



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 16-Dec-2019 | Report No: PIDC27300

**BASIC INFORMATION****A. Basic Project Data**

Country Western Africa	Project ID P171234	Project Name WAEMU Financial Sector Development DPO (P171234)	Parent Project ID (if any)
Region AFRICA	Estimated Board Date Jul 30, 2020	Practice Area (Lead) Finance, Competitiveness and Innovation	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finance - Mali, Ministry of Finance - Cote d'Ivoire, Ministry of Finance - Benin, Ministry of Finance - Niger, Ministry of Finance - Senegal, Ministry of Finance - Togo, Ministry of Finance - Burkina Faso	Implementing Agency BCEAO		

Proposed Development Objective(s)

The development objective of the proposed Development Policy Financing series is to enhance financial inclusion and access to finance in the WAEMU countries.

Financing (in US\$, Millions)**SUMMARY**

Total Financing	280.00
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DETAILS

Total World Bank Group Financing	280.00
World Bank Lending	280.00

Decision

The review did authorize the preparation to continue



B. Introduction and Context

Despite the fact that BCEAO has led efforts to diversify the WAEMU's financial market, financial inclusion is well under the SSA average. The regional central Bank has supported the implementation of a comprehensive set of regulations allowing the emergence of non-bank financial institutions such as microfinance institutions, emoney issuers and leasing companies. In a view to foster inclusiveness, the BCEAO issued in 2006 a mobile money regulation which allowed the introduction of mobile banking. The revision of the e-money law in 2015 drastically disrupted the market as it allowed banking and non-banking financial institutions (NBFI) to compete fiercely for market share. The region now accounts for 33 financial service providers issuing e-money which has resulted in a rapid increase of mobile money subscribers (from 25 million to 60 million between 2015 and 2018). Nonetheless, access to financial services remains one the weakest in the world with 19% adults having a transaction account

The proposed operation is the first in a series of two programmatic regional development policy financing (DPF) operations to the West African Economic and Monetary Union (WAEMU) member countries. The proposed series is closely aligned with the financial inclusion strategy of the Central Bank of West African States (BCEAO) and the WAEMU member states. It supports transformative reforms to close the regional gaps in access to financial services that weigh on poverty reduction and shared prosperity in the region. The proposed operation also forms a central part of the WBG's Country Partnership Frameworks (CPFs) for individual WAEMU member countries, and its design is fully consistent with the priorities identified with the authorities.

The proposed series is articulated around three development objectives and pillars. The first set of reforms focus on strengthening the financial infrastructure governing the sharing of financial information and payments across the WAEMU. Secondly, the program includes legal and regulatory measures to modernize the framework governing financial outreach vehicles in the Union. Finally, the third set of reforms include policies and actions aimed at fostering the usage of Digital Financial Services (DSFs) in a harmonized way.

Relationship to CPF

The proposed operation forms a central part of the WBG's Country Partnership Frameworks (CPFs) for individual WAEMU member countries, and its design is fully consistent with the priorities identified with the authorities.

C. Proposed Development Objective(s)

The proposed Development Policy Financing series aims to enhance financial inclusion and access to financial services in the WAEMU countries

Key Results

The operation will achieve concrete outcomes. As a result of the measures supported by the regional DPO, the percentage of the adult population owning a transaction account will increase from 37% to 75% in 2021 (including a gender gap reduction from 13% to 5%).



D. Concept Description

The contemplated DPF plans to support the core measures of the FIAP. The support will cover three interrelated development objectives and pillars in support of financial inclusion, including (i) strengthening the financial sector infrastructure for information sharing and payments; (ii) modernizing of the legal and regulatory framework governing financial outreach; and (iii) expanding the usage of digital financial services. It supports reforms aimed at increasing access to financial services while reinforcing the overarching financial stability role of the central bank. The selected measures will leverage on the digital and the regional dimension to maximize the transformational impact of this innovative series.

Pillar 1 aims at strengthening the financial sector infrastructure for information sharing and payments. The BCEAO and the member countries will upgrade the Regional Payment System by making it fully interoperable between banks and Non-Bank Financial Institutions across the 8 countries. Furthermore, the BCEAO will issue an Instruction requiring e-money issuers to share their data on customers with the Regional Credit Bureau. Both measures will significantly stimulate financial inclusion.

Pillar 2 will support the modernization of the legal and regulatory framework governing financial services to ensure effectiveness, soundness and proper oversight of outreach vehicles. The transformative measures under this pillar include: i) the amendment of the Regional Microfinance Law, ii) the amendment of the Regional Banking Law, iii) the adoption of a regulation on Agent Banking, and iv) the issuance of a new regulation on branchless micro-finance institutions. To accelerate the Digital Financial Services agenda, the BCEAO also plans to design and adopt a regulatory framework for Fintechs.

Pillar 3 aims at supporting the usage of digital financial services through policymaking. To boost the usage of DFS, the Telecom Network Authorities of 6 country members plan to issue a decree liberalizing the access to USSD code for Value Added Service Providers and establishing a tariff grid in line with best international practices. To coordinate national-level policy decisions on the expansion of DFSs and share best practices, the 8 countries will establish a Regional Council of Payments. Furthermore, financial education and consumers' confidence will be improved across the region through i) the implementation of financial literacy and education programs and ii) the establishment of Consumer Protection Agencies.

The operation will achieve concrete outcomes. As a result of the measures supported by the regional DPO, it is expected that the percentage of the adult population owning a transaction account will increase from 37% to 75% by 2021 (including a gender gap reduction from 13% to 5%).

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

Environmental Impacts



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Implementing Agencies



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APPROVAL

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31-Dec-2020