



Empowered lives.
Resilient nations.

The Lesotho SIMM Platform

Transforming Lesotho into the first African nation with a fully digital payment system

Access to formal and semiformal financial services in Lesotho is limited, especially for the rural and low income population

Financial inclusion is a key driver of economic development and plays an important role in reducing poverty.

The great majority of Basotho live and work in what is known as the informal economy. Even though they have little money, they still save, borrow and manage day-to-day expenses. Without financial inclusion, however, they do not have access to a saving accounts, insurance products, or lines of credit and must rely on informal means of managing money - often under risky, expensive, and unpredictable circumstances. Being included in the formal financial system helps people to make day-to-day transactions, safeguard savings and build working capital for productive investments. For the national economy, financial inclusion thus contributes to employment creation, income generation and resilience to economic shocks.

Access to formal and semiformal financial services in Lesotho is limited, especially for low-income and rural population. With only 13 percent of urban adults, 7 percent of rural adults, and 2 percent of MSMEs accessing credit

from commercial banks, the great majority of Basotho are excluded from the formal credit system.¹ Limited accessibility, mountainous terrain and high pricing of banking products further constrain the usage of financial services. This is why the Government of Lesotho has identified the increase of financial inclusion and access to credit as two of the top priorities, formulated in the National Strategic Development Plan (NSDP), the Vision 2020 and the Financial Sector Development Strategy (FSDS).

Mobile money can catalyze access to formal and semiformal financial services

As part of mobile financial services, mobile money is a tool to scale financial inclusion in a cost-effective way.

Mobile financial services enable customers to transfer funds, pay bills, save, borrow and even acquire insurance coverage via mobile phones. They can be used as a channel to offer innovative and low-cost credit, savings and insurance products and significantly reduce the costs of transferring money compared to traditional forms of money transfer. In addition, they allow people to buy goods and services, from health care to solar energy systems, that they otherwise could not afford, by offering a way to pay through installments or pay-as-you-go.

¹ FinMark Trust, FinScope Lesotho 2011.

How mobile money is changing lives



Photo: GSMA

Mobile money is already changing lives of many Basotho. The e-money services from Vodacom (M-Pesa) and Econet (Ecocash), for example, require no registration fee or monthly charges and can be used to send money 24/7 to any cell phone in Lesotho and pay bills in the comfort of home.

However, in other African countries mobile money offers even greater opportunities. For example in Kenya, where around four in every five mobile phone owners above the age of 18 use mobile money to send or receive money to/from friends, relatives or business associates.² Here, Safaricom has expanded the use cases for their mobile money platform M-Pesa to include financial products such as savings and credit.

Sarah Kigwama works as a housekeeper and like many other urban workers in Nairobi, she supports her relatives. Each month, she sends about US\$ 20 of her monthly salary to her mother, who lives in a rural village about 200 km away.

“This has changed my life,” Sarah Kigwama said. “I feel so good because if she has no food in the house she just goes and buys food immediately, no suffering about hunger again”.³

Mobile financial services need a supporting ecosystem to unfold their power

In Lesotho, preconditions for mobile financial services are good but active usage is still relatively low. Lesotho has a high mobile network coverage of over 70 percent and high prevalence of mobile phones even in very remote rural areas.⁴ However, of the current approximately 1 million registered mobile money customers in the country, only 280,000 actively use the service, a large majority of them living in urban areas. Part of the low usage in the rural areas is due to low electricity penetration of 6 percent.⁵

A supporting ecosystem is essential for a thriving and inclusive mobile financial services sector. A thriving mobile financial services sector is dependent on the performance of various stakeholders in the value chain, including mobile money agents with sufficient liquidity, merchants that accept digital payments and customers that are financially educated. In addition, stakeholders like the Ministry of Finance, the Central Bank and financial institutions are critical for a conducive enabling environment that allows the sector to unfold its full potential.

Conditions for a thriving and inclusive mobile financial services sector

A thriving and inclusive mobile financial services sector requires key stakeholders to play various roles. For example:



→ **Mobile Network Operators and financial service providers** that offer value adding products and services at prices that are affordable and meet the needs of all, including low-income people.



→ **Agents** that provide cash in/cash out services reliably in even the most remote locations and super-agents that ensure financial liquidity of agents..



→ **Regulators** that provide supportive policies and a regulatory environment that allows for innovation, healthy competition and protects consumers.



→ **Merchants, utilities and a public sector** that utilizes and accepts mobile financial services as a regular medium for financial transactions.



→ **Investors** that invest in mobile financial services infrastructure and innovative digital solutions.



→ **Customers** that are financially educated and familiar with mobile money and mobile banking technology.

2 GSMA, The Mobile Economy Sub-Saharan Africa 2017.
3 Quotes from CBC News, September 27, 2010

4 World Bank, World Development Indicators.
5 Rapid Assessment and Gap Analysis for Lesotho – SEA4All.

The Lesotho SIMM Platform enables the mobile financial services sector to scale

The Lesotho SIMM Platform is the first institutionalized collaboration forum for key stakeholders in the mobile financial services sector in Lesotho. The platform was set up by key stakeholders from the Government of Lesotho, Mobile Network Operators and the finance sector in May 2017 with the vision to develop a “robust mobile money sector as part of digital finance transformation which stimulates inclusive economic growth and is built upon meeting the diverse needs of Lesotho’s population.” The central goal of the platform is to drive inclusive growth of the sector by increasing awareness, acceptance, availability and affordability of mobile financial services in Lesotho. And through that, increase formal and semiformal financial services in the country.

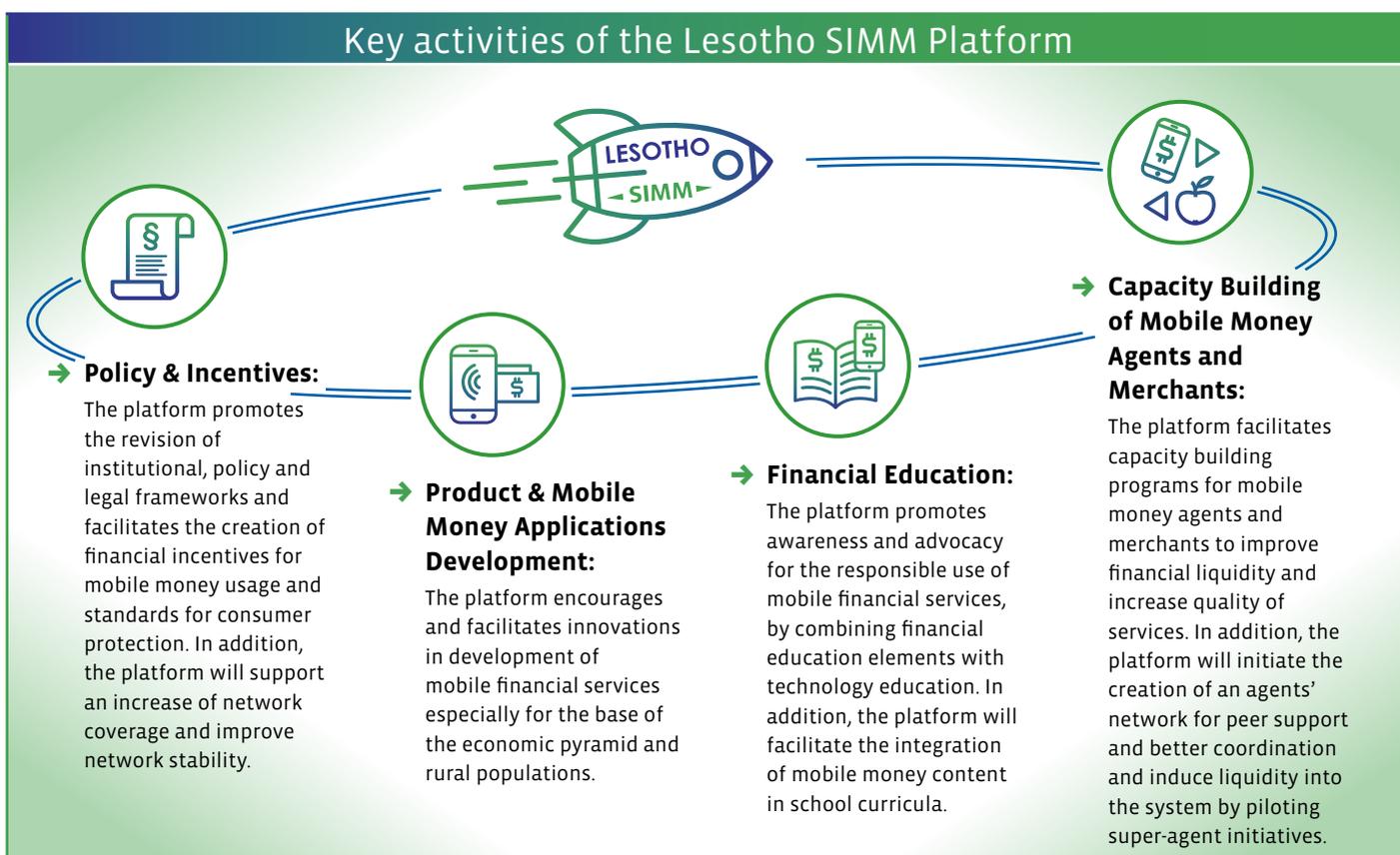
The Lesotho SIMM Platform enables stakeholders to align sector strategies and combine resources for collective actions. The mission of the platform is to “engage, facilitate, and empower all stakeholders to collectively transform the mobile money sector in pursuit of a shared vision of inclusive economic growth.” In that spirit, the platform coordinates stakeholders, fosters partnerships amongst them, shares relevant information, advocates for the scale of mobile money and mobile banking and ensures accountability, including by monitoring results of joint activities.



The Lesotho SIMM Platform has identified four priority areas to scale mobile financial services in Lesotho

In a multi-stakeholder process the Lesotho SIMM Platform designed a collaborative action plan with four priority areas for action. During the platform launch in May 2017, key stakeholders of the platform agreed on a collaborative action plan that will guide their strategic activities during the upcoming years. Key priority areas to scale mobile financial services in Lesotho include conducive policies and incentives, innovative mobile money products and applications, large-scale financial education of Basotho and capacity building of mobile money agents and merchants.

The activities of the collaborative action plan will be implemented by stakeholders until 2020. While the objective of the platform is to help its members do their work more effectively and efficiently, the platform members themselves are implementing the individual and joint activities that they have agreed upon in the action plan. A high-level overview of the activities under each priority area is outlined in the figure below.



Join the Lesotho SIMM Platform

The Lesotho SIMM Platform is looking for additional members. The Lesotho SIMM Platform is an open and inclusive forum for all relevant stakeholders in the mobile financial services and financial inclusion sector in Lesotho. By joining the Lesotho SIMM Platform, you will be able to play a key role in influencing the development of mobile financial services and financial inclusion in Lesotho. In addition to active members that will support the implementation of key actions, the platform is also looking for financing partners like foundations, impact investors and donors.

→ If you are interested in **joining or supporting the Lesotho SIMM Platform** or looking for additional information on the platform, please visit the Lesotho SIMM website www.lsimm.org.ls or contact the **Lesotho SIMM Platform facilitator** mamalala61@gmail.com and the **UNDP Focal Point in Lesotho** alex.tsemane@undp.org.

Focus on Africa

The Lesotho SIMM Platform is part of a larger initiative on Inclusive Business Ecosystems that was initiated by UNDP. Similar platforms have been set up in the renewable energy sector in Senegal in 2016 and in the tourism sector in Uganda in 2017. All platforms follow a collective impact approach and bring together key stakeholders from the public, private and civil society sector to transform industries and make them more socially inclusive and environmentally sustainable.

→ If you want to **learn more about the Pan-African UNDP initiative** or if you want to **set-up an Inclusive Business Ecosystem Initiative** in your country, please contact the **UNDP Focal Point in the Regional Service Centre for Africa** tomas.sales@undp.org.