



Digital Financial  
Services for Youth  
Employment

Exploring Opportunities in  
Semi-urban and Rural Areas  
of Senegal



## Acknowledgements

This case study is part of a series of publications aimed at addressing the global learning agenda of the UN Capital Development Fund programme MM4P (UNCDF MM4P). The learning agenda includes four areas relevant to digital finance: customer adoption, distribution, high-volume payments, and partnerships for products and delivery solutions. The Orange case study focuses on distribution and customer adoption, exploring the opportunities that digital financial services can offer to youth and the ways that youth can, as agents, influence the adoption of digital financial services in their communities in Senegal.

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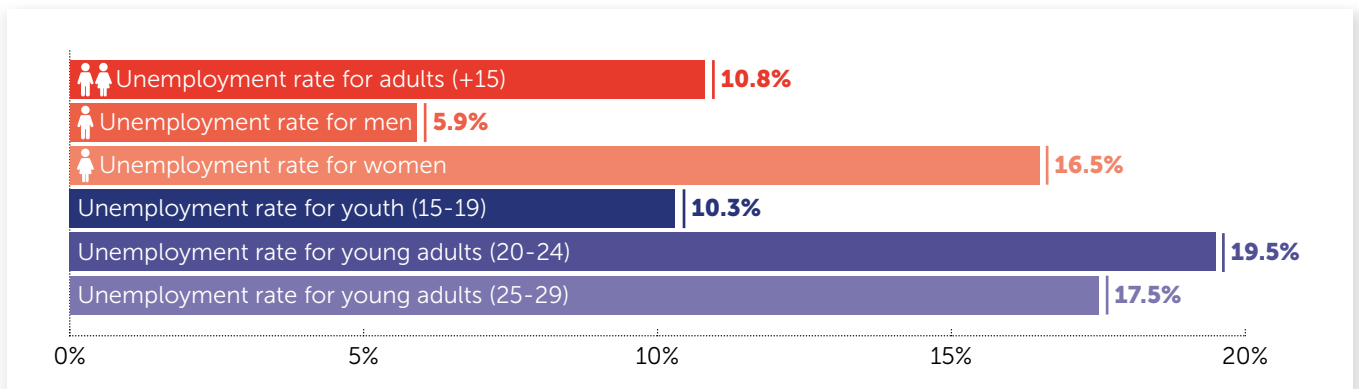
## Background

Senegal is a 'young' country, with 4.5 million of its 16 million inhabitants under 30 years of age (representing 50 percent of the working population).<sup>1</sup> However, younger Senegalese lag behind their elder counterparts when it comes to financial inclusion: while the overall financial inclusion rate jumped from 12 percent in 2014 to 20 percent in 2017 (19 percent in rural areas), the rate for young people (under 25 years of age) was just 13 percent.<sup>2,3</sup> Furthermore, young adults suffer higher unemployment rates (see figure I for statistics).

Pursuing its goal of ensuring the financial inclusion of low-income populations, including young people, through digital financial and non-financial services, the UN Capital Development Fund (UNCDF) launched a project to address the financial inclusion and employability of young Senegalese in October 2017. The project aimed at establishing a network of 150 kiosks, to be managed by young people in semi-urban and rural areas following a micro-franchise model. Micro-franchising is an approach that connects companies (mobile phone operators, technology companies specializing in money transfers, etc.) that are interested in expanding their networks with young entrepreneurs who lack the capital to develop their own businesses. The **franchisor** develops a business model that the young entrepreneurs (**franchisees**) follow.

The project involved the provider Orange Finances Mobile Sénégal (OFMS) and the local enterprise Banlieue Action Solidarité Immobilier Finances (BASIF), which previously managed a network of fruit and vegetable kiosks located in the suburbs of Dakar and managed by women. UNCDF wanted to meet several objectives through the partnership and project: (1) assist mobile network operators to expand their networks in remote un(der) served areas, (2) assist a small-to-medium-sized enterprise to develop a 'business-in-a-box' model to distribute digital financial services and related products, and (3) offer opportunities to young entrepreneurs and connect them with a financial service provider to access credit.

Figure I Unemployment figures in Senegal



Source: Agence nationale de la Statistique et de la Démographie, 'Enquête Nationale sur l'Emploi au Sénégal au Troisième Trimestre 2017' (Dakar, 2017).

<sup>1</sup> United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects: The 2017 Revision*, Working Paper No. ESA/P/WP/248 (New York, 2017).

<sup>2</sup> Asli Demirgüç-Kunt and others, 'The Global Findex Database 2014: Measuring Financial Inclusion around the World,' Policy Research Working Paper, No. 7255 (Washington DC, World Bank, April 2015). Indicator: Percentage of respondents who report having an account with a bank or other type of financial institution.

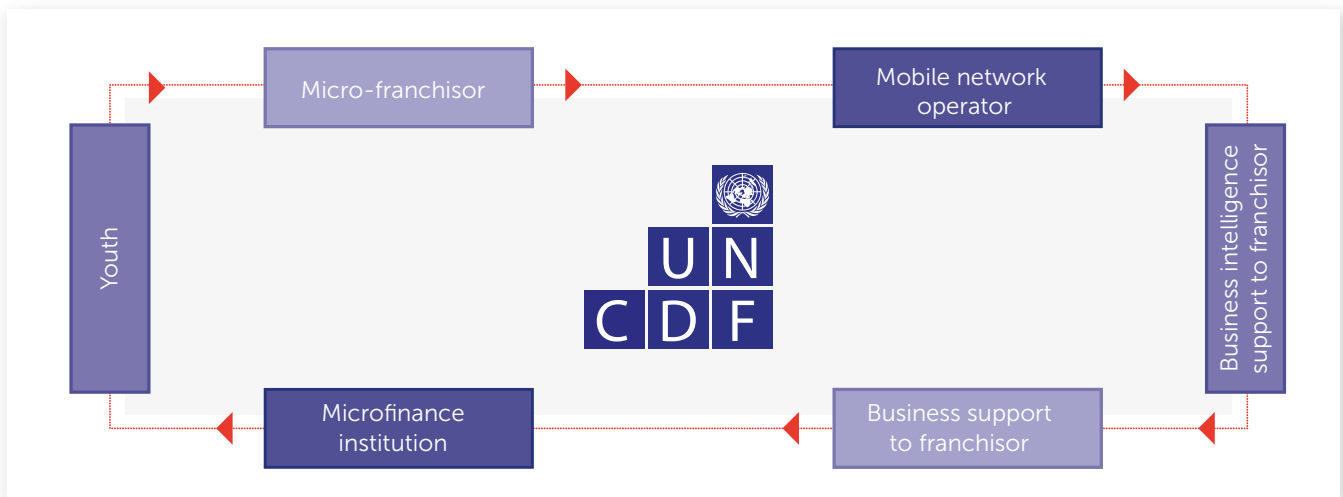
<sup>3</sup> Asli Demirgüç-Kunt and others, *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution* (Washington DC, World Bank, 2018). doi: 10.1596/978-1-4648-1259-0. Licence: Creative Commons Attribution CC BY 3.0 IGO. Indicator: Percentage of respondents who report having an account with a bank or other type of financial institution.



## Primary project partners and objectives

Figure II and the paragraphs below describe the project's primary partners, their roles and their objectives.

**Figure II** The ecosystem of partners involved in the project



**OFMS** had enjoyed a significant penetration rate with its Orange Money offering in the country's highly competitive mobile money market.<sup>4</sup> Although the service had become increasingly rooted in the daily lives of Senegalese people, OFMS wanted to improve its presence throughout the country and especially in peri-urban and rural areas hitherto poorly served. The project aimed to help OFMS deploy 150 kiosks in high-potential areas, which the operator identified beforehand. The project also intended to enable OFMS to improve the liquidity management of its agents through a mobile application and new liquidity monitoring processes in order to ensure the sustainability and profitability of the agent network. For its part in the project, OFMS was to facilitate the administrative procedures for installing the kiosks with the relevant town halls, train all parties on Orange Money, and ensure branding and promotion at the opening of each kiosk.



**BASIF**, taking on the role of the franchisor for OFMS, was to develop a business-in-a-box<sup>5</sup> model managed by young franchisees, with the objectives of **employing at least 50 percent young women**, reaching profitability after two years and generating a minimum income of CFAF 40,000 (US\$68) per month per franchisee.<sup>6</sup> Franchisees were to serve as the 'ambassadors' of Orange Money to the youth segment and help reach new geographical areas. In addition to promoting Orange Money (**deposit, withdrawal, bill payment, airtime top-up and account-opening**), young franchisees also were responsible for selling telephone and computer accessories as well as electrical recharging services via solar kits.

<sup>4</sup> The Orange Money penetration rate is 22.7 percent in Senegal. Source: Sonatel, 'Rapport annuel 2018,' p. 97 (Dakar, 2019).

<sup>5</sup> The business-in-a-box links companies that target new customers, to high-potential, young entrepreneurs who lack the capital to develop their own business initiatives.

<sup>6</sup> Conversion rate: US\$1 = CFAF 588.197. Source: <https://treasury.un.org/operationalrates/OperationalRates.php>, 1 May 2019. Note: This rate is used throughout this document whenever United States dollar equivalents are provided for CFA francs.



The financial institution **Partenariat pour la Mobilisation de l'Épargne et du Crédit Au Sénégal** (PAMECAS) was to establish a youth financing mechanism for the manufacture and installation of the kiosks, the purchase of accessories

and the provision of seed capital, a partnership that the franchisor BASIF proposed. The plan was, after two years of perfect repayment of their loans (monthly amount of CFAF 32,500 [US\$55]), the young people would become the owners of their kiosks (see table 1 for more details on the business plan). BASIF guaranteed the loans in the event of repayment default.

**Table 1** Franchisee business plan (CFAF)

Loan at 5% over 24 months, including 3 months of excess:	
Construction and installation of the kiosk	385 000
Starting capital	200 000
Ancillary purchases (non-financial products)	75 000
Contribution of the franchisee	(25 000)
<b>Amount to be borrowed from PAMECAS</b>	<b>635 000</b>
Amount of the monthly loan repayment	31 643
Tax + medical coverage	850
<b>Total amount to be paid per month</b>	<b>32 493</b>



## Implementation

UNCDF recruited two organizations to provide technical assistance for the project: Amarante Consulting (a firm specializing in the management of mobile money agent networks) and Dimagi (a software and mobile application development company).

**Amarante** assisted BASIF in (1) the design and implementation phases as well as a pilot phase for the launch of **15 kiosks**, (2) the deployment of the 135 other kiosks, and (3) the promotion and supervision of the network. Amarante also helped BASIF in the negotiation and finalization of the partnership agreement with the financial institution PAMECAS, as well as in the development of the franchise agreements with the young agents and kiosk supervisors.

**Dimagi**, in collaboration with Amarante on the specification of technical functionalities, developed a platform dedicated to network management via its **open source** tool CommCare. The mobile application was designed to improve liquidity management of cash and electronic money, monitor kiosk network activity, and model profitability to enable BASIF and OFMS to have more visibility over operations and exchanges in the network and improve their **data-driven decision-making**.

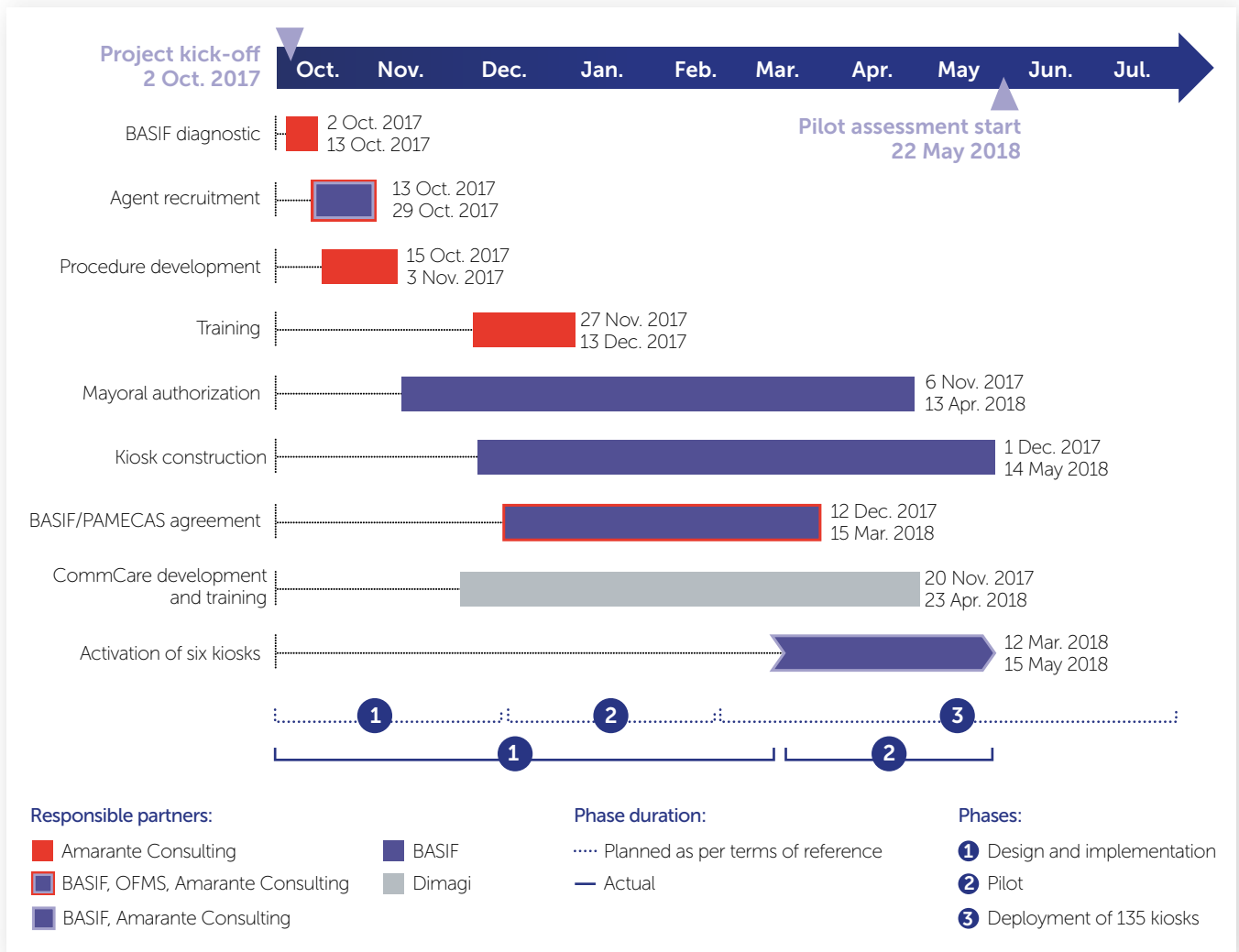
The solution addressed three user types: (1) **young agents**, to provide specific modules on digital financial service (DFS) operations (collections, disbursements, transfers and invoice payments), liquidity management, non-financial operations (delivery and sale of products), performance management (transactions, commissions, balances and reports) and their repayment schedule with PAMECAS; (2) **young supervisors**, to enable them to have visibility over their kiosks, monitor transactions, transfer liquidity and deliver products; and (3) **BASIF and OFMS**, to provide dashboards summarizing consolidated data in real time, including performance assessment, liquidity management, commissions and customers.

The design and implementation phases were initially planned to last three months (until mid-December 2017), but they took twice as long (until March 2018). Thus, the pilot phase began with a three-month delay and involved a launch spread over two months, with 6 kiosks out of the 15 planned and the deployment of six—all female—agents and three supervisors (see table 2 and figure III for more details on the pilot).

**Table 2** Details and organization of the pilot

Region	Department	Municipality	Opening	Franchisees	Supervisors
Dakar	Rufisque	Sébikotane	12 March 2018	1	1
		Sébikotane	20 March 2018	1	—
		Yenne	9 May 2018	1	—
		Yenne	15 May 2018	1	—
Thiès	M'bour	Malicounda	15 March 2018	1	1
		Madinatou Salam	15 March 2018	1	1

**Figure III** Chronogram of the pilot phase





## Results



Ndeye Coumba Ndiaye, one of the pilot's franchisees, in Bargny, Rufisque

Franchisees' sales performance was monitored via the Orange Money platform and then via the dedicated CommCare platform. Commissions were paid at the end of the month to BASIF, which paid the young people after deducting their loan repayments. The franchisor BASIF accessed the platform to extract monthly reports. In addition, BASIF and franchisees used the CommCare platform to monitor and manage their daily liquidity and telephone accessory sales.

Noting that the six franchisees did not have the same duration of activity (see table 2 earlier for the specific opening dates), the following results were recorded from mid-March to the end of May 2018 (see also table 3):

- **Approximately 6,000 Orange Money transactions** were conducted for a total of nearly CFAF 50 million (US\$85,000).
- **More than 95 percent of the transactions** carried out were in amounts of less than CFAF 50,000 (US\$85).
- **Average amounts of deposits and withdrawals** were lower than the key performance indicators defined with OFMS—average deposit of CFAF 9,275 (US\$16) versus the key performance indicator of CFAF 12,131 (US\$21) and average withdrawal of CFAF 10,041 (US\$17) versus the key performance indicator of CFAF 16,003 (US\$27).
- **Almost all** (96 percent) of commissions generated came from the sale of Orange Money services, with a total of nearly CFAF 700,000 (US\$1,190).
- **The most popular accessories**, such as headphones and phone chargers, generated only 4 percent of total commissions.

**Table 3** Results of the pilot phase

	Number of Orange Money transactions	Amount of transactions (CFAF million)	Average transaction amount (CFAF)
Deposits	2 615	24.30	9 275
Withdrawals	1 966	24.30	10 041
Airtime top-ups	1 399	1.10	795
Bill payments	4	0.02	5 975
<b>Total</b>	<b>5 984</b>	<b>49.72</b>	<b>—</b>

Qualitative analysis of the young franchisees' activity management showed the following:

- **Franchisees knew their customers well** (shopkeepers, construction workers, hardware store employees, etc.) as well as their needs and habits (deposits to conduct transfers, withdrawals for household expenses, transactions in the evenings and weekends, etc.) and adapted their schedules accordingly (extended opening times, for example until 9 p.m. and/or on weekends—even on Sundays).
- **Franchisees plan to keep operating** beyond the two-year period, want to improve their points of sale (floor tiles, accessory displays, etc.) and have ideas for products and services other than DFS to develop their businesses.

“

I was a Wari agent before. I also sell accessories such as jewellery. Later, when the kiosk is mine, I would like to sell my accessories there because there is a place. My husband encourages me to stay because the kiosk is mine.”

- Ndeye Aminata Ndiaye, Franchisee in Madinatou Salam

“

After the two years, I want to make a multi-service kiosk with a printer and a photocopier. It's important to me. I'm the eldest member of the family.”

- Diokhé Cissokho, Franchisee in Malicounda





## Obstacles

Various obstacles affected implementation:

1.

### Delay in obtaining municipal authorizations

- Frequent and/or long absences of mayors
- Some contested municipal authorizations
- Tedious negotiations to obtain an exemption or a reduction in the tax on the occupation of a public road

2.

### Lack of supervision on the part of the franchisor

- Lack of implementation of recommendations to strengthen the management team and to dedicate staff to the agent network due to a lack of financial resources
- Lack of adequate time and resources for management due to additional responsibilities related to municipal authorizations and franchisee supervision

3.

### Delay in signing and implementing the partnership agreement with PAMECAS, the basis for financing the young entrepreneurs' activity

- Two months of negotiations
- Difference in financing conditions (interest rates, guarantees, grace periods) compared to those specified in the initial business plan
- Significant delay in (and, in some cases, failure of) disbursing loans to franchisees (agreement with PAMECAS headquarters did not translate to quick and easy disbursement by PAMECAS branches; negotiations for loan authorizations were needed with each local branch)

4.

### Cash shortfall

- Significant costs related to administrative procedures with town halls (travel and transport)
- Underestimation of costs to build kiosks
- Young entrepreneurs' dependence on loan disbursements by PAMECAS branches for pre-financing of kiosk construction and seed capital
- Problematic provision of e-money for the network
- Unbudgeted travel costs for supervisors who did not bring scooters as required during the recruitment

At the operational level, young people were also confronted with the following:

- **Liquidity problems:** BASIF had to restrict rebalancing when a cash shortage occurred. Moreover, the commissions earned by the franchisees did not allow them to increase their working capital. Of the six franchisees, only one systematically received income in excess of CFAF 40,000 (US\$68, the minimum income expected in the initial business plan).



I don't have enough electronic money. So, when the customer comes and I cannot satisfy him, I say there's a network issue."

- Rama Cissé Ndiaye, Franchisee in Sébikotane



Rama Cissé Ndiaye, Franchisee in Sébikotane

- **Supervision issues:** The three supervisors, who had to travel by bus or taxi, suffered hours of waiting due to transportation difficulties, which resulted in reduced time for oversight and support of the franchisor.



Everything is fine in my work. The only problem is the transportation."

- Ibou Niane, Supervisor in Madinatou Salam

In sum, the main difficulties encountered in this micro-franchise model were the following: (1) organizational inadequacy at the franchisor level, which led to a lack of supervision and support of franchisees and supervisors; and (2) poor liquidity management due to (a) the franchisor's cash-flow problems, which prevented the franchisor from effectively supporting the implementation and deployment of the first kiosks, and (b) the limited working capital available through the franchisees' loans.

The obstacles related to the administrative procedures for setting up the business as well as the implementation of the various partnership agreements and processes prior to the loan disbursements compounded the difficulties faced by the franchisor, which required experience and rigour on its end.



## Lessons learned

Challenges encountered during a pilot are a source of learning in a project such as this one. The following lessons can be learned from the experience:

1.

### Financial strength

The franchisor should be active for at least three years in a business evidenced by audited financial statements that show strong equity and cash flow, which would allow it to cope with a launch period that is both loss-making and cash-consuming (for instance, if the franchisor has to replace the franchisees in the event of loan default, which occurred in this pilot). In addition, the franchisor must have the necessary liquidity to support the franchisees in terms of cash and e-money and thus guarantee the operations.

2.

### Organizational rigour

The franchisor needs to set up an operational and commercial team dedicated solely to the franchise activity, which would be responsible for running the network of kiosks or points of sale in the field. The members of this dedicated team must be aware of their roles and responsibilities and rigorously apply the procedures established.

3.

### Effective monitoring

Supervision is a key success factor of a mobile money agent network, to prevent fraud, motivate agents and ensure service quality at points of sale.



Orange does not differentiate between a franchisor like BASIF and another wholesaler. What matters is the quality of the service provided at the point of sale. We have our own methods to verify it: test the agent on site on his/her ability to make a minimum withdrawal or deposit of CFAF 50,000 [and] on the time it takes to make a transaction (5 minutes for a deposit and 30 minutes for a withdrawal by using the kiosks in a given area in case of cash shortage). The supervisor's reactivity is therefore crucial because the availability of cash and electronic money depends on him/her."

- Chérif Sall, OFMS Commercial Inspector

4.

### Validated business plan

The mobile network operator should validate the business plan to ensure the assumptions' relevance and accuracy, to monitor the profitability of the agent network and to use the financial projections as a project management tool.

5.

### Involved partners

A project with multiple partners requires the support and involvement of all in order to avoid delay, misunderstanding or lack of cooperation during implementation. Administrative authorities who are less flexible than private stakeholders require specific awareness-raising. A financial partner who provides all or part of the financing for the project should be included in project coordination meetings.



## Conclusions

A number of conclusions can be drawn from the pilot:

- **Existing partnerships are less risky for the execution of technical assistance projects.** Indeed, such alliances can help project partners to avoid delays related to commercial negotiations and contractual administrative procedures.
- **Though expanding a DFS network using agents who are young and entrepreneurial presents an opportunity to infuse innovation into the sector, working with such agents—who are beginners and lack experience—remains risky.** Despite the expertise it had managing fruit and vegetable kiosks of young women in peri-urban areas and the technical assistance it received to integrate DFS best practices (including an innovative management application) into the project, the franchisor was unable to transform effectively into a mega-distributor of DFS. This transformation may be possible in the long term.
- **A monitoring system is essential for effective network management.** While a digital solution was provided to the franchisor to facilitate better management of operations, including liquidity (cash/e-money), the solution was not systematically used. This underutilization caused management problems and inhibited the smooth running of activities.

The expected results of this project were not achieved; however, the lessons learned made it possible to reformulate the model—with a focus on improving the employability of young people, particularly women who constituted 97 percent of the beneficiaries. UNCDF, OFMS and two of its mega-distributors, with proven experience in managing agent networks, have formed a new partnership to install 150 kiosks in semi-urban areas. The latter will be able to capitalize on the application developed to better monitor and manage liquidity, which remains a perfectible point for the long-term development of agent networks. Furthermore, aligning the project with current administrative procedures will facilitate the deployment of the new kiosks.



## About the UN Capital Development Fund

The UN Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers 'last mile' finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and localized investments—fiscal decentralization, innovative municipal finance and structured project finance—that drive the public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise and local infrastructure levels, UNCDF contributes to Sustainable Development Goal (SDG) 1 on the eradication of poverty and SDG 17 on the means of implementation. By identifying those market segments in which innovative finance models can have transformational impact in reaching the last mile while addressing exclusion and access inequalities, UNCDF contributes to a number of different SDGs.

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