



Inclusive FinTechs in Francophone Africa

Côte d'Ivoire country report



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Abbreviations

API	Application Programming Interface
BCEAO	Banque Centrale des Etats d’Afrique de l’Ouest (Central Bank of West African States)
DFS	Digital Financial Services
FS	Financial Services
IVR	Interactive Voice System
KYC	Know Your Customer
LMI	Low- and Medium- Income
MFI	Microfinance Institution
MNO	Mobile Network Operator
MSME	Micro, Small and Medium Enterprises
NFC	Near Field Communication
QR	Quick Response
USD	US Dollars
USSD	Unstructured Supplementary Service Data

Executive summary

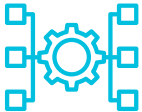
Inclusive FinTechs catalyze financial inclusion by providing convenience and ease of use of products and services. They represent a new paradigm of design and implementation strategies for financial inclusion. However, they also pose new challenges.



The key success factors for FinTechs to **stimulate financial inclusion** in Côte d'Ivoire are **product innovation tailored** to customers' needs and **conducive regulations**.



Financial inclusion **can increase** with FinTechs **through partnerships** with incumbents, simple solutions, and by enacting effective regulation. The **digital divide** needs to be addressed to not leave a portion of the population behind.



The ecosystem comprises **37 FinTechs**, **18 enablers** and **funding partners**,* while APIs are the primary technology.

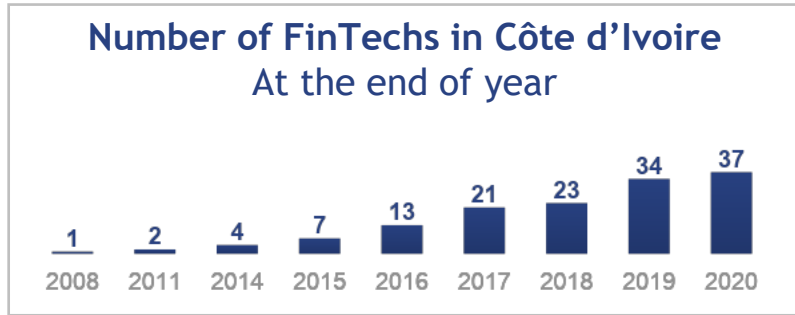


Current trends include banks testing FinTechs through contests, collaborations with the private sector on accelerators, and instances of FinTechs who have the potential **to expand regionally** that are skipped for foreign entities with lower local knowledge.

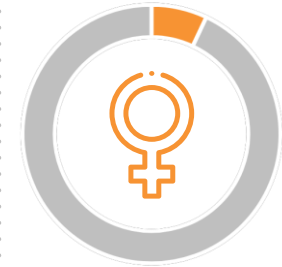


The challenges for FinTechs include **funding**, access to **information**, strategic **partnerships**, **building skills**, and the **adoption of local FinTechs by incumbents**.

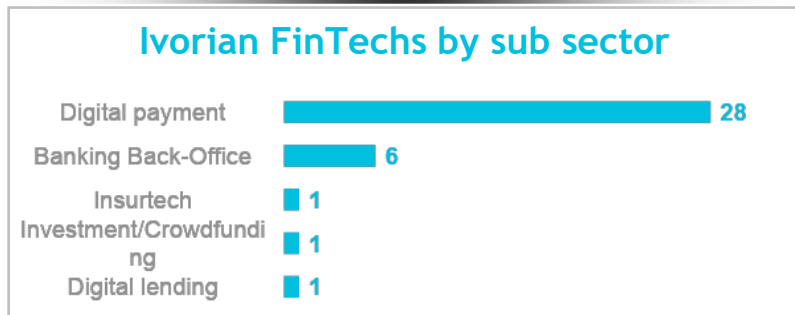
The Ivorian FinTech space is vibrant and growing but has yet to produce a significant number of ventures at scale



Most start-up FinTechs were created less than three years ago and are led by young men. The country is in the top 20 of for investor funding for tech start-ups in Africa in 2019.* Recognizing the funding gap for women, the Ivorian venture capital firm Janngo, is a female-led VC fund investing 50% of its proceeds in startups founded, co-founded by or benefiting women.



7% of FinTech start-ups have women as a founder or cofounder



Most prevalent type of financing for FinTechs in **ORANGE**



Public aid



Credit



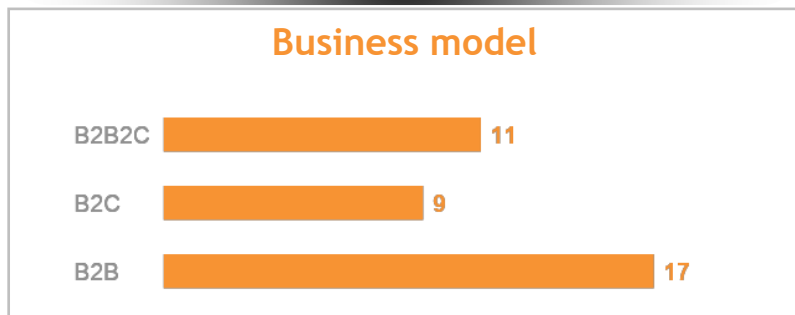
Crowdfunding



Equity and Love Money



Business angels and VC funds

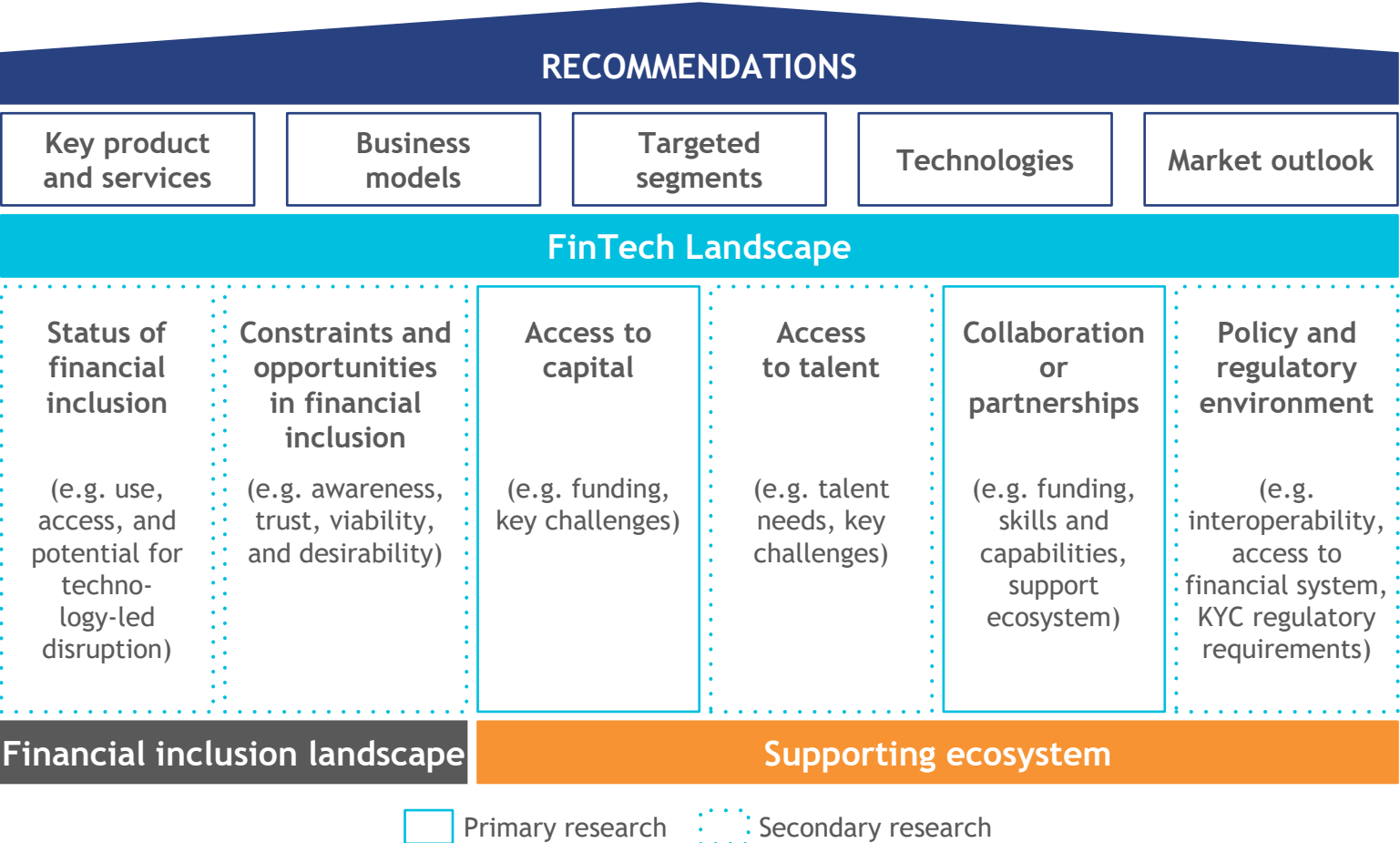


The main business model is B2B and most FinTechs have developed and launched without the support of an incubation program or angel investment. Although there are 13 incubators and accelerators, there is a distinct lack of collaboration, which has slowed development and prevented the Ivorian ecosystem from evolving.

* Partech Africa Tech VC Report

Study objectives, approach, and scope

This study focuses on addressing three sets of key questions through primary and secondary research, extensive stakeholder interviews, and in-depth analysis



OBJECTIVES AND APPROACH

Through the Mastercard Foundation program for capacity-building in Francophone Africa, MicroSave Consulting (MSC) conducted a study on the role start-up FinTechs can play in accelerating financial inclusion.

The study focused on the following three key questions:

1. What is the status of financial inclusion and where can digital disruption address gaps?
2. How are FinTechs advancing financial inclusion and what are the challenges?
3. How important are partnerships with incumbents and other actors in the ecosystem and how are they advancing financial inclusion?

SCOPE OF WORK

The study first discusses the key characteristics of financial inclusion and constraints and opportunities of digital financial services, followed by an overview of the FinTech sector. Secondly, the study synthesizes key findings that concern the supporting ecosystem, which consist of the following four key pillars:

1. Access to capital
2. Access to talent
3. Collaboration
4. Policy and regulatory environment

Finally, the study identified key recommendations to take the next steps towards increasing financial inclusion through a FinTech lens.

Key strengths and weaknesses of the FinTech landscape and supporting ecosystems in Côte d'Ivoire

KEY SUCCESS FACTOR

KEY STRENGTHS OR OPPORTUNITIES

KEY WEAKNESSES OR CHALLENGES

Enabling environment

- USSD innovation can reduce digital gaps
- Côte d'Ivoire has seen growing access to the Internet

- Lack of trust by incumbents of domestic solutions

Policy and regulatory environment

- Upcoming interoperability in the BCEAO region
- Opening of USSD to companies other than mobile operators

- Only a little over a half of the Ivoirian population has a birth certificate or ID
- Existing regulations do not allow for tiered KYC
- Lack of equitable access to APIs

Access to talent

- Côte d'Ivoire is a member of the Africa Fintech Network
- Some Ivorian universities have begun to develop technology-intensive programs in partnership with technology companies
- Incumbents developing technology hubs to help startups develop solutions leveraging their platforms

- FinTechs largely focus on innovation or fundraising and not on the business model or management of the company

Collaboration or partnerships

- Greater involvement with telcos and banks could help create rapid scale
- Innovation challenges in collaboration with banks are supporting young start-ups
- Banks are increasingly developing their own digital solutions on a call-for-tender basis and only a few work with local FinTechs
- [Rural Finance](#) accelerator for rural solutions

- Limited track record of successful collaborations
- Administrative burden and conflicting cultures

Access to finance

- A small but growing business angel network comprised of local and international investors
- Local FinTechs selected into the World Bank l'Afrique Excellence program

- Start-ups must rely on friends and family for initial funding
- Little domestic investor focus and expertise
- Limited awareness of local FinTech among international investors
- Limited number of transactions

Key insights related to financial inclusion

KEY SUCCESS FACTOR

KEY STRENGTHS OR OPPORTUNITIES

KEY WEAKNESSES OR CHALLENGES

Financial inclusion landscape

- The Ivorian Government aims to increase financial inclusion from 42% (2017) to 60% by 2024
- High usage of mobile phones for storing funds
- Establishment of an agency for the promotion of financial inclusion (APIF), whose mission is to develop and adapt the provision of financial services for low-income populations and small and medium-sized enterprises (SME)

- Increases in financial inclusion has not increased the usage of formal financial services
- Culture of fear of credit
- MSMEs lack financial management records
- Only 6% of the population saved in a formal bank account

Financial capacity

- Creating awareness
- Strong appetite for savings regardless of income levels
- Leveraging technology to communicate via voice
- Ongoing implementation of the national financial inclusion strategy
- Strong interest in accessing loans via a mobile phone*
- Increasing registrations with the credit bureau

- Low levels of literacy and numeracy
- Low levels of formal savings and credit
- Ivorians lack access to appropriate tools to preserve their financial privacy

Digital awareness

- Growing usage of mobile payments
- Bill aggregators to help reduce transaction costs
- Heavy dependence on cash and checks so can show value of digital payments

- Mistrust and lack of experience in payments technology
- Lower usage of DFS by youth, women and rural dwellers with low levels of financial numeracy
- Low level of merchant payments
- The main purchase via mobile money for youth is for sports betting

Potential opportunities for disruption



- SMEs do not have the capacity to produce quality financial records thus need tools to digitalize bookkeeping which will assist in access loans
- Digitalizing tontines
- User interfaces that facilitate usage for individuals with lower numeracy
- The appetite for savings is high but people lack the tools to maintain a savings discipline and limit spending temptations
- Digital community platform that enables access to credit among peers
- Design a system that uses symbols to count money and read figures (pin codes, account balance, transaction fees, etc.). Such a system could borrow heavily from existing traditional counting systems

*Intermedia 2017

Summary of key recommendations

KEY SUCCESS FACTOR	RECOMMENDATIONS	PRIORITY
FinTech landscape	<ul style="list-style-type: none"> • Create tax incentives to start new FinTechs • There are incentives however entrepreneurs are often unaware of what exists so visibility needs to be heightened to encourage entrepreneurs 	<ul style="list-style-type: none"> • High • Medium
Policy and regulatory environment	<ul style="list-style-type: none"> • Introduce one-stop shopping for USSD at an affordable price • Create a regulatory sandbox prioritizing financial-inclusive FinTechs • Create a regulatory fact sheet for FinTechs • Introduce tax incentives for merchants who use digital payments • Create sandboxes to allow small-scale, live testing of innovations by private firms in a controlled environment • Create an innovation testing license similar to the Dubai Financial Service Authority for testing without the full spectrum of regulatory requirements • Set up a DFS working group to reunite stakeholders, where they will examine their challenges and potential solutions and develop a roadmap to make progress on the issues identified • Strengthen regulatory resources with FinTech-specific capabilities 	<ul style="list-style-type: none"> • High • High • High • High • Medium • Medium • Medium
Access to talent	<ul style="list-style-type: none"> • Encourage learning opportunities between incumbents and FinTechs • Ensure universities support entrepreneurs to close skill gaps • Promote STEM education, particularly among women • Build a network of mentors 	<ul style="list-style-type: none"> • High • Medium • Medium • Low
Collaboration or partnerships	<ul style="list-style-type: none"> • Incentivize incumbents to collaborate with local FinTechs • Encourage incumbents to support FinTech commercialization 	<ul style="list-style-type: none"> • Medium • Low
Access to finance	<ul style="list-style-type: none"> • Provide networking events with an international audience • Support FinTechs to access international capital to accelerate the local start-up ecosystem • Create a pooled investment fund for investing in VCs that focus on inclusive FinTechs to increase the available funds or co-invest with partners 	<ul style="list-style-type: none"> • High • Medium • Low



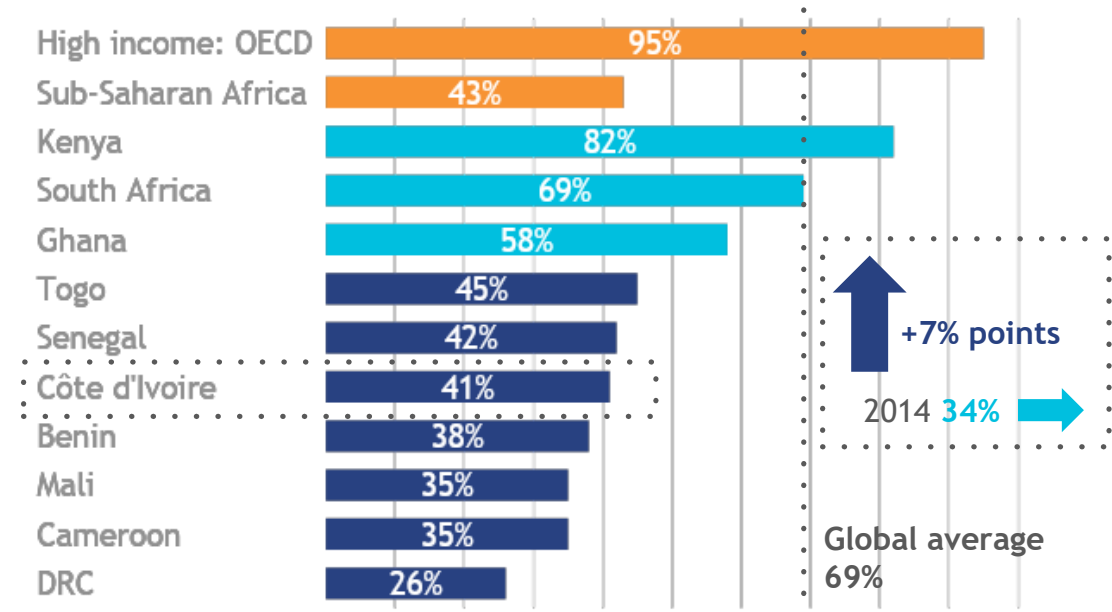
Côte d'Ivoire

The current state of financial inclusion



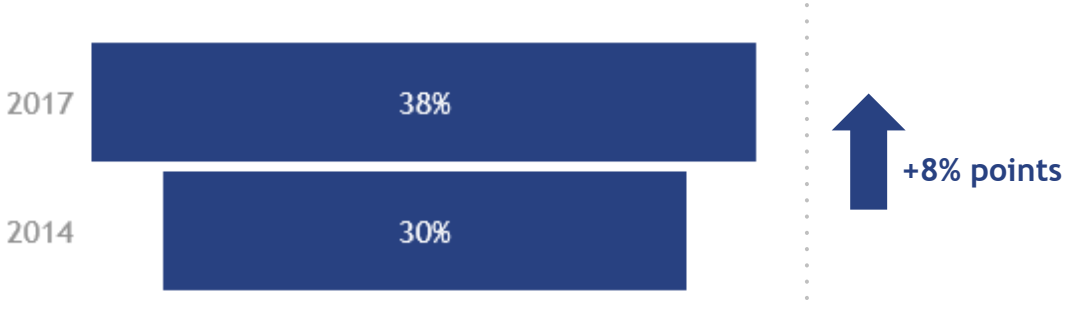
Côte d'Ivoire, the largest economy in the WAEMU, has witnessed huge growth in mobile money driven by payments

Adults (age 15+) with an account*: Financial inclusion is increasing in Cote d'Ivoire but the growing digital divide exacerbates the marginalization of the most vulnerable groups.

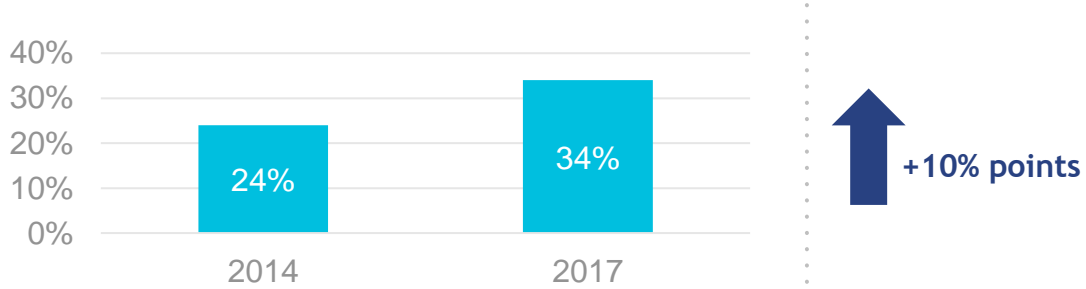


Recovering from the political crisis that hindered progress from 2002 to 2011, Côte d'Ivoire is catching up with continental levels on financial inclusion. There is a strong appetite for mobile money among Ivorians but the potential to include vulnerable people in the digital ecosystem is largely untapped.

Payments in Côte d'Ivoire: 38% of adults (+15) sent or received digital payments in 2017, using mostly mobile money**



Holders of mobile money account (age +15)



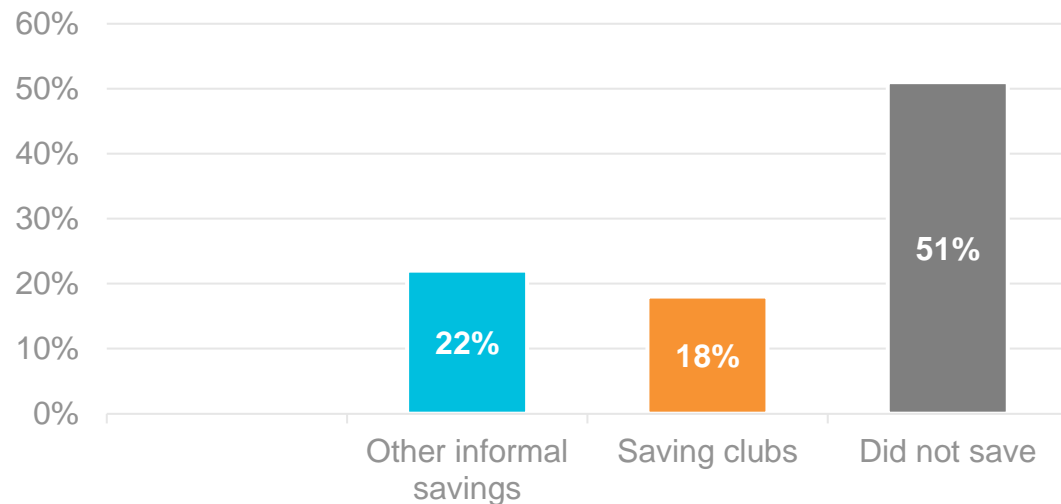
Adoption of mobile money, which Ivorians see as a cheap and convenient solution, drives financial access entirely, primarily for digital payments. However, pricing and easy access to financial services are not the key determinants of people's choices, preferences, and use of financial tools***.

Source: *World Bank Global Findex data (2017)
 ** - Includes accounts at a bank or another type of financial institution or use of a mobile money service in the past 12 months, ***MSC research



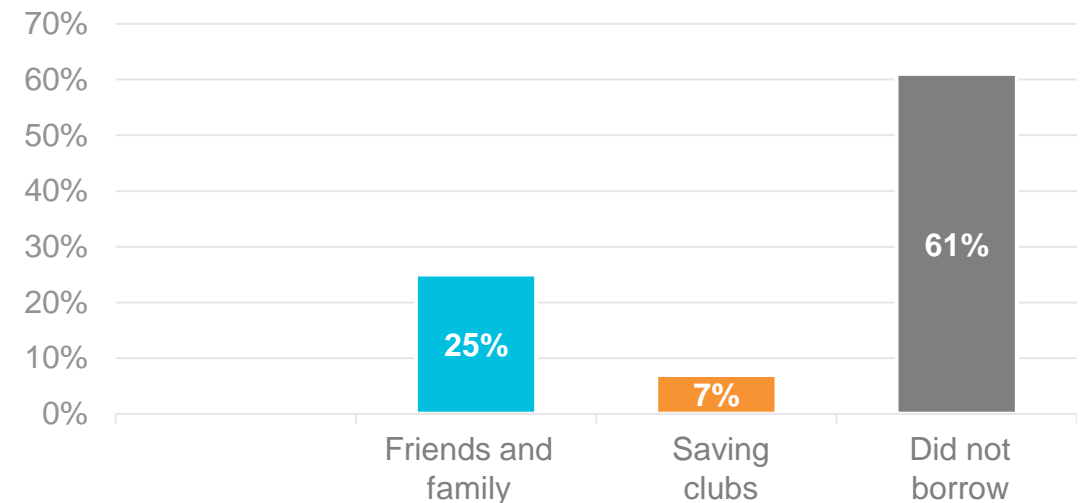
Less than half of Ivorians saved and borrowed informally in the past year, which reflects a limited level of income and loan repayment capacities

Savings : 49% saved money in the past year, mostly through trusted informal channels including under the mattress*



While most savings are made through local social mechanisms rather than through what is perceived as unknown and distrusted formal institutions,** mobile money accounts, are increasingly used to store money. However, numeracy and digital skills are low.*** Irregularity and uncertainty of revenue streams encourage people to build a safety net for themselves and their families.

Credit : 39%* borrowed in the past year, mostly through social mechanisms whereby community pressure acts as a credit guarantee*

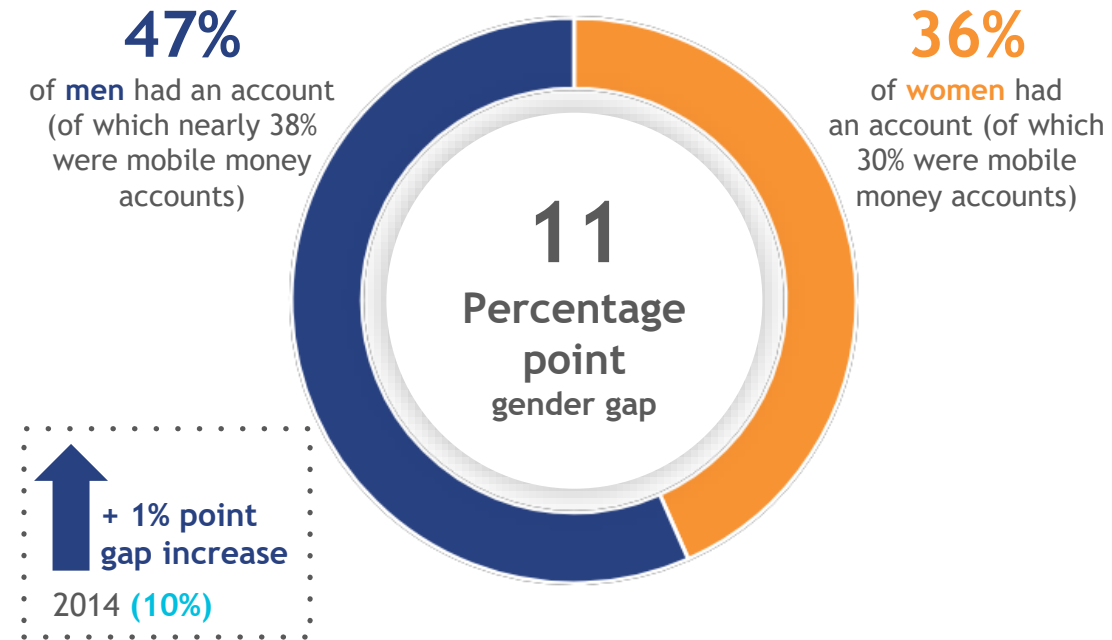


Access and use of formal credit products remain low. While saving money is socially valued and leads to autonomy, credit is seen as risky and is highly discouraged in Ivorian society. The fear of credit results from the pressure of repayment terms.

Source: *World Bank Global Findex data (2017) ; **Morisset, J. 2016. The race to emergence : why Côte d'Ivoire must adjust its financial system. Cote d'Ivoire economic update. World Bank Group; *** Riquet C, 'In Côte d'Ivoire, Financial Inclusion at a Crossroads', CGAP Blog, 26 June 2018

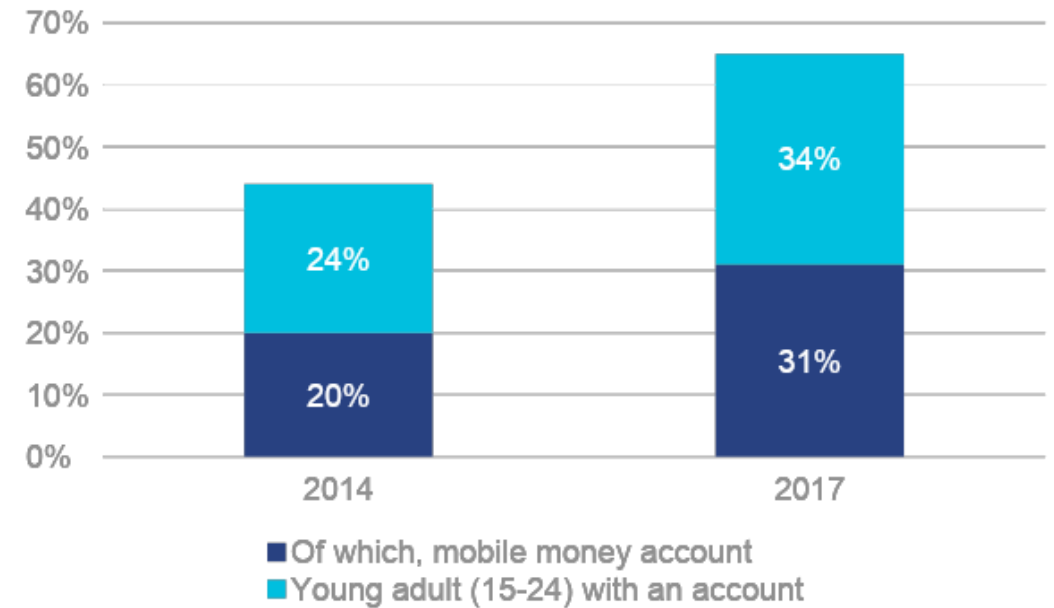
Mobile money is a powerful driver of financial access in Côte d'Ivoire and emerges as an equalizer for the inclusion of women and youth

The gender gap in financial inclusion, based on accounts and active accounts, 2017*



The gender gap, which reflects traditional discrimination of women and their limited digital skills, is widening despite the growing adoption of mobile money accounts among women. Low financial numeracy reduces the ability to utilize mobile payments.

Change in the percentage of youth (15-24) with an account from 2014 to 2017*



With more than 60% of the population below 25, young adults are the most populous segment and are rapidly adopting mobile money-based DFS. However, the usage of mobile Internet remains low. Sports betting is on the rise and is the most common purchase via mobile money**.

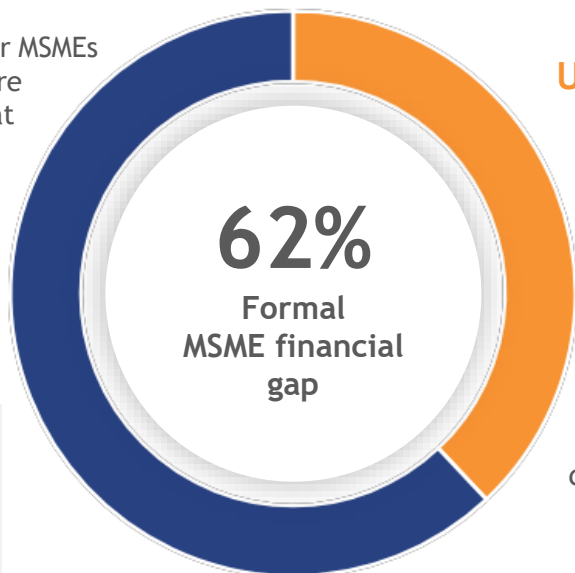
Sources: * Global Findex database (2017), **Geopoll

Most of the poor live in rural parts of the country, which provides an opportunity for agri-focused MSMEs to upgrade their business models and expand their portfolios by using DFS

The large gap of available financing for MSMEs, based on real and estimated financial needs*

The financing gap for MSMEs in Côte d'Ivoire is estimated at **USD 2.4 billion**

Current supply **USD 1.4 billion**



The total potential demand for additional financing is **USD 3.8 billion**

In 2016, **23%** of firms used banks to finance investments**

The Ivorian cocoa sector is the largest in the world. Despite its size, it is burdened by cash-based payments and intermediation costs, which calls for the expansion of DFS solutions for the transactions and investments of farmers and traders.

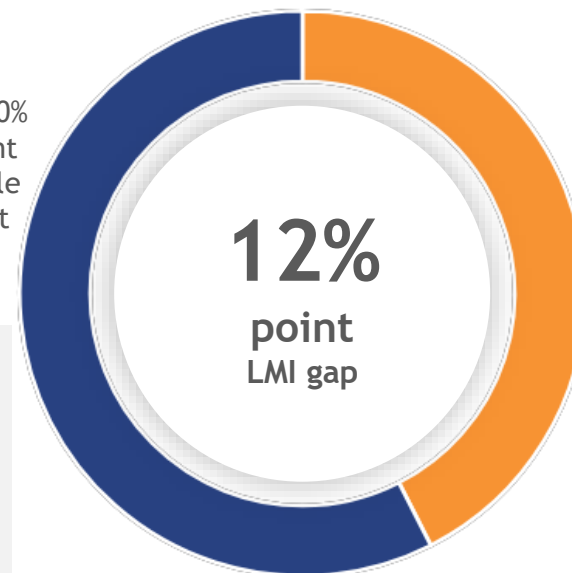
Financial inclusion of the low- and medium-income (LMI) segment, based on account holder per income group, 2017***

46%

of the richest 60% have an account (of which mobile money accounts are at 39%)

34%

of the poorest 40% have an account (of which mobile money accounts are at 27%)



57% live below the poverty line in the rural areas, versus **36%** in the urban areas****

- 5% point gap decrease since 2014

Global LMI gap: **13%** (74%-61%)

Mobile money drives up financial access for all income groups. This equalizes the social gap between the richest and the poorest, including in the rural areas where 85% of accounts are mobile money-based.

Sources: *Enterprise Financial Gap database (2017) **Global Financial Development Database (2017) ***Global Findex (2017); **** World Development indicators

Note: micro: 1-9 employees, small: 10-49 employees; medium: 50-250 employees



Côte d'Ivoire

Key constraints of financial inclusion and potential opportunities for digital disruption

While FinTechs offer services and financial inclusion has increased, usage of formal financial services remains low as products and services need to be adapted to the LMI segment who relate differently to money compared to well-educated formal workers.





Despite being in the world's top 10 fastest growing economies, the benefits of growth are not reaching LMI populations. In Côte d'Ivoire, the rural population is 60% more likely to be financially excluded and women and farmers face the greatest exposure.

- Financial choices often depend on the advice and recommendation of family members. This applies even more to vulnerable people who have limited access to information.
- Formal financial stakeholders struggle to tailor their services to people who live predominantly in an oral culture. For example, the oral segment can count cash without basic numeracy skills.
- Despite extensive use of informal financial tools, people want more autonomy and privacy in their money management. They perceive their social network to be too intrusive.
- Even though social networks play a key role in people's financial management practices, being dependent on the community can be humiliating for people in need.





- Taking a loan is highly discouraged, although Ivorians often take loans to fulfill their daily needs, to mitigate emergencies, or to seize a business opportunity.
- There is a clear tension between the need for financial autonomy and the fear of credit.
- The experience of borrowing money is successful when it follows the principles of reciprocity, evenness, and empathy.
- Spending temptations to meet daily needs and requests from the social network are high. Ivorians try by all means to keep their savings out of reach but lack the appropriate tools to do so.

Informal savings and credit practices induce considerable potential for FinTechs to provide customized second-generation digital solutions for financial inclusion





Proportion of segments who transfer, borrow, or save money*

Savings		
Segment		Percentage
Women		46%
Rural		46%
Youth		43%
MSME		unavailable

The average for the country is 49%*. Marginalized groups save slightly less than the general population, and the vast majority of those who save prefer to keep cash at home or through *tontines*.*** Savings for old age was 10% while saving to start, operate or expand a farm or business was 19%*.

Credit		
Segment		Percentage
Women		39%
Rural		36%
Youth		36%
MSME		5%***

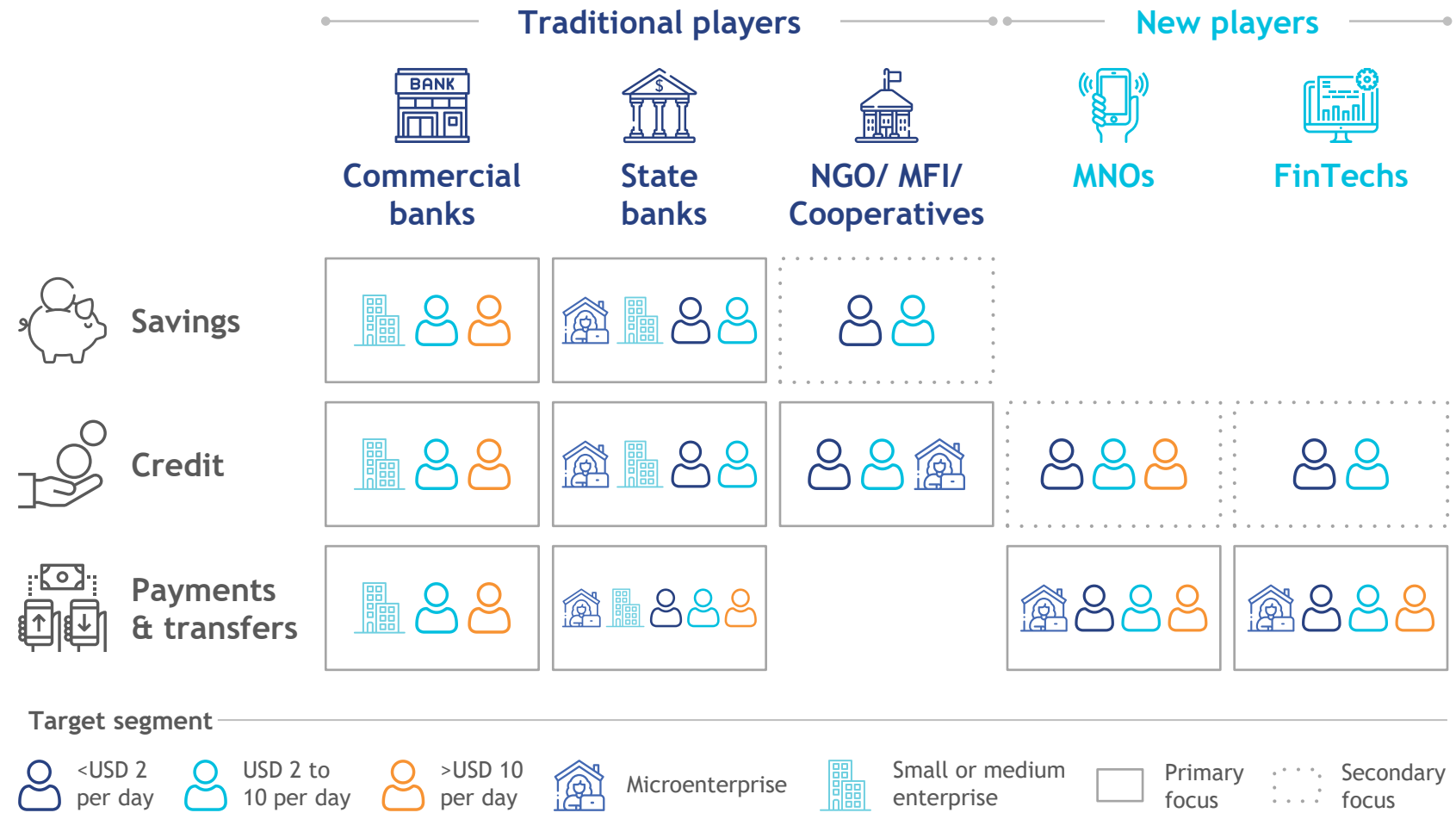
Thirty-nine percent of Ivorians borrow*. Marginalized groups take loans mostly for health and medical purposes but they borrow less from formal institutions than the general population, on average. This reflects lower access to credit and shortcomings of convenient solutions in terms of cost and trustworthiness.** Access to finance is a major barrier for 58% of MSMEs with 30% using non-financial banks.***

Payments and Transfers		
Segment		Percentage
Women		33%
Rural		34%
Youth		33%
MSME		unavailable

On average, one-third of women, rural dwellers, and youth made or received digital payments in the past year, slightly below the general population average of 38%, which reflects more difficulty accessing or understanding how these products and services work. Six percent of men and 5% of women have either paid bills or purchased something online.*

Source: *Global Findex database, 2017; ** Rotman Parker et al.(2018), How do Low Income People in Cote d'Ivoire Manage their money, CGAP Blog; ***CGAP (2018), Côte d'Ivoire Analytical Report, Financial Inclusion Insights, *** IFC Enterprise Finance Gap, 2018

The ecosystem of supply-side actors in Ivory Coast is evolving fast and opportunities to offer LMI customer-centric products abound



MTN launched [Momo Kash](#) in partnership with [Bridge Bank](#). This is a nano-credit and nano savings service.

In August 2019, NSIA insurance group launched [Blê-Blê](#), a savings product delivered by MTN money that focuses on capital-building.

Orange, which already provides a Visa card to its mobile money account holders, is implementing a **digital bank** with NSIA.

[Yup](#) is Société Générale’s mobile money solution that offers an e- wallet with a CICO agent network and ATM channels.

Ecobank has developed [Xpress](#) accounts—a mobile banking app that includes a **pre-payment solution** (SCash).

Source: MSC’s analysis



Côte d'Ivoire

The FinTech ecosystem



Spotlight on an entrepreneur

Siaka Silue is the cofounder of [Locatys](#), a start-up FinTech that launched in 2017. It provides investment management solutions for the Ivorian diaspora—rent payment collection via mobile money and rent insurance.

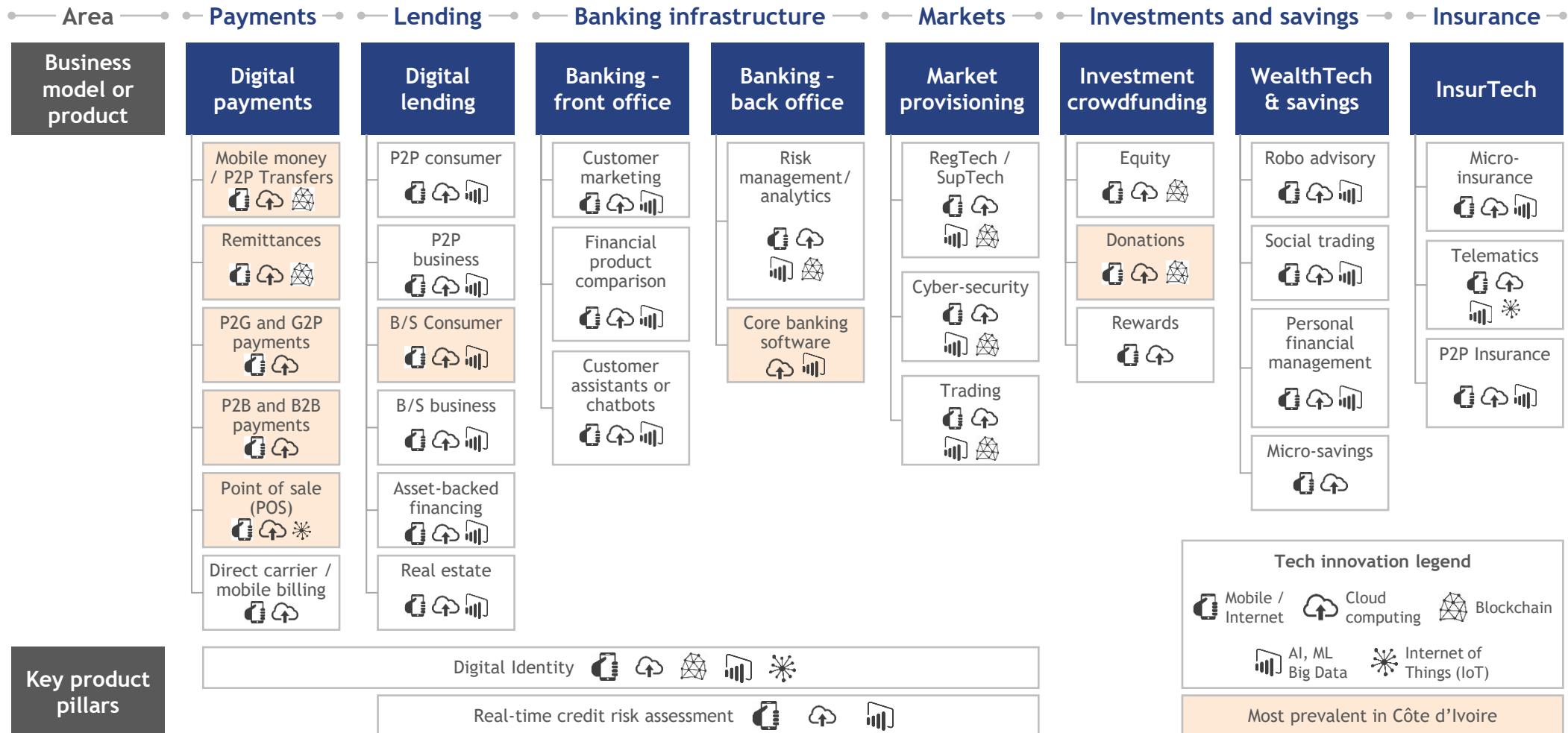
Siaka is an IT specialist who was an independent consultant for a long time before launching this venture.

As the client base has been growing, Siaka would like to serve mass market customers by offering microinsurance and microcredit facilities to tenants of apartments and homes. To do so, he needs:

- Clarification by the BCEAO on FinTech regulatory framework to refine his strategy
- Access to a large network of investors
- Support to increase brand the awareness amongst his targeted clientele



















While the DFS market has thrived, FinTechs still focus on payments and remittances, which means that market needs are not fully covered yet



List of FinTechs:

- [Bizao](#)
- [CinetPay](#)
- [Djogana](#)
- [Hub2](#)
- [InTouch](#)
- [Julaya](#)
- [Locatys](#)
- [Messenka](#)
- [Mojaride](#)
- [Oukaley](#)
- [Payqin](#)
- [PEG](#)
- [QuickCash](#)
- [Scash](#)
- [SycaPay](#)
- [Tibank](#)
- [Wizall](#)

Inclusive FinTechs are missing the opportunity to deliver meaningful value for women and young rural populations

	 Women	 SMEs	 Farmers	 Youth
 Payments and transfers		    		
 Credit				
 Investments and savings				



Quickcash is a regional remittances services that targets low- and middle-incomes farmers.

Djogana (FarFar) offers tax collection to the informal sector over the phone and electronic payment solutions to businesses.

Payqin offers a virtual international card to help young entrepreneurs develop their online business.

Oukaley is a crowdfunding platform for social enterprises.

Hub2 offers innovative payment services that allow MSMEs to propose free innovative payment methods.

Julaya provides small merchants and SMEs with access to digital financial services.

Case of Dothan Group



Keiwa is an application that allows traders in the informal sector of Cote d' Ivoire to manage their accounting independently. They were incubated with Société Générale for 3 months in Sénégal and tested the solution with a Senegalese microfinance institution, Manko. Two solutions are offered: KEIWA fun, a financial educator who manages the household budget (personal or family) and KEIWA pro, which allows a small business owner to keep a simplified accounting system on the phone for the business.



Context of solution

Despite having a seemingly active economy that is supported largely by its informal sector, more than 6.4 million traders in Cote d'Ivoire struggle to demonstrate their value creation. Without financial records SMEs cannot access bank credit to scale their business.

Problem Statement: How to facilitate access to loans for informal workers without financial records?

How it works ?	Opportunity	Business Model	Impact
Enrollment <ul style="list-style-type: none"> • Identification • Account Creation Real time financial reporting <ul style="list-style-type: none"> • Inventory tracking • Expenses • Revenues • Credit 	Financial Services <ul style="list-style-type: none"> • Saving • Loans • Insurance 	<ul style="list-style-type: none"> • Monthly subscription fees • Multilingual platform 	<ul style="list-style-type: none"> • Allowing users to build formal financial records to present for loan applications from partnering banks • Generates KPIs for businesses
	Target Clients <ul style="list-style-type: none"> • Local traders and SMEs • Financial institutions • Insurance companies 		

Case study of Messenka



Messenka offers an e-service digital platform that operates on Facebook Messenger and Telegram. Consumers create a Messenka wallet linked to their mobile money accounts. From the app or via an SMS, they can pay bills to service providers, such as utility providers, e-commerce companies, and schools. Users conduct transactions by sending requests on an instant messenger chatbot either online through Facebook or through SMS.

Context of solution

Messenka was founded in 2015 to provide payment and transfer solutions to online social media users, including Facebook Messenger—a popular communication channel in Côte d’Ivoire, particularly among the youth.

Problem Statement: How to provide payment and transfer solutions to online social media users?

How it works ?	Opportunity	Business Model	Impact
<p>Enrollment</p> <ul style="list-style-type: none"> • Identification • Account creation <p>Real time financial reporting</p> <ul style="list-style-type: none"> • Inventory tracking • Expenses • Revenues 	<p>Financial Services</p> <ul style="list-style-type: none"> • Saving • Financial education <p>Target Clients</p> <ul style="list-style-type: none"> • Youth and the low-income segments in both urban and rural areas 	<ul style="list-style-type: none"> • Monthly subscription fees <ul style="list-style-type: none"> – B2C: 500 F CFA/month – B2B: 5000 F CFA/month • No fees for transfers between Messenka wallets 	<ul style="list-style-type: none"> • + 10,000 open accounts • 1,200 active ones and transactions worth CFA 1 billion in two years of operation • + 70,000 conversations/month





Côte d'Ivoire

The supporting ecosystem

Ivorian FinTechs have difficulties maturing due to founders' lack of managerial skills and ability to seek out appropriate support

Internal barriers

Impact on viability



Skills

- Most FinTechs owners lack the complementary management capabilities required to run a business and deal with fundraising, search for partnerships, conduct marketing, and be in legal compliance.
“We need support to better understand the market and refine our business model to be able to serve the LMI segment.” - A FinTech CEO



Capital

- Local FinTechs build on limited financial resources and lack access to funding required to consolidate or operationalization processes.
“MNOs are required to keep sufficient balances in an account, which impacts the cash flow available.” - A FinTech CEO



Talent management

- Most FinTechs are start-ups that struggle to find and hire talent.
“Finding talents is a challenge, especially in a start-up context with a lot of pressure and uncertainty, so we need to have access to the human resources recruitment network.” - A FinTech CEO



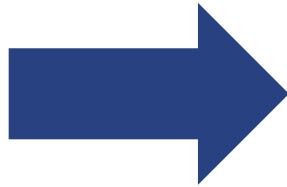
Collaboration

- Some FinTechs demonstrate little understanding of customers and the needs of incumbents beyond the initial value proposition and are unlikely to refine solutions with respect to market readiness.
“The LMI segment has a huge potential for greater inclusion, but this requires building trust between customers and financial institutions, which is what FinTechs should focus on.” - A Bank Manager



Regulation is perceived as an important factor for the capability of FinTechs to introduce innovative products and services

Barriers perceived by FinTechs



- A lack of protection for start-ups and weak regulation of competition
- A legal void that leaves uncertainty hanging over the sustainability of FinTech businesses because of regulatory risk
- Difficulty knowing how to account for the revenue generated
- FinTechs are unable to access the USSD channel with providers easily, which is a problem because the Internet is limited in rural areas
- Lack of a framework nor testing zone to reduce BCEAO concerns
- A need to democratize USSD access, despite the regulator's lack of willingness to take countermeasures against MNOs and tendency to encourage the resolution of issues between concerned companies
- Cost of license to issue or distribute electronic money makes FinTechs overly dependent on incumbents
- MFIs lack the right to issue e-money, which limits the ability to form partnerships to reach the LMI populations

“To favor financial inclusion in agriculture, the State should reduce the cost of the agriculture card to 1.5% as a way of resolving KYC guarantees.” - A FinTech CEO

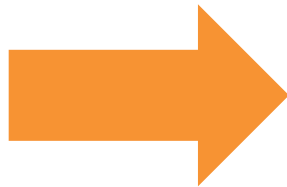
“The upcoming interoperability changes will allow for aggregation.” - A FinTech CEO

Do the regulations enable innovations in Côte d'Ivoire?

“The norms need to be a bit more flexible.” - A bank representative

“There is no rules based framework.” - A FinTech CEO

Opportunities perceived by FinTechs



- Increased dialog with the regulators can lead to revisions to the regulatory framework allowing greater innovation in the sector
- WAEMU's current agreement on interoperability will allow FinTechs to use the platform, which will subsequently contribute to cost reduction and pooling of efforts

The lack of a regulatory framework for FinTechs and rising taxes on mobile money threaten the development of inclusive FinTech products



Progress to date

Digital financial inclusion

- **Financial inclusion:** The National Strategy for Financial Inclusion (2016-2024) came into being in May, 2019. It works to reach a financial inclusion rate of 60% in 2024 by promoting improved access to DFS for the poorest, with an emphasis on women.
- **Digital identification:** The law 2019-566, adopted in June, 2019, has established a Biometric National ID Card that will be required for voting. While 68% of Ivorians have an ID card up to now,* the forthcoming presidential elections in 2020 should encourage the remaining population to register.
- **Consumer protection:** The law 2016-412 on consumer protection, adopted in early 2017, includes a chapter on protection of consumers of financing services.
- **Cybersecurity:** The law 2013-451 against cybercrime provides security for electronic data.
- **Infrastructure:** The government has been working to bridge the digital divide with the development of 7,000 km of optical fiber across the country.
- **Competition:** At the time of writing, ARTCI was in the process of issuing an agreement for VAS and BCEAO to issue an electronic money license for non-financial institutions.



Limits for digital financial inclusion

- The lack of a regulatory framework for FinTech prevents FinTechs from collaborating and from trying specific approaches to improve financial inclusion.
- The steady increase of taxes on mobile money transactions threatens to reverse the gains made in financial inclusion and limit the impact of mobile money on the Côte d'Ivoire 2040 Vision and achievement of the SDGs.
- Lack of a simple and affordable e-signature process.
- Only just over half of the Ivorian population has a birth certificate or ID, and regulation does not allow for tiered KYC.
- As FinTechs operate outside the central bank's purview, there is a gray area regarding consumer protection. As a result, the FinTechs manage transparency, customer complaints, data privacy, and service quality in terms of availability and reliability at their discretion.
- The country is ranked 86/175 on the Global cybersecurity index, which means that there is space to continue improving, especially with regard to capacity-building of the stakeholders.
- The competitive dynamics favors MNOs, while other types of FinTechs have difficulty equitably accessing and using reliable USSD and API channels.
- Limits on non-MNOs' access to USSD has made it harder for FinTechs to offer innovative products and services to customers.

* Source: IUT (2018)

The WAEMU centralized licensing system for savings and credit prevents FinTechs from designing solutions adapted to local needs, especially in the rural areas where financial institutions are scarce



Products

Progress to date

Limits for digital financial inclusion

Payments and transfers

- The Central Bank of West Africa (BCEAO) has issued DFS guidelines that allow all types of institutions, including banks, MNOs, and non-bank payment service providers, to issue e-money. Providers need only to apply once to be allowed to operate within the region. This reduces the barriers to entry and limits investment costs for regional expansion.
- An interoperable regional payment platform is upcoming and expected to be operational by mid-2020.
- Ivorian law 2013-546 on electronic transactions has set a regulation framework for e-commerce activities, including KYC rules.

- Until the interoperability is effective and the regulations clarify how FinTechs could be integrated into the payment ecosystem, FinTechs need to sign agreements with each provider or use an aggregator.
- No specific regulations exist for the payments solution or money transfer services of aggregator FinTechs.
- Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) only allows licensed financial institutions to provide credit and to collect savings. The license to issue electronic money prevents FinTechs from issuing credit and savings accounts, except for products provided by a bank or MFI that can be used to issue e-money.

Savings and lending

- Credit Reference Bureaus are being set up in all WAEMU countries.

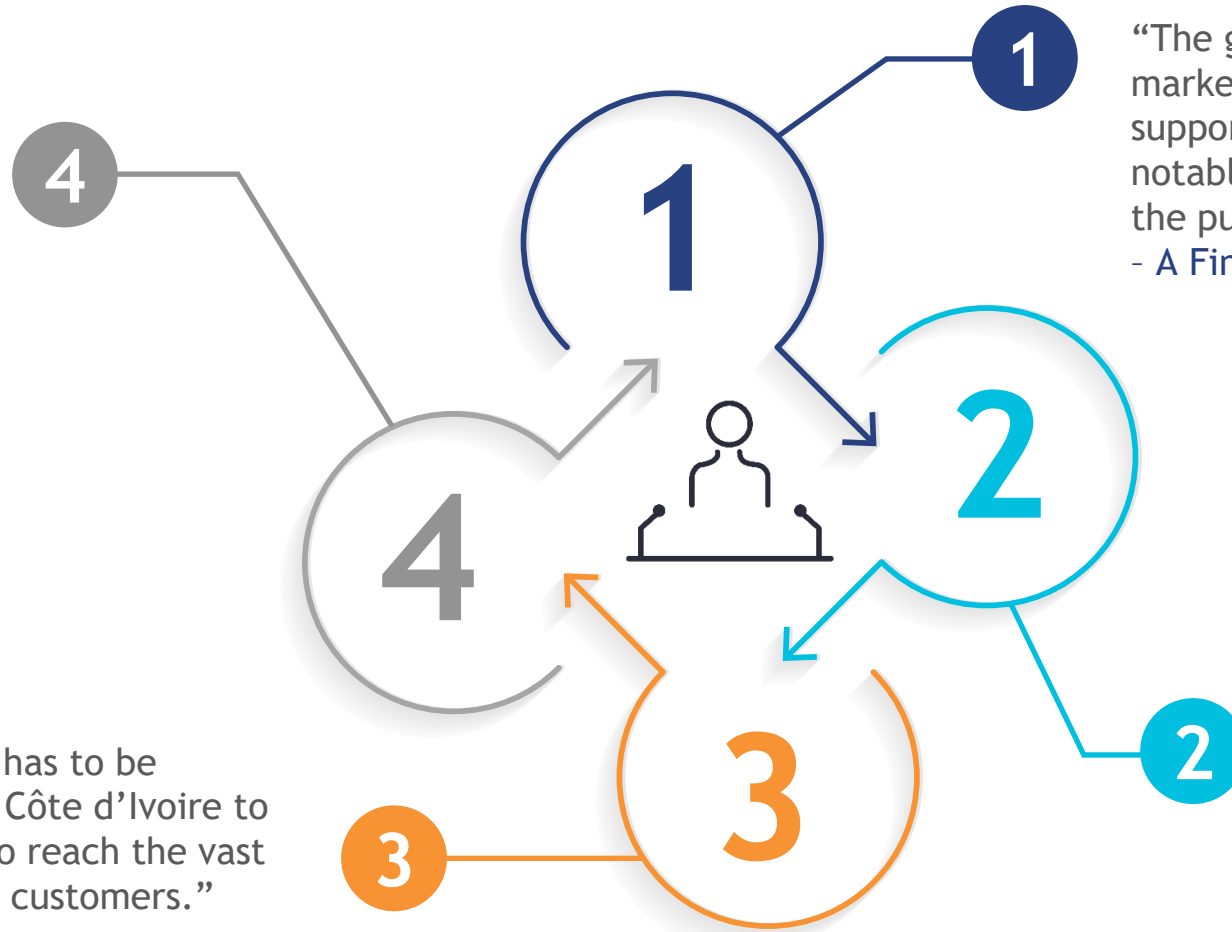
- Credit pricing is a barrier, with interest rate caps of 15% for banks and 24% for microfinance institutions, which makes it challenging for them to develop a profitable business model and discourages new initiatives.
- The lack of simple and affordable e-signature and biometric national ID has impeded the introduction of second-generation products like savings, credit, and insurance.

Sources: BCEAO Instruction n° 15-12/2010/RB; Instruction n° 008-05

Partnerships are at the heart of the viability and development of FinTechs

“FinTechs need to partner with actors that have strong appetite for innovation, for them to get support all along the exploration process.”
- A FinTech CEO

“Access to USSD has to be democratized in Côte d’Ivoire to allow FinTechs to reach the vast segment of rural customers.”
- A FinTech CEO



“The government has a market role to play to support local FinTechs, notably by linking them to the public service market.”
- A FinTech CEO

“Greater cooperation between finance stakeholders is needed to reduce informational asymmetry and high intermediation costs in the financial value chain, which affects the competitiveness of FinTechs.”
- A FinTech CEO

FinTechs in Côte d'Ivoire rely on incumbents to access markets and overcome regulatory barriers for second-generation products

Potential partner	What are the benefits for FinTechs to build partnerships with this market player?	What are the challenges faced when building partnerships with this type of market player?	Partnership Approach
Banks	<ul style="list-style-type: none"> Partnering with well-known banks enables FinTechs to gain visibility, legitimacy, reputation, and greater business networks Banks issue e-money and offer push and pull solutions (transfers from a bank account to a wallet) Banks may provide technical support and loans to selected partners 	<ul style="list-style-type: none"> Banks are large players with slow and centralized decision-making process, which makes it difficult for FinTechs to link with them locally Banks are increasingly developing their own digital solutions on a call-for-tender basis and a few work with local FinTechs 	<ul style="list-style-type: none"> Banks are ready to test local FinTechs' solutions but do not support them in the development and deployment stages Second-generation DFS providers, such as Scash, Tibank, and Messenka need to partner with banks to develop their credit and savings solution SycaPay has a partnership with UBA that allows credit card holders to conduct e-commerce transactions
MFIs	<ul style="list-style-type: none"> Microfinance institutions have better outreach, especially in terms of LMI clients, and are less risk-averse than banks, which makes partnerships attractive for FinTechs 	<ul style="list-style-type: none"> Major MFI players are headquartered outside the region and focus on global solutions, which limits the room for locally-set collaboration programs 	<ul style="list-style-type: none"> In a mutually beneficial partnership that is commission-based for FinTechs, MFIs would allow people from LMI segments to borrow and repay loans via mobile money
MNOs	<ul style="list-style-type: none"> MNOS have financial and technological resources that make the partnership attractive With large market penetration, MNOs may support FinTechs in recruiting new clients 	<ul style="list-style-type: none"> Interoperability must be negotiated on a bilateral basis and MNOs are not always willing to cooperate MNOs may be reluctant to open their API and are not required to open up their USSD MNOs do not want to be involved in retention efforts 	<ul style="list-style-type: none"> MNOs in Côte d'Ivoire (Orange, MTN and MOOV) were usually responsive to FinTechs when it comes to releasing their APIs, but were reluctant to concede lower transaction fees Since their beginnings, SycaPay and CinetPay have established partnerships with MNOs to aggregate mobile money solutions

FinTechs in Côte d'Ivoire rely on incumbents to access markets and overcome regulatory limits for second-generation products

Potential partner	What are the benefits for FinTechs to build partnerships with this market player?	What are the challenges faced when building partnerships with this type of market player?	Partnership Approach
Institutions	<ul style="list-style-type: none"> National and local governments need to increase mobilization of domestic revenues by securing and formalizing tax collection Developing solutions for individuals and their families to pay, save, or borrow for education fees and hospital expenses 	<ul style="list-style-type: none"> Convincing government bodies to entrust private operators with the task of collecting public money The Ministry of Education has a partnership with MNOs to promote mobile money-based payment of public schools fees* 	<ul style="list-style-type: none"> SycaPay and CinetPay intend to develop partnerships with private schools to facilitate student payments In partnership with the Ministry of Education, local online payment provider CelPaid operates a nationwide service that allows people to pay school registration fees online
Utility providers	<ul style="list-style-type: none"> Utility public and private providers of goods and services operate large volumes of transactions. These providers include energy, water, public transport, real estate, petrol stations, insurance, e-commerce, and pharmacies. Capturing regular and sizeable cash-based flows into the digital system 	<ul style="list-style-type: none"> While the major utility providers have already integrated FinTech solutions with aggregators, obtaining partnerships with small and scattered providers requires proactive canvassing by FinTechs 	<ul style="list-style-type: none"> MojaPay is looking for a partnership with SOTRA, the public transport company, and lagoon boat companies to implement a NFC card-based solution to pay transport fees Locatys and Hub2 seek agreements with real estate companies to operate their rent collection solution
Economic interfaces	<ul style="list-style-type: none"> Building on the rootedness of economic organizations in the informal economy, including cooperatives, labor unions, and migrant organizations Access to an aggregate of informal and low-income workers 	<ul style="list-style-type: none"> Despite the presence of aggregators, most economic interfaces are not sizeable enough to develop profitable single solutions with them, which requires to concurrently partner with multiple actors 	<ul style="list-style-type: none"> QuickCash has established linkages with the Togolese community of Abidjan to promote its remittances transfer solution

* Frydrych, J., Scharwatt, C. & Vonthron, N. 2015, Paying School Fees with Mobile Money in Côte d'Ivoire. GSMA; **<http://gca-foundation.org/>

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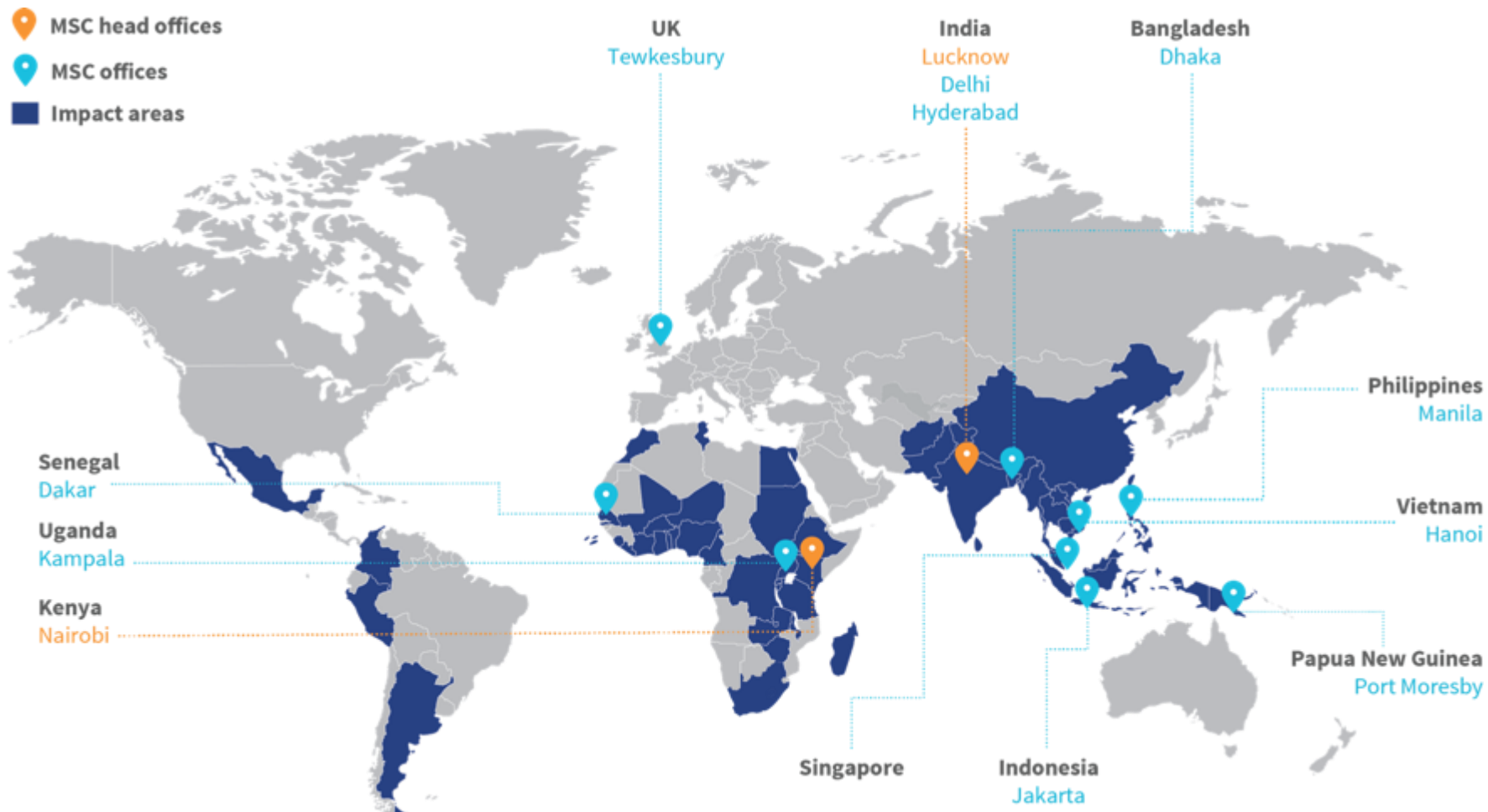
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