

## Terms of Reference

<b>Thematic Area:</b>	WAEMU Digital Financial Service (DFS) Consumer Protection Lab
<b>Project Title:</b>	Technical assistance to key digital finance providers
<b>From:</b>	September 1, 2022
<b>To:</b>	June 30, 2023
<b>Task Manager:</b>	Eric Duflos, Senior Financial Sector Specialist, CGAP

**How to Apply:** Please submit your CV and a letter of interest describing why you think you are the right candidate for this role via this link : <https://wbgeconsult2.worldbank.org/wbgec/index.html> - selection number is 1282064

**Application deadline: August 12, 2022, 11:59 pm EST.**

### About CGAP

The Consultative Group to Assist the Poor (CGAP) is a global multi-donor partnership dedicated to advancing financial inclusion for the poor. CGAP plays a unique role as a donor-coordination mechanism for funders working to improve the lives of poor people through the power of financial inclusion, providing a valuable platform for information, dialogue and reflection to advance progress towards a collective vision. Using action-oriented research, CGAP tests, learns and disseminates knowledge intended to help build inclusive and responsible financial systems that move people out of poverty, protect their assets and advance broader global development goals. CGAP leverages its relationships with businesses, governments and the non-profit sector to share insights, mitigate risks and protect customers, and help others bring solutions to scale. CGAP serves as a global advocate for the financial inclusion community by collaborating with strategic institutions that influence policy and market development and providing evidence-based research and practical lessons that guide their work.

CGAP is supported by more than 30 partners including bilateral and multilateral development agencies, development finance institutions and private foundations committed to advancing financial access for the poor. CGAP is housed in and administered by the World Bank.

CGAP is guided by a five-year strategy and annual workplans. The current five-year strategy, CGAP VI, covers the period July 1, 2018 – June 30, 2023 and is built on a theory of change that has identified four collective outcomes:

- Customers have information, incentives, trust, confidence and networks to participate in the financial system.
- Providers offer affordable, responsible, and accessible financial solutions for poor people that are sustainable and at scale.
- An infrastructure that enables ubiquitous, efficient, open and safe markets is in place.
- A policy and regulatory framework for responsible financial inclusion is in place and enforced.

To contribute toward achievement of these outcomes, CGAP's strategy has identified four priority technical areas including:

- Creating customer value
- Emerging business models
- Enabling Infrastructure
- Next Generation Policy

## Protecting Vulnerable Customer and the WAEMU DFS Consumer Protection Lab

While many vulnerable customers have gained better access to financial services, they are also facing increasing risks in their financial lives, such as frauds, over-indebtedness, and data breaches. This evolution calls for a new approach where regulators, supervisors, digital financial providers take a more pro-active role in assessing the risks facing vulnerable groups, reducing harm to them, and ensuring their wellbeing. Building on evidence and data, the “protecting vulnerable customers” project puts a high emphasis on developing tools for regulators, supervisors and financial service providers (FSPs) to better protect vulnerable customers, especially women and ensure that financial services have a positive outcome for them. The project will also strengthen dialogue with consumers, and showcase business models that protect customers. It will in addition help funders enhance their role in consumer protection. This project is part of CGAP’s priority technical areas on “Creating customer value”.

The objective of the project is that key market actors (FSPs, supervisors and regulators) and facilitators (funders) adopt tools to reduce digital financial services (DFS) risks to vulnerable customers and advance their well-being.

The project has three workstreams:

- i) Provide tools for supervisors to collect and analyze data and knowledge on DFS risks
- ii) Identify and promote ways to elevate the collective voice of customers in policy making
- iii) Showcase how leading DFS providers integrate consumer protection into their business models

As part of the first workstream, CGAP has developed a market monitoring toolkit. The toolkit aims to identify, understand, and track consumer risks, behaviors, and outcomes especially on vulnerable customers segments. It provides a series of solutions for supervisors and other stakeholders to better understand the nature of DFS risks and their scale in different markets, and thus propose appropriate regulatory reforms and product design improvements. To implement this toolkit at a regional level, CGAP wishes to develop a pilot DFS Consumer Protection Lab in the WAEMU. It will be the first regional use of the toolkit.

The general objective of the Lab concept is to support the development of a responsible ecosystem for the delivery of digital financial services, including digital credit, savings, insurance and payment services.

Specific objectives are twofold. The Lab aims to support both regulators/supervisors and providers to better understand consumer risks in order to improve DFS consumer protection, using CGAP Market Monitoring Toolkit. Thus, the Lab will:

1. guide regional regulators and supervisors, as well national dedicated bodies, like the Observatories of the Quality of Financial Services (OQSF) where they exist, to better analyze the risks of DFS, including digital credit initiatives, offered by traditional and non-traditional providers through research and technical assistance, so that appropriate supervisory action, policies/regulations and programs to improve financial consumer protection can be put in place;

2. support leading responsible providers to embed a customer-centric culture throughout all stages of their DFS product lifecycle, that aims to attain key customer outcomes (e.g. suitability and appropriateness of financial products, customer choice, safety and security in usage of services, fairness and respect to customers, voice for possible recourse, meeting customer's purpose) for the benefit of both consumers and providers.

In addition, the Lab will have the objective to facilitate dialogue between regulators/supervisors, providers and consumers on responsible DFS.

## Project Background

Digital financial services (DFS) have expanded quickly in the past ten years in Sub-Saharan Africa (SSA) essentially through the rise of mobile money services. East African countries like Kenya and Tanzania are the home of the most advanced DFS markets, including the proliferation of digital credit products. The rapid advance of digital financial services has greatly contributed to increasing financial inclusion in SSA. According to Findex 2017, Sub-Saharan Africa was the only region where the share of adults with a mobile money account exceeded 10 percent and had surpassed 30 percent in Côte d'Ivoire and Senegal, two West African Economic and Monetary Union (WAEMU) countries. Thus, digital technology is driving financial inclusion, with mobile money ownership nearly doubling in SSA, opening the door for a variety of DFS.

At the same time, this rapid expansion comes with risks for customers. Recent global CGAP research shows that DFS consumer risks are on the rise and there are new types of risks related with data misuse and app frauds. While a regional DFS customers risks assessment in the WAEMU region has not yet been conducted, based on what we see in other settings after the rise in DFS services, e.g. Tanzania, Kenya, Bangladesh, India, Philippines, there are many risks we would expect. CGAP Financial Inclusion Insights 2018 survey in Côte d'Ivoire gives a flavor of them. The survey highlighted some negative experiences reported by mobile money users. For example, in their interactions with agents, 20% reported difficulty in contacting customer service, and 42% insufficient cash or e-float.

Digital credit also adds specific risks like over-indebtedness or the risk of being negatively listed in a credit bureau for delinquency on a digital loan, potentially excluding them from future formal credit as research in Kenya and Tanzania has revealed.

### The WAEMU context

The WAEMU region represents a unique opportunity to put in place a responsible DFS market. Mobile money adoption is high and growing. In 2020, the eight member countries recorded more than 94.2 million mobile money accounts and a network of one million mobile money agents through 42 initiatives of mobile money and a growing Fintech market. According to Findex 2021 data, in WAEMU countries (excluding Niger and Guinea Bissau), 24% of adults have a financial institution account and 35% have a mobile money account with a diversity among countries from 25% in Burkina Faso to 45% in Senegal.

However, the deployment of DFS beyond first generation products (money transfer, bill payments, merchant payments) is still limited and not all mobile money providers are offering digital credit, savings or insurance products. But the landscape is evolving, and new initiatives are entering the market like Orange Bank which launched digital credit and savings products in 2020 in Côte d'Ivoire, competing now with MTN MoMoKash digital credit and savings product. Orange Bank will expand in other WAEMU countries. In Senegal, Orange Money is partnering with BAOBAB, a microfinance institution (MFI), to offer

digital credit while Free Money is testing its digital credit product with COFINA, another MFI. In addition to these products, similar to M-shwari in the Kenyan market, financial institutions (banks and MFIs) are offering their own digital products targeting their existing customer base or new segments of customers excluded until then, like cocoa or cashew producers in the case of Côte d'Ivoire for example.

In this emerging but growing DFS market and dynamic context, a pro-active monitoring approach is crucial to identify, assess and mitigate customer risks that may lead to negative customer experiences and outcomes, rather than to be reactive later and having to cope with larger scale problems. Thus, a regional digital financial services consumer protection lab (the Lab) would highly contribute to the development of a responsible market and protecting environment making it possible to avoid the drifts observed on the East African markets. It will serve as a reference for other markets, emerging or already well developed.

The first activities of the Lab have been launched in Côte d'Ivoire and aimed to gain a comprehensive view of DFS consumer risks in this market and understand customers outcomes with digital credit. With that objective, CGAP has completed two research activities: (i) an overall analysis of DFS consumer risks through the analysis of gender-disaggregated customer complaints received by selected DFS providers, and third parties, and a representative phone-based survey of mobile money users, and (ii) a phone-based survey to understand customers outcomes with digital credit and data analysis especially for women.

In Senegal, in partnership with the Observatory of the Quality of Financial Services, a representative phone-based survey of mobile money users is under preparation and, as in Côte d'Ivoire, it will allow to gain a comprehensive view of DFS consumer risks in this market.

Based on the results of these surveys, in each market, CGAP intends to support providers in improving their practices to reduce identified risks and help them adopt a more customer-centric culture.

With that objective, CGAP is recruiting a short-term consultant to be a part of the current three-member project team (Task Manager, Senior Financial Sector Specialist, and Lead Consultant), working on the DFS Consumer Protection Lab project in Ivory Coast and Senegal

## Scope of Work

**The consultant will focus on developing a work program together with the project manager on how to help DFS providers become more responsible. This will consist of:**

- Discussing the results of the reports on the phone surveys and customer complaint analysis with key DFS providers in Ivory Coast
- Discussing the results of the DFS consumer risks survey with key DFS providers in Senegal once the survey report is finalized
- Identifying potential areas for improvement (e.g. transparency, support to customers to fight frauds, improvement of agent behavior, improvement of redress). These improvements could be individual or collective.
- Identifying qualified contractors to support DFS providers and assisting with the procurement activities as needed
- Managing workplans with DFS providers who are selected for support, and with relevant contractors.
- Reporting on progress.

## Deliverables

**The deliverables under the responsibility of the consultant are:**

1. Assessment of individual and collective needs and opportunities based on discussion with key DFS providers
2. Workplan to provide support to providers in Ivory Coast and Senegal
3. TORs and Contracts with contractors developed – with possibly baseline and target indicators that can show the results of the intervention (e.g. pre- and post-intervention NPS)
4. Activity / progress reports

The required language for written deliverables is French.

**Selection criteria**

The consultant should have the following skills and experience:

- Master’s degree or equivalent experience in finance, economics, business, or related field
- At least 7 years’ experience in financial services including DFS, product design, and project management
- Fluent French, and good verbal and writing command of English;
- Experience in working with MNOs and other digital finance providers;
- Good knowledge of consumer protection issues;
- Strong knowledge of financial inclusion and innovative products and delivery channels in Sub-Saharan Africa;
- Demonstrated expertise in client relationship management;
- Strong understanding of the local DFS context in WAEMU overall;
- Experience in research on women financial inclusion would be a plus;
- Experience working professionally in Ivory Coast or Senegal, preferably on financial inclusion or other relevant topics, would be a plus.

**Ownership/Control of Work Product/Publication**

All materials produced or acquired during the appointment - written, graphic, film, and digital audio/video or otherwise - shall remain the property of the World Bank unless and to the extent such rights are explicitly relinquished (in whole or in part) by the World Bank, in writing. The World Bank furthermore retains the exclusive right to publish or disseminate in all language’s reports arising from such materials.

In the event of early termination of the appointment, the Firm shall return all copies of all materials and data developed during this assignment.

Any material developed by the Firm under these TORs may not be used without written prior approval by the World Bank.

**Authorship and Acknowledgement**

CGAP staff will generally be listed as the authors of any publication or other communication that is produced as a result of the research conducted during the appointment. The Consultant’s contribution in conducting this research will be acknowledged in any such publication. If, in the reasonable view of the Task Manager, the Consultant contributes significantly to the conceptualization and drafting of any documents created, the Consultant will be listed as co-author, along with the relevant CGAP staff.

## Task Manager/Reporting

The consultant will report to the Task Manager and the Project Manager. The Task Manager is Eric Duflos, Senior Financial Sector Specialist. CGAP may designate another qualified task manager. The Task Manager has final sign off on deliverables and invoices.

## Schedule

All work will be completed between 1 September, 2022 and 30 June, 2023 unless the appointment is extended, or a new appointment is made. The schedule could be further clarified in each subsequent task assignment.

## Budget and Payment

The budget ceiling for the work under these TOR is thirty (30) days. The daily rate will be determined based on the qualifications and prior experience of the consultant per the applicable World Bank Group guidelines for hiring Short Term Consultants.

## Confidentiality

All knowledge and information not already within the public domain which the consultant may acquire from CGAP or its employees or by virtue of the assignment shall for all time and for all purposes be regarded by the consultant as strictly confidential and held in confidence, and shall not be directly or indirectly disclosed by the consultant to any person whatsoever excepting with the World Bank written permission. All outputs of the work, materials produced in the course of the work, and all by-products shall remain confidential unless the World Bank authorizes public release.

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