

With only three e-money providers, including two that received their licence in late 2013, digital financial services (DFS) in Benin are limited both in terms of providers (ASMAB, Moov, MTN) and products (cash-in/cash-out, airtime top-ups, person-to-person transfers). Agent networks are largely proprietary and there is no interoperability. Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) issued new and better regulatory instructions for e-money issuers in May 2015 that address some of the gaps in the 2006 instructions. However, there are still opportunities for improvement, particularly with regards to know-your-customer (KYC), interoperability, agent banking, customer protection, market conduct and supervision. There is genuine misunderstanding in Benin of the e-money regulatory framework, especially by microfinance institutions (MFIs). Neither Moov nor MTN has applied for an e-money licence, though ASMAB has obtained one and is the first MFI to do so in the West African Economic and Monetary Union (WAEMU).

Benin Annual Monitor 2015



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 has just moved from the Inception phase and is currently in the Start-Up phase of DFS market development.

MM4P launched its programme in Benin in October 2015 with the buy-in of the Ministry of Economy and Finance.

Since October 2015, MM4P has supported market development through the following activities:

- Recruited an in-country DFS expert to support programme activities in Benin
- Conducted market research on microfinance and DFS
- Facilitated the participation of representatives from the central bank BCEAO, Ministry of Economy and Finance and microfinance sector in a government-to-person exposure visit on digitizing social benefit payments in South Africa
- Conducted research on financial service access points that led to a dynamic service point mapping tool with MIX Market
- Invited Beninese service providers to a training on agent network management in Senegal facilitated by The *Helix* Institute of Digital Finance
- Conducted quantitative research with Intermedia on client adoption of DFS
- Facilitated the participation of two representatives from the Ministry of Economy and Finance in a workshop on payment diagnosis methodology in Dakar, Senegal
- Carried out an agent network strategic assessment with *MicroSave*
- Analysed the needs of the microfinance sector regarding DFS with PHB Development

Over the next four years, MM4P plans to continue to invest in the Benin DFS market with the goal of moving the market fully into an Expansion phase and the objective of 12% of the adult population actively using DFS (active use is defined as having used the account at least one time in the past 90 days).

In 2016, MM4P has planned the following activities:

- Share the results of the quantitative and qualitative research on consumers and agents to facilitate a better understanding of both the demand and supply side of the market
- Carry out an institutional diagnosis of select MFIs to assess readiness for DFS business model piloting
- Set up a DFS working group at the national level to provide a forum for stakeholders to share, learn and grow the DFS ecosystem
- Leverage human-centred-design approach with DFS providers to better understand clients
- Organize a workshop on the different DFS business model options for MFIs in Benin
- Provide technical assistance to service providers (MFIs, mobile network operators [MNOs], banks, post office) to develop innovative products and services and to improve and expand agent networks



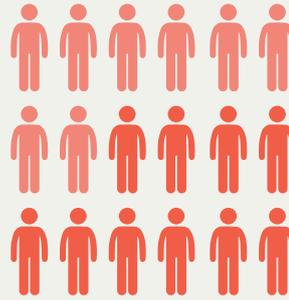
Facts and figures

Benin

10,880,000

Population

UN World Population Prospects, 2015



6,293,000

Adult population

UN World Population Prospects, 2015

Where we were
2014

Where we are
2015

Where we want to be
2019



Active registered DFS users
90 days

2%^a

of adult population

134,766^a
total

6%^a

of adult population

393,912^a
total

9%^b

of adult population

610,421^b
total

12%

of adult population

781,096
total



Active agents
30 days

1.8^c

per 100,000 adults

120^c
total

119^c

per 100,000 adults

7,475^c
total

>200

per 100,000 adults

14,000
total

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

^b Financial Inclusion Insights Benin, 2015 (demand-side data; does not include OTC transactions) and UN Population Statistics, 2015

^c MIX Market Agent Mapping, 2015 and UN Population Statistics, 2015



78%

Mobile penetration rate

GSMA, 2014

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



17%

Financial inclusion rate

Global Findex, 2014

Opportunities

Challenges



Policy & Regulation

- Addressing misunderstandings that remain in the market about the 2015 e-money regulatory instructions



Providers

- Support MFIs that are ready to go digital in the process of structuring partnerships and designing DFS strategies and offers
- Provide technical assistance to service providers (MFIs, MNOs, banks, post office)

- Getting MFIs and banks to test new DFS models, to build partnerships and to deliver financial services to the poor



High volume

- Advocate with the Government regarding high volume payments and the benefits of shifting payments from cash to digital

- Working with the Government to make digital payments a priority



Distribution

- Work with service providers to increase reach and service quality to build credibility with consumers



Ecosystem development

- Create a DFS working group at the national level



Customers

- Include components of digital financial literacy programmes in technical assistance agreements
- Digitize tontine/informal savings
- Leverage human-centred-design approach for innovative solutions to improve customer adoption of DFS and creation of new customer-centric services

- Developing second-generation DFS products adapted to the needs of different populations

Where we were

2014

Inception phase

2% of adult population actively using DFS (90 days)

1.8 active agents per 100,000 adults

Apprehension by stakeholders about digital finance

Basic services available (cash-in/cash-out, transfers, airtime top-ups)

No partnerships and fragmented ecosystem

Where we are

2015

Start-up phase

6%–9% of adult population actively using DFS (90 days)

119 active agents per 100,000 adults

New regulatory guidelines for e-money issuers by BCEAO

Significant expansion of mobile money agent networks

Cross-border mobile transfers in WAEMU

Partnerships between MNOs and MFIs as agents for mobile money distribution

Where we want to be

2019

Expansion phase

12% 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 amongst MNOs, MFIs and banks to deliver financial services to the poor (credit, savings, insurance and other innovations)

Wide range of payments (government, utilities, value chains, tontines) digitized

Interoperability and clearer regulations around KYC, agents, customer protection, agent banking and electronic signature

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