

Benin

Annual Monitor

2016



The digital finance services (DFS) ecosystem in Benin is characterized by a predominance of first-generation DFS (money transfer, e-top-up). The country is writing its mobile money turnaround story with increased investment by mobile network operators (MNOs) in their agent networks and in standalone subsidiaries to manage their mobile money businesses, as evidenced by the e-money licence awarded to MTN Mobile Money Benin SA. This approach has created a new dynamic within the banking industry, resulting in greater interest in DFS and increased participation in DFS capacity-building. A significant rise in customer usage and agent activity is being observed. Banks are starting to offer their own solutions, for example with the introduction by Ecobank of a mobile banking app for its Xpress Account. Microfinance institutions (MFIs) have tested mobile collectors for tontine schemes and are looking at partnership opportunities with MNOs. However, challenges remain in the market. Mobile money utility bill payment is still not a reality. Providers struggle to develop a portfolio of merchants that accept payment via mobile money, and current results are far from their expectations. Partnerships between MNOs and banks raise some concerns. Regulatory challenges affecting agency banking, unstructured supplementary service data (USSD) access and digital credit hamper DFS ecosystem development.

The United Nations Capital Development Fund (UNCDF) programme Mobile Money for the Poor (MM4P) uses a **theory of change** approach to DFS development, which focuses on making **shifts** between phases of market development, moving from Inception to Start-Up to Expansion and eventually to a mature market known as Consolidation. Through each phase, MM4P takes into account the entire DFS ecosystem. This means MM4P plans activities at the levels of Policy & Regulation, Infrastructure, Providers, Distribution, High Volume and Customers to improve market conditions and facilitate shifts. Benin is transitioning to Expansion phase.



MM4P launched its programme in Benin in October 2015. Since then, MM4P has supported market development through the following activities:

Convened all stakeholders in a DFS Working Group, achieving a high level of buy-in due to very interactive meetings followed by technical subcommittees sessions—it is not only a platform to discuss issues but also a melting pot that instigates change

Carried out research on DFS adoption as well as customer behaviours and needs

Completed a strategic assessment of DFS deployments with a focus on agent networks, including some recommendations for MNOs

Mapped market coverage in terms of financial service access points

Supported a distribution channel in urban and rural areas through a project with an MNO (in progress)

Reinforced DFS capacities of ecosystem actors through a series of learning events and trainings

Involved the Government in expanding DFS by getting its buy-in on the MM4P 2017 annual work plan

In 2017, MM4P has planned the following activities:

Support MFIs in bank-to-wallet projects in partnership with MNOs

Support DFS providers in human-centric design approach, focusing on specific targets like moto-taxis and developing dedicated payment and tontine products

Conduct a payment flow diagnosis with the Government and the piloting of quick-win government payment projects to help shift payments from cash to digital

Support banks to launch an innovative agency banking model

Encourage DFS providers to reinforce their presence in rural areas with high economic potential but low current coverage

Engage with stakeholders across public and private sectors through DFS Working Group and other learning platforms

Reinforce ecosystem stakeholders' capacities in innovative products like digital credit

Support technical committees to propose an operational framework to fight DFS fraud

Benin

Facts and figures

Population^a

10.9 million



Adult population^a

6.5 million



Where we were 2014 Where we were 2015 Where we are 2016



(90 DAYS)

TOTAL ACTIVE DFS USERS^b

134,766

ACTIVE DFS USERS AS
PERCENTAGE OF ADULT
POPULATION^b

2%



(90 DAYS)

TOTAL ACTIVE DFS USERS^b

393,912

ACTIVE DFS USERS AS
PERCENTAGE OF ADULT
POPULATION^b

6%



(90 DAYS)

TOTAL ACTIVE DFS USERS^c

974,293

ACTIVE DFS USERS AS
PERCENTAGE OF ADULT
POPULATION^c

15%



(30 DAYS)

TOTAL ACTIVE AGENTS^d

120

ACTIVE AGENTS
PER 100,000 ADULTS^d

1.8



(30 DAYS)

TOTAL ACTIVE AGENTS^d

7,475

ACTIVE AGENTS
PER 100,000 ADULTS^d

119



(30 DAYS)

TOTAL ACTIVE AGENTS^d

10,640

ACTIVE AGENTS
PER 100,000 ADULTS^d

190



MOBILE
PENETRATION
RATE^e

88%



FINANCIAL
INCLUSION
RATE^f

17%



PROVIDERS
ENGAGED
IN DFS

MNOs:

Moov, MTN

Main banks:

Bank of Africa, Banque Atlantique, BGFI
Bank, Diamond Bank, Ecobank, Orabank

Others:

ASMAB (MFI), La Poste du Bénin, W@ri

^a UN World Population Prospects, 2016

^b BCEAO, 2016 (supply-side data; defined as number of registered mobile money accounts) and UN Population Statistics, 2015

^c Financial Inclusion Insights Benin, 2015 (demand-side data; does not include over-the-counter transactions) and UN Population Statistics, 2016

^d MIX Market Agent Mapping, 2015 and UN Population Statistics, 2015/2016

^e ARCEP Benin, 2016

^f BCEAO, 2015 (includes those with a bank account in their own name; does not consider DFS usage without an account)

OPPORTUNITIES



(1) BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest) prioritizes protection of DFS customers (2) BCEAO is working on a regulatory framework related to agency banking



(1) BCEAO is leading a regional interoperability project (2) BCEAO is leading a project to transform GIM-UEMOA (Groupe interbancaire monétaire de l'Union monétaire ouest africaine) into a regional switch, including DFS providers



(1) Variety of actors are engaged or preparing to engage in DFS (MFIs, banks, fintechs, MNOs, post office, etc.) (2) Partnerships are emerging between MNOs and financial institutions (3) Providers are willing to test and launch innovative services, such as mEducation, mHealth and mInsurance services



(1) Providers are improving number and quality of access points (agents) in majority of communities (2) Opportunities exist to develop a distribution channel in rural areas with high economic potential



(1) Better Than Cash Alliance diagnostic on payment flows is ongoing (2) Digital Agency will develop an mCommerce platform to support digitization projects



(1) There is a flow of cross-border remittances from Beninese diaspora in West Africa (2) Providers are willing to invest more in customer education campaigns (3) Customer activity (usage) and interest in second-generation services like savings and loans, insurance, tontines, etc. is increasing



(1) A dynamic DFS Working Group gathers main industry stakeholders each quarter (2) There is capacity of technical subcommittees (put in place by Working Group) to create changes in the ecosystem

CHALLENGES

(1) Expecting telco regulation to open USSD channel to non-telco providers and improved regulatory framework from BCEAO to allow DFS emulation (particularly for digital credit and agency banking) (2) Dealing with variable application of know-your-customer standards by different actors (MNO-bank partnerships) and lack of full registration by most mobile money customers (3) Strengthening capacities of regulators on complex topics

Determining how to help MFIs improve their readiness by addressing inadequacies of their core banking systems for DFS

(1) Convincing MNOs to focus more on low-income segments (2) Developing win-win partnerships between MNOs and banks/MFIs (3) Getting top management buy-in for DFS projects, especially those not involved in training programmes (4) Developing interoperability between providers

(1) Convincing MNOs to develop their agent networks in non-urban areas (2) Developing shared network model

(1) Developing high-volume projects in areas where DFS ecosystem is not accepted (2) Reinforcing capacity of public stakeholders (3) Developing public-private partnerships between the Government and providers on high-volume projects

(1) Improving people's readiness to use DFS, especially illiterate people (2) Convincing temporary customers to become fully registered for mobile money

Increasing engagement of the Government in Working Group sessions through participation of ministries that can ensure follow-up of recommendations

2014 WHERE WE WERE Inception phase:

- 2% of adult population actively using DFS (90 days)
- 1.8 active agents per 100,000 adults
- Apprehension by stakeholders about DFS
- Basic services available (cash-in/cash-out, transfers, airtime top-ups)
- No partnerships and fragmented ecosystem

2019 WHERE WE WANT TO BE Expansion phase:

- 30% of adult population actively using DFS (90 days)
- > 200 active agents per 100,000 adults
- Well-developed agent network with good coverage, particularly in rural areas
- Partnerships among MNOs, MFIs and banks to deliver financial services to the poor (credit, savings, insurance and other innovations)
- Wide range of digitized payments (government, utilities, value chains, tontines)
- Interoperability and clearer regulations around know-your-customer requirements, agents, customer protection, agency banking and electronic signatures

2016 WHERE WE ARE Transitioning into Expansion phase:

- There is an improved regulation on e-money issuance
- There is a regional financial inclusion strategy
- BCEAO frequently communicates on e-money regulation
- There are debates organized (by MM4P) on agency banking regulation with BCEAO and players
- Several MFIs reinforced or changed their core banking system
- Banks and MFIs are deploying or preparing to deploy their own DFS solutions
- Push/Pull partnership projects between MNOs and banks or MFIs are ongoing
- Communities, including in remote or rural areas, have better access point coverage
- Agent activity rate has significantly increased (>61% of agents are active and average number of transactions is >8 per day)
- 15% of adult population is actively using DFS (90 days)
- Dialogue is ongoing between regulators and among industry stakeholders thanks to DFS Working Group
- Partnership ideas are promoted and players are willing to partner thanks to DFS Working Group melting pot
- Incorrect perceptions about DFS that caused apprehension by a few potential providers were addressed