Growing Digital Financial Inclusion in Benin
Like Pierrette, almost 6,000 small entrepreneurs in Benin today use the bank-to-wallet service launched by ALIDé and MTNs to pay back their loan. Furthermore, mobile money is offering new opportunities by smoothing 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 1, 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 M4AP programme in Benin, the DFS adoption rate was 2%.* 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 tensions and distrust among stakeholders, so challenging because of what were perceived as stifling 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 10% 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 heading 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.*

The timeline shown in figure 1 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 and the challenges of hard-to-reach areas (such as rural areas and the northern borderland) to agent network development, keeping the focus on the needs of underserved groups (such as women and youth) and the 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 money has 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.

In Inception stage, there are no or few DFS providers active in the market, achieving limited outreach and working without clear policies or supportive DFS infrastructure.

In Start-Up stage, one or a few DFS providers offer basic ‘first generation’ products, available through a proprietary network of agents. Providers reach a moderate number of customers, but there is low customer activity other than airtime top-ups. Regulatory issues begin to be resolved during this stage, enabling a greater range of products and agents.

In Expansion stage, DFS providers start massive expansion. More advanced DFS are offered, the use of high-value payment limits, and partnerships for distribution emerge. The regulator offers clear guidance and regulation on key issues.

In Consolidation stage, the market has a large number of competing actors and services that are clearly regulated and interconnected. More than 35% of the adult population is actively using DFS.

* SCKAO, ‘Situation des services financiers via la téléphonie mobile dans le LEMOA, Année 2020’ (Dakar, 2021).

Figure 1 Market development framework
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 arise for all stakeholders.

Figure III Ecosystem development approach

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 its path to achieve a full-fledged digital payment ecosystem (see figure III for details on the approach).

Table 1 Digital finance indicators in Benin, 2015 versus 2019

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Market stage and value (2015)</th>
<th>Market stage and value (June 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of adult population with an active registered DFS account</td>
<td>2%</td>
<td>40%</td>
</tr>
<tr>
<td>Number of active agents per 100,000 adults</td>
<td>10</td>
<td>649</td>
</tr>
<tr>
<td>Number of providers offering DFS in the market</td>
<td>0</td>
<td>2 MNOs (Moov and MTN), 1 bank</td>
</tr>
<tr>
<td>Providers’ attitudes and plans towards expanding and improving their digital finance products and services</td>
<td>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.</td>
<td>Providers increasing investment in their DFS operations, are starting to test customer-centric approaches and are starting to invest in rural areas.</td>
</tr>
<tr>
<td>Types of products offered in the market</td>
<td>Basic services are offered in the market.</td>
<td>Basic first-generation products are offered in the mass market and more advanced products such as bulk可能是digital payment products are also offered in the market.</td>
</tr>
<tr>
<td>Types of institutional arrangements established for high-volume payments</td>
<td>None</td>
<td>There are several bilateral agreements (e.g., TV bundle, school fees, salary payments and social payments).</td>
</tr>
<tr>
<td>Types of partnerships formed for delivering DFS</td>
<td>Early</td>
<td>Push/Pull MNO - Bank: 2 (MTN - Diamond Bank and UBA); Push/Pull MNO - MFI: 1 (MTN - ALIDé).</td>
</tr>
<tr>
<td>Types of regulation supporting DFS</td>
<td>Regulation allows financial institutions but also non-bank actors (MNOs, money transfer specialists, etc.) to provide DFS to individuals and businesses as well as issue e-money, subject to obtaining a licence from BCEAO.</td>
<td>A revision of e-money regulation was completed, and there is more focus on customer protection and e-money issuers’ responsibilities.</td>
</tr>
</tbody>
</table>

Benin market stage

Acronyms: UBA, United Bank for Africa; BCEAO, Banque Centrale des États de l’Afrique de l’Ouest
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 MIMMF 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 MFIs 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.

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 Assisatou Diallo, Head of Marketing at Moov. We introduced Moov to HCD, helping staff to reorient communication and craft 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.”

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). 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.”

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. Customers like Pierrette have seen a real impact on their livelihood and have begun asking for additional, and more sophisticated, digital services.

## LIST OF PROJECTS

### Table 2 List of projects

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

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, we carefully avoided picking ‘winners;’ instead, with our neutral broker role, we facilitated the conversation to forge partnerships and develop common projects. By demonstrating potential, we were thus able to build momentum from elsewhere to promote further exploration.

SUCCESS FACTORS

CRITICAL

Leveraging outside experiences to accelerate growth

Benin was a late-starter in digital finance but has become a sprinter. Extending 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 demonstrated 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 build momentum 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 ability 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 realign priorities along the way. Initial scaling 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 neutral broker role, we facilitated the conversation 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.

The UNCDF market development approach allowed us to move faster than traditional programmes. Using this approach meant that our team had the ability 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 realign priorities along the way. Initial scaling 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 neutral broker role, we facilitated the conversation 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.

The UNCDF market development approach allowed us to move faster than traditional programmes. Using this approach meant that our team had the ability 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 realign priorities along the way. Initial scaling 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 neutral broker role, we facilitated the conversation 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.
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