



Unlocking Public and Private  
Finance for the Poor



# Growing Digital Financial Inclusion in Benin



# PART 1 — WHAT HAS CHANGED IN PEOPLE’S LIVES WITH THE GROWTH OF DIGITAL FINANCE?



## TIME IS (MOBILE) MONEY

Back in 2017, time was a luxury that Pierrette Folly could barely afford.<sup>1</sup> Managing her grocery stall in Cotonou, the capital of Benin, was hard work. Moreover, she had to travel twice a month to the northern part of the country, where all of her suppliers were based, hiding cash in her clothes so that she could pay for the purchases. The journey typically took several days, during which her regular customers in Cotonou shopped elsewhere. In addition, because of her periodic absences, Pierrette had to keep all of her merchandise inside her home compound. All of these hassles were eating away her profits.

Then, ALIDé (Association de Lutte pour la promotion des Initiatives de Développement), a microfinance institution (MFI) of which Pierrette had been a client for 10 years, launched a new service that allowed borrowers to repay their loan by phone. The service was the result of a partnership that ALIDé had forged with a mobile network operator (MNO), thanks to the UN Capital Development Fund (UNCDF) programme MM4P (Mobile Money for the Poor). For the first time, Pierrette saw her mobile money account as a game-changer. She no longer needed to go to the overcrowded ALIDé branch to make a repayment, which saved her time and money. As the usage of mobile money was taking

off across Benin, she also realized that her mobile wallet with Mobile Telephone Networks (MTN) could help her avoid her periodic, yet costly and time-consuming, travel up north. In the beginning, her suppliers were sceptical of replacing face-to-face transactions with mobile money transfers. After all, they would eventually have to cash out, and local mobile money agents suffered from a chronic shortage of liquidity. Nevertheless, as migrants to the coast used mobile money more and more to send money back home, a digital payment ecosystem began to emerge in the area.

Pierrette started placing her orders via WhatsApp and using her mobile wallet to pay her suppliers, who immediately shipped the goods upon receipt of the payments. She was thus able to save precious time and money. Pierrette invested what she previously spent to travel to northern Benin to expand her business (for instance, she started selling charcoal), moved her children to a better school and bought a plot of land where she is going to build a warehouse. Today, the most telling testimony of Pierrette’s success is her shop. Once hidden behind the walls of her home compound, the stalls have been moved outside and display a growing variety of colourful cereals. She sees it as a symbol of a virtuous cycle triggered by the mobile money platform that she started using a few years earlier: Better managing her time and her finances have made her business, and herself, more bold and dynamic. As Pierrette continues to rely on ALIDé for her financial needs, she wishes for greater integration of microfinance and digital money, as well as a more frictionless financial ecosystem in general. In Benin, her wish is shared by many others.

# BENIN IS THE LATECOMER THAT LEAPFROGGED

Like Pierrette, almost 6,000 small entrepreneurs in Benin today use the bank-to-wallet service launched by ALIDé and MTN to pay back their loan. Furthermore, mobile money is offering new opportunities by smoothening transactions and securing their activities.

The story of digital finance in Benin is about the perks of being a latecomer. Although mobile money was launched in the country in 2010, its diffusion—not to mention its impact—was barely noticeable during its initial years.

Since then, according to the UNCDF market development framework shown in figure I, the sector has evolved from the Start-Up stage to reach Late Expansion stage in 2019. This dramatic transformation contains millions of stories like that of Pierrette, of digital financial services (DFS) offering new opportunities for the Beninese people, both as beneficiaries and agents of change. These stories are ones of business growth, community development, increased resilience and improved livelihoods.

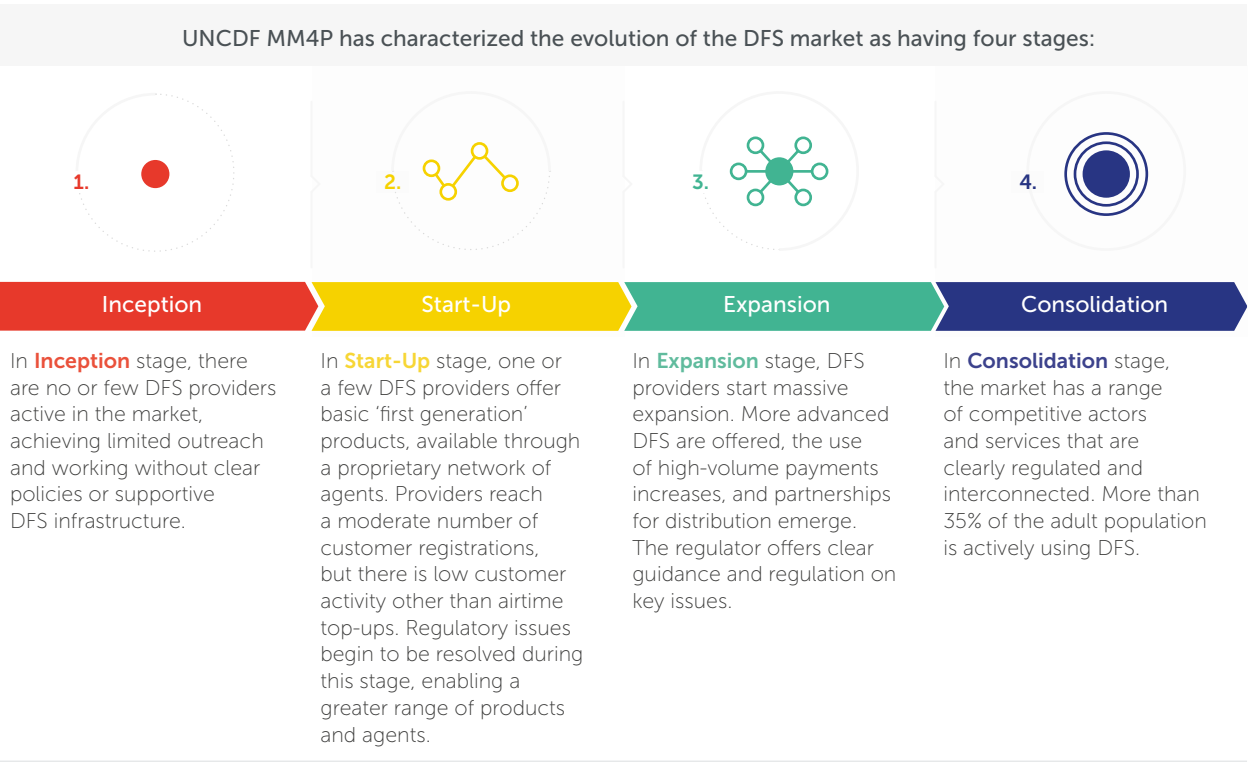
In 2015, when we started operating our MM4P programme in Benin, the DFS adoption rate was 2%.<sup>2</sup> The financial market was extremely fragmented and competitive. MFIs such as ALIDé were particularly vocal in their fear that MNOs or fintechs could encroach on what they saw as their turf—that is, the provision of financial services to informal entrepreneurs like Pierrette. The market looked so fraught with tension and distrust among stakeholders, so challenging be-

cause of what were perceived as stiff regulatory procedures and structural economic obstacles, that we kept our goals very cautious and translated them into safe targets; namely, we set our aim to ensure 12% of the adult population was financially included with DFS by 2019.

At the time, unlike Senegal, Benin did not have popular over-the-counter money transfer companies, whose agents performed digital transactions on behalf of customers. This factor helped shape a very different financial landscape in Benin. To some extent, the lack of over-the-counter agents with whom clients could perform financial operations turned out to be an advantage and helped the market make a huge jump forward. The reasoning is that, when interacting with over-the-counter agents, customers are mostly oblivious to the functioning of digital payment infrastructures, which can create ‘stickiness’ and slow down the transition to more advanced DFS. In Benin, the customers went headlong into the usage of mobile wallets. Because of their direct experience with mobile money, the number of Beninese adults conducting digital payments skyrocketed. Overcoming our wildest expectations, the digital financial inclusion rate of adults in the country has hit 40%, with more than 6 million registered mobile money accounts.<sup>3</sup>

The timeline shown in figure II reveals how the country has turned from a digital laggard into a digital locomotive and the type of projects and activities we conducted. Starting with our DFS Working Group, we provided all players, big and small, with a platform to introduce themselves. We helped MFIs and MNOs to evaluate their potential opportunities and their limits, and we encouraged partnerships through calls for proposals that required expertise and technical capabilities from multiple actors. In addition, we provided training on a variety of subjects, from DFS strategy to agent network development, keeping the focus on the needs of underserved groups (such as women and youth) and the challenges of hard-to-reach areas (such as rural areas and the northern borderland).

Figure I Market development framework

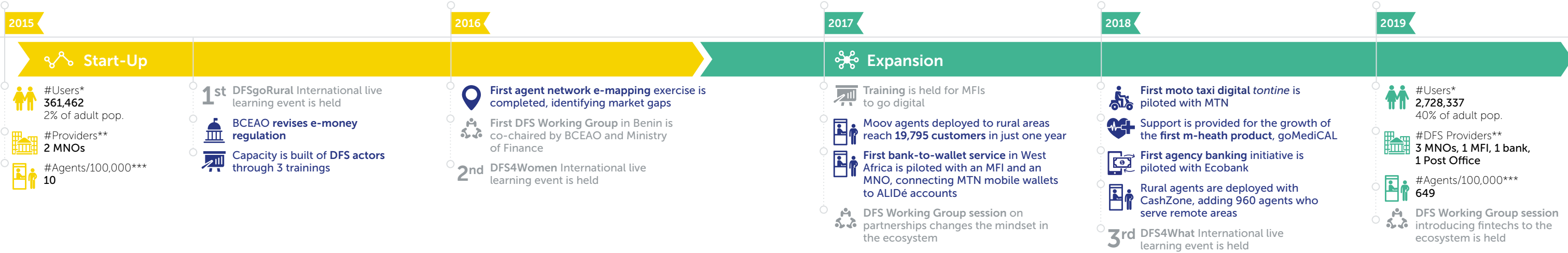


<sup>1</sup> Interview by Gianluca Lazzolino and Karima Wardak, Cotonou, September 2019.

<sup>2</sup> BCEAO, ‘Situation des services financiers via la téléphonie mobile dans l’UEMOA, Année 2014’ (Dakar, 2015).  
<sup>3</sup> Sabine Mensah and others, ‘State of the Digital Financial Services Market of Benin in 2017’ (Cotonou, UNCDF, 2018).



Figure II Timeline in Benin



\*Customer activity is defined as having made at least one transaction in the past 90 days.  
\*\*Number of providers active in the market.  
\*\*\*Agent activity is defined as having made at least one transaction in the past 30 days.  
Acronym: BCEAO, Banque Centrale des Etats de l'Afrique de l'Ouest.

# PART 2 — OUR ROLE IN THE MARKET

## OUR APPROACH

After years of working to advance financial inclusion in countries across the globe, we developed a market-based ecosystem approach that allowed us to catalyse change, align incentives and apply formal as well as informal methods of market facilitation. The ecosystem development approach has provided the overarching framework for our work in Benin (see figure III for details on the approach). We have worked across this ecosystem, addressing constraints as they arose for all stakeholders.

When we launched the MM4P programme in Benin, with the support of the Mastercard Foundation, our primary goal was to direct the interest of providers to hard-to-reach areas and populations. However, we soon realized that a major barrier to the expansion of DFS in the country was that local stakeholders saw each other as rivals. To remove that barrier, our first task was to assuage the mutual mistrust that was stalling the market while highlighting the commercial value of partnership. By acting as a neutral broker in the market, we have tried to both inspire and stimulate the conversation around DFS and the path to achieve a full-fledged digital payment ecosystem (see table 1 for a comparison of market indicators over time).

Figure III Ecosystem development approach

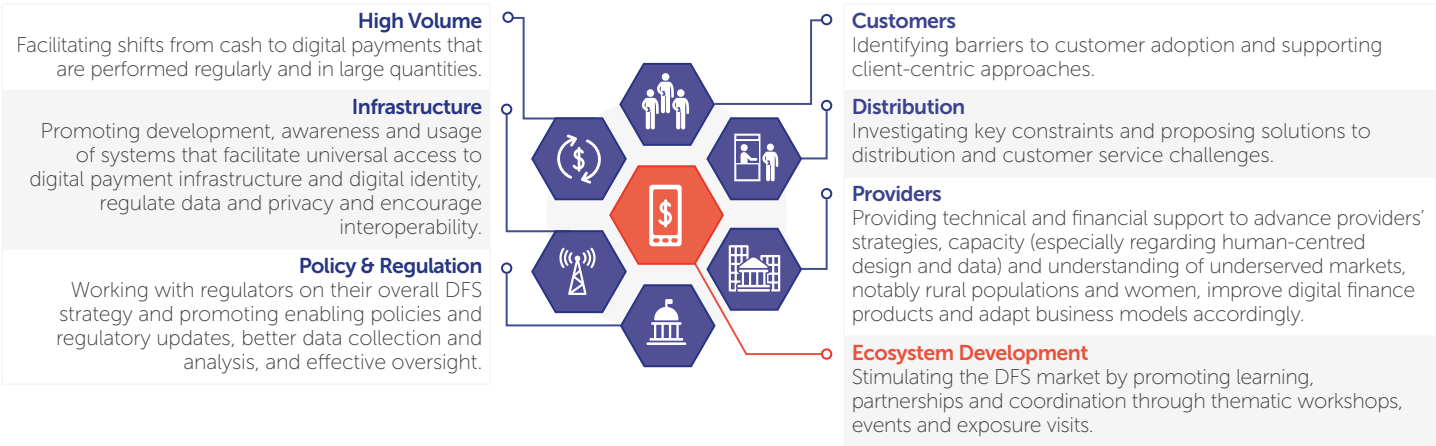


Table 1 Digital finance indicators in Benin, 2015 versus 2019

Indicator	Market stage and value (2015)	Market stage and value (June 2019)
Percentage of adult population with an active registered DFS account	2%	40%
Number of active agents per 100,000 adults	10	649
Number of providers offering DFS in the market <b>on a sustainable basis</b>	0	2 MNOs (Moov and MTN), 1 bank
Providers' attitudes and plans towards expanding and improving their digital finance products and services	DFS are considered a high priority for responding providers, as they are viewed as a significant driver of growth and a key to reaching rural customers; however, so far respondents do not report commercial sustainability.	Providers increasingly invest in their DFS operations, are starting to test customer-centric approaches and are starting to invest in rural areas.
Types of products offered in the market	Basic services are offered in the market.	Basic first-generation products are offered in the mass market, and more advanced products such as bank2wallet products are also offered in the market.
Types of institutional arrangements established for high-volume payments	None	There are several bilateral agreements (e.g., TV bundle, school fees, salary payments and social payments).
Types of partnerships formed for delivering DFS	Early	Push/Pull MNO - Bank: 2 (MTN - Diamond Bank and UBA); Push/Pull MNO - MFI: 1 (MTN - ALIDé).
Types of regulation supporting DFS	Regulation allows financial institutions but also non-bank actors (MNOs, money transfers specialists, etc.) to provide DFS to individuals and businesses as well as issue e-money, subject to obtaining a licence from BCEAO.	A revision of e-money regulation was completed, and there is more focus on customer protection and e-money issuers' responsibilities.
Benin market stage	Mid-Start-Up	Mid-Expansion

Acronyms: UBA, United Bank for Africa; BCEAO, Banque Centrale des Etats de l'Afrique de l'Ouest





## OUR PROJECTS

When we launched in Benin in 2015, in partnership with the Mastercard Foundation, the DFS market could barely be defined as being at the Start-Up stage. Roughly 2% of the adult population used the DFS offered by the two MNOs in the country. We believed in the value of our theory of change to make the market more amenable to financial innovations, and the results have exceeded our cautious optimism. By providing information, offering insights, building capacity, encouraging investments and supporting collaboration to develop high-potential projects, we helped elicit a chain of positive behavioural changes. Providers have become increasingly aware of the commercial potential of DFS while customers like Pierrette have seen a real impact on their livelihood and have begun asking for additional, and more sophisticated, digital services.

Bringing together key stakeholders in regular DFS Working Group sessions was the first step we took in the market to mould the ecosystem. The quarterly sessions, held since the inception of our activities, were meant to provide a space to facilitate and strengthen public-private dialogue where regulators, banks, MFIs and fintechs could better understand each other. As we facilitated the sharing of ideas and the lessons we had learned in other MM4P programme countries, we emphasized that each actor has a role to play in the market. Despite initial resistance, we gradually got our message across.

Regulators got to know the market, which was rapidly shifting before their eyes, through the various pieces of customer and agent network research that we produced. We helped providers integrate financial innovations into their approaches, like in the case of Moov (formerly Etisalat), and supported MTN to become more familiar with human-centred design (HCD). Additionally, through our grants, we provided incentives to agent networks to expand to rural areas, which contributed to the growth of agents from 10 to 649 per 100,000 inhabitants. In sum, we engaged with all stakeholders through the DFS Working Group sessions and carried out over 20 activities and projects, described in the following paragraphs and table 2, that have positively affected the ecosystem.

### ALIDé — Forging new partnerships for the growth of digital finance

In 2018, after over a year of preparation, ALIDé and MTN launched a project together. Connecting the back-end information system of ALIDé to the mobile money platform of MTN allowed ALIDé customers, such as Pierrette, to repay their loan via mobile money. It would have been hard for us at UNCDF MM4P to imagine this partnership at the first DFS Working Group session that we organized in Benin. Indeed, ALIDé CEO Valère Houssou was particularly vocal in his opposition to an MNO being licensed to provide financial services by BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest, or the Central Bank of West African States). Before 2015, the MFI had attempted to move into digital finance, but its approach had not panned out because of, by the admission of Mr. Houssou, a lack of strategic vision. This is where our team in Benin stepped in. We provided DFS training with customers to build relevant solutions for specific customer segments. That approach informed the development of a digital payment solution for *zémidjans*, the moto-taxi drivers that crowd the streets of Cotonou—specifically, the design of a digital saving group (*tontine*) app for *zémidjans*.

### goMediCAL — Leveraging mobile money for broader development outcomes

In 2015, Gilles Kounou had a few contacts and a good idea: to create a mobile app to facilitate payments for health-care services. When he pitched the idea to Moov and MTN, the response was positive; however, they suggested that the project needed some polishing. “So, they advised I ... get in

touch with UNCDF,” recalls Mr. Kounou, today the CEO of goMediCAL. He joined the DFS Working Group, where he had the opportunity to better explain the project.

Four years on, goMediCAL is up and running. The advice from Moov and MTN to “go and meet UNCDF” turned Mr. Kounou’s idea into the first m-health platform in Benin and one of the few experiences of DFS in Africa that focuses exclusively on health-care providers. The platform is linked to both Moov and MTN and is integrated into the Visa, Mastercard and American Express networks to also allow payments via credit cards. It enables patients to find doctors and pay via mobile wallet, as well as offering the possibility for relatives to cover payments of medical fees. Thanks to the technical assistance that we provided in early 2019, goMediCAL has honed its acquisition strategy to shift the focus from the patients to the doctors. This adjustment has proven crucial. The number of doctors linked to the platform has jumped, reaching 250 (about 10% of physicians in the country<sup>4</sup>). As a result of this large pool of professionals, the number of patients and hospitals using the app has dramatically increased in recent months. As of 2019, some 15,000 patients regularly use the app, well above the initial target of 10,000 users. Moreover, 250 appointments are made every day via the app. Besides helping to define a successful strategy that emphasized the acquisition of doctors rather than patients, our team has elevated goMediCAL in the eyes of health-care providers. “Having UNCDF on our side has made us more credible,” acknowledges Mr. Kounou. “We’re no longer seen as just another start-up.”

### Moov — Bringing human-centred design into the customer-agent relationship




Moov, an MNO, has been in the mobile money business since 2013. In 2017, the organization collaborated with us to develop its agent network. Moov found the support of our team “eye-opening.” “We eventually realized that agents are central in our outreach strategy,” says Aissatou Diallo, Head of Marketing at Moov. We introduced Moov to HCD, helping staff to reorient communication and craft messages with customers in mind. Ms. Diallo explains that sometimes a single word can make a huge difference in the way a message comes across: “We used to refer to ‘transfer money.’ But, then we switched the wording to ‘send/receive money.’ It seems a little change, but this new way of reframing the same activity really [struck] a chord with customers in terms of uptake.” Besides revamping its communication strategy, Moov leveraged the learning from our team to strengthen and extend its agent network, which today includes 37,000 agents.

<sup>4</sup> World Bank, “Physicians (per 1,000 people),” 2016 data. Available from <https://data.worldbank.org/indicator/sh.med.phys.zs>



# LIST OF PROJECTS

Table 2 List of projects

THEME	KEY CHALLENGES	KEY ACHIEVEMENTS
 Customers	<b>ALIDé</b>  Customer acquisition and savings collection.	<b>Bank2wallet/Wallet2bank solution</b>  As a result of the pilot, <b>6,000 customers</b> , including <b>5,116 women</b> , conducted push-pull transactions. As of Q2 2019 only, customers performed <b>3,270 digital transactions</b> , including deposits, reimbursements and withdrawals.
	<b>ALIDé-MTN</b>  Delays in technical developments and regulatory approval for launch.	<b>Digital savings and credit</b>  Pilot launch at the end of 2019 allowed <b>customers to make (push-pull) transactions</b> between their mobile wallet and ALIDé account, and access new digital savings and credit products.
	<b>MTN</b>  Lack of visibility of <i>zémidjans</i> and low value proposition, resulting in low usage (unlike <i>tontines</i> , for which value proposition is stronger).	<b>Payments + HCD</b>  A total of <b>225 zémidjans</b> received training on mobile payments via MTN Mobile Money, and <b>110</b> are actively using the MTN <i>tontine</i> platform. <i>Zémidjans</i> received <b>3,558 mobile-payment transactions</b> from clients.
 Agents and distribution	<b>CashZone</b>  Access to capital because of MFIs' reluctance to be involved in the project.	<b>Agent network and management strategy</b>  In sum, <b>960 rural agents</b> were recruited, including <b>224 women</b> and <b>403 youth</b> , for the pilot.
	<b>Moov</b>  Initial financial challenges.	<b>HCD and agent network strategy</b>  Active agent base expanded from <b>167 agents</b> to <b>19,725</b> within a year of the project, resulting in <b>421,567 total customers</b> being registered through the agent distribution network.
 Providers	<b>Ecobank</b>  Initial limited commitment and strategic vision, as well as a rigid platform.	<b>HCD and agency banking network strategy</b>  A total of <b>133 Xpress Points (points of service)</b> were active, with <b>172,665 active Xpress accounts</b> . Agents each averaged <b>40 transactions per month</b> . As of S1 2019, Ecobank customer base increased by <b>21%</b> , with more than <b>8,000 Xpress accounts</b> opened.
	<b>goMediCAL</b>  Improving access to medical care through digital appointments and third-party payments.  Involvement of public and institutional stakeholders like the Ministry of Health or health practitioners' association.	<b>m-health solution</b>  So far, <b>15,000 patients</b> regularly use the app, well above the initial target of <b>10,000 users</b> .  In addition, <b>250 appointments</b> are made every day via the app.





# PART 3 — LESSONS LEARNED AND THE WAY FORWARD

Our MM4P programme in Benin, in partnership with the Mastercard Foundation, has helped catalyse initiatives of different actors, previously suspicious of each other, around a common goal: to build a digital payment ecosystem. When we launched the programme in the country, such a goal seemed far-fetched. The Beninese financial landscape was siloed, and the first challenge was to bring all the stakeholders together. We did so by organizing quarterly DFS Working Group sessions, which were co-chaired by the Ministry of Finance and BCEAO. It took six months to lead the conversation towards the acknowledgement that working together to achieve digital financial inclusion could be a win-win for everyone. From there, projects started rolling and the market started to shift rapidly.

## CRITICAL SUCCESS FACTORS

### Leveraging outside experiences to accelerate growth

Benin was a late-starter in digital finance but has become a sprinter. Exposing Beninese DFS providers to what has worked elsewhere (e.g., in East Africa) provided them with examples on which to build. Leveraging our global footprint, we were able to provide a wide range of training sessions and insights that helped accelerate growth. We first developed an appetite for DFS and then delivered the technical assistance necessary to move quickly. Once foundational issues regarding agent networks were overcome, the market was at a point where there was a desire to go digital, the capacity to do so, the examples to follow and the infrastructure on which to build. It created the 'perfect storm' for rapid DFS growth in Benin.

### Catalysing investments in underserved areas

First, we provided data and information to help Beninese DFS providers build business cases for serving harder-to-reach

populations. Second, by deploying small grants, we de-risked investments in these more challenging contexts, which motivated others to follow. Third, we provided technical assistance to partners in order to develop their capacity to structure and manage products and agent networks in areas where cash is scarce and logistics are time-consuming. By demonstrating potential, we were thus able to crowd in capital from elsewhere to promote further exploration.

### Using an agile approach that allowed us to respond to changes in market conditions

The UNCDF market development approach allowed us to move faster than traditional programmes. Using this approach meant that our team had the agility to adjust to rapid changes in the market. For instance, despite our initial goals being restrained by low baseline data, the market grew faster than expected, which led the team to readjust priorities along the way. Initial scoping remains critical, but change is non-linear, complex and unpredictable—some projects may start with a goal and a series of activities that may have to change as the partner or the market takes an unexpected turn.

### Earning a reputation as a neutral broker with all market stakeholders

We carefully avoided picking 'winners;' instead, with our market development approach, we emphasised that each actor plays a critical role in a digital payment ecosystem. We encouraged and supported ecosystem actors, with market insights, capacity-building, grants and technical assistance, to forge partnerships and develop common projects. By transferring valuable expertise that we acquired through our successes and shortcomings, we became a reference for both market actors and regulators.

## KEY LESSONS LEARNED FOR THE NEXT PHASE

### There is a need for more inclusive investment

The dramatic growth of the Beninese digital ecosystem has revealed the potential of the country to become a dynamic and inclusive digital economy in the near future. To move forward along this promising path, DFS providers will require more training and capacity-building to develop services for marginalized groups such as youth, women, and micro-, small- and medium-sized enterprises. In particular, these groups need DFS to gain greater access to working capital, as well as to be supported through customer empowerment efforts in the areas of financial education and entrepreneurship. More investment will be required from both DFS providers and the development sector to ensure innovation is inclusive and serves to close, rather than widen, the digital divide.

### We need to look beyond traditional digital finance providers

We have seen in Benin over the past five years the potential for the exponential growth of mobile money. And, in goMediCAl, we have seen an example of how mobile money can enable solutions to everyday problems that people face. DFS have whetted the appetite of Beninese customers for additional digital solutions that target needs that are more specific and that address a much broader range of Sustainable Developmental Goals. This demand means that their digital finance accounts need to help them pay their utility bills and school fees, insure them against health emergencies and crop failures, and allow them to borrow for investments in new enterprises. All of these developments mean adopting a broader approach to digital inclusion, including having a wider range of non-financial actors.

### We need to keep in mind that innovation goes hand-in-hand with regulation

In order to balance the needs of banks, MNOs, MFIs and fintechs to test new ideas and approaches along with the concerns of the central bank to address compliance and transparency, we have to keep open channels of communication between the parties and facilitate their mutual understanding. Our DFS Working Group sessions have provided a useful platform for coordinating private-sector actors and completing the groundwork for partnerships that are likely to continue into the future, but we need to improve the channels through which they engage with public-sector actors around innovations. We have already developed two useful models for this kind of public-private coordination: the Feedback2Action approach in Zambia and the regulatory sandbox model pioneered in Sierra Leone.



“With the DFS Working Groups, UNCDF has created a comfort zone for discussion and brainstorming.”

— Dorelle Adido, Head of Payment Systems Management, BCEAO

“HCD opened our eyes. We used to refer to ‘transfer money.’ But, then we switched the wording to ‘send/receive money.’ It seems a little change, but this new way of reframing the same activity really [struck] a chord with customers in terms of uptake.”

— Aissatou Diallo, Head of Marketing, Moov

“Thanks to UNCDF, we’re no longer just another start-up.”

— Gilles Kounou, CEO, goMediCAL

“Without UNCDF, we would have probably never moved into rural areas... UNCDF helped us understand the potential of investing in hard-to-reach areas and anticipate the challenges.”

— Virgile Toffodji, Managing Director, MTN Mobile Money Benin



## LEAVING NO ONE BEHIND IN THE DIGITAL ERA

The UNCDF strategy ‘Leaving no one behind in the digital era’ is based on over a decade of experience in digital finance in Africa, Asia and the Pacific. UNCDF recognizes that reaching the full potential of digital financial inclusion in support of the Sustainable Development Goals aligns with the vision of promoting digital economies that leave no one behind. The vision of UNCDF is to empower millions of people by 2024 to use services daily that leverage innovation and technology and contribute to the Sustainable Development Goals. UNCDF will apply a market development approach and continuously seek to address underlying market dysfunctions.

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