

# The Digital Financial Services Consumer Protection Lab

## West African Economic and Monetary Union

With mobile money adoption high and growing, the West African Economic and Monetary Union (WAEMU) region represents a unique opportunity to **build a responsible digital financial services (DFS) ecosystem**. In 2020, the eight member countries recorded more than 94.2 million mobile money accounts, and a growth of digital credit and Fintech<sup>1</sup>. **This rapid expansion in DFS comes with risks for customers.**

CGAP research reveals an increase of the scale of DFS consumer risks over the years. A study published in February 2022 indicates that DFS have exacerbated existing risks and introduced new risks such as mobile app and social engineering frauds<sup>2</sup>. Another research assesses regional digital credit consumer risks in East Africa and the consequences of over-indebtedness.<sup>3</sup> Given that similar risks are expected in the emerging but growing DFS market across WAEMU, **a proactive monitoring approach is crucial** to identifying, assessing and mitigating customer risks that may lead to negative customer experiences and outcomes.

### How can a DFS Consumer Protection Lab (the Lab) help?

The Lab can contribute greatly to the development of a **responsible DFS ecosystem**. It is not a physical facility but a research project implemented by CGAP in collaboration with financial sector authorities. It aims to:

- Guide regional regulators, supervisors, consumer associations, and relevant national bodies in analyzing the risks of DFS services to support the development of regulatory and supervision appropriate frameworks
- Support responsible providers by embedding a customer-centric culture throughout all stages of their DFS product lifecycle (such as suitability and appropriateness, fairness and respect, and choice)
- Facilitate collaboration between regulators, supervisors, providers, and consumers on responsible DFS.

Through research on the ground, capacity building and thematic workshops, stakeholders will gain a better understanding of the DFS risks in the region, particularly for women. At a later stage, tools piloted by the Lab could be adopted within regional and national institutions to protect consumers while ensuring the expansion of digital financial services. If successful, the Lab could inspire other regions to establish such a responsible DFS ecosystem.

#### Who are the Lab's essential partners?

- BCEAO and the Banking commission
- DFS providers within WAEMU
- Observatory of the quality of financial services
- Consumer associations
- Ministries/bodies in charge of implementing national financial inclusion strategies
- Key funders in DFS in the region

### About CGAP

CGAP is an independent think tank, housed at the World Bank, that works to empower poor people, especially women, to capture opportunities and build resilience through financial services. CGAP has a long history of work in the WAEMU region and with the BCEAO, in particular for supporting the development of the DFS ecosystem in the region.

<sup>1</sup> BCEAO (2020), Rapport Annuel sur les Services Financiers Numériques. [https://www.bceao.int/sites/default/files/2022-05/Evolution\\_Services\\_Financier\\_Numerique\\_UEMOA\\_2020.pdf](https://www.bceao.int/sites/default/files/2022-05/Evolution_Services_Financier_Numerique_UEMOA_2020.pdf)

<sup>2</sup> <https://www.cgap.org/research/slide-deck/evolution-nature-and-scale-dfs-consumer-risks-review-evidence>

<sup>3</sup> <https://www.cgap.org/topics/collections/digital-credit>