

Public Financing for Social Innovation (June 2026)



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# Case Study

# Senegal



# National Microfinance Fund

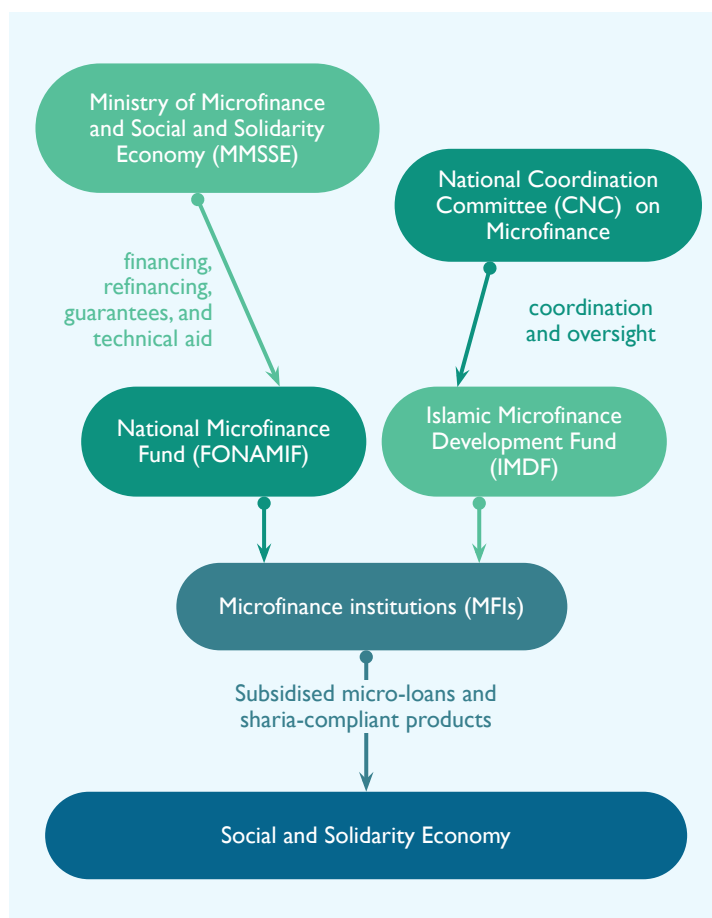
## Policy rationale

Microfinance has long been seen as an essential tool for promoting financial inclusion, especially in developing countries like Senegal, where access to formal financial services remains low. In 2023, Senegal’s bankarisation rate was 22.4% (the share of households that use formal banking services), but reached 61.6% with the inclusion of microfinance. Microfinance institutions (MFIs) have a greater presence than commercial banks in areas with high poverty rates and in rural areas where their services and products are better aligned with the needs of people. In 2024, 4.45 million accounts were opened in MFIs. Deposits totaled FCFA 565.5 billion (close to USD 1 billion, equating to 3.7% of Senegal’s GDP), with financing activities reaching FCFA 746.5 billion, or USD 1.275 billion (4.8% of GDP).

## Overview

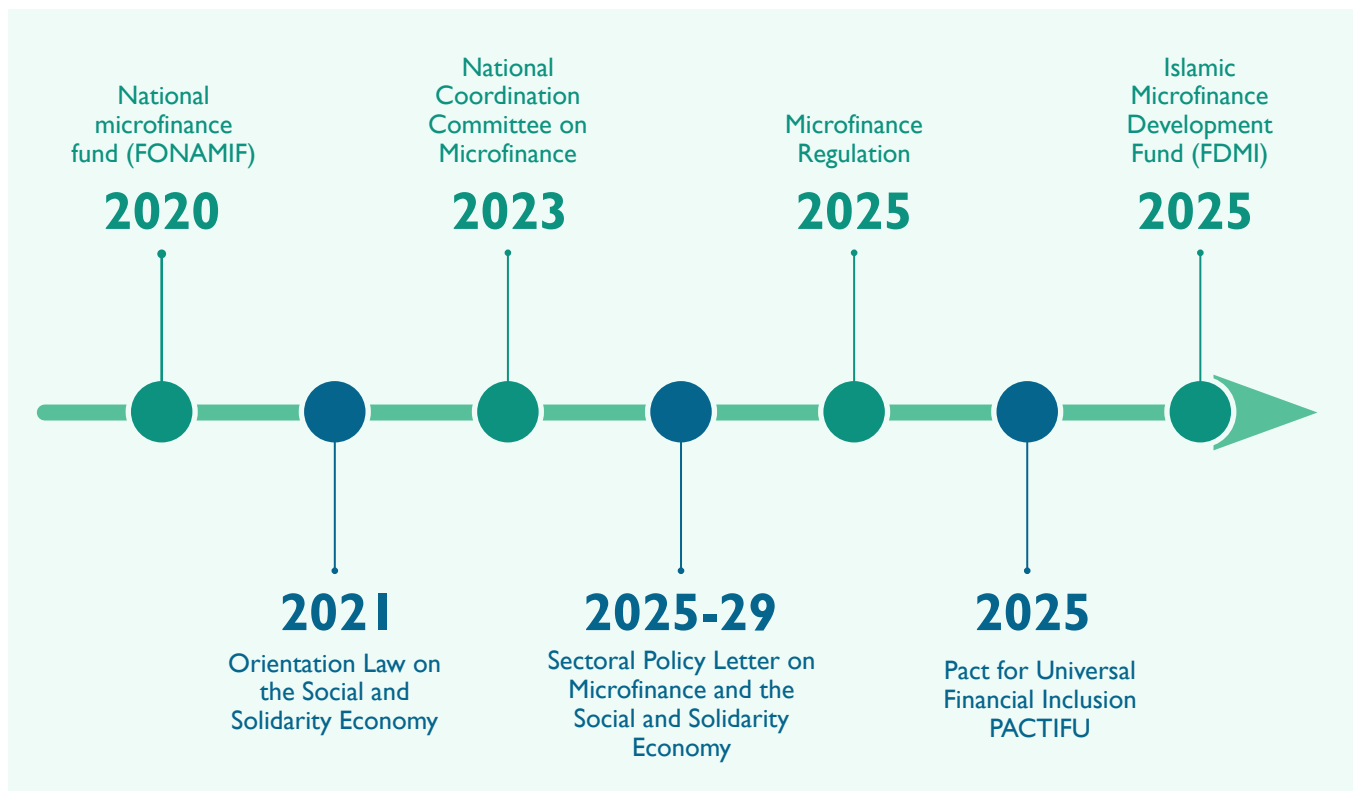
To realise the vision outlined in Agenda Senegal 2050, the Ministry of Microfinance and the Social and Solidarity Economy (MMSSE) promotes microfinance as a lever for creating decent jobs and shared wealth on a large scale, while strengthening the economic inclusion of youth and women entrepreneurs.

Several frameworks for consultation among microfinance stakeholders have been established. Since 2023, Senegal’s National Coordination Committee (CNC) on microfinance has been coordinating sector interventions, ensuring alignment with the Sectoral Policy Letter’s action plan. Chaired by the MMSSE Microfinance Directorate, it brings together sector ministries, members of the Professional Association of Decentralized Financial Service Providers (MFIs)<sup>1</sup>, the Central Bank of West African States, and technical and financial partners (e.g., development agencies, donors). There is also the National Steering Committee for the National Financial Inclusion Strategy and a thematic subgroup dedicated to donors active in microfinance.



<sup>1</sup> In Senegal (and in the West African Economic and Monetary Union), Decentralized Financial Systems (Systèmes Financiers Décentralisés) is the official regulatory term encompassing all microfinance entities authorised under the supervision of the Central Bank of West African States (Banque Centrale des États de l’Afrique de l’Ouest, BCEAO).

## Timeline



Senegal's National Microfinance Fund (*Fonds National de la Microfinance*, FONAMIF) was established in 2020, under the Ministry of Microfinance and Social and Solidarity Economy (MMSSE). It consolidates public interventions to boost financial inclusion for vulnerable groups (women, youth) and micro-entrepreneurs. It supports MFIs and more broadly SSE organisations through financing, refinancing, guarantees, and technical aid.

In 2021, Senegal's Orientation Law on the Social and Solidarity Economy (Law 2021-28) mandated public policies to support SSE development, including funding channels for microfinance, cooperatives, and social enterprises. It formalised Senegal's SSE framework, recognising four groups of actors: social enterprises (legal status with an accreditation process), cooperatives, popular economy entities (informal sector, prioritised for formalisation and microfinance access), and entrepreneurial/responsible associations (a.k.a. solidarity productive cooperatives).


The MMSSE Sectoral Policy Letter 2025-2029 (SPL) positions microfinance as a strategic lever to strengthen the SSE for decent jobs and shared wealth. It establishes the main priorities for microfinance promotion, including

- supporting the implementation of the new regulatory framework;
- improving MFI governance;
- enhancing financial literacy among populations;
- diversifying funding sources by enabling MFIs to access innovative financing (green, blue, or brown financing and Islamic microfinance); and
- facilitating MFIs' access to sufficient and appropriate financial resources; and strengthening the technical and institutional capacities of MFIs.

More recently, the National Assembly adopted Microfinance Regulation (Law 02/2025), which provides a comprehensive legal framework for the regulation and supervision of microfinance institutions operating in Senegalese territory. It introduced several innovations, including:


- **Expanded scope:** comprehensive definition of microfinance covering principal operations (deposits, loans, signature commitments, Islamic finance), ancillary services (payment services, e-money, leasing, factoring), and related activities (partnerships, insurance, safe deposit boxes).
- **Proportionality:** Prudential requirements scaled by MFI size, legal form, activity type, and risk profile to reduce burdens on smaller institutions.
- **Governance:** Interest rate regulation and minimum capital requirements.
- **Supervision:** institutional coordination through strengthening the oversight of the National Coordination Committee.

The same year, Senegal launched a Pact for Universal Financial Inclusion (*Pacte pour l'Inclusion Financière Universelle*, PACTIFU), which aims to mobilise FCFA 683 billion (USD 1.166 billion) by 2029, to democratise credit access for vulnerable populations, MSMEs, and SSE actors through preferential loans from partner MFIs. Also in 2025, the Program for the Development of Islamic Microfinance in Senegal (PROMISE) was transformed into an autonomous Islamic Microfinance Development Fund (IMDF).



### Budget

Between 2021 and 2024, the MMSSE budget has trended upward and is currently estimated at FCFA 51.95 billion (USD 88.79 million), of which almost 85% is allocated to microfinance promotion, with an execution rate of over 99%.



### Financial intermediaries

According to official data from MMSSE, in 2023, Senegal had 297 MFIs with more than 4.3 million open accounts. Since 2025, the Microfinance Regulation has recognised public limited companies and variable-capital cooperatives as MFIs.

## Target clients

MFI beneficiaries are primarily people from vulnerable populations who need support to launch businesses or income-generating activities, to purchase livestock or agricultural inputs, to cover consumption expenses, acquire equipment, or address healthcare costs. The tertiary sector (commerce, restaurants, hotels) dominates (74.4% of MFI credit in 2022, 52% in 2024), followed by the primary sector (agriculture, forestry, fishing), and construction/public works. During 2020-2023, 57.33% of recipients of MFI financing were micro-enterprises, while SMEs account for only 4% on average.

KEY FIGURES	
88 local financial institutions refinanced FCFA 6.97 billion mobilised (almost USD 12 million)	24 MFIs equipped with shared information and management systems 8 MFIs supported in digitalisation 12 MFIs assisted with accounting reviews and/or account certifications
In 2022, 475 072 people launched businesses thanks to microfinancing (62% women)	29 180 final beneficiaries, of which 28 761 were trained in financial literacy and 981 received vocational training (70% women, 30% youth) 658 elected officials and technical staff trained

## Financing terms



Under FONAMIF, the MMESS deploys a range of financing tools, including refinancing lines, interest subsidies, and guarantees for MFIs. It supports programme engineering via project design and capacity building through MFI agent training and financial education for SSE actors. The 2025 Microfinance Regulation introduced interest rate caps and oversight to shield clients from usury while preserving MFI profitability. It also mandated minimum capital requirements scaled by institution size, ensuring financial resilience and long-term sector sustainability. New Sharia-compliant products introduced under Senegal's IMDF include:

- **XALAM (Murabaha-style):** Fixed-price sale with markup; client buys assets (e.g., equipment) at a predetermined, non-variable cost. Capital and profit are guaranteed upon repayment, no speculation or loss risk for the MFI.
- **MUDARABA (Profit-sharing partnership):** MFI provides 100% capital; the entrepreneur manages operations. Profits split per agreed ratio; losses borne solely by investors (except in cases of negligence). Eliminates interest, emphasising mutual gain/loss over debt-based lending.

Both tools inherently avoid interest rate volatility and uncertainty, and contain Sharia requirements that align with Senegal's Islamic finance push under IMDF. They fit as ethical financing channels within FONAMIF's refinancing/guarantees and PACTIFU's preferential loans for MFIs.

## Mobilisation potential



Over 2021-24, the Ministry itself mobilised FCFA 34.42 billion (close to USD 59 million), with a low execution rate of 29.8%, mainly due to lower-than-expected cofinancing from Islamic resources. Still, the national private sector plays an important role in microfinance development. In 2023, resources mobilised by MFIs reached FCFA 877.7 billion (almost USD 1.5 billion). They contributed 3.9% to economy financing (credit stock-to-GDP ratio) and an estimated 12.2% to domestic credit that year. As part of PACTIFU, in 2025-26, MMSSE signed conventions worth over FCFA 6.8 billion (USD 11.6 million) with 18-24 MFIs.

## Impact considerations



Within the Ministry, several platforms are under development, such as the platform dedicated to financial inclusion awards, the digitised mapping of interventions in the microfinance sub-sector, and a registry for SSE organisations. An enrollment and identification platform exists for project holders under PROMISE, now IMDF.

The SPL strengthened the monitoring and evaluation function, establishing a harmonised and digitalised monitoring and evaluation system for the SPL and all related programmes. The SPL will undergo a mid-term evaluation in 2027, and a final evaluation will occur in 2029 before its updating process.

## Lessons Learned

Prompted by the Senegal 2050 Agenda to develop innovative financing such as Islamic finance, green finance, and blue finance, the Ministry considers it imperative to prioritise MFIs willing to engage, particularly in expanding Islamic microfinance and strengthening organisational support for small-sized MFIs.

Pitfalls to avoid	Success factors
<ul style="list-style-type: none"> <li>• Lack of monitoring and evaluation resources</li> <li>• Introducing reforms without necessary partnerships with private sector and capacity building measures to promote absorption</li> </ul>	<ul style="list-style-type: none"> <li>• Expanding the scope of MFIs and SSE organisations</li> <li>• Encouraging digitalisation in MFI services</li> <li>• Product development to encourage Islamic MFIs (e.g., <i>Murabaha</i>, <i>Musharaka</i>)</li> <li>• Proportionality: adjusting prudential requirements based on the MFI (size, legal form, nature of activities, and risk profile).</li> </ul>

## Sources:

Interview with Mr. Babacar NDAO, Coordinator of the Delivery Unit & Technical Advisor, and Ms. Rokhaya Cissé, Microfinance Officer, Ministry of Microfinance, Social and Solidarity Economy of Senegal

[Ministère de la Microfinance et de l'Economie sociale et solidaire LETTRE DE POLITIQUE SECTORIELLE LPS-MMESS 2025-2029](#)

[Senegal | MFW4A - Making Finance Work for Africa 2019](#)

[Senegal : Reforming Microfinance for Financial Inclusion 2025](#)

[Expansion de la microfinance au Sénégal : Un taux d'inclusion de 19,7% avec plus de 570 milliards d'épargnes et plus de 750 milliards d'encours de crédits – LASNEWS](#)