Making Access Possible

Burkina Faso

Financial Inclusion Roadmap

2018 - 2022

"Enhancing resilience and productivity through increased access to financial services for all Burkinabe, particularly to excluded market segments, farmers and small businesses."

FMT FINMARK TRUST

UNCDF | MAKING ACCESS POSSIBLE

Partnering For A Common Purpose

Making Access Possible (MAP) is a multi-country initiative to support financial inclusion through a process of evidence-based country diagnostic and stakeholder dialogue, leading to the development of national financial inclusion roadmaps that identify key drivers of financial inclusion and recommended action. Through its design, MAP seeks to strengthen and focus the domestic development dialogue on financial inclusion. The global project seeks to engage with various other international platforms and entities impacting on financial inclusion, using the evidence gathered at the country level. The MAP methodology and process has been developed jointly by UNCDF, FinMark Trust and the Centre for Financial Regulation and Inclusion (Cenfri) to foster inclusive financial sector growth.

At country level, the core MAP partners collaborate with government, other key stakeholders and donors to ensure an inclusive, holistic process.

This document sets out the Roadmap for financial inclusion based on the comprehensive diagnostic findings. It has been developed in collaboration with the Monitoring Committee for the development of the National Strategy of Financial Inclusion in Burkina, and will form the basis of the national strategy on financial inclusion of Burkina Faso.

MAP Burkina Faso has been co-funded by UNCDF and the Government of Burkina Faso and implemented by FinMark Trust.

This Roadmap was produced by the UNCDF and FinMark Trust as part of the larger MAP diagnostic work in Burkina Faso.

ABOUT MAP IN BURKINA FASO

This roadmap document is produced as part of a series of documents in the Burkina Faso Making Access Possible (MAP) initiative.

MAP Burkina has been rolled out under the guidance of the MAP monitoring committee chaired by the Permanent Secretary for the Promotion of Microfinance (SP-PMF) in the Ministere de L'Economie, Des Finances et du Developpement. The committee includes representatives from government, regulators, private sector, civil society, and donors.

The key research findings from the MAP diagnostic are captured in the country diagnostic report, Burkina Faso Making Access Possible: Financial Inclusion Diagnostic Report, 2017 produced by ECONSULT Botswana in collaboration with the Burkina Faso based BERD-Lessokon. The diagnostic covers the demand-side, supply-side and regulatory analyses. The supply-side analysis covers payments, savings, credit and insurance, and therefore provides an understanding of financial inclusion in a broad context, and draws from a range of stakeholder consultations conducted in 2017 as well as a mystery shopping exercise at branches/outlets of various financial institutions. On the demand-side, quantitative data is generated and analysed through the FinScope Burkina consumer survey conducted by FinMark Trust in 2016. FinScope is a nationally representative demand-side survey of consumer behaviour and interaction with financial services, as well as consumers' financial realities and perceptions of financial services. FinScope Burkina is based on a sample of 5,066 adults (individuals aged 15 and older). This sample is representative of the entire adult population of approximately 10 million, and has been weighted accordingly under the supervision of the National Statistics Institute (INSD).

Documents produced as part of the MAP Burkina initiative include: (1) Burkina Faso Making Access Possible: Financial Inclusion Diagnostic Report 2017. (2) Burkina Faso FinScope Consumer Survey Highlights 2016. (3) Presentation: Burkina FinScope Survey 2016. A summary presentation of the Burkina MAP Diagnostic Report findings, presented to a Stakeholder Workshop on 23 November 2017 and the FinScope dataset are available on request.

The roadmap summarises the main findings and recommendations from the comprehensive diagnostic report and presents a way forward on the recommended priority areas for financial inclusion in Burkina Faso.

The MAP methodology and process has been developed jointly by UNCDF, FinMark Trust and Cenfri to improve financial inclusion to improve individual welfare and support inclusive growth.

THIS REPORT WAS PRODUCED BY THE FINMARK TRUST

Acknowledgements

FinMark Trust and the Burkina MAP Monitoring Committee would like to extend their gratitude to the compiler of this report, Anthony Githiari, and to those who assisted in the drafting and reviewing of the roadmap action points, including Keith Jefferis and Jemila Abdulai, the authors of the MAP Diagnostic Report in Burkina Faso.

FinMark Trust and the Monitoring Committee would also like to thank those who reviewed the report and provided invaluable comments: The Ministere de L'Economie, Des Finances et du Developpement, represented by Mr Karfa Fayama (Permanent Secretary for the Promotion of Microfinance); the other members of the MAP Burkina Monitoring Committee including the Central Bank (BCEAO), various other ministries and representatives of the financial sector, civil society and development partners who also provided valuable feedback and input; as well as the UNCDF team represented at the global MAP level by Kameshnee Naidoo, and at the regional level by Mathieu Soglonou, Euphrasie Kouame regional MAP manager and Aoua Sawadogo local technical advisor. Our thanks also to the BERD-Lessokon team led by Valentin Palenfo and Moussa Tassembedo, and to FinMark Trust team led by Nikki Kettles and Brendan Pearce.

In addition to co-funding the project together with the government, UNCDF provided overall project direction and leadership, while FinMark Trust co-ordinated the project and undertook the FinScope survey.

We would also like to thank the other individuals who contributed to this process, including from government, Central Bank, financial services providers, industry bodies, technology providers, telecommunications operators and development partners for their insights and inputs into the diagnostic and roadmap processes, and for their efforts to extend financial services to the excluded.

Table of Contents

List of Tables

List of Figures

Executive Summary

The Burkina Faso Financial Inclusion Roadmap 2018 – 2022 lays out the national priorities for the enhancement of financial inclusion in Burkina Faso. The Roadmap is based on the diagnostic findings contained in the Burkina Faso Making Access Possible: Financial Inclusion Diagnostic Report 2017, which in turn draws on in-country research and interviews, FinScope Survey 2016 and qualitative research. MAP Burkina has been conducted in conjunction with the government of Burkina Faso.

Improved access to financial services can help fuel economic growth by mobilising savings for investment, reducing transaction costs and increasing efficiency. At the household level, it can improve welfare through reduced transaction costs, more efficient management of risks, and better allocation of capital for productive use. Financial services can also facilitate access to core services, such as health or education. However full financial inclusion has been difficult to achieve in Burkina Faso, given the high proportion of households in rural areas, low literacy and low incomes: 39% of adults do not use any financial services[1], formal or informal. Access varies considerably between urban and rural areas, with 74% in urban areas being able to access formal financial services (e.g. from banks, MFIs or mobile money companies) compared to 29% in rural areas. The informal sector plays an important role in rural areas where 25% of adults exclusively use informal products/services.

FinScope results and stakeholder consultations show that a lack of financial knowledge is a pervasive problem; not surprising given the low level of education and literacy generally; and hence improved financial literacy through appropriate education is a cross-cutting need. Other prominent financial service needs identified include the need to pay for goods and services as part of daily life; the need for liquidity to smoothen consumption; the need to manage risk especially for health-related expenses and droughts; the need to support developmental objectives; and the need for low-cost remittances and transfers. Among crop farmers significant financial needs include savings and credit to purchase agricultural inputs and assets and to finance cash shortfalls between planting and harvesting, while credit would benefit livestock farmers and SMMEs with improvements in production. There is opportunity for agricultural insurance to guard against unexpected shocks, however both credit and insurance products need to be calibrated to the particular needs of farmers.

The MAP research has identified key gaps from a supply, demand and regulatory perspective that need to be addressed in order for financial inclusion to play a bigger role in enhancing the welfare of citizens in Burkina Faso. Financial service provision remains concentrated on urban areas and those with formal employment, leaving key segments such as Crop Farmers under-served. There is a lack of financial products suited to those without assets or regular income, a very low level of credit provision and usage even by the standards of other low income countries, and a lack of products to deal with the main risks faced by households (health and agriculture). By filling the gaps between needs, on the one hand, and the means to serve those needs through formal financial services, financial inclusion can and should play an important welfare-enhancing role in Burkina Faso.

The Making Access Possible (MAP) programme has helped to identify priority action areas that will help to increase the level and quality of access to financial services in Burkina, under a national

[1] Note that all statistics quoted on the Burkina adult population and their realities and financial services interaction derive from FinScope Burkina Faso (2016) unless otherwise indicated.

overarching policy goal chosen to provide a vision and direction for financial inclusion, and that closely resonates with the regional financial inclusion strategy and vision:

"Ensure a financially educated population in Burkina Faso with increased access to a range of sustainable, innovative, tailored, diversified and affordable financial services, serving all Burkinabe, including women, youth, the rural and small businesses."

The overall objective is to "Ensure, over a five year period [2018-2022], an increase in access to and use of a diversified range of affordable and customized financial products and services from 40% to 70% of the adult population[2].

The goal is anchored on five key five strategic axis as follows:

1. Enhancing **credit** availability and provision.
2. Broadening the use of **digital financial services** (DFS) (especially mobile money);
3. Improving the availability and accessibility of **agricultural finance**;
4. Improving **risk management** for viable customers;
5. Strengthening financial services **policies, regulation and supervision**, infrastructure, consumer protection and consumer financial literacy, and better supporting informal groups.

The main target for outreach are rural adults who are excluded or who use only informal mechanisms, however there are also significant opportunities to improve depth and quality of inclusion for all segments. A key prerogative is to address Small Businesses' and farmers' access to finance services for growth, and to ensure increased access to formal financial services for women who are currently more heavily reliant on informal channels, and the youth.

It is envisaged that the proposed interventions will result in an increase in breadth and depth of financial inclusion in Burkina Faso, in support of national poverty alleviation and economic growth aspirations, the United Nations Sustainable Development Goals (Agenda 2030), the National Economic and Social Development Policy framework (PNDES 2016-20), the BCEAO Regional Maya Declaration of 2013, and the BCEAO regional financial inclusion strategy 2016 – 2020. This Roadmap will also form the basis for a Burkina national financial inclusion strategy 2018 – 2022.

Implementation of the activities will be led and coordinated by an implementation Committee to be set up under the guidance of the Ministry of Economy, Finance and Development through the Permanent Secretariat for the Promotion of Microfinance (SP-PMF). The SP-PMF will also house the required secretariat services needed to support the implementation work.

[2] Baseline of 40% is based on percent of adults with access to at least one formal product (according to FinScope 2016)

1. Background

1.1 Burkina Financial Inclusion Roadmap - Introduction

Financial inclusion is a means to an end – the end being improved household welfare and an impact on those activities that contribute to production and economic growth. Effective financial systems[3] can fuel real economy impacts at the macroeconomic level by mobilising savings for investment purposes (including capital allocation for business development), reducing transaction costs and increasing efficiency, thereby contributing to employment generation and growth. At the microeconomic or household level, financial inclusion can impact people's welfare directly by reducing their transaction costs, enabling them to more efficiently manage risks, allocate capital for productive use and support the accumulation of wealth over time. Financial services can also facilitate access to core services, such as health or education. This can impact growth directly, by triggering service sectors, as well as indirectly, by enhancing productivity.

The purpose of the Burkina Financial Inclusion Roadmap is to assist the government and stakeholders to identify and implement actions that best improve financial inclusion, based on the research as documented in the MAP diagnostic report[4]. The diagnostic is based on the application of the MAP diagnostic and programming framework. What sets MAP apart from other scoping exercises is that the demand-side perspective is the point of departure. The rest of the analysis evaluates the supply of financial services against the core customer needs identified, which may vary across parts of the country and across target market segments. The MAP process is uniquely linked to a multi-stakeholder process that leads to the development and implementation of a national roadmap for financial inclusion.

An important part of the MAP approach is to directly gather evidence. On the supply-side this is done through a range of stakeholder consultations conducted in 2017 as well as a mystery shopping exercise at branches/outlets of various financial institutions. On the demand-side, quantitative data was generated and analysed: through the FinScope Burkina consumer survey conducted by FinMark Trust in 2016. FinScope is a nationally representative demand-side survey of consumer behaviour and interaction with financial services, as well as consumers' financial realities and perceptions of financial services. FinScope Burkina is based on a sample of 5,066 adults (individuals aged 15 and older). This sample is representative of the entire adult population of approximately 10 million, and has been weighted accordingly under the supervision of the National Statistics Institute (INSD).

This roadmap summarises the findings of the diagnostic, and presents a way forward on the recommended priority areas. It has been developed in a stakeholder process as part of the MAP process. MAP Burkina has been rolled out under the guidance of the Monitoring Committee in charge of the elaboration of the National Strategy of Financial Inclusion chaired by the chaired by the Permanent Secretariat for the Promotion of Microfinance (SP-PMF) in the Ministry of Economy, Finance and Development. The Committee includes representatives from government, regulators, private sector, civil society and donors.

[3] See, for example, Calderón & Liu (2003), King & Levine (1993), and Levine (1997).

[4] The key research findings from the diagnostic are captured in the "Making Access Possible: Burkina Financial Inclusion Diagnostic Report 2017" prepared by EConsult Botswana. In addition to co-funding the project together with the government, UNCDF provided overall project direction and leadership for MAP, while FinMark Trust co-ordinated the project.

1.2 Roadmap approach and methodology

Schematically the roadmap approach is shown in Figure 1. The roadmap is founded on priority areas identified in the research, representing gaps and opportunities in the market which can have the largest positive impact on consumer welfare if appropriately addressed. Within the diagnostic report framework, each of the highlighted gaps and issues is analysed from the perspective of the user or potential user of the financial product or service, using the Making Markets Work for the Poor (M4P) approach. This approach identifies the stakeholders, structures, laws, regulations and customary relationships that underpin the product or service.

In order to provide a vision and direction, a policy goal (vision) is proposed towards which supportive intervention logic can be organized and monitored, indicating how the proposed interventions will contribute to the achievement of the goal and outcomes.

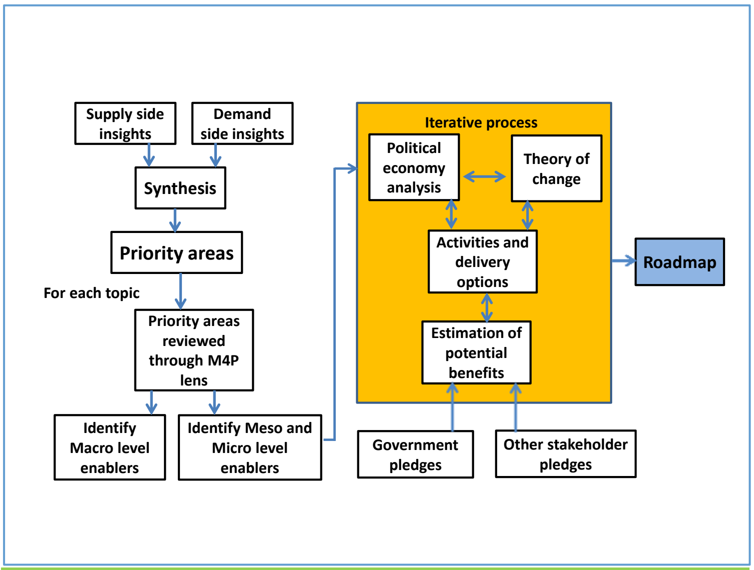


Figure 1: Roadmap approach

The final stage of the process is to build consensus from the key stakeholders for the interventions, and to place it in the format of a roadmap, including responsibilities and accountabilities and activities. Costs, timeframes and targets will be firmed up as part of the implementation phase.

2. Burkina Faso Financial sector context

2.1 Country Context

Burkina Faso has faced some political instability since independence from the French. The country has also faced setbacks on its development trajectory with political tensions and security and terrorism concerns in the past three years. Recent political turbulence began with an attempt in 2014 to amend the constitution to allow for a third presidential term which led to a popular uprising, with delayed presidential elections being eventually held in 2015, and legislative elections in 2016. Burkina Faso ranks 21st in Africa on the Mo Ibrahim Index of Governance (out of 54 countries), and is predicted to slowly improve over the next decade as democratic governance takes firmer root.

Figure 2: Burkina Faso Map

Low levels of national debt and maintains a sustainable budget deficit. Burkina Faso's public debt (government and state-owned enterprises) has decreased rapidly since 2002, and has averaged 30% over the past decade, which is well below the WAEMU maximum limit of 70%. Despite the volatility of gold and raw cotton prices, Burkina Faso has managed to maintain a steady budget deficit throughout the decade.

Agriculture shapes the economy. Burkina Faso is a landlocked country, with the Black Volta in the south-western part of the country being the major source of water, and much of the country being arid. Agriculture is the largest economic sector (30% of GDP), and the most widespread economic activity; farmers make up the largest single economic group of economically active adults, around 80% of the labour force[5].

Rural population but urbanising. The total population was estimated at 19.2 million in 2017, with a growth rate of 2.9% per annum (World Bank, 2016), and a relatively high population density of 70 inhabitants per square kilometre. Around 70% of the population live in rural areas, with a high rate of urbanisation estimated at 5.29%[6] for the period 2015- 2020.

Low-income country but recent economic growth has been respectable. Burkina Faso is a low-income country, with GDP per capita of USD650 in 2016, however, with a real GDP growth rate averaging 6% a year from 2006-16, it is also one of the faster-growing countries in recent years[7].

Poverty is high, particularly in rural regions. The national poverty rate was estimated at 40.1% in 2014, down from 46.7% in 2009, and Burkina Faso was ranked at number 185 (out of 188 countries) on the UNDP Human Development Index in 2015. Poverty is very high in Nord, Boucle du Mouhoun, Centre-Ouest, and Est, where at least half of the population lives below the poverty line.

Youthful population, low literacy. 67% of the population are under 25. Overall the level of literacy is low and 78% of adults have primary education or less.

2.2 Policy Context

The main economic and social development policy framework for Burkina Faso is the PNDES – In July 2016 the Burkinabe government adopted the Plan National de Développement économique et Social 2016 – 2020 (National Economic and Social Development Plan 2016 - 2020) as the core framework for addressing its development challenges. The overall objective is to attain sustainable, resilient, and inclusive growth with a transformed economy that offers decent jobs and ensures social welfare.[8] The PNDES notes the importance of improving access to finance in transforming the economy, especially with regard to strengthening the performance of the agricultural sector and of SMMEs, and includes a proposal for the creation of a guarantee fund, and a rural agriculture bank to help improve Burkina

---

[5] Burkina Faso: Priorities for Poverty Reduction and Shared Prosperity - Systematic Country Diagnostic. March 2017. Washington, DC: World Bank

[6] https://www.cia.gov/library/publications/the-world-factbook/

[7] IMF World Economic Outlook database, October 2017

[8] PNDES, 2016

Faso's banking rate with the establishment of branches; offer accessible agricultural financial products; and provide funding for value chain development.

Regional integration plays an important role. Burkina Faso is a member of the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (WAEMU / UEMOA). The WAEMU which has eight members is a particularly strong union with a common currency (the CFA franc – XOF) and a single central bank (BCEAO). This has major implications for macroeconomic policy (monetary and exchange rate policy) and for financial sector regulation.

Financial sector development policy is the responsibility of the Ministry of the Economy, Finance and Development, and this is closely co-ordinated with regional institutions given the high level of integration. At the national level, the promotion of the microfinance sector is ensured by the SP-PMF, a unit within the Ministry, while monitoring and control is by the General Directorate of Treasury and Public Accounts (DGTCP) through the Direction de la Surveillance et du Contrôle des Systèmes Financiers Décentralisés (DSC-SFD).

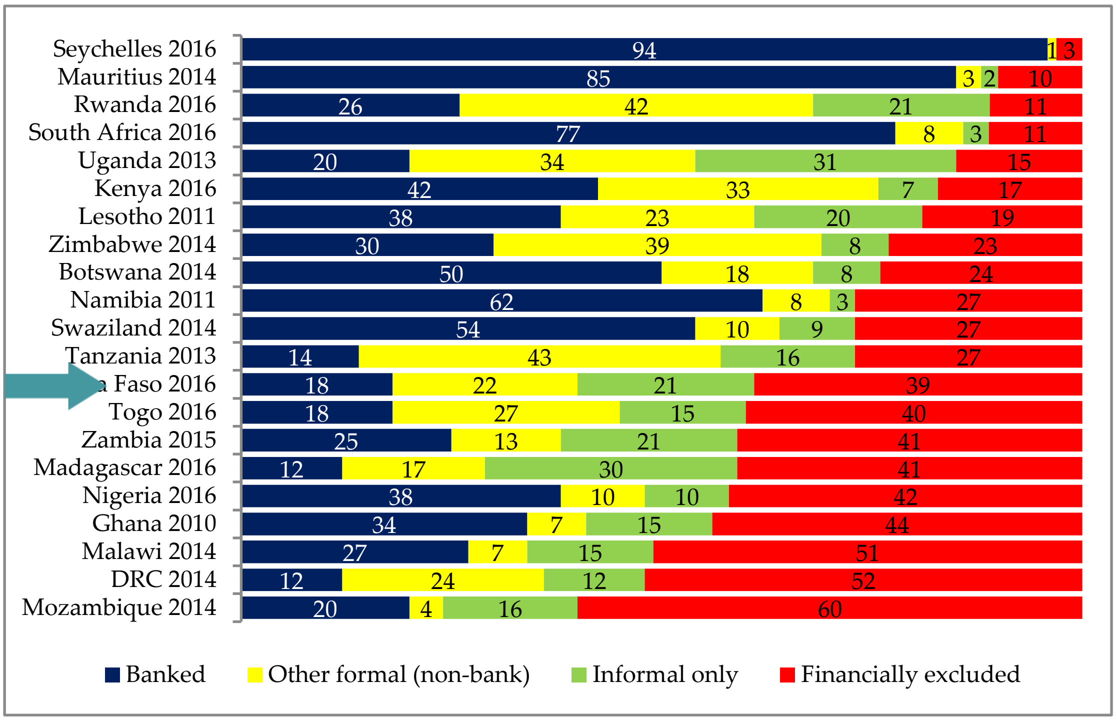
A regional Financial Inclusion Strategy has been developed by the BCEAO in collaboration with UNCDF. The Strategy was adopted by the Council of Ministers of WAMU, in its session of June 24, 2016, in Lomé, Togo. The Strategy, covers the period through to 2020, and has five main components (i) Promoting an effective legal, regulatory and supervisory framework; (ii) Clean up and strengthen the microfinance sector; (iii) Promote innovations favourable to the financial inclusion of excluded populations (young people, women, SMEs, rural populations, people with low financial education); (iv) Strengthen financial education and customer protection of financial services; and (v) Put in place a fiscal framework and policies that support financial inclusion. The regional Strategy goes along with an Action Plan, coordination structures and a monitoring and evaluation framework. The Strategy applies to all UEMOA members, including Burkina Faso.

Setting national strategic priorities for inclusion. In synergy with the Regional strategy, the government of Burkina Faso intends to develop and adopt a National Strategy on Financial Inclusion for 2018 onwards, and the MAP research will be used as input to the strategy development.

2.3 Status of financial inclusion in Burkina Faso

Moderately low financial inclusion in comparison with other countries in Sub-Saharan Africa. Burkina Faso ranks 13th in terms of overall access to finance among the 21 African countries in which FinScope surveys have been undertaken, and around 39% of the adult population are excluded from having access to formal and informal financial services, similar to Nigeria (and Togo). Only 40% of adults are formally included, and 18% banked (**Erreur ! Source du renvoi introuvable.**).

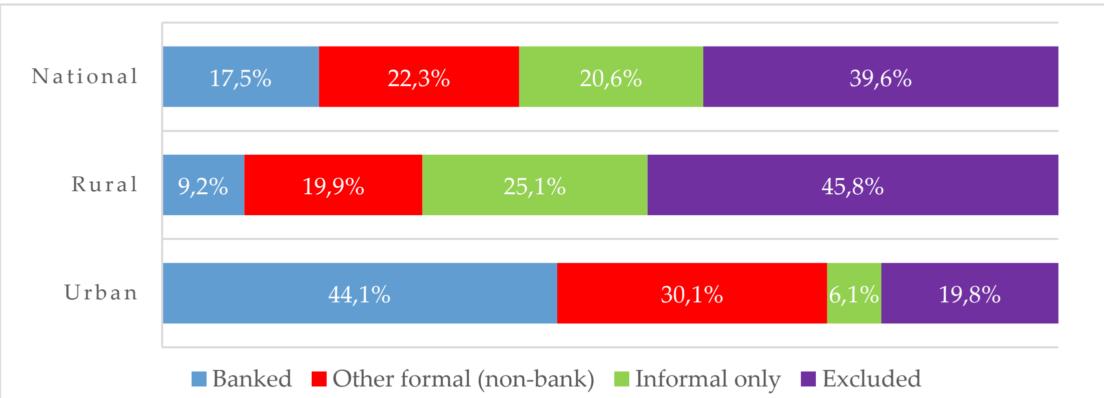
Figure 3: Comparison of financial inclusion in SSA



Source: Burkina Faso FinScope 2016

Variations across localities. Access varies considerably between urban and rural areas. While nationally 18% of Burkinabe adults are banked, 44% of urban adults are banked compared to 9% for rural adults (**Erreur ! Source du renvoi introuvable.**). Similarly, for 'other formal' financial services (mainly MFIs and mobile money), though the difference is somewhat less pronounced, access is higher in urban areas at 30% compared to 20% in rural areas. The Central and Hauts-bassin regions are the most formally included regions compared to Plateau central and Centre-Nord which have the lowest level of formal inclusion. There is a higher reliance on informal product mechanisms in the rural areas.

Figure 4: Access strands by location



Source: FinScope 2016

Usage across Products. Access to savings products is the most developed, and 51% of adults have access to some form of a savings product, whether formal or informal, with 18% of adults saving with a formal financial institution. Transactions and remittances are the most formalised service, however a majority of transactions are still cash based (77% of adults use only cash for payments). Use of credit and insurance is low, with formal access of only 4% and 7% respectively.

Usage by gender. There are considerable differences in the use of financial products by gender. Men have a higher rate of inclusion (15% banked, 45% formal, 64% formal + informal) compared to women (20%, 35%, 57%) who are less included by the formal sector and more reliant on informal channels.

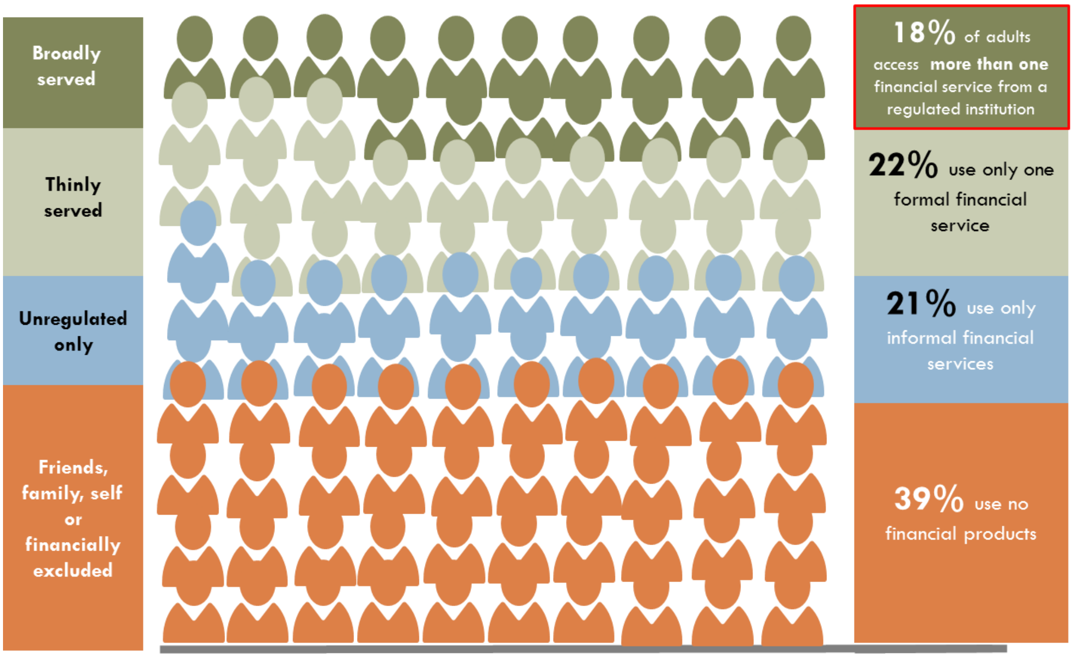
The informal sector plays an important role. The informal sector plays an important role, particularly in rural areas, and 35% of all adults use some form of informal mechanism to manage their financial needs. Savings is the most prevalently used informal service, used by 31% of all adults, and for which livestock (1.9 million adults) and informal savings groups (0.5 million adults) are the main contributors.

Access to finance improves with income, but even at high income levels there are gaps. Higher income earners, as expected, have better access to finance. Nevertheless, even at high income levels there are opportunities to improve access, as some high income earners are financially excluded.

*Opportunity to better serve entrepreneurs and farmers. T*here is a need to increase access to formal and alternative form of informal financial services to farmers. Compared to other groups the Crop farmers are notably more excluded from formal and informal financial services (52% excluded), while their livestock counterparts fare much better (29% excluded) however their rate of inclusion is driven heavily by livestock as a form of informal financial services mechanism (42% of livestock farmers exclusively use only this form of financial service). Informal MSMEs have a significantly higher rate of access to financial services (formal and also informal), driven by ability to access MFIs, and only 19% are excluded. However, this inclusion rate is also driven by savings, and access to credit and insurance remains low (e.g. 89% excluded from credit).

Breadth and depth of financial inclusion. Depth of access refers to reach, while breadth may refer to the average number of product classes (e.g. savings, credit) each customer uses from formal financial institutions. In Burkina only 17% of adults are broadly served, i.e. use more than one type of financial product, while 22% are “thinly served” (i.e. use only one formal product) (**Erreur ! Source du renvoi introuvable.**).

Figure 5: Breadth of access in Burkina faso



Source: FinScope 2016

2.4 Consumer Perspectives

Consumer needs. Among the prominent needs identified by the demand side research (FinScope) is the need for the transfer of value from one person or entity to another including for the purchase of goods and services; the need for liquidity to smooth consumption in the face of variable income; the need to manage risk especially for health-related expenses and droughts; and the need to support developmental objectives i.e. business, farming, education or housing. Existing products are not always adequate, and for example insurance products are currently not used to deal with the main risks faced by households (drought, flood, death or illness) while farmers have very specific and specialized financial needs that are not met by generalized banking services.

Six target markets. Six target groups or markets have been identified in the research, based on the consumers' main income source. The identified segments include formal employees (0.91 million adults), Crop farmers (2.71 million adults), livestock farmers (1.89 million adults), informal SMEs (1.49 million adults), informal employees (0.35 million adults) and dependents (1.98 million adults). Their main financial service needs are identified as follows.

- **Formal employees** have an above average income and are already well served. However, given that they support extended families there is a strong need for low-cost remittances and transfers. They use insurance and credit services more than other groups, however the level of formal usage is low in absolute terms, and hence there is a need for improved access.
- **Crop Farmers** are the largest target group, and (on average) have the third highest incomes of the six groups. They have considerable financial needs, including savings and credit to purchase agricultural inputs and assets, and to finance cash shortfalls between planting and harvesting.

- **Livestock Farmers** are among the lowest earning groups, relying mainly on the sale of livestock. Though they are able to use livestock as an asset to accumulate savings and provide a buffer in the case of shocks, credit may be helpful to assist with improvements in production, as well as agricultural insurance to protect against unexpected shocks. Both credit and insurance products need to be calibrated to the particular needs of livestock farmers.
- **Informal SMEs** are mostly male and relatively high income. They need alternative, non-cash means of receiving and making payments, and a short-term store of value. Besides access to payments and short-term savings channels, they need access to credit suitable for SMEs.
- **Dependents** are the second largest group but among the lowest income groups. They are dependent on transfers and support from other members of the household and extended family. Their main needs are for easy access transactions and savings services. This group is a medium priority given that many dependents are outside of the cash economy.
- **Informal Employees** are the smallest group, with low incomes, mostly paid in cash. They would benefit from alternative means of receiving payment, as well as facilities for short-term savings.

All segments: FinScope results and stakeholder consultations show that a lack of financial knowledge is a pervasive problem; not surprising given the low level of education generally. The lack of financial understanding particularly applies to insurance and mobile money due to lack of familiarity. There is also a lack of credit discipline in some cases, especially when it comes to borrowing from government funds (which some borrowers believe do not have to be repaid) and MFIs.

Product category barriers. To further understand the consumer context, the reasons for using various product classes, as well as the barriers to each product category are as follows (according to FinScope Burkina 2016):

- **Credit** is not widely used, with more than 90% of adults not borrowing at all. The most common reason for borrowing is to meet day to day living expenses, to start or expand a business, and for medical and emergency needs. Credit for trading agricultural products is also important, along with other agricultural needs. Mentioned barriers include that many people do not like debt, do not need to borrow, and / or they do not have enough / regular income. In addition, accessibility of financial structures is a limiting factor, and customers often not being able to meet the strict collateral/ guarantee requirements of formal providers.
- **Savings** are mainly used for risk-management and coping with shocks, and amongst people who save, the three most important reasons are coping with income shortfalls, non-medical emergencies, and medical expenses. However, there is also significant saving for developmental purposes – business, farming, education or housing. For those who do not save, the main reasons are lack of income, or having no money left after meeting living expenses.
- **Payments**. Cash payment for transactions are prevalent, and a key barrier is that there are limited opportunities to use digital payments: (i) Means of payment are largely limited to bank cards (MFIs typically do not issue payments cards); (ii) Limited infrastructure for using payments cards e.g. POS machines; (iii) Limited capacity amongst merchants to accept payments via mobile money; and (iv) Merchant preference for cash. Amongst mobile money users, the main perceived advantages are convenience, price and trust while for non-users the main barriers are lack of money and lack of understanding.
- **Insurance** is the least used of all of the financial product categories and this appears to be due to inadequate understanding of insurance products by customers, and lack of availability of appropriate products. The main insurance products used do not reflect the main risks faced by households, related to climate (drought, flood etc.), death and illness. For the uninsured, major

barriers include lack of regular income, lack of understanding of insurance, and lack of knowledge of insurance products.

2.5 Provider Perspectives

Formal provision of services is dominated by banks and MFIs. Burkina Faso has 13 licensed commercial banks, most of them being foreign owned excepting two (Coris Bank and BHBF - - Burkina Faso Housing Bank) who are locally owned. In addition, SONAPOST offers some banking services, as does the Caisse Nationale d'Epargne (CNE) who offers savings accounts. Other important formal service providers include the 135 MFIs, 4 licensed non-bank credit institutions providing leasing products and guarantees for bank loans to businesses, 2 mobile money services providers, 17 insurance companies and 2 pension schemes that respectively serve government and private sector employees.

MFIs are extremely important and fill part of the gap left by banks' focus on higher-income urban clients. However, MFIs are also still largely focused on urban areas and customers with regular incomes. The majority of MFIs are mutual organisations (co-operatives), owned by members, while some are limited liability companies (SARLs), public limited companies (SA), or associations. Many of the mutual MFIs are grouped together in the form of MFI networks (67 MFIs grouped into 7 networks), and the largest of these MFI networks is the Fatiere des Caisse Populaire du Burkina (FCPB) with an approximately 70% market share in the MFI sector nationally. There are 68 individual MFIs (7 main and 61 other individual MFIs that do not belong to any of the networks).

Rapid growth in mobile money. Mobile money services started in 2011 and have since grown rapidly. The market is served by two players, Orange Money the market leader who is directly licensed by the BCEAO, and Mobicash (Onatel / Maroc Telecom) which follows a "bank-led" model with UBA. A historical weakness has been a limited distribution infrastructure, with a relatively low number of mobile money agents (124 per 100,000 adults in 2016) relative to other WAEMU countries (>200 agents per 100,000 adults), and far lower when compared to Ghana and East Africa (> 500 agents per 100,000 adults)[9]. The number of mobile money agents is however also rising rapidly.

Mobile money dominates in terms of customer numbers. In terms of number of customers (account holders), mobile money with 2.9 million active accounts (as at 2017) far exceeds both banks (1.8 million customers) and MFIs (1.7 million members[10]). There are also large numbers of users of Sonapost (0.6 million), Insurance companies (0.5 million) and the informal services (2.9 million)[11].

Banking infrastructure is poor by comparative WAEMU standards. In 2016 Burkina Faso had 281 bank branches and 376 ATMs, translating to 2.89 branches and 3.69 ATMs per 100,000 inhabitants. This is low relative to other WAEMU and regional countries (3 to 6 bank branches and 4.7 to 6.9 ATMs for comparative countries[12]). The MFI branch infrastructure (629 branches) is more extensive, eclipsing the banks who are reluctant to develop rural branches due to cost and profitability considerations.

---

[9] IMF Financial Access Survey, 2016

[10] The BCEAO reports data on the largest 24 MFIs (covering approximately 90% of the sector). At the end of 2016, these had 1.632 million members. This is comparable with the number of MFI customers reported in FinScope (1.746 million).

[11] Source: FinScope 2016 & supplier consultations

[12] Mali, Togo, Guinea Bissau, Benin, Senegal and Cote dÍvoire

Under current regulations, banks may use third parties to provide services on their behalf: intermediaries in banking operations (IOB[13]). However in practice this is complicated due to the fact that the third agent needs to get an authorization and agreement from the Central Bank, and given this, there is actually no bank using third agents in Burkina, and only a few across the UEMOA zone (2 in Benin, 2 in Mali, 2 in Senegal, and 1 in Togo).

Geographical distribution of infrastructure is uneven; while the population is 70% rural, financial services infrastructure is predominantly urban. For banks, 39% of bank branches are in Ouagadougou, and a further 43% are in other major urban settlements. MFI branches are much more evenly distributed around the country – 32% of MFI branches are in Ouagadougou and other major urban areas. Thus, MFIs are more accessible than banks, and on average, it takes users 30 minutes to reach an MFI branch, and 36 minutes to reach the nearest bank branch. Mobile money agents are more accessible, and it takes 20 minutes to reach one.

The payments system is moderately well developed, and benefits from being part of the WAEMU regional system. Key elements of the payments system include the regional high value payments system operated by BCEAO (STAR-UEMOA); National clearing and settlement systems operated by BCEAO and available to commercial banks; The regional bank payments system GIM-UEMOA which provides card services and links ATMs for banks and is licensed by BCEAO; International card systems including VISA and MasterCard; Commercial banks (ATM density is reasonable by WAEMU standards but the POS network is not well developed); 15 Money Transfer Operators (MTOs) who provide payments services; Sonapost; MFIs who offer some payments services mainly limited to transfers; and Mobile money operators.

National Funds. The government has established a number of National Funds (Fonds nationaux) with the objective of providing credit or other forms of financial support for specific socio-economic activities. They are intended to promote income-generating activities and jobs for those who are excluded from access to conventional financing, e.g. youth, women, informal sector, pensioners etc. Although the funds are focused on the provision of credit, some of them also provide training and other forms of enterprise support, as well as credit guarantees or grants (subsidies). In total, there are currently nineteen (19) National Funds (NFs) including ten (10) National Financing Fund (FNFs) highly dependent on Government grants, and nine (9) State Funds (FE) intended for specific groups.

Informal financial service providers play an important role especially in rural areas. Notable products include village schemes where members make regular payments in return for benefits in the event of an unexpected event (illness, death); non-financial (solidarity) schemes where there is an expectation of community support in the event of bereavement; and informal village savings and loans associations (VSLAs - tontines) which although they play an important role in rural areas the extent of their operations is not well documented. Tontines are mostly for small groups of individuals, usually women, and some are supported by NGOs. Informal credit is also available from retailers, neighbours and merchants. About half a million adults belong to NGO-supported semi-formal VSLAs.

The regional credit information bureau (CIB) of WAEMU has been established in 2015, and is based in Abidjan. The CIB is a regional institution whose mission is to collect available data on a borrower's credit or payment history from financial institutions, public sources and major billers. In principle, all

---

[13] Instruction n°015-12/2010/RB fixant les conditions d'exercice des activités d'intermédiaires en opérations de banque du 13 Décembre 2010

UEMOA banks and other credit providers (including MFIs registered under Article 44) must submit credit information to the CIB and consult with the CIB to check an individual's credit history and other credit risks before granting credit. In practice, however, recourse to the regional credit information bureau is limited; the institutions stating that the information is of poor quality, the fees are high and so the price-quality ratio is poor.

2.6 Legal & Regulatory Environment

Regulatory overview. Financial sector regulation in Burkina Faso is carried out by a combination of regional and national institutions. Many laws and regulations are formulated at WAEMU regional level, but have to be implemented at the national level which sometimes requires being passed into national laws. The regional regulators have a national presence in each country.

Regional level regulators. The main financial sector regulator in WAEMU is the regional central bank, the BCEAO, and its associated institution, the WAEMU Banking Commission (CBU). These two institutions are responsible for the regulation of banks, large MFIs, payments and mobile money, money transfer operators, foreign exchange bureau, the regional credit information bureau (based in Abidjan), and regional payments operators. Insurance is regulated separately, and falls under the Regional Insurance Control Commission (CIMA). Other relevant regional regulatory institutions that are relevant include the CREPMF which regulates the regional stock exchange based in Abidjan; and the ECOWAS Commission which regulates regional DFIs i.e. BOAD and BIDC.

National regulators. The national regulatory bodies for banks, MFIs and insurance fall under the Ministry of Economy, Finance and Development. The *Direction de la Surveillance et du Contrôle* des Systèmes Financiers Décentralisés (DSC-SFD) regulates MFIs, collaborating with BCEAO in respect of the largest MFIs[14]. The *Direction des Assurances* (DA) regulates all insurance entities in line with the regional regulatory framework established by the Regional Insurance Control Commission. The *Direction des Affaires Monétaires et Financières* (DAMOF) is the local bank regulator, but most regulatory authority for banks lies with the Banking Commission. The DSC-SFD, DA and DAMOF are all part of the Ministry of Economy, Finance and Development. Other relevant national level regulators include (i) ARCEP (*Autorité de Régulation des Communications Electroniques et des Postes*), the national telecommunications regulator responsible for the regulation of MNOs though mobile money is regulated by the BCEAO, and SONAPOST, which also has to report to the BCEAO; (ii) The Ministry of Development of the Digital Economy and Post responsible for MNO licensing (following the recommendation of ARCEP); and (iii) the National Financial Information Processing Centre (CENTIF) responsible for anti-money laundering and countering the financing of terrorism.

Mobile money / MNO regulatory environment could be streamlined. MNO licensing decisions are taken by the parent Ministry of Development of the Digital Economy and Post rather than by ARCEP however there were no reports that this currently led to any conflict of interest. There is also no explicit demarcation of the roles of the telecoms regulator (ARCEP) and the payments services regulator (BCEAO) with regard to mobile money, nor any agreement between them as to how regulatory

[14] Large MFIs are defined as those with assets over FCFA 2 billion, which are subject to regulation and supervision by the WAEMU Banking Commission (CBU) . There are 25 “large” MFIs in Burkina Faso supervised by the CBU

responsibilities should be shared. Although this is currently not of major concern, it is not international best practice.

MFI regulatory environment could also be simplified and streamlined. Capital requirements for MFIs are stricter than for banks, due to the core capital adequacy requirement of capital of 15% on total assets rather than risk-weighted assets[15]. Additionally, capital and regulatory requirements for MFIs are not always enforced, at least for smaller MFIs.

Access to USSD codes by non-banks can be difficult. Access to USSD codes is essential for delivery of financial services via mobile telephony (for phones other than smartphones) however there is no regulatory requirement for MNOs to provide USSD codes to third parties.

Know Your Customer (KYC) requirements. KYC requirements are imposed flexibly for low value accounts (below FCFA 200,000). However, the lack of national ID cards is a barrier to the opening of full service/higher value accounts[16].

Use of agents. Mobile money companies and MFIs can appoint agents for carrying out certain functions. For banks however, even if the regulations in force permit, the use of independent agents by banks is limited by the fact that the obligations attached to this type of service provision are binding; Intermediaries in banking operations (IOB) are governed by the banking law and they must obtain an authorization and a mandate to exercise issued by the BCEAO. To date, no bank in Burkina uses independent agents (third parties).

Deposit insurance for banks and MFIs is in the process of being introduced and this is not yet fully functional.

Electronic signatures. Electronic signatures are not explicitly permitted, but they are used in some cases, especially for low-value bank accounts. Electronic sign-up is not yet permitted for insurance.

Microinsurance. New regulations are being finalised for microinsurance licensing and for electronic signatures to initiate insurance policies.

2.7 Environmental Factors

Mobile phone penetration has been rapidly growing, but is still low by regional standards; costs are relatively high with nearly 20% of income being spent on running a mobile phone, which is above the African average of 14.2%.

Need for improvement in the business environment. According to the World Bank's annual Doing Business report[17], Burkina Faso's performance in 2017 lags behind other SSA and WAEMU countries,

---

[15] There is no minimum capital requirement (in monetary terms) for MFIs, although those registered as Societe Anonyme (SA) must have a minimum capital of FCFA 10 million while limited societies (SARL) require FCFA 1 million according to OHADA's rules. Nevertheless, all MFIs face a capital adequacy requirement such that they must have capital equivalent to a minimum of 15% of total assets (i.e., significantly higher than for banks, and calculated on a larger asset base – total assets rather than risk-weighted assets).

[16] There is some disagreement as to exactly how many IDs are in issue. FinScope 2016 results show that 82% of adults (around 8.2 million) have national ID cards. A local provider claimed that the actual number is around 6 million.

[17] World Bank, 2017, Doing Business 2017: Equal Opportunity for All.

being ranked number 148 out of 190 countries globally. The main areas of weakness – Getting Credit and Getting Electricity – are both relevant to financial inclusion.

3. Enhancing Financial Inclusion in Burkina Faso

3.1 Summarizing the Gap and Opportunities

The key findings from the diagnostic analysis with regard to supply and demand gaps are as follows:

- Financial service provision is concentrated on urban areas, and key segments are under-served, with a lack of formal financial institution infrastructure in rural areas;
- Lack of financial products suited to those without assets or regular income, as well as to deal with the main risks faced by households (health and agriculture);
- Low level of credit provision and usage;
- Limitations in consumer understanding of financial products and services.

There are also some important institutional and regulatory gaps:

- Institutional weaknesses in MFIs, including high levels of bad debts, Lack of management information and IT systems and limited digital processes, lack of capital (required for both stability and growth), lack of regulatory and supervisory capacity, and risks (to customers).
- Infrastructure gaps, particularly in mobile network coverage, mobile money agent networks and credit infrastructure (information)
- Regulatory gaps including overly restrictive MFI capital requirements, weak enforcement of capital adequacy rules for MFIs, lack of supervisory capacity, and lack of various relevant framework as noted earlier.

Some initiatives are underway to fill these gaps, notably the government funds noted earlier, but which are fragmented, not well monitored, hardly linked to the financial sector; and some valuable small-scale donor-supported initiatives which could be scaled up; and the potential of mobile financial services which is yet to be fully realized. However major gaps remain and the Diagnostic Analysis concludes that there are five priority areas needed for reform to improve access to finance in Burkina Faso. These are:

- Enhancing credit availability and provision.
- Broaden the use of digital financial services (DFS) (especially mobile money);
- Improving the availability and accessibility of agricultural finance;
- Improving risk management for viable customers;
- Cross-cutting issues: infrastructure, regulation and supervision, consumer protection and financial literacy, and informal groups.

The rest of this document is concerned with how the Burkinabe financial inclusion stakeholders will address these priority areas.

3.2 A Proposed Goal for Financial Inclusion in Burkina Faso

Significant access gap. With 39% of the population still being excluded, significant focus is still required on increasing access (especially in rural areas), although this cannot be to the exclusion of other dimensions i.e. usage, breadth and quality. While most of the excluded populations are low income and in rural areas, there are opportunities to extend formal access across the income scale as even some high income earners are excluded or use only informal services. The main targets for outreach should be those rural adults and farmers who are excluded or who use only informal mechanisms. Small businesses also need significant focus given their important role in the economy.

Parallel focus on responsible finance. A special focus is needed on customer protection, customer education, rural populations, women and youth. This informed by the statistics which show that 70% of the population live in rural areas with significantly lower access to financial services, the large youth population, and the lower rate of formal financial inclusion among women compared to men. It is necessary to financially educate customers across the board.

Relevance of Regional Financial Inclusion goals. In selecting a national vision and objective, it is important to remain cognizant of the regional financial inclusion vision, which is for "*A permanent access to financial services and effective use of a range of tailored, diversified and affordable financial services by the WAEMU populations*". The corresponding *regional objective is to "ensure, over a five year period [2016-2020], an increase in access to and use of a diversified range of affordable and customized financial products and services to 75% of the WAEMU adult population, with a particular focus on rural populations, women and youth as well as SMEs and people with low financial literacy".* The regional Maya declaration is also relevant, especially its emphasis on the development of national financial inclusion strategies; financial inclusion access rates; microfinance; e-money frameworks; customer protection and empowerment; and access for SMEs.

Measurable overarching goal for Burkina. The Roadmap vision selected echoes the regional objectives while proposing to address national bottlenecks to increase the level of formal access to cover 3 million additional clients[18].

Vision for financial inclusion. "Ensure a financially educated population in Burkina Faso with increased access to a range of sustainable, innovative, tailored, diversified and affordable financial services, serving all Burkinabe, including women, youth, the rural and small businesses."

Overall objective: "Ensure, over a five year period [2018-2022], an increase in access to and use of a diversified range of affordable and customized financial products and services from 40% to 70% of the adult population[19].

Action Plan. Priorities are organised under five main axis, upon which the action plan is based:

1. Enhancing **credit** availability and provision.
2. Broadening the use of **digital financial services** (DFS) (especially mobile money);
3. Improving the availability and accessibility of **agricultural finance**;
4. Improving **risk management** for viable customers;
5. Strengthening financial services **policies, regulation and supervision**, infrastructure, consumer protection and consumer financial literacy, and better supporting informal groups.

[18] Thus improving Burkina from the bottom of the third quartile to the bottom of the first quartile in terms of the access benchmark presented earlier, measured by formal access, and in line with Namibia (70%), Zimbabwe (69%), Rwanda (68%) and Botswana (68%)

[19] Baseline of 40% is based on percent of adults with access to at least one formal product (according to FinScope 2016)

Some issues tackled in parallel. In addition, a number of issues beyond financial inclusion need to in parallel continue to be addressed, notably the building of infrastructure such as telecommunication networks, roads and electricity especially in rural areas.

4. Bridging the gap – Implementation Priority Areas

Actions to realise the opportunities. A financial inclusion roadmap will not be able to bridge every gap and realise every opportunity, and the interventions have been prioritised according to their potential reach to the population based on needs and capacity to absorb financial services. This section further describes the recommended actions to capitalise on each of the identified opportunities for government and public sector officials, and for the private sector. Development partners can support interventions across both spheres.

Focus on formal provision. The identified priorities primarily focus on strengthening <u>formal</u> provision of financial services. That is not to say that informal financial services do not fulfil a valuable role or should be shut down. On the contrary, a significant proportion of people will continue to rely on informal services as their only viable option for some years to come and it is important that this role be acknowledged and facilitated.

4.1 Strategic Axis 1 – Enhancing credit availability and provision

Why focus on credit? The effective allocation of capital for productive purposes is a fundamental goal of the financial system. Credit is a product of this intermediation process and can contribute to productivity through spurring economic growth, employment and improved welfare if used for purposes such as building businesses, funding education, funding larger assets and preventing people from falling into poverty after a shock. However, it can also trap people in a cycle of debt that causes severe hardship. Getting the balance right between improved access to credit and protection against over-indebtedness is difficult and requires a comprehensive view of the market from the consumer and provider's perspective.

Credit is not widely available or used in Burkina, and there is a high reliance on informal sources. Some banks and MFIs have a weak capital base, which inhibits their ability to lend and take risks. Furthermore, PAR/NPLs are high in MFIs, reflecting the fact that lending is high risk. Government programmes (FNFs) have attempted to improve credit availability to deserving groups, but the system is fragmented and there is little or no information regarding their effectiveness and value for money. The imposition of interest rate caps means that small-scale / low-value / high-risk borrowers are not commercially attractive to formal lenders, as they cannot charge an interest rate that covers the costs and risks involved.

There are a variety of ways of managing credit risk. Banks and MFIs rely heavily on collateral (mainly guarantees). A formal credit guarantee fund (SOFIGIB) helps to provide access to credit for SMMEs. Credit information could help further, but the regional credit information bureau is not yet effectively operational. At the less formal level, group guarantees are often used (whereby a group takes responsibility for individual credit repayments), or social collateral (personal knowledge and community reputation) for informal lenders. Mobile money/mobile phone usage offers data that can be used for credit scoring. Finally, agricultural insurance can support credit to farmers/co-operatives.

Improving credit choices and options is crucial. While borrowing from informal sources (e.g. merchant/supplier credit, or family & friends) can be useful and flexible, it would be preferable for consumers to have a choice of formal or informal sources, so that they can choose the most appropriate option (rather than having a restricted range of choices). One way of doing this would be to use cellphone-based credit provision, building on mobile money/mobile phone usage data that can be used for credit scoring. It will be essential that such products are exempt from existing interest rate caps, or else they will not be viable. For instance, the MoKash micro-credit product provided via mobile money in Uganda has a cost ("facility fee") of 9% for a one-month loan.

Informal credit. Village Savings and Loans groups appear to have been successful and should be rolled out to districts where they are not present, following an evaluation of the sustainability of the models. PLAN and CRS cover most of the country with their VSLA models, but there are some gaps and donors can be approached to help finance the expansion of these models.

Credit for entrepreneurs: Credit for MSMEs is an important national target and forms part of the PNDES 2016-20, the Regional financial inclusion strategy and targets, and the government funds. This focus on MSMEs will need to be continued as part of all the activities, particularly those under credit provision.

The proposed Action Items to improve credit provision are shown below, each with a brief rationale.

Table 1: Action Items – Credit provision

No.	Proposed Actions	Rationale
1	Support the development of cellphone-based credit	Utilise "big data", credit-scoring algorithms and mobile phone / mobile money delivery channels to provide accessible, unsecured credit for low-income households and farmers for small-scale investments and risk management (e.g. healthcare costs). This usually results from a partnership between a mobile money operator (data), a credit institution (bank or MFI), and a fintech company (for the credit scoring algorithm). The system works best if combined with an effective credit information bureau. Can also be linked to a savings product.
2	Operationalise the credit information bureau (CIB) [E]	The CIB exists but is little used. Credit providers must be required to file credit data, and to do credit checks before making loans. This will help to improve credit quality, reduce risks and the need to rely on collateral for credit. Compliance should form of part of the on-site inspection process for banks and MFIs. Connectivity for real-time CIB communications needs to be improved. In order to promote usage and resolve concerns about limited usefulness and poor value for money, fees could be waived or reduced for an initial period.
3	Develop appropriate data protection rules [R]	Appropriate data protection rules can ensure that use of consumer data for credit purposes (credit information bureau, credit scoring) is appropriately protected
4	Reform capital requirements for MFIs [R]	MFIs are required to hold capital equivalent to 15% of assets. For banks, the capital is only required to be held against loans (i.e. assets at risk and up to 9% according to Basel II / III). Changing the MFI capital requirement to relate it to loans (rather than all assets) and reducing its weight would relieve

No.	Proposed Actions	Rationale
		the capital constraint on MFIs, which is one of the main barriers to increased lending.
5	Strengthen MFIs through consolidation	The MFI sector is highly fragmented, and characterised by weak management, small institutions and lack of economies of scale. Larger MFIs would find it easier to overcome some of these problems and should be more resilient. Most MFIs are mutual organisations and tend to resist the idea of merger or consolidation. The Ministry should encourage MFI consolidation via the DSC-SFD.
6	Promote the use of SA format by MFIs	MFIs can be co-operatives (mutuelles) or Societe Anonyms (SAs). The latter can more readily raise capital, and this format should be encouraged amongst new MFIs.
7	Improve MFI loan quality and use mobile money as channel for loan repayments	MFIs need to pay more attention to credit quality, with stricter rules on making loans and more intense efforts to collect repayments. Using mobile money as a repayment channel would reduce collections costs and also provide a mechanism for deadline reminders.
8	Evaluate impact and effectiveness of government funds (FNFs)	Evaluate government funds with a view to reducing fragmentation, promoting cost-effectiveness and sustainability, and strengthening links with financial institutions.
9	Review limits on bank / MFI lending interest rates	Lending rate ceilings may appear to benefit consumers, but can result in a restricted supply of credit, as well as weaker banks and MFIs as they cannot charge for the real risks and costs involved in credit provision.
10	Extend credit guarantees for MSMEs	SOFIGB appears to provide an effective model of loan guarantees and other loan securing services that could be extended, with additional resources.
11	Develop electronic (online) asset & collateral registries	Electronic / online registries for land, property and moveable assets would facilitate collateral registration (for credit).
12	Exempt digital micro-credit products from caps on interest rates (R)	Small-scale unsecured lending products will not be viable if the existing caps on lending rates are applied.

NB: Regulation (R) / Enforcement (E)

These activities are proposed to be championed / led by the SP-PMF in the Ministry of Economy, Finance and Development.

4.2 Strategic Axis 2 – Broadening the use of Digital Financial Services

Why focus on payments and digital financial services? Effective payments mechanisms form a vital backbone for the provision of goods and services in the broader economy. Payments allow for the transfer of value between individuals and businesses and given the frequency with which every member of society makes payments, optimising the efficiency and affordability of payments mechanisms is directly welfare improving. Payments are also a key gateway to other financial products (e.g. payment of insurance premiums, remittances, repayment of loans). In the form of transactions (for the purchase of goods and services), they are widely used. In Burkina Faso, there is a heavy reliance on cash for transactions and remittances, rather than using bank, MFI or Mobile Money channels.

High potential of Mobile money. Mobile money offers the potential for more widely available, cheaper and more convenient transactions, but has been slow to take off. Nevertheless it has already generated a high level of trust among the adult population for sending and receiving money, and this provides an opportunity for further growth. Network coverage which has been growing steadily is crucial, and still needs improvement in rural areas, coupled with price reductions (prices are reasonable by WAEMU standards but expensive compared to other regions). A further crucial component is a wide network of mobile money agents (sub-distributors). By mid-2017, Burkina Faso had 16,400 mobile money agents (distributors and sub-distributors), but to achieve the level of agent penetration seen in Ghana and East Africa it would require 60,000 mobile money agents nationwide. Agent liquidity must also be sufficient to meet customer needs.

Fully utilise the potential of mobile money and digital financial services to improve access and reduce delivery costs. Besides extending the coverage of basic P2P products, there is scope for greater use of innovative electronic payments products, including payment of pensions, subsidies to farmers (this is already being done to some extent), retail goods and services from merchants, wages, (micro-) insurance premiums, loan repayments and micro-credit products. The regulators should also encourage innovation in payments services, especially by providing for the licensing of non-bank payments service providers, if necessary with new legislation to support the licensing process.

Broader context of digital financial services. Mobile money growth should be seen within a broader context of the need to broaden the use of digital financial services, to improve the efficiency and convenience of payments and remittances. DFS have been developed extensively in East Africa, and are used to provide micro-insurance, micro-savings and micro-credit products as well as the basic remittance/payments products. These are typically joint ventures between a financial institution (bank / MFI / Insurance Company) and a mobile money provider.

The low level of literacy means that innovative and simple products are required to extend access. Smartphones offer the potential for a broader range of provision, which can be driven by graphics and which may be more suitable for users with low levels of literacy. However this requires access to 3G data networks and more sophisticated phones, which should become more available over time.

Other important measures include financial education to improve the understanding of mobile money amongst adults and retailers, formalising the cooperation between ARCEP and BCEAO on supervisory responsibilities, and ensuring a level playing field by requiring that non-MNO operators have ready access to USSD codes, to allow innovative product delivery.

The proposed Action Items to broaden the use of digital financial services are summarised below, each with a brief rationale.

Table 2: Action items: Digital Financial Services

No.	Proposed Actions	Rationale
1	Extend MNO network coverage (voice/SMS/data) to underserved areas, using subsidies from the UIT Universal fund established for this purpose	There are gaps in mobile network voice and data coverage that restricts the scope to roll out digital financial services. A fund (Universal Fund of the International Telecommunication Union) subscribed by the State of Burkina Faso exists to subsidise the provision of mobile services to under-served areas, and this should be actively utilised.
2	Fully utilise the potential of mobile money, and digital	Access to financial services is limited by prices (which can be high for low income adults); transactions costs (which undermine the

No.	Proposed Actions	Rationale
	financial services more generally, for reducing the costs of financial service delivery and improving access	viability of low-value products); and limited physical distribution networks. Mobile money can help to reduce prices (hence improve affordability), improve the viability of products aimed at low income consumers, and overcome the limitations of physical distribution networks.
3	Move government payments (G2P, e.g. pensions, subsidies) to mobile channel	Utilisation of mobile money for government payments helps to reduce distribution costs and also provides a core of business activity that can help to make it attractive to develop agent networks. It also brings new customers onto digital platforms.
4	Encourage tax and other duties (P2G) payments via mobile money.	Mobile money can make it easier and cheaper to make small tax payments, hence encouraging tax compliance and broadening the tax net.
5	Encourage the use of mobile money as an accessible savings product	This would enlarge the range of savings products available to the population, especially those who do not have ready access to bank and MFI branches, and provide a formal product for those who have to rely on informal channels.
6	Allow mobile money to pay interest on savings [R]	This would improve the attractiveness of mobile money as a savings product.
7	Develop mobile money payments services for purchase of goods and services (e.g. in retail stores)	Mobile money is mainly used for money transfers and remittances, which still requires cash to be used for transactions (cash in/cash out) or payments (for purchase of goods and services). Encouraging the use of mobile money for final payments will reduce the demand for cash (and the risks of using cash).
8	Extend mobile agent networks and improve agent liquidity	Mobile money usage remains dependent upon cash-in and cash-out services that are provided by agents. However, agent networks are limited, especially in rural areas. Also, agents need to frequently rebalance cash and e-money so that they do not run out of liquidity (which prevents them from making transactions). Dealers (in cash and e-money) are needed to support agent liquidity.
9	Encourage linkages between financial service providers and other institutions	Banks, MFIs, MNOs, insurance, fintechs, and informal groups should work together for the development of products, payments channels, and information sharing.
10	Utilise East African experience of DFS	A variety of DFS products have been developed in East Africa, including digital microinsurance and weather insurance and can be replicated in Burkina. Also the key examples of combined savings and credit products.
11	Develop mobile money products in partnership with credit providers and insurance companies	Mobile money provides a low cost payments mechanism that can make products viable that would otherwise be constrained by high transactions costs (e.g. high frequency collections of low value insurance premiums or loan repayments). This can make it viable to provide such products to low-income customers.
12	Develop digital apps for semi-formal village groups, and encourage links between village groups and banks/MFIs etc.	Simple apps can be developed that will enable village savings and loans groups (e.g. NGO-supported VSLs and SILCs) to use DFS for managing their finances. Informal groups (tontines, or village savings and loans associations (VSLAs)) play an important role in the mobilisation of savings from low-income rural households, as well as in the provision of credit. By linking tontines to formal financial institutions (such as MFIs or banks), or by using mobile

No.	Proposed Actions	Rationale
		money to make payments, deposits and withdrawals, funds held by tontines will be safer and will also provide the opportunity for tontine members to build up a tack record with financial institutions that could eventually unlock better financial access
13	Ensure that non-MNO operators have ready access to USSD codes [R]	Access to USSD codes is essential for delivery of financial services via mobile telephony. MNOs must be required to provide ready access to USSD codes for third parties, even if that results in competition for MNO's own products and services.
14	Encourage interoperability	Encourage inter-operability between financial service providers (banks, MFIs, mobile money) to allow financial transactions across platforms
15	Improve understanding of mobile money amongst adults and retailers.	Resistance to use of mobile money / preference for cash due to a lack of understanding of benefits reduces the scope for using mobile money to replace cash.
16	Develop MoU between ARCEP and BCEAO on division of supervisory responsibilities [R]	ARCEP regulates mobile network operators while BCEAO regulates the provision of mobile money services by MNOs. It would be helpful if the division of regulatory responsibilities was clarified by an MoU between the two regulators (in line with international best practice).
17	Consider ways to make use of MNO/MM data to unlock other financial products (e.g. data for credit scoring)	MM and MNO service usage generates large amounts of data on airtime purchases and usage, mobile money usage etc., which helps to build up a record of financial transactions for individuals and SMEs.
18	Allow non-bank private companies to provide payments services.	At present there is only provision for banks, MFIs and mobile money operators to provide payments services (along with the BCEAO). Other payments service providers (e.g. money transfer operators) have to partner with banks. There should be provision for the private sector to payments and switching services under licence from the BCEAO.
19	Develop legal framework for electronic signatures/contracting	A law to provide the legal basis for electronic contracting would help to clarify uncertainties and provide the basis for the acquisition of digital financial products.
20	Consider establishing a Fund to encourage digital innovation	In some countries Innovation Funds have been used to finance the development of innovative projects (often on a Challenge Fund basis, where different ideas compete for funding). Donors could be approached to fund such a mechanism.
21	Encourage expansion of digital infrastructure amongst service providers	It is important for service providers to continue to develop digital infrastructures, in order to strengthen online banking services and other financial services.

NB: Regulation (R) / Enforcement (E)

This priority will be championed by the BCEAO.

4.3 Strategic Axis 3 – Availability and Accessibility of Agricultural Finance

Why agricultural finance. Agriculture is an important area to address given that it is the largest economic sector, which means that a significant number of people depend on it for their livelihoods. It is spread throughout the country, however as a predominantly rural population, farmers are unlikely to be in close proximity to urban-based financial service provision. They have considerable financial needs, including savings and credit to purchase agricultural inputs and assets, to finance cash shortfalls between planting and harvesting, and the purchase of agricultural products for trading.

Unique challenges in the agricultural sector. Agriculture has specialised financial needs, for example seasonal crop finance, across the value chain. It is also subject to particular types of shocks, such as drought. Their very specific and specialized financial needs require particular types of financial services, rather than generalized banking. Given their rural, dispersed location, delivering financial services to farmers may be difficult and expensive, although making use of digital financial services and mobile money may help to reduce costs and improve accessibility. The risks of providing credit to farmers are high, given their relatively low and volatile incomes, and specific methods are needed to manage those risks. There are also concerns that interest rates on for agricultural credit are too high.

Finding innovative ways of managing the risks of lending to farmers. Farmers are in need of more credit, especially crop farmers, to finance investment and inputs. However, such lending is risky, and does not fit easily into the conventional model of bank lending, based on asset collateral and guarantees. Input credit follows a particular cycle, based around the planting and harvesting season, and the ability to repay is subject to risks from weather (e.g. floods, droughts), yields, and prices realised. Some of the demand for loans is too small to be of interest to banks, with their relatively high fixed costs, and of course farmers may be located far from where banks have branches. It is difficult to make agricultural lending viable, especially if interest rates on loans are capped. Nevertheless, there are ways of managing the risks and reducing costs. (i) Channel loans through farmers co-operatives, which receive loans from banks and then on-lend to farmers, and take the risk of non-payment. Hence encouraging and supporting farmers to come together in co-operatives would help to increase the supply of credit. (ii) Roll out agricultural insurance, which will help to reduce the risks to farmers and to lenders. (iii) Finally using innovative forms of security, such as warehouse receipts, whereby receipts for crops deposited in secure warehouses are used as collateral for loans, can also help to adapt lending to the specific needs of the agricultural sector.

Digitisation of the value chain. In supporting the digitisation of the transactions in the farming sector, it is proposed to find ways to utilise mobile money for payments to farmers, and for digitising payments through the value chain in order to reduce transactions costs.

The proposed Action Items to improve agricultural finance are shown below, each with a brief rationale.

Table 3: Action items: Agricultural finance

No.	Proposed Actions	Rationale
1	Utilise farmers' organizations as credit delivery channels	Banks are more likely to lend to organisations (both crop and livestock) rather than individual farmers, as both costs and risks are lower. Co-ops can take part of the risk through on-lending to individual farmers.
2	Develop specialised crop /value chain finance, e.g. based on warehouse receipts, and linked to insurance.	The characteristics of agricultural credit are different to most other forms of credit and require specialised design. One option commonly used elsewhere is to extend credit based on warehouse receipts (crops stored in secure warehouses can provide security to the lender). The availability of agricultural insurance can also reduce risks to lenders.
3	Build on successes	There have been some successes in the provision of agricultural finance, e.g. (e.g. cotton VC, livestock farmer co-ops, PlaNet Guarantee pilots), and these should be developed further.

No.	Proposed Actions	Rationale
4	Develop weather (climate) insurance in an appropriate format (large scale to small-scale)	Drought is the main risk faced by farmers, and to a lesser extent, flooding in some areas; the availability of an insurance product to manage this risk would help to boost financial security.
5	Develop appropriate insurance products for livestock farmers	Livestock farmers have specific risks and needs that are quite different to those of crop farmers
6	Improve coverage of mobile networks/mobile money in rural areas to enable delivery of digital financial services	Mobile (digital) financial services should be an important channel for delivering low-cost financial services to farmers and others in rural areas (savings, loans, insurance, payments, subsidies etc.). However this requires more extensive coverage of mobile networks (especially data), and of mobile money agent networks.
7	Develop appropriate agricultural value chain infrastructure, including warehouses and transport facilities	Will help to reduce post-harvest losses, facilitate physical transfers of agricultural inputs and products, and increase returns to farmers.
8	Undertake financial education for farmers to improve understanding of financial services and issues	Farmers have a low level of education and financial understanding, and make little use of formal products.
9	Utilise mobile money for government payments to farmers	This will help to reduce transactions costs and integrate farmers into the formal financial system
10	More generally, digitising payments through the value chain to reduce transactions costs	To reduce transactions costs and build up a financial transactions record that may be helpful in unlocking credit.
11	Ensure that subsidies are targeted and focused on sustainability	Ensure that subsidies for financial service provision (e.g. agricultural insurance premiums, interest rates) are time-limited and focused on building scale, and sustainability not dependence
12	Interest rate subsidies	Evaluate the costs of potential interest rate subsidies for agricultural credit, and consider how this might operate on a targeted basis, and potential funding options.

NB: Regulation (R) / Enforcement (E)

These activities will be coordinated by the SP-PMF, Ministry of Economy, Finance and Development.

4.4 Strategic Axis 4 – Improving risk management options

Insurance and Savings are highly relevant risk management options. Many people are exposed to unexpected health expenses or agricultural shocks (drought), which have been identified as the most common risks that adults face. Such shocks can lead to poverty (because of additional expenses or reduced income) if risk management capability is weak, or if households start off in a financially weak position. There are various ways to manage risks, through insurance products, prior savings (which provide a financial buffer that can be drawn upon in an emergency), or access to credit (especially credit that can be accessed at short notice).

Why Insurance? In the absence of formal insurance, low-income households cope with risks in various ways (formal and informal) that are often inefficient, perverse and expensive, and where available it lessens welfare-reducing behaviour, for example disposing of productive assets or disposing of assets at a loss, taking children out of school, or depleting savings, and taking expensive informal credit. For businesses and farmers insurance allows and incentivises riskier investments and focus on higher-yielding and/or more specialised activities or on business opportunities otherwise considered too risky. Moreover, insurance enables access to critical services, including healthcare, while at the macro level insurers are often the largest institutional investors and in many developing markets the only domestic source of longer-term capital.

Why savings? Mobilisation of savings to provide capital for growth and development is one of the key roles the financial sector plays. At the household level, research shows that low-income people want to save and can save. Formal savings, and to an extent informal savings, offers the benefit of security from crime, wealth accumulation and hedging against inflation, if returns are possible. Most significant might be the built-in self-control mechanism, as funds at home are easier to spend and removing that temptation is a significant first step to building up assets.

Low levels of insurance. There is little use of formal insurance outside of the formally employed target group, in part due to a lack of understanding and awareness of insurance. There is also a lack of enforcement (e.g. vehicles are often not insured, despite vehicle insurance being compulsory). There is an important role played by informal provision, especially village solidarity groups, and further room for innovation in insurance, e.g. micro-insurance, links with other financial service providers.

Room for collaboration between insurance sector stakeholders. There is potential for collaboration between insurers with MNOs / mobile money providers, to develop bundled products (e.g. health insurance combined with airtime). There is also potential to collaborate more within the sector to promote financial education in insurance, given the low awareness and understanding of insurance.

Encourage savings to manage risks. As noted earlier there is relatively high access to savings products, however a number of additional measures can still be highly beneficial, particularly to encourage savings in rural areas and among the low income population. A key proposal would be to encourage the use of mobile money as an accessible savings product, which would enlarge the range of savings products available to those who do not have ready access to bank and MFI branches, and to provide a formal product for those who have to rely on informal channels. In tandem it would also be useful to develop digital apps for semi-formal village groups, and encourage links between village groups and banks/MFIs etc., to ensure that savings are absorbed into the formal system.

The proposed Action Items to improve risk management capacity are shown below, each with a brief rationale.

Table 4: Action items - Risk management

No.	Proposed Actions	Rationale

1	Develop financial products to address key risks – health and drought	The main risks faced by Burkinabe adults are healthcare risks/costs, death and drought, but few specialised products are available to insure against these risks. Insurance companies need to consider developing appropriate products relevant to low-income households.
2	Put emphasis on micro-insurance products, distributed via mobile networks	There is a regulatory provision for micro-insurance (with a separate license) but no such licenses have yet been issued. Micro-insurance products (low values insured and low premiums) are particularly suited to low-income households, and these need to be developed by insurance companies need to develop micro-insurance products. Use of mobile money as payment platforms helps to overcome the problem of high collection costs for small, frequent, low value premiums
3	Improve access to emergency credit	Access to credit is an important risk management tool. Using mobile money platforms for quick access to micro-credit will make this easier.
4	Develop low-cost funeral/life insurance products	There is extensive use of informal "insurance" for funeral expenses through membership of village solidarity groups. This suggests that formal products offering similar or more benefits with low premium contributions, payable through mobile money, could be attractive.
5	Enforce insurance regulations [E]	Compulsory vehicle insurance is an important product for insurance companies in Burkina Faso, but the law is not enforced effectively. Enforcing this law would provide more effective management of accident-related risks, strengthen the financial base for insurance companies, and thereby support the development of new products.
6	Collaborate with MNOs/mobile money providers	Mobile money is likely to be the most effective channel for collecting premium payments for mobile insurance products (due to low transactions costs), and may also be an important channel for selling/marketing products, accepting claims, and making payouts. Insurance companies need to collaborate with mobile money providers in order to develop suitable products.
7	Develop bundled products (e.g. health insurance combined with airtime)	Given the lack of understanding of insurance, people are often reluctant to buy insurance directly. If bundled with other products this resistance can be overcome.
8	Promote financial education in insurance and risk management	The lack of understanding of insurance and risk management can leave households exposed to excessive risks. Financial literacy/education can help to provide people with the information and understanding to undertake more effective risk management.
9	Allow electronic sign-up for insurance policies [R]	Distribution of insurance via cell-phones and payment via mobile money requires electronic sign-up to policies to be legally valid. This is especially important for micro-insurance. Draft regulations regarding electronic policies need to be finalised.
10	Encourage savings to manage risks	Accumulation of savings can be an important tool to manage risks and respond to unexpected shocks. Hence policies to encourage savings will help with risk management, including, e.g. the payment of interest on mobile money accounts.

NB: Regulation (R) / Enforcement (E)

These activities will be coordinated by the SP-PMF, Ministry of Economy, Finance and Development.

4.5 Strategic Axis 5 – Supporting Environment and Infrastructure

Why important: The financial sector infrastructure and policy and regulatory framework sets the parameters for the operation of the market. The latter in particular determines who may enter and operate, under which conditions, how they should treat their customers, what safeguards against failure and what recourse mechanisms are in place. A sound and complete regulatory framework that is properly enforced therefore forms the foundation for all the other strategic recommendations.

4.5.1 Regulatory and Supervision

Development of a national strategy. A number of overarching actions are recommended, notably to develop and implement a financial inclusion strategy including mechanisms for appropriate data collection and monitoring, strengthening the capacity of key institutions responsible for financial inclusion within the Ministry of Economy, Finance and Development and the BCEAO, and for the Ministry of Economy, Finance and Development to play a catalytic role within the government to ensure broader infrastructure relevant to financial inclusion is put in place.

Key action points. In addition to the above previous Sections identified a number of regulatory and supervisory gaps and opportunities to be addressed, some at national, others at the regional level. These changes to support financial inclusion are also summarised in Figure 5 below.

Table 5: Action items: Regulatory and Supervisory Actions

No.	***Proposed Actions***	***Rationale***
1	Develop and implement a national financial inclusion strategy	A national financial inclusion strategy will provide an appropriate policy framework within which to implement the financial inclusion Roadmap.
2	Strengthen the capacity of key institutions responsible for financial inclusion	Without adequate capacity, the implementation process may not be effectively managed. The capacity building should focus on technical assistance, human and financial resources.
3	Play a catalytic role within the government to ensure a favourable fiscal environment and supporting infrastructure	The state carries the responsibility for the establishment of a favourable environment to financial inclusion, however required interventions are sometimes beyond the scope of a financial inclusion Roadmap
4	Finalise or change laws and regulations to better support financial inclusion [R]	(i) Electronic sign up for insurance policies; (ii) Payment of interest on mobile money savings accounts; (iii) Banks & MFIs to use 3rd-party agents; (iv) Micro-loans to be provided without being subject to interest rate caps; (v) Informal groups to open accounts at regulated institutions.
5	Improved supervisory practices by the regulators to support inclusion [E]	• Enforce insurance rules (notably for compulsory vehicle insurance), as well as capital adequacy rules for banks/MFIs (although the latter should be revised) • Improve domestic supervisory capacity for MFIs (DSC-SFD) and Insurance (DA), in order to allow more frequent supervisory visits and to support more frequent submission of financial data by regulated institutions

No.	Proposed Actions	Rationale
		• Revise Capital adequacy rules for MFIs • Ensure that non-MNO operators have ready access to USSD codes.
6	Ongoing sensitivity to financial inclusion agenda in regulatory and supervisory activities	• Manage the impact of anti-money laundering (AML/CFT) regulations so that they do not provide a barrier to financial inclusion for low-income households. • Manage the impact of Basel 2/3 regulations for banks, so as to ensure that they do not unduly make access to finance more difficult for MSMEs in particular. • BCEAO should investigate whether interest rate caps are restricting access to credit by higher-risk borrowers.

NB: Regulation (R) / Enforcement (E)

These activities will be coordinated by the SP-PMF, Ministry of Economy, Finance and Development.

4.5.2 Financial literacy and consumer protection

Financial literacy and consumer protection are crucial. Many of the identified action items will only be effective if complementary actions are taken to improve financial literacy and also to establish improved mechanisms for the protection of consumers. Recommendations in this respect are as follows:

- Extend financial education widely, especially for insurance and mobile money, also for management of credit, through schools and community organisations. The NGO-supported village savings and lending groups frequently include a financial education component, and these financial education components provide important hints as to what will work best in Burkina;
- Use innovative approaches for financial education (based on images and digital approaches), reflecting the fact that some adults are not literate;
- Improve provision for disclosure of costs of services etc. by financial institutions (transparency);
- Require financial service providers to have complaints procedures for customers.

4.5.3 Informal Savings and Credit Groups

Strengthening the contribution of the informal sector. The informal savings and credit groups supported by NGOs such as PLAN and CRS have made an important contribution to extending financial services to low-income consumers in rural areas. The core is typically a group savings scheme, extended to include short-term loans made from the accumulated group savings, and in some cases a “social fund” that provides a simple insurance scheme. They represent a semi-formal extension of the “tontines” that have traditionally existed in many villages. While they are reported to be successful, there is some uncertainty regarding the long-term sustainability of these schemes once NGO-support is wound down (typically after 2 years). Action items to build on these successes include the following:

- Evaluate experiences of semi-formal village savings & loans (VSL) groups supported by NGOs to identify any long-term sustainability challenges (after NGO support) and constraints to expansion;
- Build on the successes identified;
- Expand VSL coverage to excluded districts, through the existing or new NGOs;
- Build links to formal financial institutions (mobile money, MFIs);

- Use mobile money for deposits and to keep savings;
- Allow VSL groups to open accounts at MFIs
- Developing smartphone apps specifically for VSLs.

This will be further supported by the extension of mobile network coverage (especially 3G data coverage) and mobile money agent networks.

4.5.4 Disadvantaged groups: women, youth, MSMEs and rural areas

The above discussion of gaps and opportunities focuses on improving the provision of financial services and products, through innovation, infrastructure enhancement, and regulatory reform, in order to fill some of the identified gaps between supply and the needs of different target groups. This section elaborates how some of the proposed interventions will have an impact on identified priority groups from a national perspective. These include MSMEs (medium, small and micro enterprises), the youth and women, and those in rural areas.

Women empowerment: Women are disproportionately represented in particular target groups (dependents, informal employees, informal SMEs) so measures to meet the needs of these groups will benefit women. Similarly, women are more dependent on the use of informal financial services than are men, so measures to improve formal access will particularly benefit women.

- Access to micro-insurance products (especially for health);
- Access to emergency credit, including via cellphones/mobile money;
- Extending mobile phone and data network coverage;
- Extending the spread of mobile money agents beyond major urban areas;
- Allowing interest on mobile money balances and encouraging the use of mobile money as an accessible savings product
- Financial literacy programmes

Youth: the young have particularly high access to cell phones so the development of digital financial services through the cellphone channel will be of particular benefit to them.

- Bundled products (e.g. insurance bundled with airtime);
- Extending mobile phone and data network coverage;
- Allowing interest on mobile money balances and encouraging the use of mobile money as an accessible savings product
- Access to micro-credit through mobile money platforms

MSMEs: measures to enhance access to credit will assist MSMEs, as will measures to improve the efficiency of the payments system. Of particular importance are:

- Improving the operation of the Credit Information Bureau and establishing a functional Deposit Insurance Scheme;
- Strengthening MFIs (as credit providers to MSMEs), also enabling MFIs to obtain more access to bank refinancing and relieving credit constraints;
- Evaluating the operations of different government funds (FNFs) (to enable more effective delivery of targeted credit schemes);

Rural Areas: many of the action items proposed here will specifically benefit rural areas, which account for the majority of the population in Burkina Faso. However, rural households are also poor, and it may not be sufficient to rely on market-led developments to provide them with adequate financial services, as it may simply not be profitable. Some associated developments (e.g. improving 3G data coverage) will help to push out the frontier of what is commercially feasible. Nevertheless, support for financial service provision where it is not commercially feasible will also remain important, especially for poor rural / farming households. This may include subsidies for the provision of agricultural insurance and agricultural infrastructure (e.g. warehouses); subsidised interest rates on credit (e.g. from government funds); subsidies for the rollout of 3G networks (from the under-served areas fund); and support for the extension of VSL schemes to areas where they are not present. It will be particularly important to keep such subsidy schemes subject to regular evaluation, so as their impact and cost-effectiveness can be monitored, and to ensure that they are reaching the desired target groups. It is not evident that plans to establish new banks (e.g. an agricultural bank and a Postbank) are the most appropriate ways to bridge financial inclusion gaps, and could be very expensive as well as undermining the stability of the banking system.

5. Roadmap to reform

5.1 Summary of Activities, Responsibility, Priority and Timelines

Action summary. The list of proposed actions is included as Annexure 1, together with the responsible entities (Primary and Secondary), implementation time horizon (Short, Medium and Long Term) and priority (High, Medium, Low). Short term would imply 1 – 2 year activities, Medium term 2 – 3 years, and Long term over 4 years.

5.2 Anticipated Benefits

Including the excluded. FinScope Burkina (2016) indicates that a vast number of adults remain without access to any type of formal or informal financial service – 39% nationally and 46% in the rural areas. This limits their ability to effectively manage their financial lives. It limits their capacity to mitigate against risks, smooth their consumption, accumulate assets and invest in productive activities. Even among the 40% who are formally served, and the 21% who are served informally only, there is a lot of room for improvement, by deepening access and usage. Farmers and Entrepreneurs similarly face significant exclusion, with 52% of crop farmers, 29% of livestock farmers and 19% of informal MSMEs excluded from formal and informal financial services. Access to credit and insurance for all groups remains very low.

The Burkina financial inclusion roadmap will help policy makers and stakeholders focus attention on the key issues as identified in the research to help build a more inclusive society.

The Roadmap will help contribute to the following other benefits:

- Improving household welfare by extending financial inclusion to households that are currently less well served, such as expanded digital payment and remittance services which will enable individuals to affordably transact, send and receive long distance remittances, and affordable and appropriate savings products that provide the tools to build up savings that can be used to smooth consumption and mitigate risks, and increased options for risk mitigation.
- Supporting economic growth by mobilising savings, providing insurance and payment services and facilitating credit for productive enterprises and for investment in assets.

- At the macro level improvement in overall economic efficiency by improving regulation and reducing risks. Increased access to financial services will also support the fundamental policy objectives of food security and economic growth, and a potentially help reduce inequality.
- At the micro level the growth of new and existing institutions to better serve the low income including new partnerships between various players.

Overall the program will result in the growth, deepening and higher quality of financial inclusion, especially by addressing some of the access barriers observed in the research. Such improvements will be beneficial to the economy. They will also help Burkina Faso contribute measurably towards the UN Sustainable Development Goals, the Regional financial inclusion strategy, and the Maya declaration.

5.3 Financial Inclusion Roadmap in the Financial Policy Context

Existing policy initiatives. The financial inclusion Roadmap is supportive of and is made in the context of wider global, regional, and national strategies, the most relevant being:

- The UN Sustainable Development Goals (Agenda 2030);
- The regional Maya Declaration
- The BCEAO regional financial inclusion strategy 2016 – 2020
- The National Economic and Social Development Policy framework (PNDES 2016-20)

Financial Inclusion Strategy 2018 - 2022. The Government of Burkina Faso acknowledges the role of financial inclusion in serving its public policy goals, and a national financial inclusion strategy based on this Roadmap has been proposed under the leadership of the Ministry of Economy, Finance and Development, through the Permanent Secretariat for the Promotion of Microfinance (SP-PMF), to be developed during 2018. As such the Financial Inclusion Roadmap 2018 – 2022 has been completed at an opportune time to form the basis for the policy and strategic framework for financial inclusion in Burkina for the period 2018 - 2022, and is well suited to do so as it is based on a comprehensive diagnostic which pinpoints those priority areas that will provide the greatest return on resources invested, and has been developed in a stakeholder intensive process.

Leadership. The Roadmap is has been developed under the leadership of the Ministry of Economy, Finance and Development through SP-PMF, in close collaboration with the BCEAO, both of whom will collaborate and lead the proposed strategy formulation and adoption process, and engage with stakeholders in this respect as needed.

5.4 Financial Inclusion Roadmap in the Context of Other Financial Inclusion Work

Synergy between existing and new. As noted earlier the government has been engaged in a number of initiatives that support financial inclusion, most notably the roll-out of the government funds focused on financial inclusion, and the setting up of MAP diagnostic process to perform a diagnostic and to develop this Roadmap. The main initiatives are summarised in Table 6 below.

Table 6: Table of relevant financial inclusion projects in Burkina Faso

Initiative	Focus	Fit with Roadmap
Establishment of the National	Providing credit or other forms of financial support for specific socio-economic activities:	Roadmap objectives of better serving the same market segments

Financing Funds (Fonds nationaux de financement, FNF) - 10 FNFs in total.	income-generating activities and jobs for those who are excluded from access to conventional financing, e.g. youth, women, informal sector, pensioners etc. Also training and other forms of enterprise support, as well as credit guarantees or grants (subsidies).	aligns closely with the FNFs. Areas of possible improvement have been proposed under the Roadmap.
Youth & Women microfinance programme (MEF via FBDES)	The Ministry of Economy, Finance and Development led initiative supports the Youth & Women segments with microfinance.	Roadmap objectives of better serving the same market segments aligns closely with the programme.
Regional financial inclusion strategy	A financially educated population; tailored, diversified and affordable financial services; increase in access to 75%; effective legal, regulatory and supervision framework; strengthening the microfinance sector; inclusion of youth, women, SMEs, rural populations, and people with low education; financial education and protection of customers.	Roadmap supports the Regional strategy to achieve these objectives
The BCEAO Maya Declaration	Development of a national financial inclusion strategy and financial inclusion data; Increasing access rate to 75% of the population by 2020; Emphasis on microfinance and payment services for disadvantaged segments; Customer Protection and education; and financial access for SMEs	Roadmap supports the Maya declaration to achieve these objectives

Regional vs National. These initiatives are complementary to the priorities identified in the Roadmap, however continued close coordination will be needed. Of particular importance will be to ensure close linkage between the BCEAO financial inclusion Regional Strategy and action plan, and the Burkina National Financial Inclusion Strategy and Action Plan. Both strategies consist of different but aligned activity areas, with the same aim of increasing financial inclusion, and while the regional strategy focuses on regionally relevant issues, the Burkina plan focuses on the local context as discovered during the MAP research. The implementation of the two strategies will go hand in hand, but it is planned that gradually the two processes will be aligned more closely wherever possible. The Ministry of Economy, Finance and Development in convening the CNSMO (Regional Strategy National Implementation Monitoring Committee) and the MAP National Monitoring Committee will work together to help align the two processes, and to create appropriate linkages with the Regional Steering Committee (CRP)

Roadmap updates. The Roadmap is not a static document and will be updated over time as new research becomes available, and as the financial inclusion landscape evolves.

5.5 Implementation and Evaluation

Coordination committee. It is proposed that the existing Monitoring Committee under the chairmanship of the SP-PMF / Ministry of Economy, Finance and Development will be limited to developing the National Strategy. A Committee to oversee and coordinate the Strategy Implementation will thereafter be set up, with careful attention paid to ensuring continuity from the research phase. The Implementation Committee in its work may create technical working groups to handle technical matters while it continues to be responsible for championing and providing leadership and coordination.

Key stakeholders. Actual implementation will be the responsibility of the respective stakeholders, and particularly the regulators, the financial service providers, Ministries as well as development partners active in financial inclusion. Sector associations will assist to coordinate providers in their respective sectors, ensuring that sector positions emerge that support financial inclusion in a sustainable manner. The key stakeholders identified for implementation are shown in Table 7 below.

Secretariat for Implementation support will be provided by SP- PMF (Secretariat for Micro Finance) which is a department under the Ministry of Economy, Finance and Development. The Secretariat will be responsible to support the Implementation Committee in the day to day coordination of activities, reporting, and Monitoring and Evaluation (M&E).

Table 7: Financial inclusion stakeholders in Burkina

No.	CATEGORIES	INSTITUTIONS	ROLES & RESPONSIBILITIES
1	REGULATORY AUTHORITIES	• BCEAO • Ministry of Economy, Finance & Development (DA / DAMOF / DSC-SFD) • Ministry of Digital Economy & Post • ARCEP	1. Regulatory and supervisory support 2. Advice, leadership, facilitation, strategy to achieve Financial Inclusion targets
2	MINISTRIES AND AGENCIES	• Ministry of Economy, Finance and Development / SP PMF • Trade • Agriculture • National Statistics Institute (INSD) • Animal Resources • Promotion of Women • Employment & Youth	1. Coordination of Initiatives 2. Budget 3. Ensure that initiatives comply with Policy statements and with best practice
3	ASSOCIATIONS & NETWORKS	• Chamber of Commerce • Enterprises commission • National chamber of Agriculture • Microfinance (AP / SFD-BF) • Bank (APBEF) • Insurance (APSAB) • Consumer league	1. Represent members' ideas in Financial Inclusion committees meetings 2. Encourage best practice among members
4	SECTOR ENTITIES	• Banks, Sonapost, MNOs, MFIs, Insurers, others	1. Implementation of best practices 2. Feedback to coordinating bodies

5	DEVELOPMENT PARTNERS	• UNDP/UNCDF, UNFP, EU, Swiss Cooperation, others	1. Financial and Technical support 2. Coordinate amongst each other and with Government

Committee membership. The membership of the Monitoring Committee after it is reconstituted will comprise the core stakeholders that are needed during various phases of the implementation. Where needed Technical Clusters and / or Working Groups will be formed to address various detailed activity areas.

Private sector. Successful implementation is contingent on engagement with, and the role played by the private sector. It will be important to get the firm commitment of the private sector players through tailored engagement with sector associations, regulatory processes, as well as with individual players to resolve specific issues for the purposes of enhancing financial inclusion. It is proposed that the Monitoring Committee and its structures will meet with the private sector early on in order to clarify their role in the Roadmap, obtain buy in, as well as clarify actions that the private sector expect Government to put in place for them to play their role in enhancing financial inclusion.

5.6 Measurement

Measurement approach. Successful implementation partly depends on being able to measure progress, as well as communicating the outcomes of the interventions. The Secretariat will help monitor the proposed actions and results, and provide regular report backs to various government organs. Activity based tracking is recommended, complemented by the tracking of outcome and output based targets annually including Access, Usage, Affordability, Appropriateness, Financial literacy, and Consumer protection. A draft set of indicators is included as Annexure 2.

Role of M&E. The M&E framework will help demonstrate and highlight delivery against the national financial inclusion Strategy / Roadmap, helping ensure that activities are implemented and anticipated results are achieved. The M&E framework is also an important tool for stakeholder mobilization, for ensuring international consistency, and to support the learning agenda.

5.7 Risks

Mitigating risks. The Monitoring Committee will work with the stakeholders to ensure that risks are continually identified, tracked and mitigated. Some of the anticipated risks to implementation include:

- Lack of implementation capacity. Mitigation: The Monitoring Committee as part of its short term action plan will focus on development partner and private sector mobilisation and coordination. Development partners and the private sector will be mobilised to support the implementation process.
- Lack of buy-in, particularly by private sector stakeholders. Mitigation: The Monitoring Committee as part of its short term action plan will develop a private sector engagement strategy and plan. Regulators will be involved in this process, and where necessary legal and regulatory amendments will be made to support the process.
- Lack of infrastructure to support proposed interventions. Mitigation: Ministry of Economy, Finance and Development in conjunction with other stakeholders will prioritise infrastructure development in selected bottle neck areas.

- Time frames for legislative reform may be long. Mitigation: Ministry of Economy, Finance and Development to coordinate and ensure timelines are shortened where possible.

6. Conclusions

Access to financial services can help fuel economic growth, and at the household level build welfare and facilitate access to core services such as health or education. The Burkina Financial Inclusion Roadmap 2018 – 2022 has laid out some proposed national priorities that if properly implemented can enhance financial inclusion. The priorities are based on the diagnostic findings, and will help to inform the future financial inclusion agenda. Financial inclusion is challenging to achieve and requires a clear vision, sufficient resources and effective collaboration across a broad range of stakeholders.

The proposed interventions will result in an increase in breadth and depth of financial inclusion, in support of the National Economic and Social Development Policy framework (PNDES 2016-20), the Maya declaration, the BCEAO regional financial inclusion strategy 2016 – 2020, and the UN Sustainable Development Goals.

Implementation of the Roadmap will be coordinated by a new Committee to be constituted under the guidance of the SP-PMF, Ministry of Economy, Finance and Development and the BCEAO. The immediate next steps include the development of the national financial inclusion strategy, finalisation and adoption of the M&E targets and indicators, development of annual Action Plans annually, and the development of a fund mobilisation strategy.

The Roadmap will most visibly contribute to financial inclusion through the development of strategies, products and business models that deliver better value to low income customers.

7. Annexure 1 – Summary of Proposed Roadmap Activities

See separately attached document.

8. Annexure 2 – Draft set of financial inclusion indicators

These indicators need discussion. They are an initial suggestion but not yet finalised.

STRATEGIC GOAL	INDICATOR	PROPOSED PERIODICITY	SOURCE POTENTIELLE DES DONNEES
Access	# of access points per 10,000 adults (>15 years old), by type (e.g. bank branch, ATM, POS, MFI branch, Mobile agent, insurance service point, etc.) and by rural / urban	Quarterly / Annual	BCEAO / CBU, DSC-SFD, DA, DAMOF, ARCEP
	Percentage of adults (15+) with access to at least one formal product (total, women)	3 years	FinScope
	Percentage of adults (15+) with two or more products (total, women)	3 years	FinScope
Usage of transactional accounts	Bank Account: # of bank accounts falling dormant per Quarter	Quarterly / Annual	BCEAO / CBU, DAMOF
	Mobile Money Accounts: 30 and 60 day active	Quarterly / Annual	BCEAO / CBU, ARCEP
Appropriatenes s / Affordability	Number of active regulated deposit accounts per 10,000 adults by rural / urban	Annual	BCEAO / CBU, DSC-SFD, DAMOF
	Number of active regulated credit accounts per 10,000 adults by rural / urban	Annual	BCEAO / CBU, DSC-SFD, DAMOF
	Cost of mobile money transactions (e.g. $20 remittance)	Quarterly / Annual	BCEAO / CBU, ARCEP
Alternative channels / transformation	Percentage of adults (15+) with at least one formal product from non-traditional channel (i.e. excluding banks)	3 years	FinScope
	Number of active (90 days) mobile money accounts users	Quarterly / Annual	BCEAO / CBU, ARCEP

Payments / mobile	Number of transactions on the national digital network (local or cloud)	Quarterly / Annual	BCEAO / CBU
	Number of government consumer focused e-transactions e.g. tax payment	Quarterly / Annual	BCEAO / CBU
	Interoperability between different platforms (MNO, Bank, MFI, etc.)	Quarterly / Annual	BCEAO / CBU
	Percentage of adults (15+) using formal payments	3 years	FinScope
Productive Credit	Outstanding loans (households and SMEs) to financial institutions (% of GDP) By type of financial services	Annual	BCEAO / CBU
	# of SMME & farmer loan accounts	Quarterly / Annual	BCEAO / CBU, DSC-SFD, DAMOF
Insurance	# of insurance policies (total, women, farmers)	Annual	DA
	Percentage of adults (15+) with a formal insurance product	3 years	FinScope
Promote Savings	# of pension accounts	Annual	DA
	Percentage of adults (15+) saving formally	3 years	FinScope
	Outstanding deposits (households and SMEs) with financial institutions (% of GDP)	Annual	BCEAO / CBU
Informal Financial services	# of adults participating in Community Savings Groups	3 years	FinScope
Regulatory	# of regulatory instruments updated / amended	Quarterly / Annual	SP-PMF

	% of financial service providers who have procedures clearly outlined for complaints from customers	Annual	BCEAO / CBU, DSC-SFD, DAMOF, DA
Financial Education	Client financial education strategy in place and under implementation	Quarterly / Annual	SP-PMF / BCEAO
	Number of adults trained in financial education	Annual	SP-PMF
Implementation	National Financial inclusion strategy approved and under implementation	Quarterly / Annual	SP-PMF
	Sufficient institutional capacity for FI implementation (measured by USD budget in place)	Quarterly / Annual	SP-PMF

List of Abbreviations and Acronyms

AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
ATM	Automatic Teller Machine
CRS	Catholic Relief Services
DFI	Development Finance Institution
ECOWAS	Economic Community of West African States
EFT	Electronic Funds Transfer
FIS	Financial Inclusion Strategy
FSD	Financial Sector Development
FSP	Financial Service Providers
GDP	Gross Domestic Product
HDI	Human Development Index
KYC	Know Your Customer
MFI	Micro-finance institution
MNO	Mobile network operator
MSME	Medium, small and micro-enterprises
MTO	Money Transfer Operator
NIC	National Identity Card
NPL	Non-performing loan
PAR	Portfolio at risk
POS	Point of Sale
SSA	Sub-Saharan Africa
WAEMU	West African Economic and Monetary Union

Abbreviations - French

ARCEP	Autorité de Régulation des Communications Electroniques et des Postes
BCEAO	Banque Centrale des Etats de L'Afrique de L'Ouest
BOAD	Banque Ouest Africaine de Développement (West African Development Bank)
BRVM	Bourse Régionale des Valeurs Mobilières
CBU	Commission Bancaire UEMOA
CENTIF	Cellule Nationale de Traitement des Informations Financières (National Financial Information Processing Centre)
CIMA	Conférence Interafricaine des Marchés d'Assurance
CNI	Carte National D'Identité
CNSS	Caisse National de Securité Sociale du Burkina
CREPMF	Conseil Regional de L'Epargne Publique et des Marches Financiers
DA	Direction des Assurances
DAMOF	Direction des Affaires Monétaires et Financieres
DGTCP	Direction Générale du Trésor et de la Comptabilité Publique
DSC-SFD	Direction de la Surveillance et du Contrôle des Systèmes Financiers Décentralisés
FAARF	Fonds d'Appui aux Activités Rémunératrices des Femmes
FBDES	Fonds Burkinabè pour le Développement Economique et Social
FCPB	Faîtière des Caisses Populaires du Burkina
FE	Fond d'etat
FNF	Fonds nationaux de financement
GIM-UEMOA	Groupement Interbancaire Monétique de l'Union Economique et Monétaire Ouest Africaine
INSD	Institut National de la Statistique et de la Démographie
PNDES	Plan National de Développement économique et Social
SA	Societé Anonyme
SOFIGIB	Societé Financière de Garantie Interbancaire du Burkina
SONAPOST	Societé National des Postes
SP PMF	Secrétaire Permanent pour la promotion de la Microfinance
UEMOA	Union Economique et Monétaire de L'Afrique de L'Ouest