobile phone and internet penetration, it is expected that mobile wallet services as well as mobile enabled commerce will grow significantly in the next few years. Sub-Saharan Africa accounted for more than half of the 255 live mobile money services across the globe in 2014. Over half of all mobile operators in the region have already launched a mobile money service. Of all the regions, Sub-Saharan Africa records the highest level of mobile money penetration. However, while the mobile money penetration has increased significantly in East Africa, the story is very different in West Africa. For instance while Kenya and Tanzania have mobile money penetration rates of 90% and 67% respectively, Ghana has mobile money penetration rate of only 9%. Out of this 9% who have access to mobile money services in Ghana, only 6% actually use mobile money for payments and transfers compared to 60% in Tanzania.

The mobile money financial services industry is now expanding rapidly in the West African sub-region after its phenomenal growth in East Africa. Experiences of East and Southern African countries confirm that mobile money presents a unique opportunity to encourage and enhance financial inclusion, formalise the informal sector, and tap into the domestic savings in rural areas, with a potential to raise economic growth. At the same time, central banks also recognise that principles governing the sector must be carefully and deliberately managed in order to protect customers while at the same time not creating additional barriers to entry or costly operations for mobile money operators that might stifle the industry and limit its potential.

Much can be learned about this regulatory balance between policies encouraging both growth of the sector as well as consumer protection from case studies, mainly in East and Southern Africa, of countries that are years ahead of West Africa in terms of the widespread introduction of mobile money in the marketplace. In some cases such as Kenya, relaxed regulatory regimes have led to a flowering of mobile money, with its deep penetration and improved economic outcomes through access to financial services for the poorest. On the other hand, strict regulations in some countries have hampered the ability of mobile money operators to enter the market and sustain operations at a low cost, limiting the degree of financial inclusion achieved through mobile money.

Recognising that Sierra Leone and the West African region in general is 5-10 years behind countries like Kenya in this sector, the experience of these countries over the past decade (rather than their current situation) can inform the regulatory and macroeconomic challenges West Africa is facing now and will face in the coming years as the mobile money sector grows. Lessons and evidence from case studies in East and Southern Africa can provide options to answer some of the pressing questions facing the Bank of Sierra Leone and other central banks in the West African region. West African countries can also look to diversity within the region to identify best practices and opportunities for regional collaboration.

This workshop – jointly organised and supported by the Bank of Sierra Leone (BSL) and the International Growth Centre (IGC) offices in Sierra Leone, Liberia, and Ghana – aims to achieve this experience sharing and learning across sub-Saharan Africa. The workshop will bring together government and private sector representatives from Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone, and builds on previous SSA meetings over the past two years in Mozambique and Senegal. Through this workshop, BSL hopes they and other central banks in the region can take the next step towards advancing their new guidelines as well as look at new areas such as credit services through mobile money. Key emerging policy areas have been identified for workshop sessions to address, and the IGC has identified relevant economic questions that can be addressed by the SSA experience, both of which are outlined in this concept note.

## Aims of the workshop

- 1) Create an opportunity for experience sharing among participating countries;
- 2) Learn from the experiences of East and Southern African countries;
- 3) Identify possible reforms to policy regulations/guidelines that would promote the optimal use of mobile money as a part of the financial services tool kit for economic development;
- 4) Propose next steps for each participating country in the (WAMZ) sub-region; and
- 5) Identify potential areas for further research.

The workshop proposes to address the following topics:

- 1) **Research Results:** Much research has been done on the implications of mobile money, particularly in terms of facilitating financial inclusion, including: spreading risk and consumption, and the importance of credit and savings to achieve this (Billy Jack); implications for monetary policy (Sebastian Walker & Chris Adam); impact on inflation and productivity (Janine Aron); and uses of big data generated through mobile money for informing policy. The workshop will review these and other areas.
- 2) **Policy/Regulation:** The growth of mobile money presents challenges for the formulation and reform of policies that encourage its use for improving financial inclusion, while ensuring customer protection through appropriate market and financial regulations, without distorting financial markets. The different choices of East African countries – such as Kenya with low regulation and high inclusion leading to higher development impacts as research suggests, and Mozambique with more regulation and less inclusion – can help illustrate the implications and policy trade-offs.
- 3) **Programmes:** The potential uses of mobile money, such as for salary payments to government workers, payments for public services or taxes, and regulation of informal workers through mobile money salary payments, are opportunities for improving service delivery and promoting the wider development agenda of these countries. The landscape for mobile money in the coming years will be shaped by policy decisions on the nature and scope of its use. At this early stage in its evolution, the experience of countries in East and Southern Africa can help participating countries outline recommendations on various programme areas and define relationships among the banking, telecom, and non- banking financial services sectors to prepare for the optimal use of the instrument.
- 4) **Country priorities for policy:** The following areas have been identified as key questions facing central banks in the region, which the workshop proposes to address at country sessions, depending on the priorities of the participating country teams:
  - Lending and credit for mobile money providers
  - Earning interest on a mobile money account / trust account for non-bank led operators
  - Partnerships with telecoms regulators, and cooperation between banks and telecoms
  - Regional considerations and cooperation
  - Customer protection & empowerment through financial literacy
  - Regulations governing agent networks
  - Capital requirements for mobile providers
  - Taxation on transactions and on salary payments for the informal sector
  - International remittances

## Participants

- West African Country Participants: Gambia, Ghana, Guinea, Liberia, Nigeria, Sierra Leone
- Technical expertise: Kenya, Mozambique, Uganda
- Sectors: central banks, finance ministries, telecommunication regulators, mobile money operators, commercial banks, telecommunication companies

## Proposed agenda

<b>Day 1</b>	<b>Day 2</b>	<b>Day 3</b>
<ul style="list-style-type: none"> <li>- Opening Ceremony (BSL &amp; IGC)</li> <li>- Presentations on recent findings from mobile money research (2 researchers)</li> <li>- Panel with technical experts, policy makers, and private sector from East/Southern Africa on lessons learned from their experiences (2-3 representatives of central banks, telecoms, mobile money operators, and/or commercial banks)</li> <li>- Presentations from each West African country on the current state of mobile money (6 Central Banks)</li> <li>- Cross-country thematic working groups on 5 major policy challenges and opportunities for West Africa in mobile money to facilitate experience sharing across countries</li> </ul>	<ul style="list-style-type: none"> <li>- Report back on outcomes of discussions from cross-country thematic group sessions</li> <li>- Country-specific working groups to engage with issues facing each country and incorporate evidence from research and shared country experiences to suggest areas for policy and regulatory changes</li> <li>- Report back on outcomes of country-specific group sessions for feedback</li> </ul>	<ul style="list-style-type: none"> <li>- Country-specific working groups on developing a “roadmap”, as well as proposals for next steps</li> <li>- Final country presentations on roadmaps, recommendations for policy, and next steps, including feedback</li> <li>- Recommendations for future research areas</li> <li>- Closing</li> </ul>
<i>Dinner</i>	<i>Cocktail Reception</i>	