



Inclusive FinTechs in Francophone Africa

Mali country report



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Abbreviations

AMRTP	Autorité Malienne de Régulation des Télécommunications et des Postes (Malian Regulation Authority for Telecommunications and Post)
ANPE	National Employment Agency
BCEAO	Banque Centrale des Etats d’Afrique de l’Ouest (Central Bank of West African States)
CSRP	Mali Poverty Reduction Strategic Framework
DFS	Digital Financial Services
FARE.	Fonds Auto-Renouvelable pour l’Emploi (Auto-Renewable Employment Fund)
FS	Financial services
IVR	Interactive Voice Response system
KYC	Know Your Customer
LMI	Low- and medium-income
MFI	Microfinance Institution
MNO	Mobile Network Operator
MSME	Micro, Small and Medium Enterprises
NICT	New Information and Communication Technologies
NFC	Near Field Communication
QR	Quick Response
USD	US Dollars
USSD	Unstructured Supplementary Service Data
WAEMU	West African Economic and Monetary Union

Executive summary

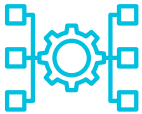
Mali is a frontier market for FinTechs. The Malian Government is in the process of creating policies to leverage digital solutions and understands the need to strengthen the entrepreneurship ecosystem. This will require investment in skills, education and support of the startup sector backed with strong mentors.



Key success factors required for FinTechs in Mali to stimulate financial inclusion: build skillsets of entrepreneurs and strengthen BDS support for FinTechs.



Financial inclusion can increase with FinTechs through partnerships with universities, enhancing capacity of incubators, enacting effective regulation.



Ecosystem: 18 FinTechs, 11 enablers funding partners,* while APIs are the primary technology.

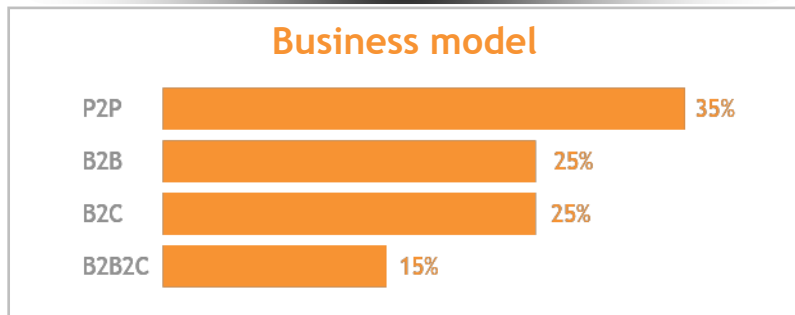
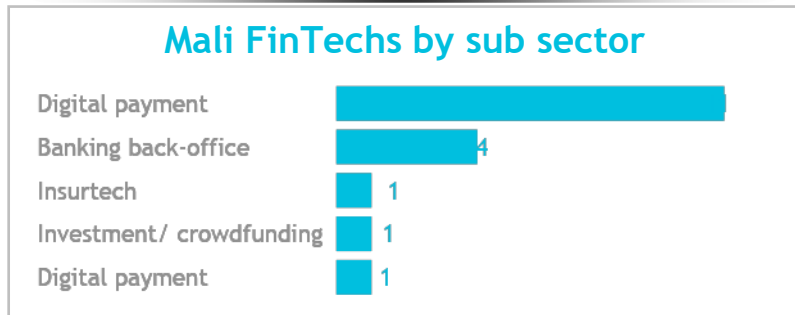
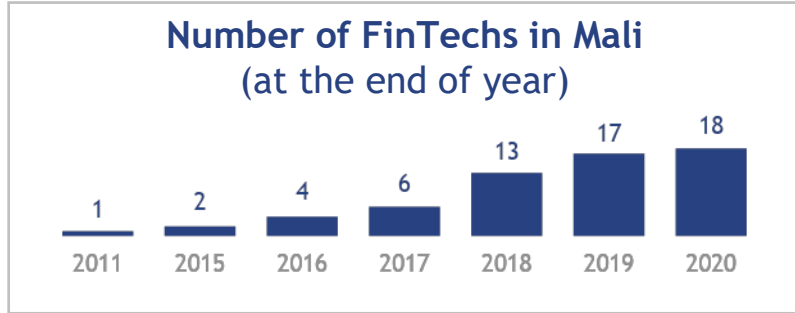


Trends: Evolving approach by government to improve pathway for entrepreneurship and innovation, recognition of need to support young people, Mali seen as a frontier market.

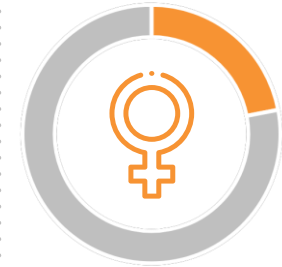


Challenges: Tech-poor market, high unemployment rates; 50% of the population is under 24, lack of entrepreneurial education and culture.

The Mali FinTech space is growing rapidly



Since 2018 startup FinTechs are booming in Mali and are led in majority by young men.



22% of startups have **women as a founder or cofounder**



Funding method used by FinTechs startups



Public aid



Credit



Crowdfunding



Equity and Love money



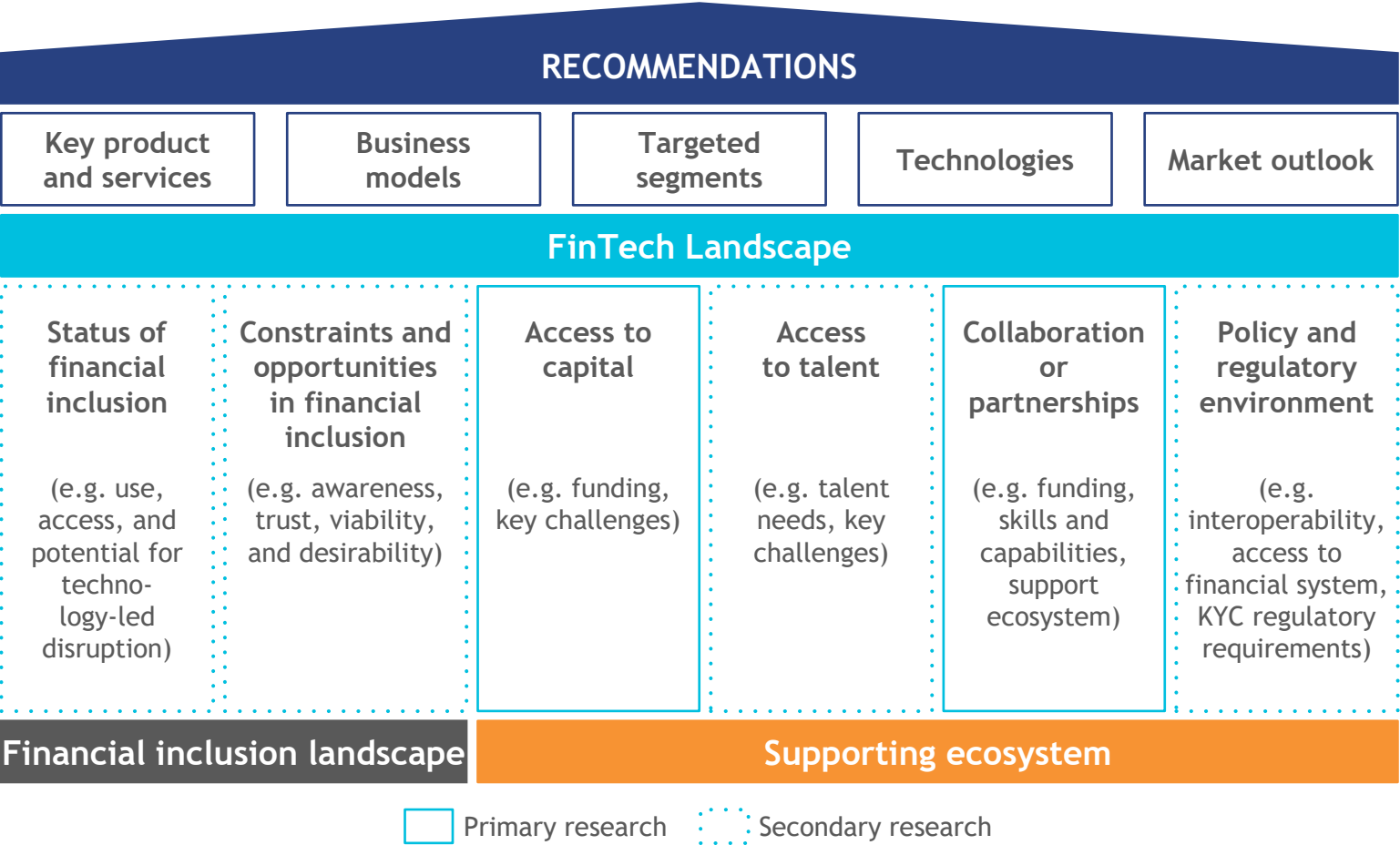
Business angels and VC funds



The main business model is P2P and most FinTechs have been developed and launched without the support of an incubation program or a public and financial institutions.

Study objectives, approach, and scope

This study focuses on addressing three sets of key questions through primary and secondary research, extensive stakeholder interviews, and in-depth analysis



OBJECTIVES AND APPROACH

Through the Mastercard Foundation program for capacity building in Francophone Africa, MicroSave Consulting (MSC) conducted a study on the role start-up FinTechs can play in accelerating financial inclusion.

The study focused on the following three key questions:

1. What is the status of financial inclusion and where can digital disruption address gaps?
2. How are FinTechs advancing financial inclusion and what are the challenges?
3. How important are partnerships with incumbents and other actors in the ecosystem and how are they advancing financial inclusion?

SCOPE OF WORK

The study first discusses the key characteristics of financial inclusion and constraints and opportunities of digital financial services followed by an overview of the FinTech sector. Second, the study synthesizes key findings concerning the supporting ecosystem, which consists of four key pillars:

1. Access to capital
2. Access to talent
3. Collaboration
4. Policy and regulatory environment

Finally, the study identified key recommendations to take the next steps towards increasing financial inclusion through a FinTech lens.

Key strengths and weaknesses of the FinTech landscape and supporting ecosystems in Mali

KEY SUCCESS FACTOR

KEY STRENGTHS OR OPPORTUNITIES

KEY WEAKNESSES OR CHALLENGES

FinTech landscape

- The 23 Amendment Act regarding CSRP is currently still under public consultation, but, if passed, will create a favorable environment for entrepreneurs
- Discounted rates on taxation for business owners under 40

- Low technical capacity
- Lack of cultural support for entrepreneurship
- Heavy reliance on social relationships to solve business challenges
- Inadequate infrastructure with frequent power cuts

Policy and regulatory environment

- Startup Act aimed at creating a favorable environment for young entrepreneurs
- Adopted WAEMU's Uniform Law setting the regulatory framework against money laundering
- Committed to the growth of businesses through technology and innovation
- Upcoming interoperability in the BCEAO region

- Regulation and supervision remain an issue
- The country ranks low in terms of “starting a business” and “access to credit”
- Widespread corruption

Access to talent

- The GENESIS Startups MALI program—a joint initiative between the NGO Eureka Group and the Institute of Applied Sciences (ISA, USTTB) in partnership with the national employers and vocational training institute
- Organization of Young Owners (OJEP) (works closely with [Impact Hub](#) and lobbies the Ministry of Digital Economy on a regular basis)

- Lack of development or coding skills results in work being outsourced internationally
- Lack of business management skills hampers potential for growth and access to investment

Collaboration or partnerships

- Remittance corridors
- Banks partnering on multiple levels

- Lack of understanding on how to negotiate partnerships
- Lack of awareness of FinTech players by ecosystem actors
- Regional companies avoid local technology solutions

Access to finance for FinTech

- Some donor grant funding is available via competitions and through the World Bank program
- [I&P](#) creating a fund
- Revolving FARE fund from the ANPE but considered slow

- No active VCs or angel investors
- Reluctance to provide loans to startups, especially with young management, ANPE entrepreneurship training is weak
- Accelerators do not connect with investors
- Families often do not invest in enterprises

Key insights related to financial inclusion

KEY SUCCESS FACTOR

KEY STRENGTHS OR OPPORTUNITIES

KEY WEAKNESSES OR CHALLENGES

Financial inclusion landscape

- Approximately 80% of Malians have access to mobile phones (95.8% mobile penetration rate by SIM, 60.4% unique subscribers, in 2017)¹
- Growing networks of mobile phone and Internet
- Access to financial institutions growing gradually
- Ongoing implementation of the national financial inclusion strategy

- Mali as a whole still “discovering” potential use of mobile money¹
- Low and irregular incomes, coupled with low levels of literacy, especially among women, implying low overall financial inclusion rate
- Preference for saving and borrowing within known networks
- Poor access to finance for MSMEs (7%)³
- Predominance of informal sector and poor accounting practices among MSMEs

Financial capacity

- Savings for investment in business
- Financial education via vocal services to overcome literacy issues

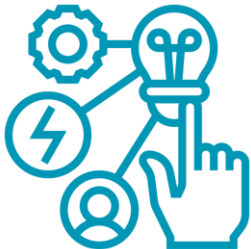
- 66% of the population is under the age of 25
- Low literacy rate
- High level of informal businesses

Digital awareness

- Level of education connected to the usage of mobile money

- Poor understanding of service and perceived lack of need
- Unregistered usage of mobile money
- Low level of accessibility and penetration of the internet

Potential opportunities for disruption



- Integrate FinTechs into the national financial inclusion and literacy strategies by offering voice-based solutions
- Collaboration with universities and other educational institutions to promote entrepreneurship among youth
- Usage of alternative data for credit for SMEs and the agricultural sector
- Digital record-keeping tools for SMEs and farmers
- Promote collaboration government and other partners (private/multi-lateral) in order to increase access to public services such as electricity
- Bundled services that include BDS tools in order to access credit over time

¹GSMA (2017); ²Sangare (2015); ³Global Findex (2019)

Summary of key recommendations

KEY SUCCESS FACTOR	RECOMMENDATIONS	PRIORITY
FinTech landscape	<ul style="list-style-type: none"> • Create grants linked to entrepreneurial skill-building in universities or by qualified BDS providers 	<ul style="list-style-type: none"> • High
Policy and regulatory environment	<ul style="list-style-type: none"> • Create a regulatory sandbox prioritizing financial inclusive FinTechs • Creation of a regulatory fact sheet for FinTechs in simple language • Create an innovation policy to develop human capital • Create an enabling environment for entrepreneurship by promoting entrepreneurial awareness at schools, training centers, and universities and by providing access to low-cost courses on business skills • Train banks to understand the FinTech space from a business point of view • Strengthen regulatory resources with FinTech-specific capabilities • Add business and management skills to education curricula • Strengthen business support systems from government services • Align financial and non-financial support for each stage of business development of FinTechs • Establish regional innovation offices 	<ul style="list-style-type: none"> • High • High • High • High • High • High • Medium • Medium • Medium • Low
Access to talent	<ul style="list-style-type: none"> • Promote entrepreneur role models to build the confidence of youth • Connect the incubator ecosystem to other incubators in the region to share best practices and link to incumbents • Increase access to expertise and appropriately skilled human resources • Encourage mentoring programs related to business strategy, business plan development, go-to-market strategy, and other guidance for new entrepreneurs 	<ul style="list-style-type: none"> • High • High • High • Medium
Collaboration or partnerships	<ul style="list-style-type: none"> • Create a technical assistance fund partnered with BDS experts to work with incubators to build skills • Recognize the specific needs and interests of large companies to collaborate with them effectively 	<ul style="list-style-type: none"> • High • Medium
Access to finance	<ul style="list-style-type: none"> • Provide technical assistance to new angel funds • Provide funding in the form of capital to funds who provide equity and quasi equity for seed-level funding to inclusive FinTechs 	<ul style="list-style-type: none"> • Medium • Medium



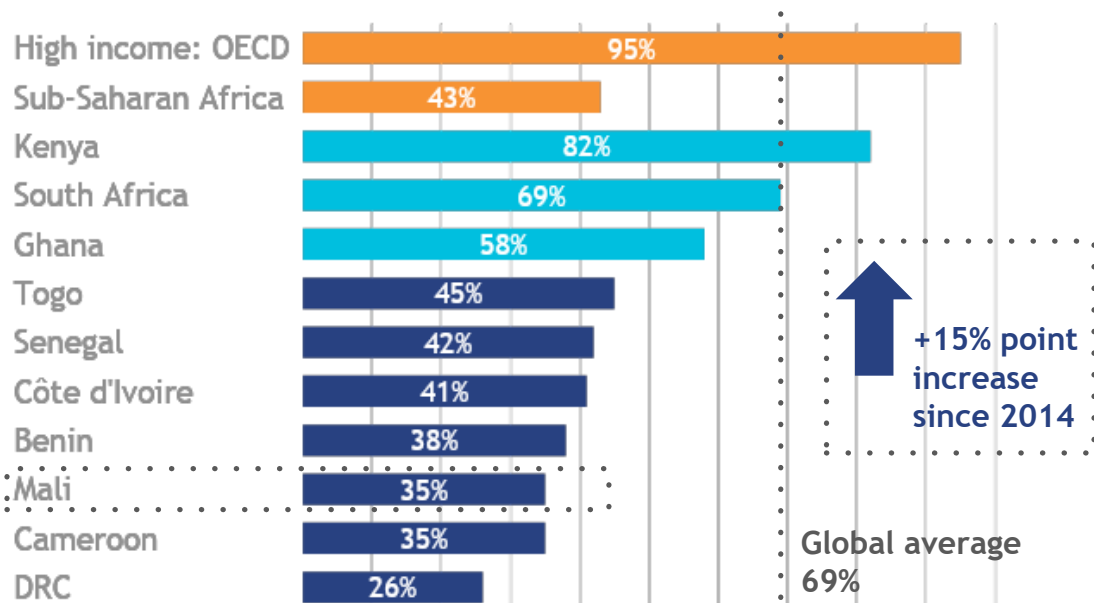
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The current state of financial inclusion



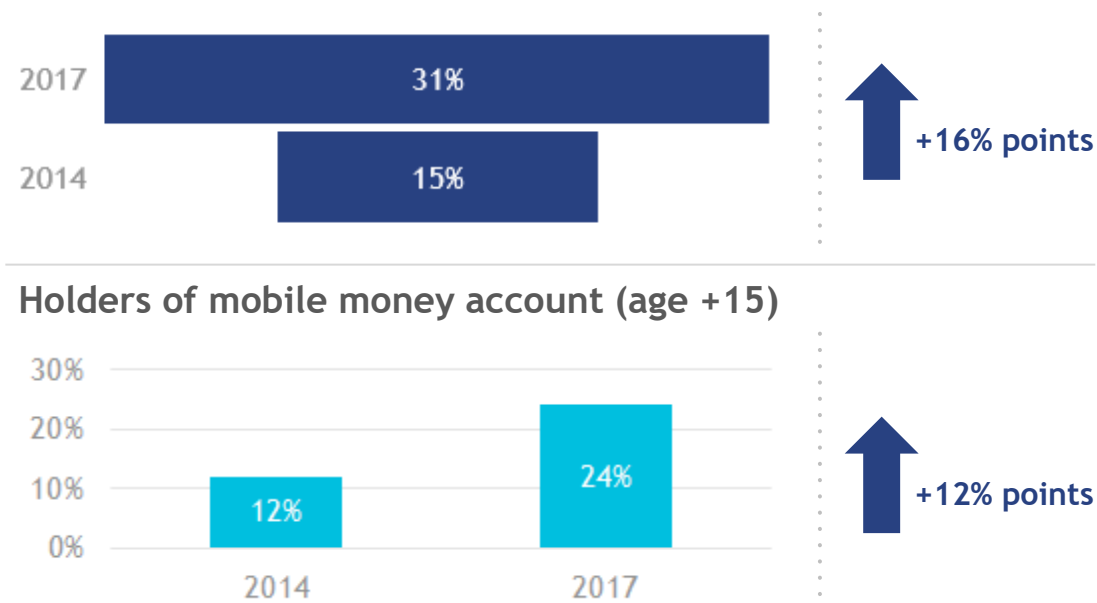
Although weakened by a domestic conflict and pervasive terrorism, Mali has made strides in improving financial inclusion

Adults (age 15+) with an account*, 2017: despite Mali's security challenges, financial inclusion has grown steadily in recent years, but the country still lags behind in the region



The armed conflict that began in 2012 in Northern Mali has undermined the development process of the whole country and slowed the growth of financial inclusion.

Payments: 31% of adults (15+) made or received digital payments in 2017, which reflects the growing adoption of mobile money, P2P transfers and utility bill payments

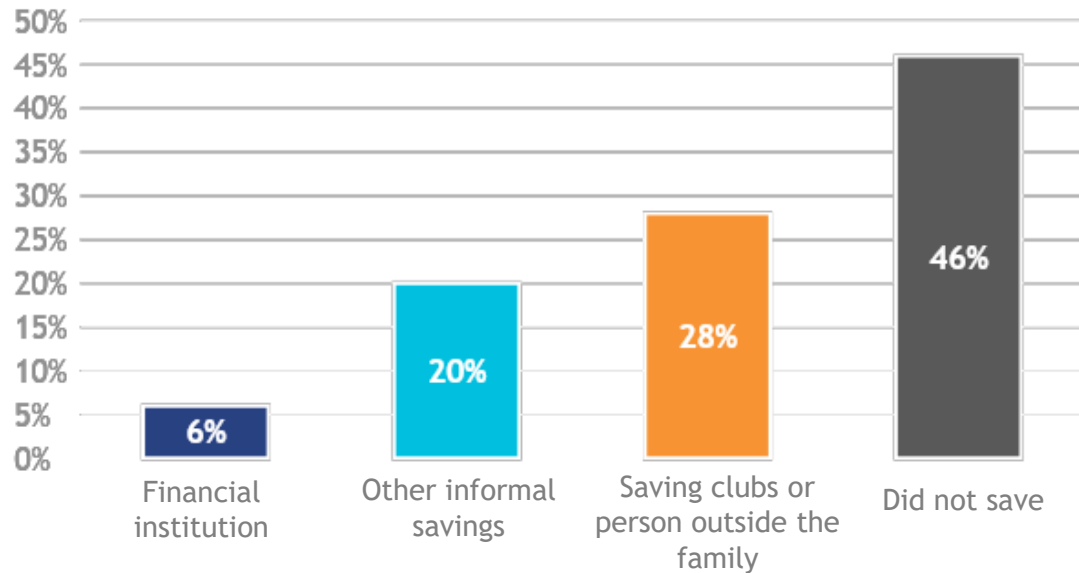


Mobile money continues to drive the growth in digital payments, reflecting a mobile phone penetration rate of 118% due to multiple SIM cards,** as it offers convenience for low-income and illiterate users.

Source: *World Bank Global Findex data (2017) (includes accounts at a bank or another type of financial institution or use of a mobile money service in the past 12 months); **World Development Indicators, 2017

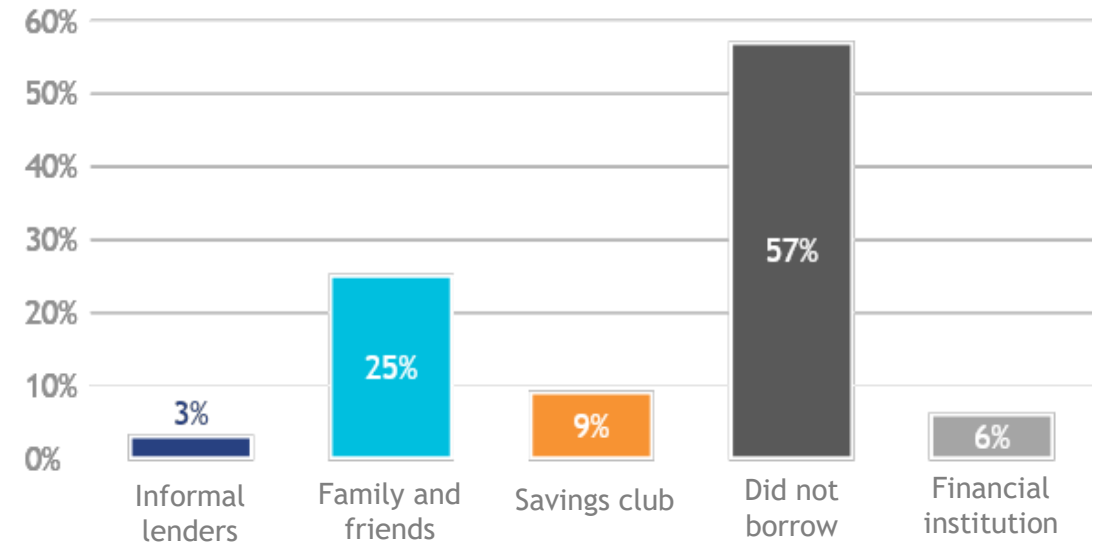
While most Malians save and borrow informally or semi-formally,* formal channels are expanding, which reflects the increasing foothold of microfinance institutions**

Savings: 54% saved money in the past year, primarily to start or to expand a business**



Despite limited income, over half of Malians save money, generally under the mattress or through community-guaranteed mechanisms.

Credit: 43% borrowed in the past year, mainly through easily accessible and less expensive traditional channels

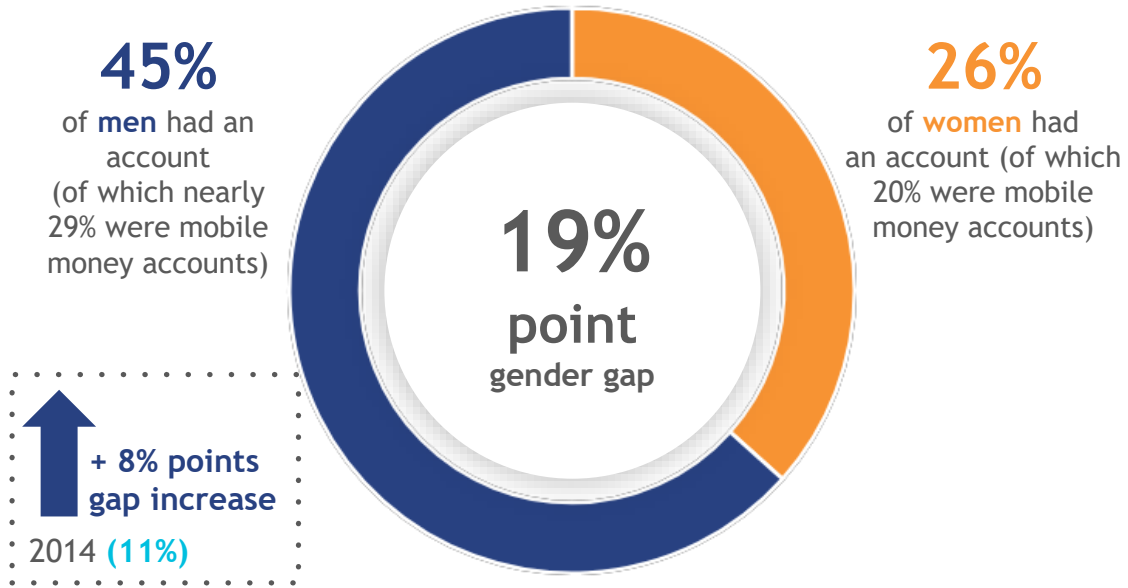


Due to limited confidence in banks,**borrowers rely on family and friends and semi-formal lenders, which is the result of occasional and unpredictable reasons for borrowing such as covering medical expenses**.**

* Formal channels include banks, microfinance institutions, and credit cards. Semi-formal channels include saving clubs, such as tontines, rotating savings associations, and credit associations. Informal channels include family and friends and other informal lenders (World Bank Global Findex, 2019); ** BCEAO, 2019 notes that Mali receives the most funding for MFIs in the region; *** Global Findex, 2017; ****The Microfinance sector has been in a state of emergency since 2009, when the collapse of several large MFIs made thousands of low-income depositors lose access to their savings overnight, along with a loss of confidence in financial institutions.

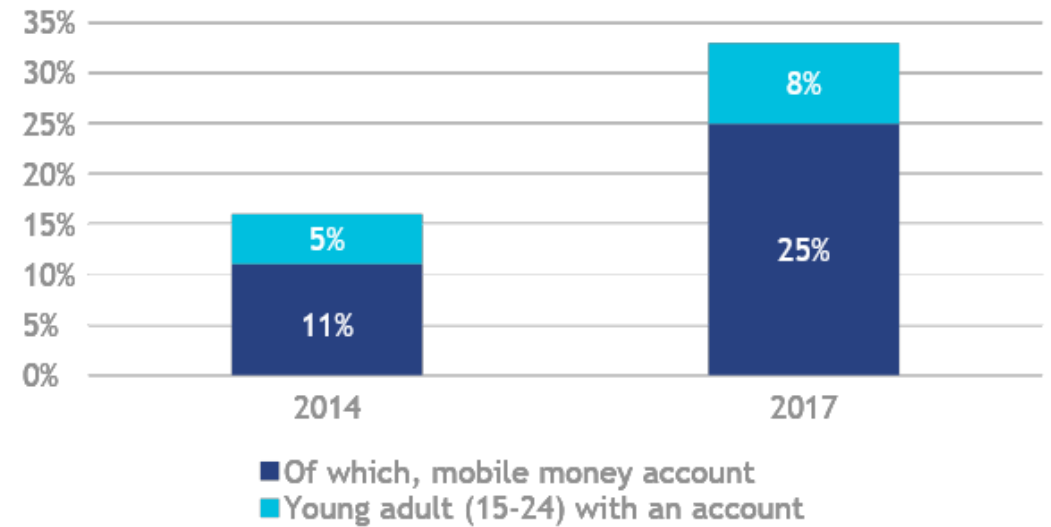
The expansion of mobile money seemingly ignores the strong gender and social discrimination in Mali and instills financial inclusion among women and youth

Financial inclusion gender gap, based on accounts and active accounts, 2017*



The gender gap in terms of access to financial accounts is high in Mali, which reflects discrimination of women and their comparatively lower literacy capabilities*** and capacity for women to engage in decision-making in families. However, mobile money tends to ease their financial inclusion.

Youth (15-24) with an account, change between 2014 and 2017*



The high share of mobile money account holders is enabled by one of the highest mobile penetration rates in the region. The gap in account ownership is less pronounced when disaggregated by area (21% in rural areas), and inverted when disaggregated by age (25% for adults aged 15-24 vs 24% percent of adults aged 25+).

Sources: * Global Findex database (2017); ** <http://evaw-global-database.unwomen.org/en/countries/africa/mali>; *** literacy rate is 12% for women (15 and above) and only 7.3% of women have received a secondary education, and 49% literacy for youth (15-24) World Development Indicators

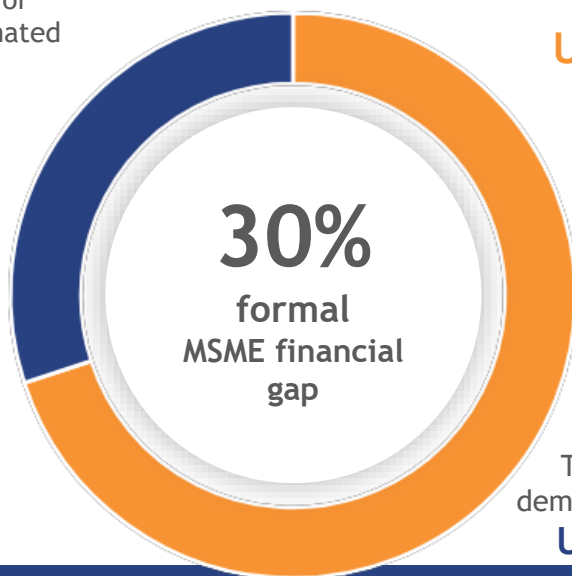
FinTech solutions have an opportunity to reach the untapped agri-focused MSMEs and LMI segments concentrated in the marginalized rural areas and particularly for youth

Financial inclusion for MSME, based on real and estimated financing needs, 2017*

The financing gap for MSMEs in Mali is estimated at **USD 371.5 million**

Current supply is **USD 860 million**

In 2016, **14%** of MSMEs had a bank loan or line of credit**, of which only 1% represented the agriculture sector***



The total potential demand for financing was **USD 1.2 billion**

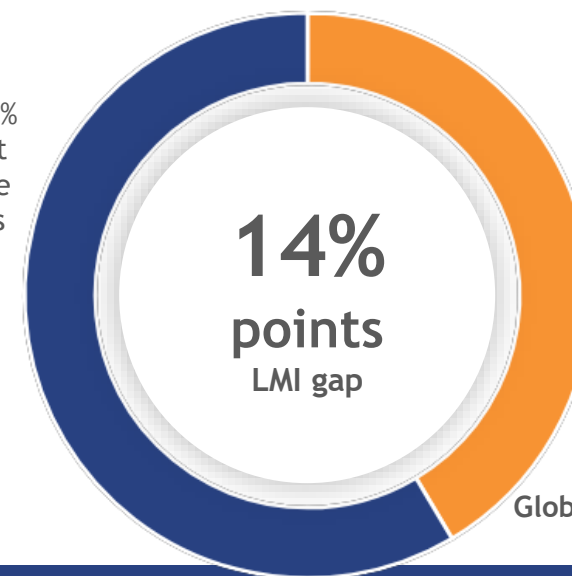
With a share of 38% of GDP and 80% of employment in 2018***, agriculture is a core activity for Malian MSMEs, requiring tailored DFS focused on increasing access to capital in the main value chains. The majority of MSME have evolved from the informal sector and lack accounting records.

Financial inclusion of Low and Medium Incomes (LMI), based on account holder per income group, 2017****

48% of the richest 60% have an account (of which mobile money accounts are 27%)

34% of the poorest 40% have an account (of which mobile money accounts are 21%)

90% of the poor live in rural areas*****



Global LMI gap: 13% points (74%-61%)

Although the financial inclusion gap remains large for the poor, it tends to be reduced thanks to the expansion of mobile money services, including in rural areas where MFIs fail to penetrate.*****

Sources: *Enterprise Financial Gap database (2017); ** Global Financial Development Database; *** Investing in rural population in Mali, IFAD (2019); ****Global Findex (2017); ***** <https://www.worldbank.org/en/country/mali/overview>; ***** <http://www.findevgateway.org/fr/pays/mali>

Note: micro: 1-9 employees, small: 10-49 employees; medium: 50-250 employees;



Mali

Key constraints of financial inclusion and potential opportunities for digital disruption

Gaps in the supply and demand for accessing credit from banks

Banking sector

The banking sector remains sound and profitable, but lacks the capacity, know-how and incentives to finance start-ups

- Reluctant to lend to start-ups due to higher risks and costs as primary reason, followed by the lack of long-term funding and adequate collateral
- Using risk/return considerations, most banks limit their lending to more established entities
- Banks lack the capacity to adequately access the risks of start-ups
- Weak business environment increases the collateral needed in case of default

Demand side





A combination of factors lead to limited access to finance:

- Lower ability to meet collateral requirements
- Limited business skills from start-ups
- Weak business models
- Limited track record of business
- Bribes are often required to have business plans reviewed by the bank specialist
- Female-led businesses assume they cannot access loans

Digital finance is not well understood in the Malian market and will require targeted messages to encourage uptake and regular usage





Proportion of segments who transfer, borrow, or save money**

Savings

Segment	Percentage
Women 	55%
Rural 	51%
Youth 	46%
MSMEs 	unavailable





Despite low incomes, saving is a relatively common practice, with a national average of 54% persons aged 15+ making any savings in the past year.** The marginalized groups, youth fall eight percentage points below the national average.

Credit

Segment	Percentage
Women 	41%
Rural 	43%
Youth 	39%
MSMEs 	7%***

The national average of persons aged 15+ borrowing any money in the past year stood at 43%.** Only 6% of loans are formal and the rest are from relatives or social mechanisms. Most borrow for health and medical purposes.* Access to finance is a major barrier for 58% of MSMEs with 63% using non-financial banks.***

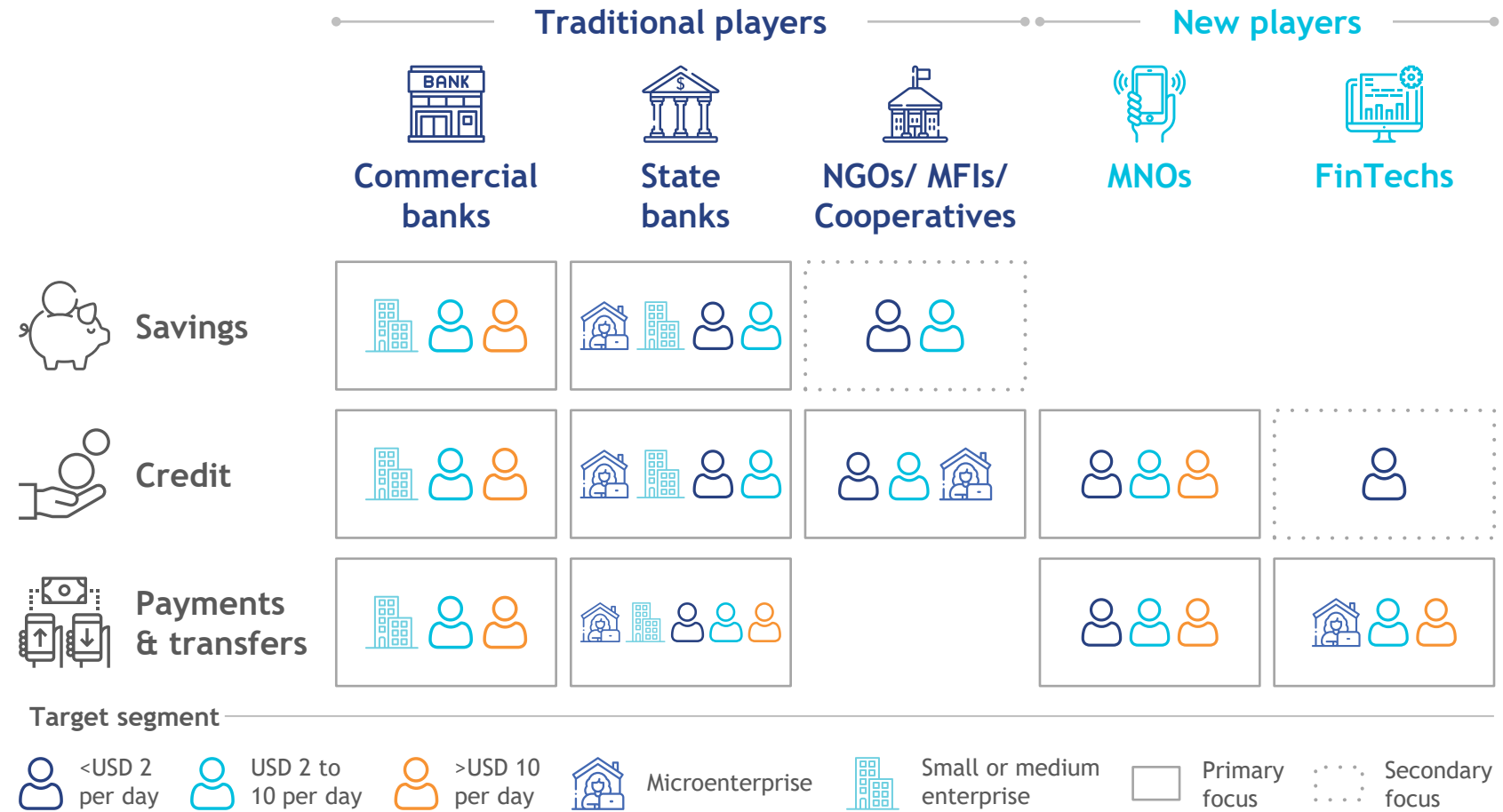
Payments and transfers

Segment	Percentage
Women 	24%
Rural 	26%
Youth 	29%
MSMEs 	unavailable

On average, a quarter of women, rural dwellers, and youth made or received digital payments in the past year, which reflects a low usage of DFS, though slightly higher than the national average of 20%. 9% of men and 3% of women have either paid bills or purchased something online.*

Source: World Bank Enterprise Survey, 2016, **Global Findex database, 2017, ***IFC Enterprise Finance Gap, 2018

The ecosystem of supply-side actors is quite concentrated and strongly dominated by partnerships between mobile phone operators and banks



In July 2018, [BDM-SA](#) and [Orange Mali](#) joined forces to launch the mCauris service, which will allow customers to access their bank accounts via Orange Money

The partnership between the Bank of Mali and Sotelma \ Malitel has resulted in the [MOBICASH](#) service, which provides mobile phone users with access to a range of financial services

In June 2018, the Premiere Agence de Microfinance (First Microfinance Agency) ([PAMF](#)) joined forces with Orange to provide Orange Money customers with an instant credit and savings service, 100% accessible by phone via Orange Money accounts

Source: MSC analysis



Mali

The FinTech ecosystem



Spotlight on an entrepreneur

[Famib](#) is a company that specializes in IT engineering and service, whose main solutions are as follows: Automated quality management system or integrated management, the Virtual University of Mali (UVM) and the digital currency Xaalisi. Xaalisi is the electronic wallet payment system whose support can take the form of a card, a mobile phone, or any other means of payment using modern payment instruments.

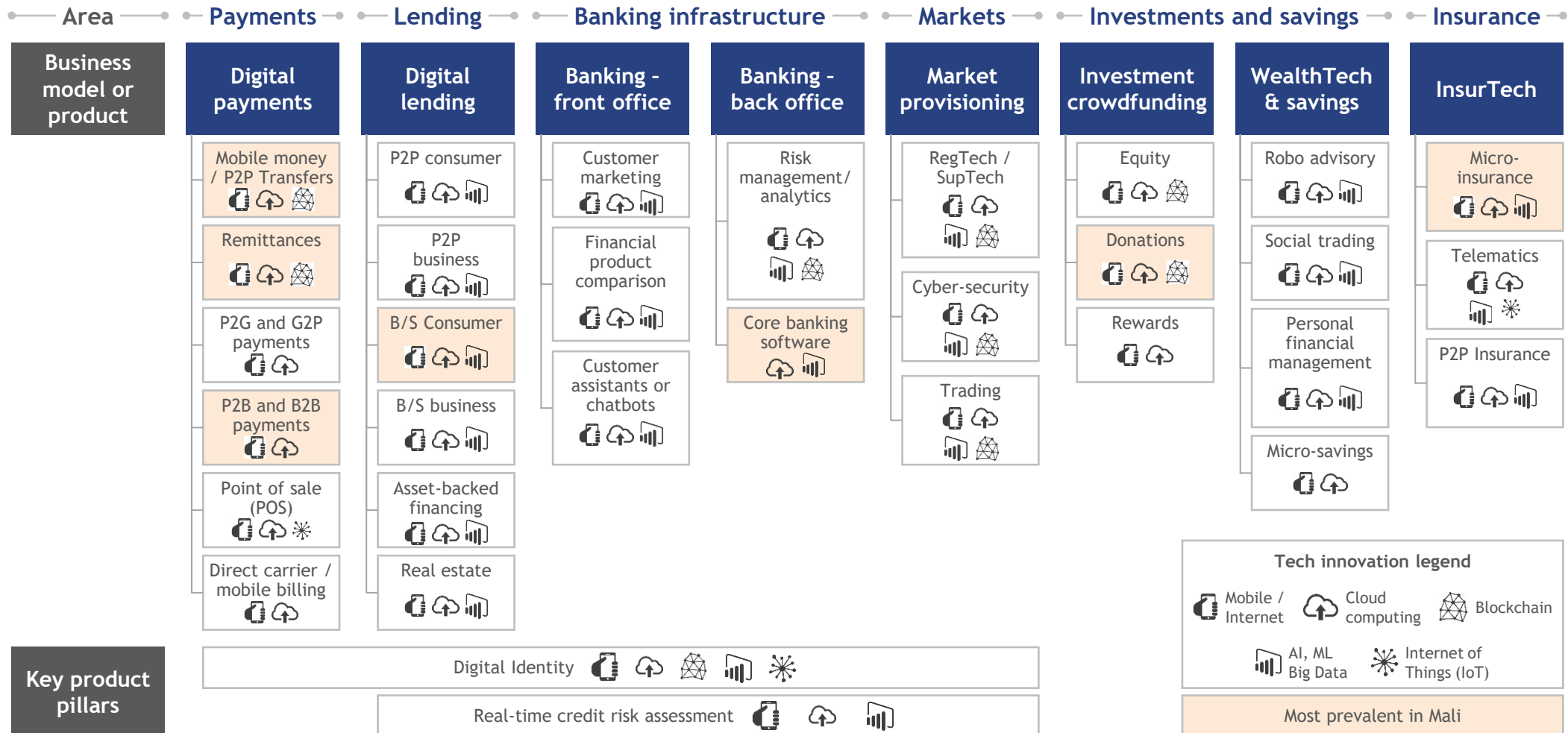
Amadou Diawara returned to Mali in 2010 after his studies to launch the FAMIB Group, and most recently the Université Virtuelle du Mali (UVM) and the crypto Xaalisi. As the business grows, Amadou's primary challenges include the need for:

- Clarification of regulations by BCEAO
- Reduction in the the BCEAO's processing time for the e-certificate file
- Filling the legal void on certain regulations



Famib
A la hauteur de vos attentes

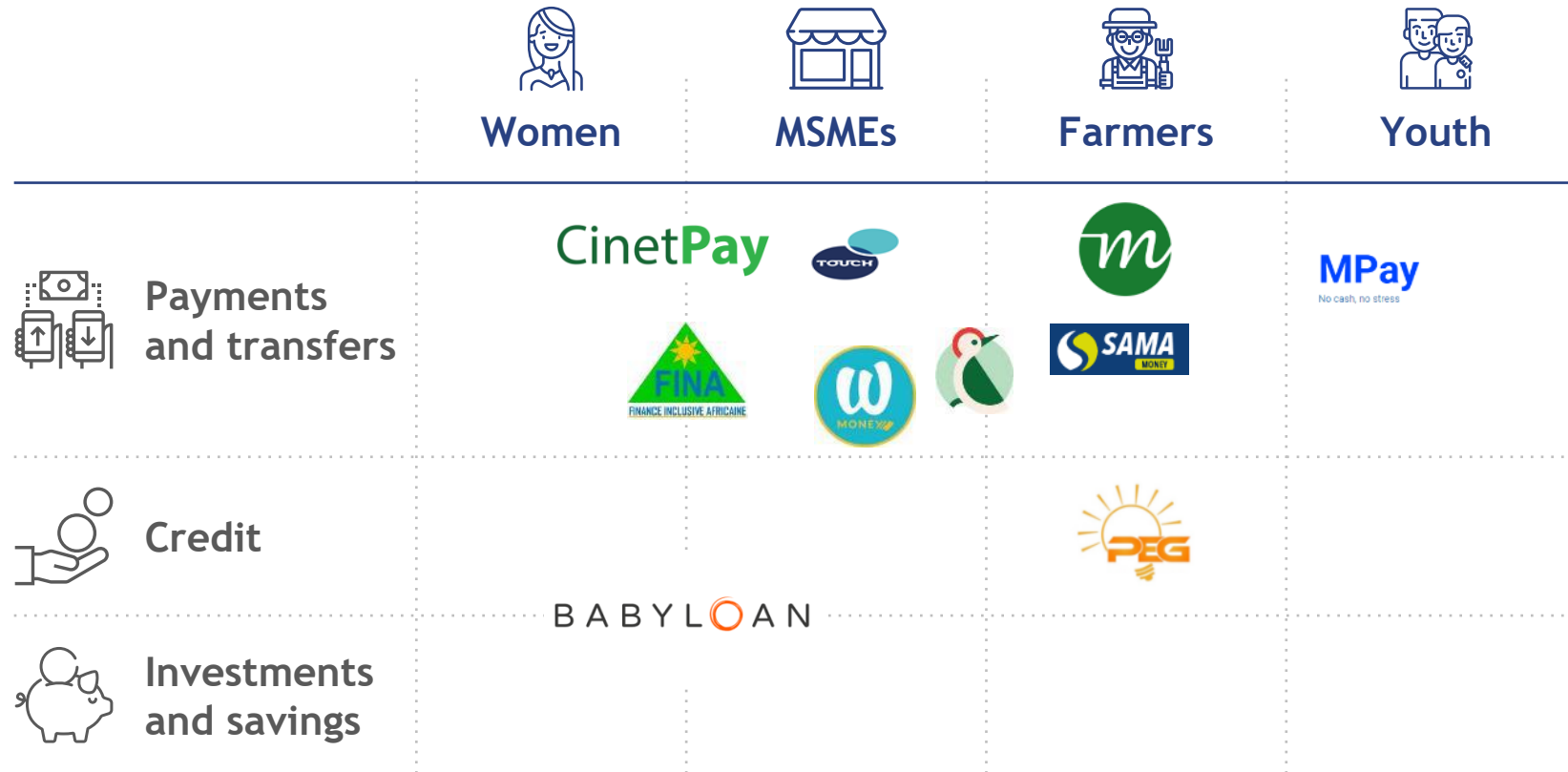
FinTechs are primarily focused on payment and transfer solutions; the Malian diaspora is the major segment targeted, representing one-third of the population



List of FinTechs:

- [Babyloan Mali](#)
- [CinetPay](#)
- [DanaPay](#)
- [Famib](#)
- [Intouch](#)
- [Lafayette](#)
- [Mediasoft](#)
- [MoneyCell Mali](#)
- [Mpay](#)
- [QuickCash](#)
- [SAMA Money](#)
- [VitePay](#)

FinTechs focus on youth, MSMEs, and the diaspora to expand their client base, whereas gender-centric products remain untapped



Mapping of Malian inclusive FinTechs according to their target segments and main products



SAMA Money is a FinTech that has set up an innovative money transfer and mobile payment platform in Mali

Babyloan Mali is a crowdfunding platform that allows the general public to lend money to youth micro-entrepreneurs in rural Mali

Dôni-Dôni offers farmers the opportunity to save small amounts of money via their mobile phone and to use these savings to buy inputs packages. Inputs are provided via convenience kiosks and agronomic advice is offered via a phone helpdesk and on-the-ground extension officers.

There are a large number of startups focusing on FinTech to address a primary pain point for the country.

myAgro has pioneered an alternative system that matches how farmers already manage their money. Using a prepaid scratch card model—similar to buying prepaid mobile minutes—farmers can pay in advance for fertilizer, seed or training packages by buying a myAgro card at their local store (from 50 cents to \$50). Through this bank-less savings scheme, average harvests for myAgro farmers have increased between 50%-100% over traditional farms and net farming income has increased \$150-\$300 per farmer. The scheme is operational in Mali, Senegal and Tanzania.



Financial tools are not designed to help farmers save money and public support largely falls short. In the areas where myAgro works in Mali and Senegal, the average family has 15 people and is food insecure for three months of the year. They traditionally harvest less than a ton of food per hectare, when they could produce three to four times that with access to better seeds, fertilizer and training.

Problem Statement: How to facilitate fertilizer and seed acquisition for farmers with a flexible payment plan?

How it works ?	Opportunity	Business Model	Impact
<ul style="list-style-type: none"> Prepaid scratch card purchased from Village Entrepreneur paid on commission Deposit funds in layaway account by texting scratch-off code 	<ul style="list-style-type: none"> e-Wallet savings <div data-bbox="614 1100 1179 1162" style="background-color: #00AEEF; color: white; text-align: center; padding: 2px;">Target Clients</div> <ul style="list-style-type: none"> Farmers 	<ul style="list-style-type: none"> B2C Donation 	<ul style="list-style-type: none"> Serves over 45,000 farmers 50% to 100% increase in harvest yield per hectare \$150 to \$300 in additional farming income per year

Case of Sama



[SAMA Money](#) was founded in 2018 in Mali to contribute to financial inclusion and improve the banking rate of African populations. The initial capital invested was XOF 300 million (USD 509,771). To date, the total amount invested is XOF 1 billion (USD 1,699,235). The money invested comes from shareholders. SAMA Money is an innovative mobile money transfer and payment platform. You just need to create a SAMA account to be able to send and receive money anywhere in Mali.



Context

The Malian context of money transfer is standard, both locally and internationally, dominated by the well-known money transfer operators. However, a large part of the population cannot access the Internet and therefore has difficulty receiving funds.

Problem statement: How to facilitate and revolutionize the money transfer in the Malian market?

How it works ?	Opportunity	Business Model	Impact
<ul style="list-style-type: none">• Download the app and create the account• Use USSD or WhatsApp with your registered number	<ul style="list-style-type: none">• API• e-Wallet	<ul style="list-style-type: none">• B2B and B2C• Commissions on transactions 6% as fees• 0% on bill payments	<ul style="list-style-type: none">• More than 3,000 sales outlets available• Over 80,000 clients registered
	Target Clients		
	<ul style="list-style-type: none">• Malian diaspora as well as the local population		



Mali

The supporting ecosystem



FinTechs issues around face management and financing but also suffer from their lack of understanding of the market and limited knowledge of their potential clients or partners

Internal barriers

Impact on viability



Skills

- Lack of local skills for application development lead FinTechs to outsource IT activities overseas, while young professionals are reluctant to work in a startup because they seek positions in well-known organizations.

“In a country with a high unemployment rate, young people do not like to engage in MSMEs or with little-known structures.” - A FinTech CEO



Capital

- Beyond lacking guarantees and collateral, FinTechs are reluctant to seek outside investment due to perception of loss of control.

“We do not want to open up our capital because we want to keep control over our growth strategy.” - A FinTech CEO



Talent management

- Lack of professional business skills hampers business expansion due to lack of planning and cost/cash flow management skills.

“Competencies are rare and lead to high salaries which makes hiring very difficult for startups compared to large companies. At the same time the local raining centers are not producing qualified candidates” - An Incubator



Collaboration

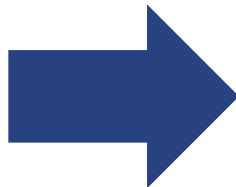
- Banks have few interactions with FinTechs and are not involved in mentoring, limiting awareness of the sector potential

“We do not have information on the FinTechs that operate in Mali; it would be nice to have a database.” - A Bank Manager
“Organizations operating in multiple countries are preferably looking for centralized solutions, and are therefore not necessarily paying attention to local solutions.” - An IMF Manager



FinTechs are optimistic and have requested that the government and regulator intensify their engagements

Barriers perceived by FinTechs



- Assumption that only connected individuals can succeed
- Lack of awareness of government incentives to encourage entrepreneurship
- FinTechs are unable to easily access the USSD and API channels with providers, which is a problem because rural areas lack Internet connectivity
- USSD access needs to be democratized but the regulator is unwilling to take countermeasures against MNOs and encourages the resolution of issues between the companies
- Cost of license to issue or distribute electronic money makes FinTechs dependent on incumbents
- MFIs do not have the right to issue e-money, which limits their ability to forge partnerships to reach LMI populations

Opportunities perceived by FinTechs



- No regulatory constraints have a direct impact on FinTechs because the financial institution bears the responsibility. However for FinTechs, the respect of the KYC rules requested by the financial institution provides a guideline
- UEMOA's current agreement on interoperability will allow FinTech to be included in the initiative
- Startup Fridays encouraging broader participation with local startups
- The Central Bank has openly engaged in discussion with FinTechs to understand their way of working better
- The Mali Startup Act provides a framework to assist the growth of FinTech startups

“Regulatory authorities are playing their role and actions are underway to promote innovation” - A FinTech CEO

Does the regulation enable DFS innovation in Mali?

“The Central Bank is continuing its reflection on cryptocurrency, the regulation is unclear and we are counting on the support of a commercial bank and an international organization to launch our cryptocurrency platform” - A FinTech CEO

Mali has implemented national measures to make the DFS environment more favorable



Progress to date

Digital financial inclusion

- **Financial inclusion:** The current national strategy for the development of the digital economy, “Digital Mali 2020,” promotes access to digital services among the population and encourages the adoption of e-government solutions. The Action Plan for Micro-Finance Promotion 2016-2020 promotes financial inclusion through the expansion of digital finance.
- **Digital identification:** Biometric ID cards are available for citizens above 18 years for voting since 2018. This is BCEAO’s minimum requirement for financial service providers to register customers.
- **Consumer protection:** Law n° 2013-015 on personal data protection clarifies consumer rights and available legal remedies in case of personal data violation or unauthorized video surveillance.
- **Cybersecurity:** Instruction n° 2019-056 against cybercrime providing security for electronic data had been published at the time of writing.
- **Competition:** In compliance with BCEAO’s anti-competitive practices around monitoring attribution, the Malian Regulation Authority for Telecommunications and Post adopted decision 18-0045/AMRTP-P in 2018 to give access to USSD code to any financial services providers, such as banks, MFIs, and game developers, upon agreement of the AMRTP on a case-by-case basis.



Limits for digital financial inclusion

- The lack of a regulatory framework for FinTechs prevents them from attempting to collaborate and trying specific approaches to improve the state of financial inclusion. The cost and process of obtaining an electronic money issuer license, however, are huge and cumbersome.
- KYC among LMIs is an issue, notably in rural areas, with 29% of Malians lacking an identity card.
- As FinTechs operate outside the purview of the Central Bank, consumer protection remains a gray area. As a result, the FinTechs manage transparency, customer complaint management, data privacy and the quality of service in terms of availability and reliability on discretionary principles.
- While the law on cybersecurity is in the process of being set up, Mali ranks 152/175* in the world on the global cybersecurity index, which means that the security systems around technology in the country need to improve.
- Financial service providers lack negotiating power for USSD use fees.

While a lack of BCEAO regulations hampers some areas of DFS development, Mali has been implementing national measures to leverage digital channels and solutions



Products

Progress to date

Limits for DFS development

Payments and transfers

- The Central Bank (BCEAO) issued DFS guidelines that allow for all types of institutions, including banks, MNOs, and non-bank payment service providers to issue e-money. Providers need only to apply once to be allowed to operate within the region, reducing barriers to entry and limiting investment costs for regional expansion
- Instruction n° 15-12/2010/RB regulates all types of payments, and a direct transfer license is available for remittance service providers
- Instruction n° 008-05 regulates electronic money
- An interoperable regional payment platform is expected to come into place by mid-2020
- Law 2013-546 on electronic transactions set a regulation framework for e-commerce activities, including KYC rules
- Credit Reference Bureaus are being set up in all WAEMU countries
- The regional SME support initiative, led by the BCEAO, improves access to public procurement

- Until the interoperability is effective and regulations are clarified how FinTechs could be integrated in the initiative, FinTechs need to contract with each provider or use an aggregator
- No specific regulations are in place for the payment solutions and money transfer mechanisms of aggregator FinTechs
- Credit pricing is a limiting factor, with an interest rate cap of 15% for banks and 24% for microfinance institutions, which makes it challenging to develop a profitable business model and prevents the launch of new initiatives

Savings and credit

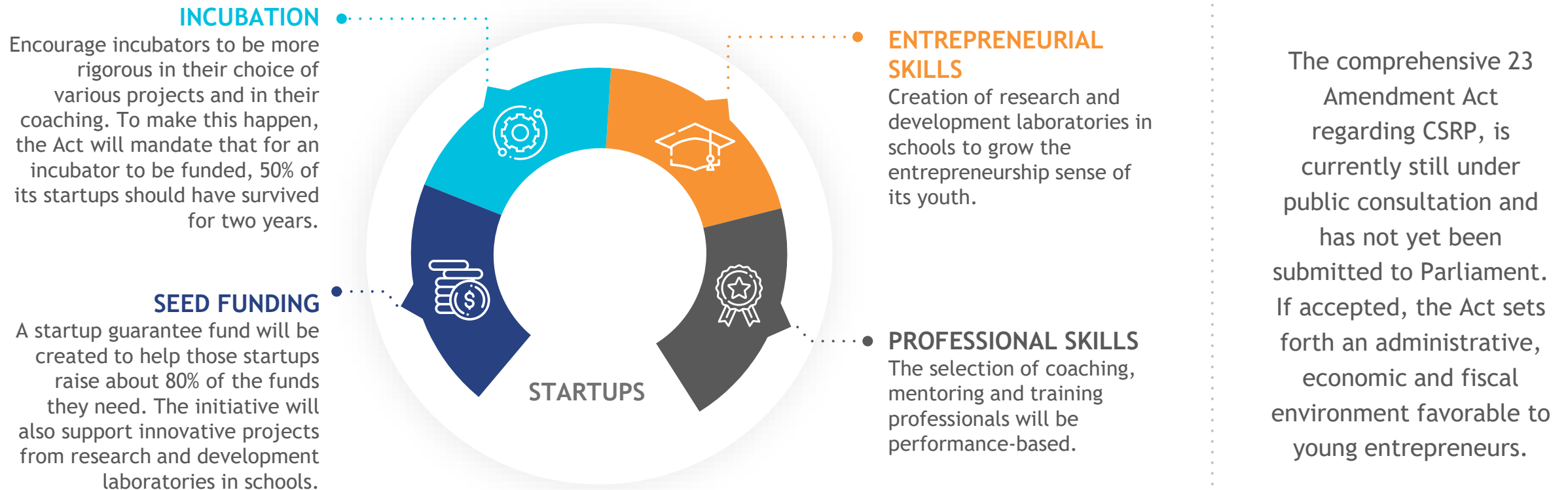
- Mali is working with the World Bank to improve aspects such as the supply of credit for guarantee funds, pre-seed and seed grants, acceleration and promotion of entrepreneurship, and strengthening SMEs' capacity for credit demand (including capacity building, support to ecosystem providers, support to business development service (BDS) providers)
- The authorities have also adopted a National Microfinance Strategy in 2015 that aims to strengthen the soundness of the microfinance sector by strengthening capacities in the sector and ensuring effective supervision, as well as facilitating access via DFS.

- The license to issue electronic money prevents FinTechs from offering credit, with the sole exception made for credit given out by a bank or an MFI
- BCEAO only allows licensed financial institutions, including banks and MFIs, to collect savings

Sources: BCEAO Instruction n° 15-12/2010/RB; Instruction n° 008-05

Following in the footsteps of Tunisia and Senegal, Mali is planning to create the Startup Act Mali

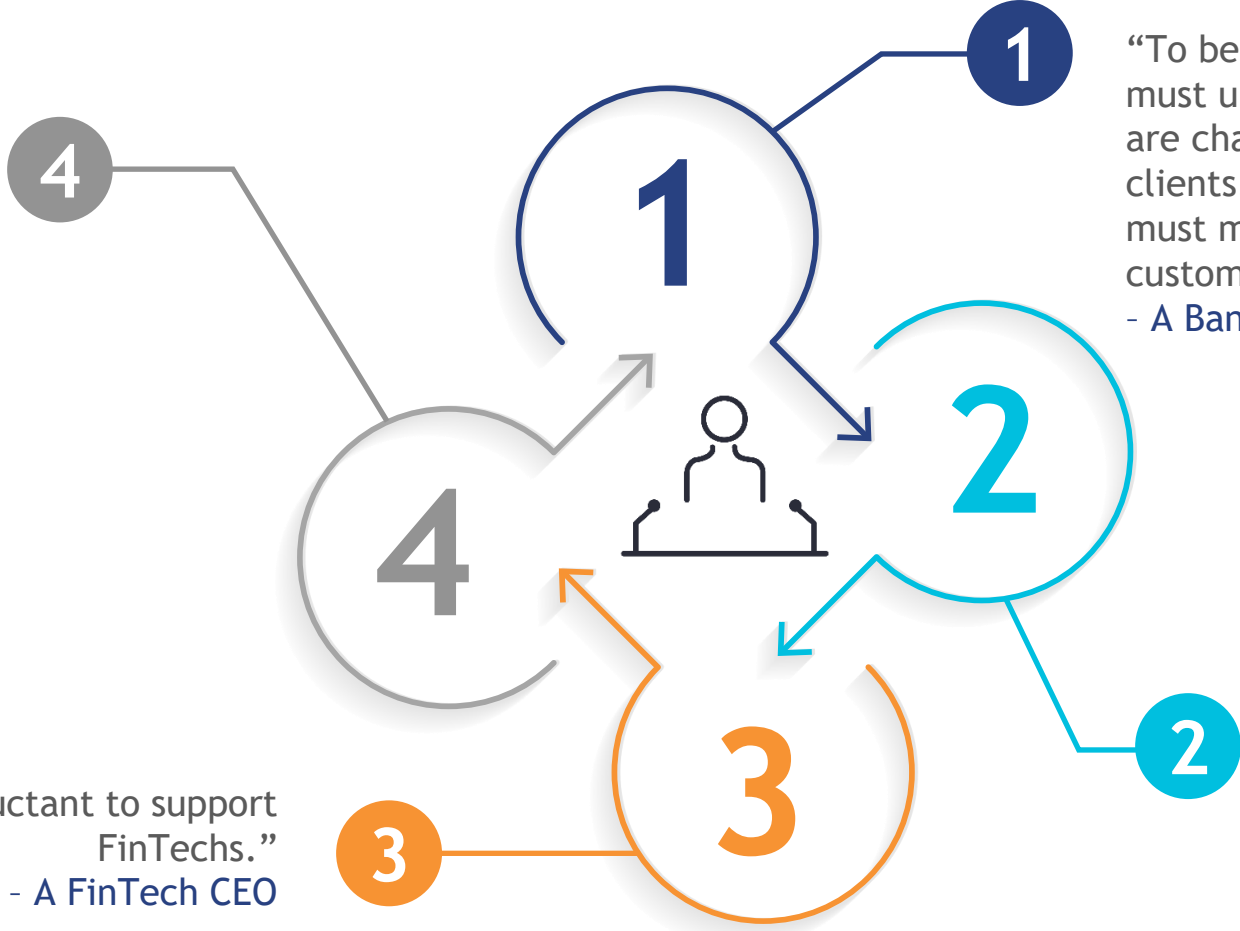
The Malian government has put in place machinery to begin the process of legislating for a new Startup Act benefiting ventures younger than four years, with at least a third of its equity from locals and less than 10 employees



Differing perspectives on partnerships reveal the need to better understand the gaps to partner with incumbents

“The FinTech ecosystem is in its early stages. Players like Orange Money control the entire market. The ecosystem is poorly structured.”
- An incubator

“Banks are reluctant to support FinTechs.”
- A FinTech CEO



“To be successful, FinTechs must understand that banks are channels to access clients. Moreover, FinTechs must make it easier for the customer journey.”
- A Bank representative

“Many FinTechs cannot meet criteria, such as service quality or security, and lack market experience, all of which make partnerships unattractive for banks.”
- A Bank representative

Partnerships with banks are essential for FinTechs to offer basic first-generation* products in order to grow

DFS market player	What are the benefits for FinTechs to build partnerships with this market player?	What are the challenges faced when building partnerships with this type of market player?	Partnership Approach
Banks	<ul style="list-style-type: none">• Being able to offer first-generation products• Accessing the banks' client base• Developing platforms and digital solutions for banks, such as SMS and Internet banking solutions, digital portals, wallet applications, and crypto money	<ul style="list-style-type: none">• Some banks are reluctant to innovate	<ul style="list-style-type: none">• Banks collaborate with local FinTechs to develop their SMS and Internet solutions, as well as with e-money issuers for FinTechs• Famib developed a service called Delta challenge that offers mobile money services in partnership with BSIC, Ecobank, and Orange Money• Mpay is not yet operational but has already planned to partner with BMS and BNDA to synchronize its MPay cards with client accounts of these institutions, and with BMS to be able to issue e-money

*First-generation products include basic savings, loans, person-to-person transfers, and bill payments. Second generation products are focusing on payments through platforms such as merchant payments, ecommerce, and supply chain management, as well as data-driven lending backed by these platforms

Some DFS players partner with MFIs, but collaboration with MNOs is critical to gaining access to APIs and reach a large client base

DFS market player	What are the benefits for FinTechs to build partnerships with this market player?	What are the challenges faced when building partnerships with this type of market player?	Partnership Approach
MFIs	<ul style="list-style-type: none"> Ability to offer first-generation products* Accessing the MFI client pool to develop credit and savings products 	<ul style="list-style-type: none"> MFIs have little understanding of DFS potential, reflecting a weak digital culture (inadequate IT department, staffing and tools) and hesitation to turn digital MFIs have a lack of ambition to reach more clients 	<ul style="list-style-type: none"> There are few collaborations between MFIs and local FinTechs Mpay has already planned to partner with Nyésigiso to synchronize its MPay cards with client accounts MoneyCell Mali has a partnership with Nyésigiso since 2017 with an operative wallet
MNOs	<ul style="list-style-type: none"> Gaining access to USSD code, as access to MNO's APIs remain difficult and expensive for FinTechs Accessing the large customer base of MNOs is key to reaching the market 	<ul style="list-style-type: none"> MNOs in Mali have limited trust in FinTechs due to the lack of collaboration linkages Communication is not free-flowing 	<ul style="list-style-type: none"> MNOs provide USSD code and APIs as a distribution channel for DFS Orange provides access to USSD code to Mediasoft for it to be able to reach the mobile phones of bank customers, who are the end-users of its SMS and Internet banking solution

FinTechs rely on incumbents to access markets and overcome regulation limits for second-generation products

DFS market player	What are the benefits for FinTechs to build partnerships with this market player?	What are the challenges faced when building partnerships with this type of market player?	Partnership Approach
Institutions	<ul style="list-style-type: none"> National and local governments need to increase the mobilization of domestic revenues by securing and formalizing tax collection Developing solutions for individuals and their families to pay, save, or borrow for education fees and hospital expenses 	<ul style="list-style-type: none"> Government bodies and educational institutions are not yet digital 	<ul style="list-style-type: none"> Wizall is digitalizing tax payments and collections from communities with a private sector partner
Utility providers	<ul style="list-style-type: none"> Utility providers of goods and services, such as energy and water expand across the country and widen their consumer reach in the rural areas so will need payment solutions adapted to last mile 	<ul style="list-style-type: none"> The chicken or the egg: Given the risk of insolvency among low-income customers, utility providers will adopt solutions that have already proven effective in collecting and securing repayment 	<ul style="list-style-type: none"> SAMA Money is partnering with the electricity provider EDM and TV program service providers for prepaid services MoneyCell Mali is setting up a partnership with SOMAGEP for water postpaid bills
Economic interfaces	<ul style="list-style-type: none"> Building on the rootedness of economic organizations, including cooperatives and farmer organizations Access to an aggregate of informal and low-income farmers 	<ul style="list-style-type: none"> It is necessary to partner with multiple actors to have sufficient traction to gain revenues which is not always welcome 	

* Frydrych, J., Scharwatt, C. & Vonthron, N. 2015, Paying School Fees with Mobile Money in Côte d'Ivoire. GSMA; **<http://gca-foundation.org/>

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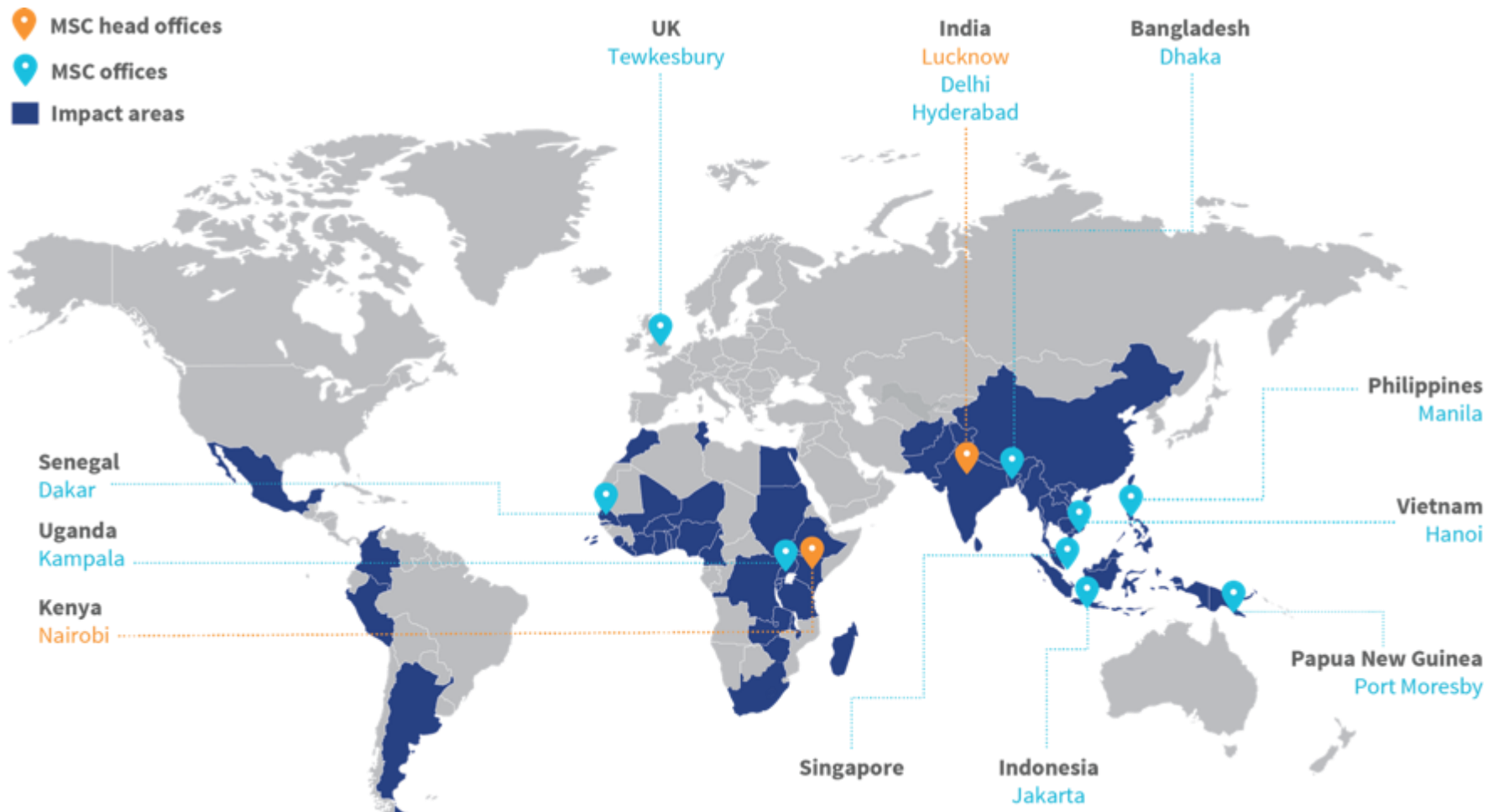
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